



PUBLIC BANK

# SURMOUNTING The New Norms

2020 ANNUAL REPORT | FINANCIAL STATEMENTS



STRONG  
LEADERSHIP



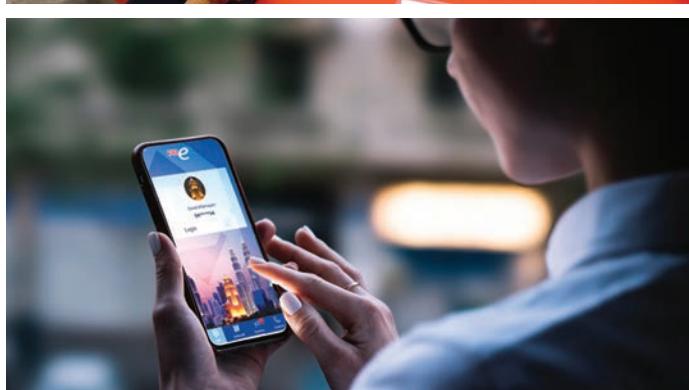
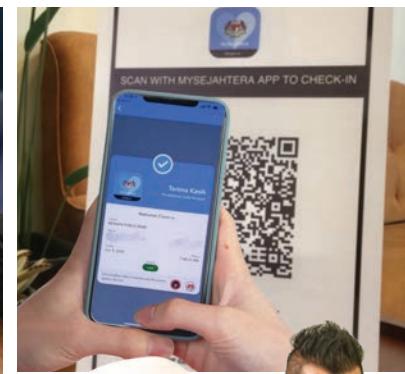
DIGITAL  
SOLUTIONS



AGILE  
WORKFORCE



FISCAL  
PRUDENCE





## SURMOUNTING The New Norms

The COVID-19 pandemic has created overwhelming challenges in every aspect of our lives. Here at Public Bank, we are not only addressing these challenges head-on but embracing the new business environment as we adapt to a different landscape presented by the pandemic.

We are confident of our strength and stability to overcome these challenges. We will leverage on our principles of excellence, integrity, prudence and strong corporate governance to stand resolute. Helmed by visionary leadership and backed by a dedicated workforce, we are taking proactive actions to **surmount the new norms**.

We have put in place SOPs to ensure the health and safety of our customers and employees. We have announced various relief measures to assist those affected during these trying times. The significant investments we made in our digital capabilities over the past years will ensure our customers have access to seamless and integrated banking experiences quickly and easily. We will remain steadfast, agile and adaptive to successfully navigate the road ahead.

# Corporate Mission

**TO SUSTAIN THE POSITION OF BEING THE MOST EFFICIENT, PROFITABLE AND RESPECTED PREMIER FINANCIAL INSTITUTION IN MALAYSIA.**



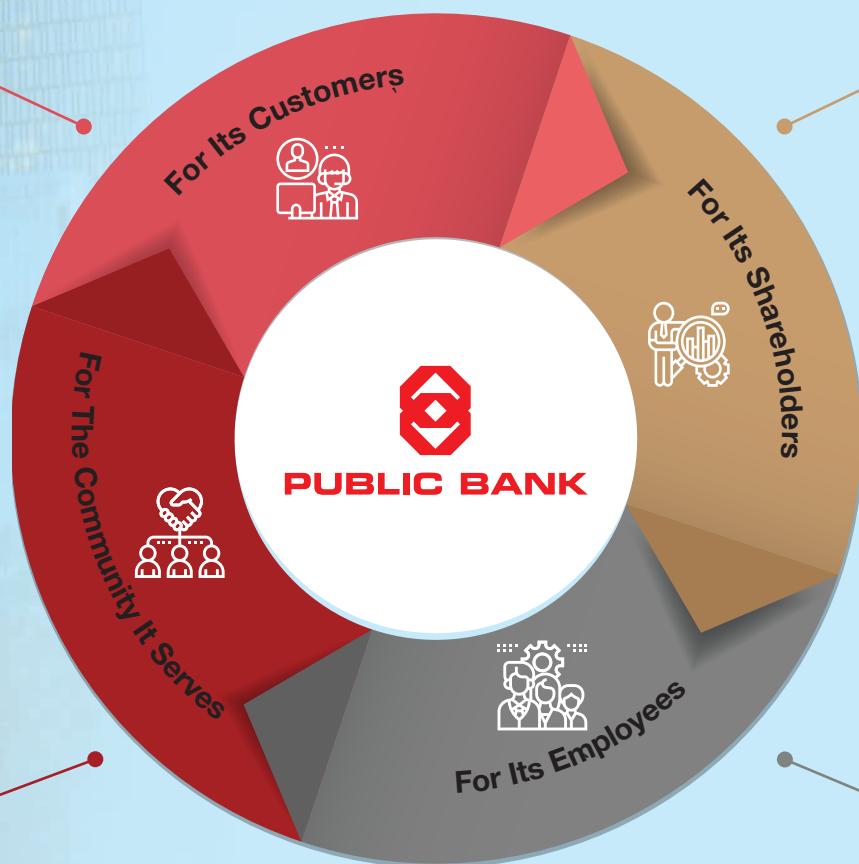
This annual report is available on the web at [www.publicbankgroup.com](http://www.publicbankgroup.com)

# Corporate Philosophy

## Public Bank Cares...

- By providing the most courteous and efficient service in every aspect of its business
- By being innovative in the development of new banking products and services

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and a fair return on their investment



- By assuming its role as a socially responsible corporate citizen in a tangible manner
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

- By promoting the well-being of its staff through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

...With Integrity

### Financial Statements

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# Financial Highlights

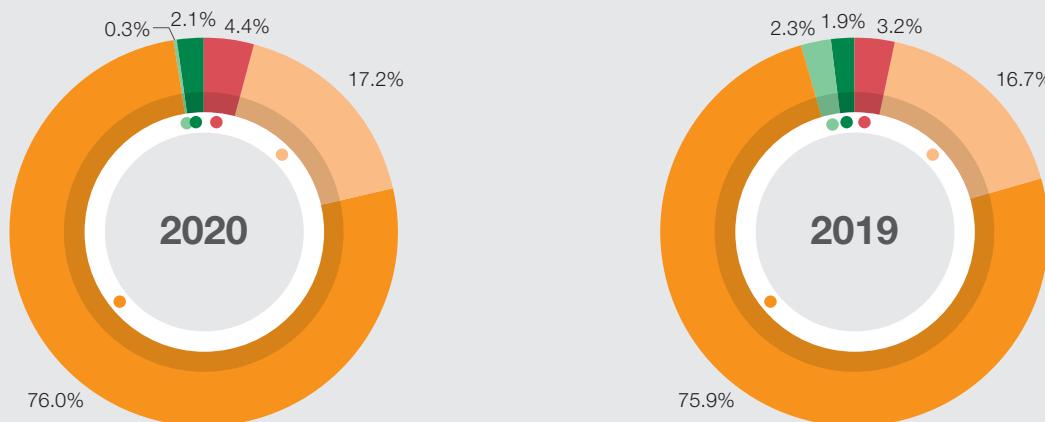
|  | GROUP          |         | BANK           |         |
|--|----------------|---------|----------------|---------|
|  | 2020           | 2019    | 2020           | 2019    |
| <b>PROFITABILITY (RM'MILLION)</b>                      |                |         |                |         |
| Operating revenue                                      | <b>20,304</b>  | 22,455  | <b>14,600</b>  | 16,338  |
| Operating profit                                       | <b>7,403</b>   | 7,283   | <b>5,884</b>   | 5,957   |
| Profit before tax expense and zakat                    | <b>6,285</b>   | 7,134   | <b>5,156</b>   | 5,911   |
| Net profit attributable to equity holders of the Bank  | <b>4,872</b>   | 5,512   | <b>4,125</b>   | 4,745   |
| <b>KEY BALANCE SHEET DATA (RM'MILLION)</b>             |                |         |                |         |
| Total assets   | <b>451,257</b> | 432,831 | <b>353,221</b> | 339,545 |
| Gross loans, advances and financing                    | <b>345,651</b> | 330,468 | <b>269,512</b> | 257,705 |
| Deposits from customers                                | <b>365,871</b> | 353,340 | <b>278,079</b> | 268,260 |
| Shareholders' equity                                   | <b>47,248</b>  | 43,594  | <b>39,940</b>  | 37,078  |
| <b>FINANCIAL RATIOS (%)</b>                            |                |         |                |         |
| <b>Profitability Ratios</b>                            |                |         |                |         |
| Net interest margin on average interest bearing assets | <b>2.0</b>     | 2.2     | <b>1.8</b>     | 2.0     |
| Net return on equity <sup>1</sup>                      | <b>11.2</b>    | 13.6    | <b>11.3</b>    | 13.7    |
| Return on average assets                               | <b>1.4</b>     | 1.7     | <b>1.5</b>     | 1.8     |
| Return on average risk-weighted assets                 | <b>2.2</b>     | 2.6     | <b>2.3</b>     | 2.7     |
| <b>Capital Adequacy Ratios<sup>2</sup></b>             |                |         |                |         |
| Common Equity Tier I capital ratio                     | <b>14.0</b>    | 13.5    | <b>12.6</b>    | 12.1    |
| Tier I capital ratio                                   | <b>14.0</b>    | 13.5    | <b>12.7</b>    | 12.2    |
| Total capital ratio                                    | <b>17.1</b>    | 16.8    | <b>16.0</b>    | 15.5    |
| <b>Asset Quality Ratio</b>                             |                |         |                |         |
| Gross impaired loans ratio                             | <b>0.4</b>     | 0.5     | <b>0.3</b>     | 0.4     |

<sup>1</sup> Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.

<sup>2</sup> After deducting dividend declared subsequent to year end.

# Simplified Group Balance Sheet

## Assets



Cash and balances with banks and reverse repurchase agreements

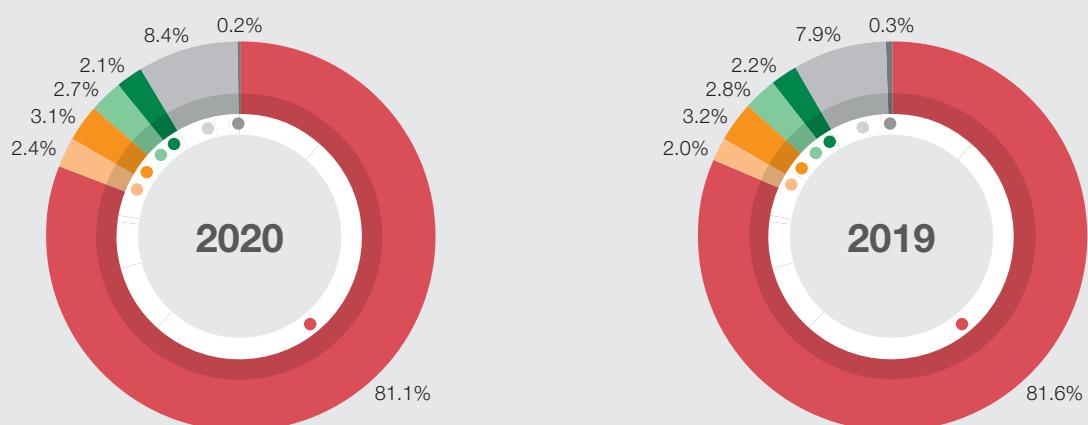
Portfolio of financial investments

Loans, advances and financing

Statutory deposits with Central Banks

Other assets (including intangible assets)

## Liabilities & Equity



Deposits from customers

Deposits from banks

Bills and acceptances payable and other liabilities

Debt securities issued and other borrowed funds

Share capital

Reserves

Non-controlling interests

# Five-Year Group Financial Summary

| YEAR ENDED 31 DECEMBER                                | 2020           | 2019    | 2018    | 2017    | 2016    |
|---|----------------|---------|---------|---------|---------|
| <b>OPERATING RESULTS (RM'MILLION)</b>                 |                |         |         |         |         |
| Operating profit                                      | <b>7,403</b>   | 7,283   | 7,270   | 7,319   | 6,745   |
| Profit before tax expense and zakat                   | <b>6,285</b>   | 7,134   | 7,101   | 7,118   | 6,554   |
| Net profit attributable to equity holders of the Bank | <b>4,872</b>   | 5,512   | 5,591   | 5,470   | 5,207   |
| <b>KEY BALANCE SHEET DATA (RM'MILLION)</b>            |                |         |         |         |         |
| Total assets  | <b>451,257</b> | 432,831 | 419,693 | 395,276 | 380,053 |
| Gross loans, advances and financing                   | <b>345,651</b> | 330,468 | 317,302 | 304,453 | 293,959 |
| Total liabilities                                     | <b>402,830</b> | 388,084 | 377,597 | 356,831 | 344,689 |
| Deposits from customers                               | <b>365,871</b> | 353,340 | 339,160 | 319,259 | 309,974 |
| Core customer deposits                                | <b>310,144</b> | 294,646 | 283,846 | 269,723 | 258,155 |
| Share capital   | <b>9,418</b>   | 9,418   | 9,418   | 9,418*  | 3,882   |
| Shareholders' equity                                  | <b>47,248</b>  | 43,594  | 40,973  | 37,365  | 34,213  |
| Commitments and contingencies                         | <b>106,934</b> | 94,315  | 96,368  | 95,443  | 105,592 |
| <b>SHARE INFORMATION AND VALUATION</b>                |                |         |         |         |         |
| <b>Share Information</b>                              |                |         |         |         |         |
| Per share (sen)                                       |                |         |         |         |         |
| Basic / Diluted earnings <sup>#</sup>                 | <b>25.1</b>    | 28.4    | 28.9    | 28.3    | 27.0    |
| Dividend <sup>#</sup>                                 | <b>13.0</b>    | 14.6    | 13.8    | 12.2    | 11.6    |
| Net assets <sup>#</sup>                               | <b>243.4</b>   | 224.6   | 211.1   | 193.5   | 177.2   |
| Share price as at 31 December (RM) <sup>#</sup>       | <b>4.12</b>    | 3.89    | 4.95    | 4.16    | 3.94    |
| Market capitalisation (RM'Million)                    | <b>79,972</b>  | 75,469  | 96,122  | 80,671  | 76,556  |
| <b>Valuations</b>                                     |                |         |         |         |         |
| Dividend yield (%)                                    | <b>3.2</b>     | 3.8     | 2.8     | 2.9     | 2.9     |
| Dividend payout ratio (%)                             | <b>51.8</b>    | 51.4    | 47.9    | 43.1    | 43.0    |
| Price to earnings multiple (times)                    | <b>16.4</b>    | 13.7    | 17.2    | 14.7    | 14.6    |
| Price to book multiple (times)                        | <b>1.7</b>     | 1.7     | 2.3     | 2.1     | 2.2     |

\* The Bank's share premium account was transferred to form part of the Bank's share capital pursuant to the Companies Act 2016 which came into force on 31 January 2017.

# For comparative purpose, the earnings, dividend, net assets and price per share had been adjusted to reflect the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 29 January 2021.



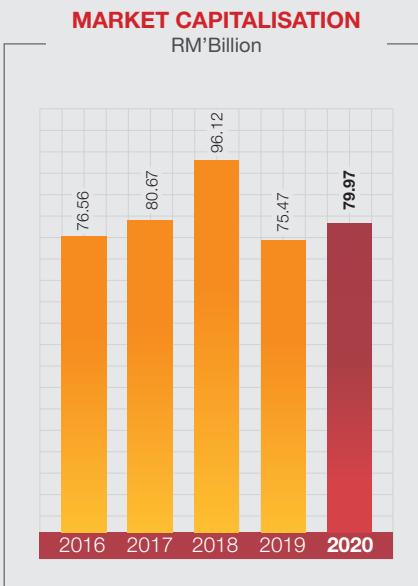
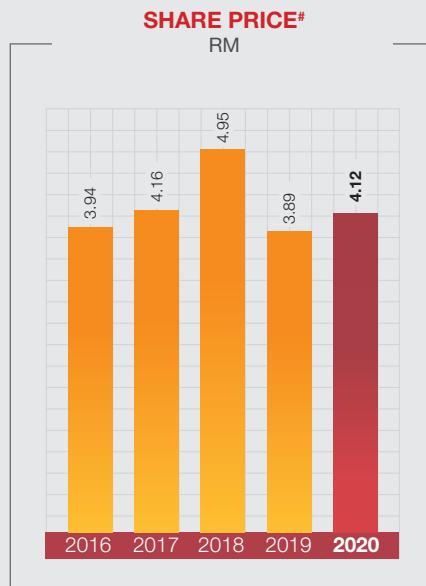
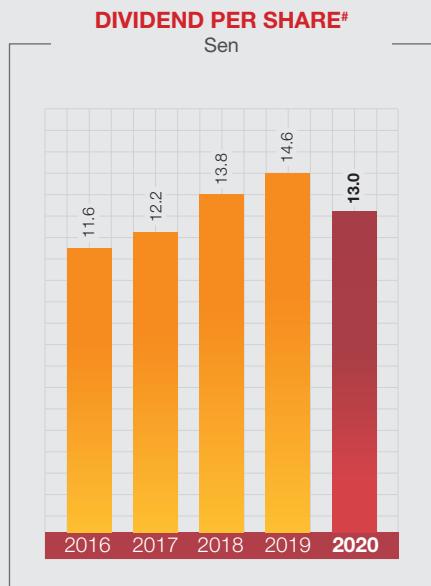
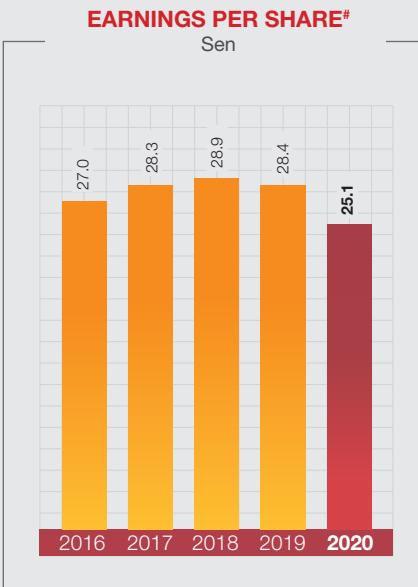
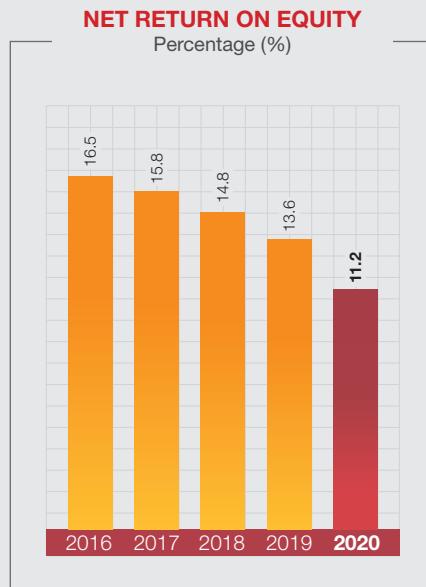
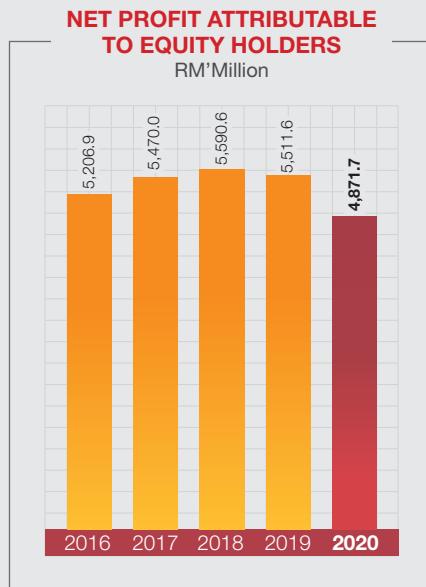
| YEAR ENDED 31 DECEMBER                                 | 2020          | 2019   | 2018   | 2017   | 2016   |
|--|---------------|--------|--------|--------|--------|
| <b>FINANCIAL RATIOS (%)</b>                            |               |        |        |        |        |
| <b>Profitability Ratios</b>                            |               |        |        |        |        |
| Net interest margin on average interest bearing assets | <b>2.0</b>    | 2.2    | 2.2    | 2.3    | 2.2    |
| Net return on equity <sup>1</sup>                      | <b>11.2</b>   | 13.6   | 14.8   | 15.8   | 16.5   |
| Return on average assets                               | <b>1.4</b>    | 1.7    | 1.7    | 1.8    | 1.8    |
| Return on average risk-weighted assets                 | <b>2.2</b>    | 2.6    | 2.7    | 2.8    | 2.7    |
| Cost / income ratio                                    | <b>34.6</b>   | 34.4   | 33.0   | 31.9   | 32.3   |
| <b>Asset Quality Ratios</b>                            |               |        |        |        |        |
| Gross loans to fund ratio                              | <b>90.2</b>   | 88.9   | 88.4   | 90.0   | 90.8   |
| Gross loans to fund and equity ratio                   | <b>80.0</b>   | 79.2   | 79.0   | 80.7   | 81.8   |
| Gross impaired loans ratio                             | <b>0.4</b>    | 0.5    | 0.5    | 0.5    | 0.5    |
| Loan loss coverage                                     |               |        |        |        |        |
| – Exclude regulatory reserve                           | <b>227.7</b>  | 124.1  | 126.0  | 95.5   | 102.7  |
| – Include regulatory reserve                           | <b>325.1</b>  | 249.8  | 237.5  | 256.5  | 248.5  |
| <b>Capital Adequacy Ratios<sup>2</sup></b>             |               |        |        |        |        |
| Common Equity Tier I (“CET I”) capital ratio           | <b>14.0</b>   | 13.5   | 13.1   | 12.2   | 11.4   |
| Tier I capital ratio                                   | <b>14.0</b>   | 13.5   | 13.7   | 13.0   | 12.2   |
| Total capital ratio                                    | <b>17.1</b>   | 16.8   | 16.3   | 16.0   | 15.5   |
| <b>PRODUCTIVITY RATIOS</b>                             |               |        |        |        |        |
| Number of employees                                    | <b>19,414</b> | 19,260 | 18,721 | 18,553 | 18,651 |
| Gross loans per employee (RM'000)                      | <b>17,804</b> | 17,158 | 16,949 | 16,410 | 15,761 |
| Deposits per employee (RM'000)                         | <b>18,846</b> | 18,346 | 18,117 | 17,208 | 16,620 |
| Profit before tax per employee (RM'000)                | <b>324</b>    | 370    | 379    | 384    | 351    |
| <b>MARKET SHARE (%)</b>                                |               |        |        |        |        |
| Domestic market share <sup>3</sup>                     |               |        |        |        |        |
| Loans, advances and financing                          | <b>17.7</b>   | 17.3   | 17.2   | 17.8   | 17.7   |
| Deposits from customers                                | <b>16.5</b>   | 16.5   | 16.2   | 16.6   | 16.9   |
| Core customer deposits                                 | <b>17.2</b>   | 16.9   | 16.8   | 17.4   | 17.5   |

<sup>1</sup> Based on equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.

<sup>2</sup> After deducting dividend declared subsequent to year end.

<sup>3</sup> From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd.

# Summary of Five-Year Group Growth



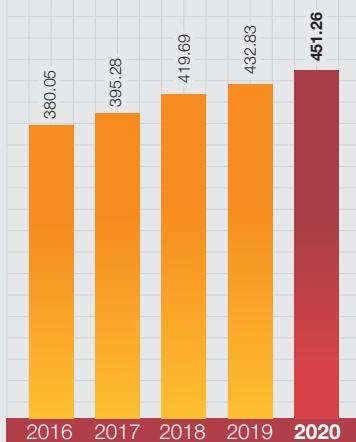
<sup>#</sup> Adjusted to reflect the bonus issue of four bonus shares for every one existing ordinary share which was completed and listed on Bursa Malaysia on 29 January 2021.

## PUBLIC BANK'S RANKING BY MARKET CAPITALISATION ON BURSA MALAYSIA SECURITIES BERHAD

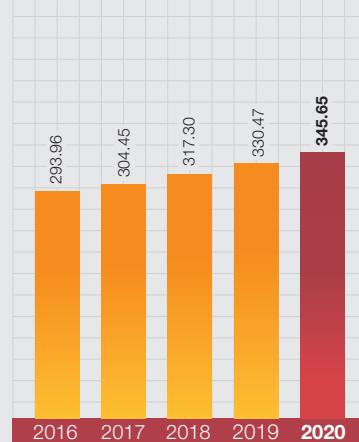
| Year    | 2016 | 2017 | 2018 | 2019 | 2020       |
|---------|------|------|------|------|------------|
| Ranking | 3rd  | 3rd  | 2nd  | 2nd  | <b>2nd</b> |

**TOTAL ASSETS**

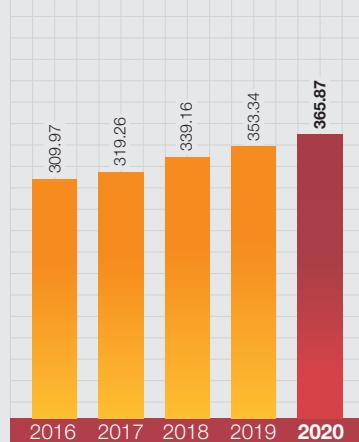
RM' Billion

**GROSS LOANS, ADVANCES  
AND FINANCING**

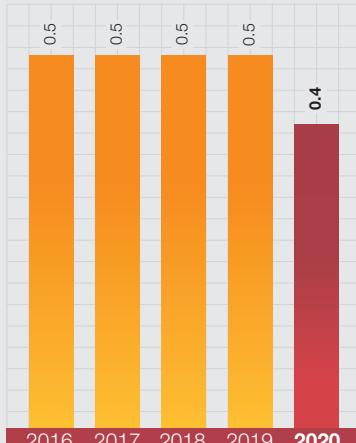
RM' Billion

**CUSTOMER DEPOSITS**

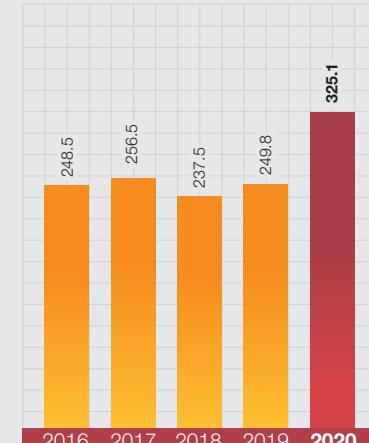
RM' Billion

**GROSS IMPAIRED LOANS RATIO**

Percentage (%)

**LOAN LOSS COVERAGE\***

Percentage (%)

**TOTAL CAPITAL RATIO\*\***

Percentage (%)

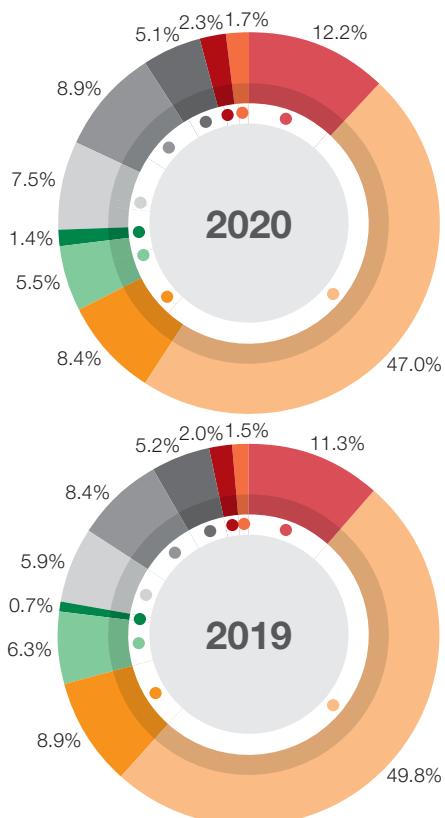


\* Including regulatory reserves.

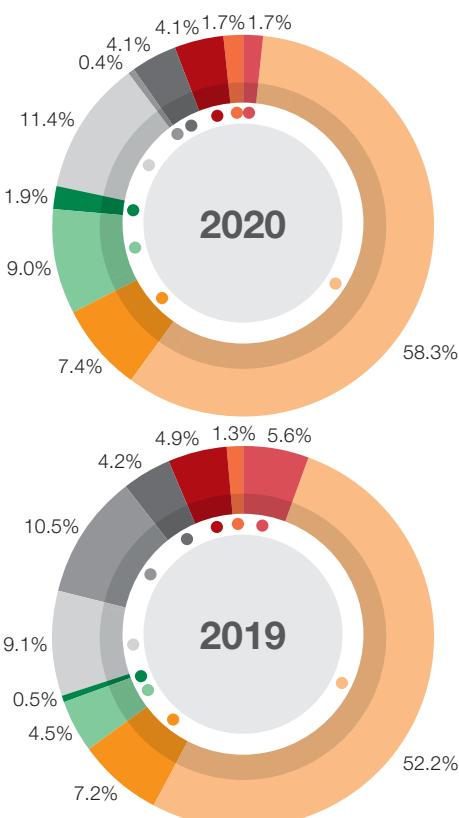
\*\* After deducting dividend declared subsequent to year end.

# Segmental Analysis

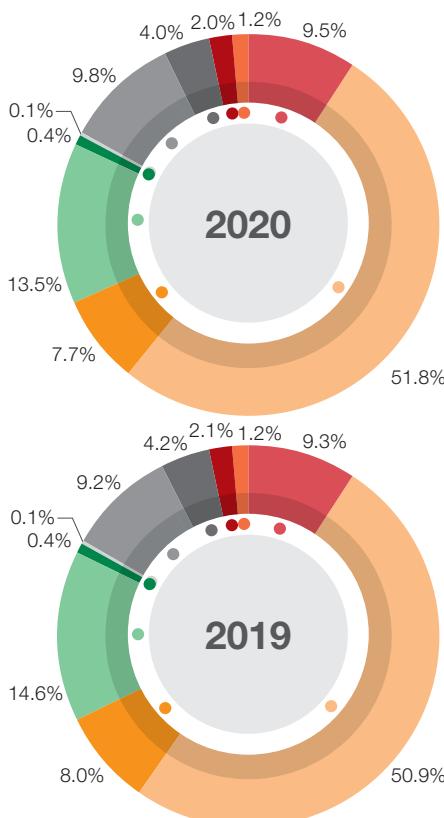
## Operating Revenue



## Profit Before Tax



## Total Assets



2020      2019  
%            %

|  |              |       |
|--|--------------|-------|
| Hire purchase                          | <b>12.2</b>  | 11.3  |
| Retail operations                      | <b>47.0</b>  | 49.8  |
| Corporate lending                      | <b>8.4</b>   | 8.9   |
| Treasury and capital market operations | <b>5.5</b>   | 6.3   |
| Investment banking                     | <b>1.4</b>   | 0.7   |
| Fund management                        | <b>7.5</b>   | 5.9   |
| Others                                 | <b>8.9</b>   | 8.4   |
| Total domestic                         | <b>90.9</b>  | 91.3  |
|  |              |       |
| Hong Kong SAR                          | <b>5.1</b>   | 5.2   |
| Cambodia                               | <b>2.3</b>   | 2.0   |
| Other countries                        | <b>1.7</b>   | 1.5   |
| Total overseas                         | <b>9.1</b>   | 8.7   |
| Total                                  | <b>100.0</b> | 100.0 |

2020      2019  
%            %

|  |              |       |
|--|--------------|-------|
| Hire purchase                          | <b>1.7</b>   | 5.6   |
| Retail operations                      | <b>58.3</b>  | 52.2  |
| Corporate lending                      | <b>7.4</b>   | 7.2   |
| Treasury and capital market operations | <b>9.0</b>   | 4.5   |
| Investment banking                     | <b>4.1</b>   | 0.5   |
| Fund management                        | <b>11.4</b>  | 9.1   |
| Others                                 | <b>0.4</b>   | 10.5  |
| Total domestic                         | <b>90.1</b>  | 89.6  |
|  |              |       |
| Hong Kong SAR                          | <b>4.1</b>   | 4.2   |
| Cambodia                               | <b>4.1</b>   | 4.9   |
| Other countries                        | <b>1.7</b>   | 1.3   |
| Total overseas                         | <b>9.9</b>   | 10.4  |
| Total                                  | <b>100.0</b> | 100.0 |

2020      2019  
%            %

|  |              |       |
|--|--------------|-------|
| Hire purchase                          | <b>9.5</b>   | 9.3   |
| Retail operations                      | <b>51.8</b>  | 50.9  |
| Corporate lending                      | <b>7.7</b>   | 8.0   |
| Treasury and capital market operations | <b>13.5</b>  | 14.6  |
| Investment banking                     | <b>0.4</b>   | 0.4   |
| Fund management                        | <b>0.1</b>   | 0.1   |
| Others                                 | <b>9.8</b>   | 9.2   |
| Total domestic                         | <b>92.8</b>  | 92.5  |
|  |              |       |
| Hong Kong SAR                          | <b>4.0</b>   | 4.2   |
| Cambodia                               | <b>2.0</b>   | 2.1   |
| Other countries                        | <b>1.2</b>   | 1.2   |
| Total overseas                         | <b>7.2</b>   | 7.5   |
| Total                                  | <b>100.0</b> | 100.0 |



# Statement of Responsibility by Directors

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2020 and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors have:

- a. applied the appropriate and relevant accounting policies on a consistent basis;
- b. made judgements and estimates that are reasonable and prudent; and
- c. prepared the audited financial statements on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Bank, and to prevent and detect fraud and other irregularities.

# Financial Statements

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# Directors' Report

For the Financial Year Ended 31 December 2020

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

## PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

The principal activities of the subsidiary and associated companies are as disclosed in Notes 15 and 16 to the financial statements respectively.

There have been no significant changes to these principal activities during the financial year.

## FINANCIAL RESULTS

|                                     | Group<br>RM'000 | Bank<br>RM'000 |
|-------------------------------------|-----------------|----------------|
| Profit before tax expense and zakat | 6,285,063       | 5,155,501      |
| Tax expense and zakat               | (1,352,803)     | (1,030,391)    |
| Profit for the year                 | 4,932,260       | 4,125,110      |
| Attributable to:                    |                 |                |
| Equity holders of the Bank          | 4,871,702       | 4,125,110      |
| Non-controlling interests           | 60,558          | –              |
| Profit for the year                 | 4,932,260       | 4,125,110      |

## DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2019 were as follows:

|  | RM'000    |
|--|-----------|
| In respect of financial year ended 31 December 2019:   |           |
| Second interim dividend of 40.0 sen based on 3,882,138,347 ordinary shares paid on 20 March 2020 | 1,552,855 |

Subsequent to the financial year end, on 25 February 2021 the Directors declared an interim dividend of 13.0 sen, with the total amounting to approximately RM2,523,389,926 in respect of the current financial year. This is computed based on 19,410,691,735 ordinary shares in issue or issuable (including bonus issues as disclosed in Note 28 and 55(b) to the financial statements) as at 31 December 2020, to be paid and distributed to shareholders whose names appear in the Record of Depositors at the close of business on 12 March 2021. The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021.

The Directors do not propose any final dividend for the financial year ended 31 December 2020.

# Directors' Report For the Financial Year Ended 31 December 2020

## ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of new shares or debentures by the Bank during the year.

## SHARE BUY-BACK

There were no share buy-backs, shares held as treasury shares nor resale of treasury shares by the Bank during the year.

## RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those as disclosed in Notes 7, 8, 9, 10, 26, 29 and 30 and the statements of changes in equity to the financial statements.

## BAD AND DOUBTFUL DEBTS AND FINANCING

Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

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

## CURRENT ASSETS

Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made, the Directors took reasonable steps to ensure that current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the 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 would render adherence to the existing methods of valuation of assets and liabilities in the financial statements 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 of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business of the Group and of the Bank.



## CONTINGENT AND OTHER LIABILITIES (CONTINUED)

No contingent liability or other liability of the Group and of 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 Group or of the Bank to meet their obligations as and 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, which would render any amount stated in the financial statements misleading.

## ITEMS OF UNUSUAL NATURE

Other than as disclosed in Notes 2(i)(c), 22, 31, 38 and 56, the results of the operations of the Group and of the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

## SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Note 54 to the financial statements.

## SUBSEQUENT EVENTS

Other than as disclosed in Note 55 to the financial statements, there were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

## INDEMNIFICATION OF DIRECTORS

The Bank maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM435,000,000 (2019: RM435,000,000) against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for the Bank or for its subsidiary companies. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of insurance premium paid for the Directors and officers for the current financial year was RM8,911,000 (2019: RM8,537,000).

## DIRECTORS OF THE BANK

The Directors who served since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow  
Mr Lai Wan  
Tan Sri Dato' Sri Tay Ah Lek  
Mr Tang Wing Chew  
Ms Lai Wai Keen  
Ms Cheah Kim Ling  
Mr Lee Chin Guan  
Dato' Mohd Hanif bin Sher Mohamed  
Ms Tham Chai Phong

# Directors' Report

## For the Financial Year Ended 31 December 2020

### DIRECTORS OF THE BANK (CONTINUED)

The names of the Directors of the Bank's subsidiary companies who served on the respective board of the subsidiary companies since the beginning of the financial year to the date of this report are disclosed in the Appendix to the financial statements.

In accordance with Clause 107 of the Bank's Constitution, Mr Lai Wan, Mr Lee Chin Guan and Dato' Mohd Hanif bin Sher Mohamed retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Bank and in shares of its subsidiary company during the financial year were as follows:

#### Shares Held in the Bank

| Direct interests:                   | Number of Ordinary Shares |          |          |                          |
|-------------------------------------|---------------------------|----------|----------|--------------------------|
|                                     | Balance at<br>1.1.2020    | Acquired | Disposed | Balance at<br>31.12.2020 |
| Tan Sri Dato' Sri Dr. Teh Hong Piow | 24,711,282                | -        | -        | 24,711,282               |
| Tan Sri Dato' Sri Tay Ah Lek        | 3,488,845                 | 200,000  | -        | 3,688,845                |
| Mr Lee Chin Guan                    | 200,030                   | -        | -        | 200,030                  |
| Ms Tham Chai Phong                  | 14,700                    | -        | -        | 14,700                   |

| Deemed interests:                   | Number of Ordinary Shares |          |           |                          |
|-------------------------------------|---------------------------|----------|-----------|--------------------------|
|                                     | Balance at<br>1.1.2020    | Acquired | Disposed  | Balance at<br>31.12.2020 |
| Tan Sri Dato' Sri Dr. Teh Hong Piow | 884,194,971               | -        | -         | 884,194,971              |
| Tan Sri Dato' Sri Tay Ah Lek        | 2,789,745                 | -        | (200,000) | 2,589,745                |
| Mr Lai Wan                          | 18,654                    | -        | -         | 18,654                   |
| Ms Cheah Kim Ling                   | 10,392                    | -        | -         | 10,392                   |

#### Shares Held in a Subsidiary Company, Public Financial Holdings Limited

| Direct interests:            | Number of Ordinary Shares |          |          |                          |
|------------------------------|---------------------------|----------|----------|--------------------------|
|                              | Balance at<br>1.1.2020    | Acquired | Disposed | Balance at<br>31.12.2020 |
| Tan Sri Dato' Sri Tay Ah Lek | 350,000                   | -        | -        | 350,000                  |

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and deemed interests of 908,906,253 shares in the Bank, and pursuant to Section 8(4)(c) of the Companies Act 2016, is deemed interested in the shares in all of the Bank's subsidiary and associated companies to the extent that the Bank has interests.



## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary companies is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 37 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 43(a) to the financial statements.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, Chief Executive Officer, Deputy Chief Executive Officer and key Senior Management Officers whereupon recommendations are made to the Board of Directors for approval.

The members of the Nomination and Remuneration Committee comprising Non-Executive Directors of the Bank are:

Dato' Mohd Hanif bin Sher Mohamed (Independent) (appointed on 29 March 2020)

Mr Lai Wan (Independent)

Mr Tang Wing Chew (Independent)

Ms Lai Wai Keen (Independent)

Ms Cheah Kim Ling (Independent)

Mr Lee Chin Guan (Non-Independent)

## BUSINESS REVIEW 2020

The operating landscape had been extremely challenging in 2020, as businesses adjusted to the new normal operating environment amid the containment measures to prevent the spread of the COVID-19 pandemic. Similarly, banks took advantage of the situation and evolved more dynamically by moving beyond traditional banking, in tandem with the Government's initiative to stimulate Malaysia's digital economy.

The domestic banking sector remained broadly stable, underpinned by strong capitalisation and ample liquidity. Banks had supported the Government's initiatives to mitigate the impact of the COVID-19 pandemic. These initiatives included loan moratorium, various loan repayment assistance programs, financing to small and medium enterprises ("SME") through the various special financing schemes initiated by the Government and Bank Negara Malaysia ("BNM"), such as Prihatin Rakyat Economic Stimulus Package ("PRIHATIN") and the National Economic Recovery Plan ("PENJANA"). The Overnight Policy Rate ("OPR") stood at 1.75% as at the end of 2020, following a cumulative reduction of 125 basis points in 2020. Despite the low interest rate environment, both loans and deposits grew during the year.

The Public Bank Group recorded loans growth of 4.6% supported by home mortgages, passenger vehicle hire purchase financing and retail commercial lending to SMEs. The Group remained a market leader in lending for residential property and commercial property with market shares of 20.1% and 35.0%, respectively.

The Public Bank Group's deposit-taking business grew by 3.5%, mainly supported by strong savings and demand deposits growth. In 2020, the Group's savings deposits and demand deposits grew by 22.6% and 16.1% respectively, whilst fixed deposits contracted by 0.6%.

The Public Bank Group's non-interest income grew by 17.5% in 2020, mainly driven by higher investment income as well as growth in the unit trust and stock broking business. The Group's unit trust management business which is conducted by Public Mutual, a wholly-owned subsidiary of Public Bank, remained a market leader in the private unit trust business with total retail market share of 33.4% in Malaysia. As for the bancassurance business, the Group's strategic partnership with AIA Berhad yielded favourable results, despite business disruption owing to the unprecedented COVID-19 pandemic.

# Directors' Report

## For the Financial Year Ended 31 December 2020

### BUSINESS REVIEW 2020 (CONTINUED)

The Public Bank Group maintained healthy capital position and ample liquidity buffer. The Group's Common Equity Tier I capital ratio, Tier I capital ratio and Total capital ratio stood at 14.0%, 14.0% and 17.1%, respectively as at the end of 2020, which remained above the minimum regulatory requirements. The Group's liquidity coverage ratio stood at 138.0% as at the end of 2020, was above the minimum regulatory requirement of 100%.

The Public Bank Group remained prudent in its lending while it ensures stable asset quality and loan loss reserves, backed by strong risk management practices. Gross impaired loans ratio remained low at 0.4% as at the end of 2020. The Group's loan loss coverage ratio stood at 227.7% as at the end of 2020, which was well above the banking industry's loan loss coverage ratio of 107.5%. With the inclusion of the regulatory reserves, the Group's loan loss coverage ratio would be significantly higher at 325.1%. The Group's stable asset quality and loan loss reserves will provide a strong buffer to absorb any potential increase in credit loss arising from the impact of the COVID-19 pandemic.

The Public Bank Group remained highly efficient in its cost management. Cost to income ratio was 34.6% in 2020, which was well below the banking industry's average of 42.8%.

The Public Bank Group has a network of 264 branches across Malaysia, with self service terminals of more than 2,000 units and more than 19,000 employees. The Group continued to strengthen its digital capabilities across multi-delivery channels and customers' touch points, including the digital channels of PBe internet banking and PB engage mobile banking application. Owing to the effects of the COVID-19 pandemic, the Group further enhanced its information and communication technology infrastructure to improve efficiency, resilience and provide better customer experience through digital banking solutions under the new normal business environment.

The Public Bank Group continued to improve its regional presence. As at the end of 2020, the Group has a regional network of 79 branches in Hong Kong, 5 in China, 31 in Cambodia, 26 in Vietnam, 4 in Laos and 3 in Sri Lanka.

### ECONOMIC OUTLOOK AND PROSPECTS FOR 2021

The containment measures to prevent the spread of the COVID-19 pandemic had significantly impacted economic sectors globally owing to acute shocks and extensive disruption in global supply chains. These adverse effects will continue to be felt in 2021, as the world continues to adapt and adjust to the new normal macro environment. Thus, global policies are expected to remain accommodative, which provide support to a steady recovery in economic activities going forward.

The Malaysian economy is expected to recover gradually in 2021, supported by domestic demand, recovery in global growth and continued policy support domestically. Meanwhile, Malaysia's inflation is expected to be subdued in 2021, amid limited cost and demand pressures.

Notwithstanding the challenging macro environment, the Malaysian banking system remains resilient, underpinned by ample liquidity and strong capital buffers. Credit quality is expected to remain sound, despite the macro uncertainties. Also, monetary and financial conditions are accommodative and supportive of economic activities.

Nevertheless, downside risks remain amid uncertainties being mostly due to factors surrounding the development of the COVID-19 pandemic and its overall implications on economic and financial conditions globally. Also, the effects of the containment efforts to prevent the spread of the COVID-19 pandemic will continue to be felt in 2021, coupled with production constraints across key economic sectors.

### BUSINESS OUTLOOK FOR 2021

The overall business outlook is highly dependent on the macro developments ahead. The Malaysian economy is expected to recover gradually in 2021, following a downturn in 2020. The support from domestic demand, recovery in global growth and policy accommodations are expected to drive the recovery in economic activities going forward.

The banking sector is expected to remain resilient, underpinned by ample liquidity and strong capital buffers. Monetary and financial conditions are expected to remain accommodative in support of economic recovery ahead.



## BUSINESS OUTLOOK FOR 2021 (CONTINUED)

The Public Bank Group will continue to pursue its long term strategy of organic growth, focusing on its core retail banking and financing business. In terms of lending, the Group remains focused on home mortgages, hire purchase financing for passenger vehicles and retail commercial loans for the SMEs. In the residential property financing segment, the Group will continue to focus on home mortgages for owner occupation and the affluent middle class. The Group will also continue to provide lending to the SMEs by expanding its market base and catering to the needs of businesses through its products and services.

In terms of funding, the Public Bank Group will continue to source and attract new deposits, with focus on growing savings and demand deposits, which would lower the overall funding cost.

The Public Bank Group will continue to broaden its sources of income through the non-interest income segments of unit trust, bancassurance, credit cards, foreign exchange related transaction and transactional banking services, while pursuing cross-selling initiatives.

The Public Bank Group remains committed to strengthen its regional presence, while leveraging on its strong branding and prudent management practices.

Amid the challenging business environment, the Public Bank Group will continue to remain vigilant and prudent in lending, while upholding strong risk management practices. In addition, the Group will continue to explore ways to further enhance its operational efficiency and overall productivity while accelerating its digitalisation efforts in order to maintain cost efficiency.

The Public Bank Group continues to ensure that it remains well-capitalised and well-funded to support its business and safeguard the interests of its stakeholders. The Group will proactively manage any potential stress in asset quality. The Group's healthy capital position and ample liquidity buffer coupled with its stable asset quality and loan loss reserves will enable the Group to navigate the challenges ahead.

Owing to the effects of the COVID-19 pandemic, the Public Bank Group remains committed to actively engage and assist customers by providing an extended targeted repayment assistance for B40 individuals and microenterprises, either through deferment of instalments or reduction of instalments.

In embracing digitalisation, the Public Bank Group will continue to improve its digital features and user interface of its digital channels, while leveraging on the advancement of technology to provide seamless delivery of banking experiences to its customers.

## AUDITORS

The retiring auditors, Messrs. Ernst & Young PLT, have indicated their willingness to accept re-appointment.

Auditors' remuneration is disclosed in Note 36(a) to the financial statements.

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

**TAN SRI DATO' SRI DR. TEH HONG PIOW**

Director

**TAN SRI DATO' SRI TAY AH LEK**

Director

Kuala Lumpur

Date: 25 February 2021

# Statement by Directors

We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATO' SRI TAY AH LEK, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 24 to 257 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020 and of their financial performance and cash flows for the year then ended.

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

**TAN SRI DATO' SRI DR. TEH HONG PIOW**  
Director

Kuala Lumpur  
Date: 25 February 2021

**TAN SRI DATO' SRI TAY AH LEK**  
Director

# Statutory Declaration

I, YIK SOOK LING, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 24 to 257, 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.

Subscribed and solemnly declared by the  
abovenamed YIK SOOK LING at KUALA LUMPUR  
in WILAYAH PERSEKUTUAN on 25 February 2021

**YIK SOOK LING**  
MIA No: CA 11419

BEFORE ME:

Commissioner for Oaths  
Kuala Lumpur



# Independent Auditors' Report

To the Members of Public Bank Berhad (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Public Bank Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the 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 24 to 257.

In our opinion, the accompanying financial statements 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.

### 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 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# Independent Auditors' Report To the Members of Public Bank Berhad (Incorporated in Malaysia)

## Key audit matters (continued)

| Risk area and rationale   | Our response  |
|---|---|
| <u>Impairment of goodwill and investment in subsidiaries</u><br><br>As at 31 December 2020,<br><br>(i) the goodwill recognised in the financial statements of the Group and of the Bank are RM2,367 million and RM695 million respectively; and<br><br>(ii) the carrying amount of investment in subsidiaries in the financial statements of the Bank stood at RM6,494 million.<br><br>Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group and the Bank are required to annually test the amount of goodwill for impairment.<br><br>Similarly, we focused on impairment assessment of investment in subsidiaries as the impairment testing relies on VIU estimates based on estimated future cash flows.<br><br>These involve management judgment and are based on assumptions that are affected by expected future market and economic conditions.<br><br><i>Refer to summary of significant accounting policies in Note 2(iii)(l)(i) and Note 2(iii)(b)(i), significant accounting estimates and judgment in Note 2(iii)(a)(iii) and the disclosure of goodwill and investment in subsidiaries in Note 20 and Note 15 respectively to the financial statements.</i> | <p>Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment.</p> <p>We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions.</p> <p>We also assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data amid the COVID-19 pandemic environment.</p> <p>We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts.</p> <p>We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.</p> |
| <u>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss</u><br><br>As at 31 December 2020, the loans, advances and financing represent 76% and 76% of the total assets of the Group and of the Bank respectively, and the investments carried at amortised cost and fair value through other comprehensive income represent 17% and 15% of the total assets of the Group and of the Bank respectively.<br><br>MFRS 9 requires the Group and the Bank to account for impairment losses on loans, advances and financing, investments carried at amortised cost and fair value through other comprehensive income using forward-looking expected credit loss ("ECL") approach.  | <p>Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of loans, advances and financing and the investments.</p> <p>We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL.</p>   |



## Key audit matters (continued)

| Risk area and rationale   | Our response  |
|---|---|
| <u>Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (continued)</u> | <p>The measurement of ECL requires the application of significant judgment and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios.</p> <p><i>Refer to summary of significant accounting policies in Note 2(iii)(h), significant accounting judgments, estimates and assumptions in Note 2(iii)(a)(ii) and the disclosures of loans, advances and financing and investments in Notes 9, 7 and 8 to the financial statements.</i></p> <p>COVID-19 created new vulnerabilities, unprecedented challenges and future outlook remains highly uncertain. These changes in economic conditions have been reflected in the macroeconomic assumptions supporting the ECL models on a reasonable and supportable basis. In addition, as it is difficult at this time to incorporate the specific effects of COVID-19 and government support measures into the ECL models, the Group and the Bank have applied management overlay adjustments as further detailed in Note 2(i)(c) and 38 to the financial statements.</p> |
|   | <p>For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices.</p> <p>For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model input, model design, model performance and management overlays for significant portfolios. We challenged whether historic experience is representative of current circumstances amid the COVID-19 pandemic environment and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios, and the use of management overlays which require substantial judgment involved.</p>   |
|   | <p>We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions.</p>  |
|   | <p>With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. In response to COVID-19 pandemic, we included borrowers/customers which are more vulnerable to the pandemic in our risk-based sampling approach to perform loan review procedures. For cases where impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available.</p>  |
|   | <p>We also assessed whether the financial statement disclosures appropriately reflect the Group's and the Bank's exposure to credit risk.</p> <p>We involved our credit modelling specialists and information technology specialists in the performance of these procedures where their specific expertise was required.</p>  |

# Independent Auditors' Report To the Members of Public Bank Berhad (Incorporated in Malaysia)

## **Information other than the financial statements and auditors' report thereon**

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual 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.

## **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 judgment and maintain professional skepticism throughout the audit. We also:

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

**Auditors' responsibilities for the audit of the financial statements (continued)**

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other matters**

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

**Ernst & Young PLT**

202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
Date: 25 February 2021

**Dato' Megat Iskandar Shah bin Mohamad Nor**

No. 03083/07/2021 J  
Chartered Accountant

# Statements of Financial Position

As At 31 December 2020

|  | Note     | Group              |                | Bank               |                |
|--|----------|--------------------|----------------|--------------------|----------------|
|  |          | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
|  |          |                    |                |                    |                |
| <b>ASSETS</b>  |          |                    |                |                    |                |
| Cash and balances with banks   | 3        | <b>19,698,132</b>  | 14,075,699     | <b>12,970,667</b>  | 8,485,285      |
| Reverse repurchase agreements  | 4(a)     | <b>202,833</b>     | 8,208          | <b>202,833</b>     | 8,208          |
| Financial assets at fair value through profit or loss                  | 5        | <b>1,583,506</b>   | 4,210,265      | <b>1,556,110</b>   | 3,868,383      |
| Derivative financial assets  | 6        | <b>287,010</b>     | 152,330        | <b>469,253</b>     | 232,254        |
| Financial investments at fair value through other comprehensive income | 7        | <b>48,547,403</b>  | 40,153,493     | <b>33,053,569</b>  | 25,996,097     |
| Financial investments at amortised cost                                | 8        | <b>27,604,020</b>  | 27,638,168     | <b>18,845,261</b>  | 20,620,456     |
| Loans, advances and financing  | 9        | <b>342,802,781</b> | 328,476,494    | <b>267,438,974</b> | 256,270,074    |
| Other assets   | 10       | <b>3,408,304</b>   | 2,147,400      | <b>3,167,792</b>   | 2,200,892      |
| Statutory deposits with Central Banks                                  | 12       | <b>1,134,924</b>   | 10,044,185     | <b>298,089</b>     | 6,953,274      |
| Deferred tax assets  | 13       | <b>81,637</b>      | 83,484         | —                  | 11,307         |
| Collective investments   | 14       | —                  | —              | <b>5,923,401</b>   | 5,723,435      |
| Investment in subsidiary companies                                     | 15       | —                  | —              | <b>6,494,294</b>   | 6,494,294      |
| Investment in associated companies                                     | 16       | <b>78,421</b>      | 75,080         | <b>45,000</b>      | 45,000         |
| Investment properties  | 17       | <b>712,885</b>     | 753,095        | —                  | —              |
| Right-of-use assets  | 18(i)(a) | <b>1,379,534</b>   | 1,427,160      | <b>1,289,661</b>   | 1,322,521      |
| Property and equipment   | 19       | <b>1,317,750</b>   | 1,142,575      | <b>770,206</b>     | 618,579        |
| Intangible assets  | 20       | <b>2,417,727</b>   | 2,443,039      | <b>695,393</b>     | 695,393        |
| <b>TOTAL ASSETS</b>  |          | <b>451,256,867</b> | 432,830,675    | <b>353,220,503</b> | 339,545,452    |
| <b>LIABILITIES</b>   |          |                    |                |                    |                |
| Deposits from customers  | 21       | <b>365,870,751</b> | 353,340,475    | <b>278,078,713</b> | 268,259,690    |
| Deposits from banks  | 22       | <b>10,742,228</b>  | 8,494,073      | <b>13,176,335</b>  | 11,795,402     |
| Obligations on securities sold under repurchase agreements             | 4(b)     | <b>914,108</b>     | 970,654        | <b>590,285</b>     | 639,154        |
| Bills and acceptances payable  | 23       | <b>209,347</b>     | 234,786        | <b>208,866</b>     | 234,409        |
| Recourse obligations on loans sold to Cagamas                          | 24       | <b>4,500,003</b>   | 5,500,004      | <b>4,500,003</b>   | 5,500,004      |
| Derivative financial liabilities                                       | 6        | <b>626,056</b>     | 345,724        | <b>580,371</b>     | 322,935        |
| Debt securities issued and other borrowed funds                        | 25       | <b>12,272,354</b>  | 12,317,450     | <b>10,184,448</b>  | 10,223,214     |
| Lease liabilities  | 18(i)(b) | <b>1,072,120</b>   | 1,087,808      | <b>1,342,940</b>   | 1,344,637      |
| Other liabilities  | 26       | <b>5,628,779</b>   | 5,196,397      | <b>3,898,526</b>   | 3,734,769      |
| Provision for tax expense and zakat                                    | 27       | <b>210,142</b>     | 540,107        | <b>109,527</b>     | 412,868        |
| Deferred tax liabilities   | 13       | <b>784,349</b>     | 56,993         | <b>610,701</b>     | —              |
| <b>TOTAL LIABILITIES</b>   |          | <b>402,830,237</b> | 388,084,471    | <b>313,280,715</b> | 302,467,082    |



|   | Note | Group              |                | Bank               |                |
|---|------|--------------------|----------------|--------------------|----------------|
|   |      | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| <b>EQUITY</b>   |      |                    |                |                    |                |
| Share capital   | 28   | <b>9,417,653</b>   | 9,417,653      | <b>9,417,653</b>   | 9,417,653      |
| Regulatory reserves   | 29   | <b>1,219,881</b>   | 2,017,353      | <b>1,031,389</b>   | 1,619,452      |
| Other reserves  | 30   | <b>2,030,742</b>   | 1,606,357      | <b>1,162,643</b>   | 873,228        |
| Retained profits  |      | <b>34,579,995</b>  | 30,552,967     | <b>28,328,103</b>  | 25,168,037     |
| <b>Equity attributable to equity holders of the Bank</b>                    |      | <b>47,248,271</b>  | 43,594,330     | <b>39,939,788</b>  | 37,078,370     |
| Non-controlling interests   |      | <b>1,178,359</b>   | 1,151,874      | —                  | —              |
| <b>TOTAL EQUITY</b>   |      | <b>48,426,630</b>  | 44,746,204     | <b>39,939,788</b>  | 37,078,370     |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |      | <b>451,256,867</b> | 432,830,675    | <b>353,220,503</b> | 339,545,452    |
| <b>COMMITMENTS AND CONTINGENCIES</b>  | 49   | <b>106,934,447</b> | 94,315,048     | <b>95,936,229</b>  | 84,291,554     |
| <b>Net assets per share attributable to equity holders of the Bank (RM)</b> |      | <b>2.43</b>        | 2.25*          | <b>2.06</b>        | 1.91*          |

\* For comparative purpose, the net assets per share as at 31 December 2019 had been adjusted to reflect the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 29 January 2021.

# Statements of Profit or Loss

For the Year Ended 31 December 2020

|  | Note      | Group             |                | Bank              |                |
|--|-----------|-------------------|----------------|-------------------|----------------|
|  |           | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
|  |           |                   |                |                   |                |
| Operating revenue  | 2(iii)(w) | <b>20,303,934</b> | 22,454,734     | <b>14,600,219</b> | 16,337,793     |
| Interest income  | 31        | <b>14,184,238</b> | 16,291,206     | <b>12,558,519</b> | 14,545,402     |
| Interest expense   | 32        | (7,004,462)       | (8,857,086)    | (6,688,860)       | (8,519,282)    |
| Net interest income  |           | <b>7,179,776</b>  | 7,434,120      | <b>5,869,659</b>  | 6,026,120      |
| Net income from Islamic banking business                           | 56        | <b>1,311,393</b>  | 1,267,227      | –                 | –              |
|  |           | <b>8,491,169</b>  | 8,701,347      | <b>5,869,659</b>  | 6,026,120      |
| Fee and commission income  | 33(a)     | <b>2,712,956</b>  | 2,533,716      | <b>980,662</b>    | 1,055,196      |
| Fee and commission expense   | 33(b)     | (783,593)         | (793,253)      | (292,029)         | (369,392)      |
| Net fee and commission income                                      | 33        | <b>1,929,363</b>  | 1,740,463      | <b>688,633</b>    | 685,804        |
| Net gains and losses on financial instruments                      | 34        | <b>447,653</b>    | 167,726        | <b>428,755</b>    | 156,549        |
| Other operating income   | 35        | <b>444,195</b>    | 492,715        | <b>1,360,180</b>  | 1,509,930      |
| Net income   |           | <b>11,312,380</b> | 11,102,251     | <b>8,347,227</b>  | 8,378,403      |
| Other operating expenses   | 36        | (3,909,465)       | (3,819,192)    | (2,463,630)       | (2,421,329)    |
| Operating profit before impairment losses                          |           | <b>7,402,915</b>  | 7,283,059      | <b>5,883,597</b>  | 5,957,074      |
| Allowance for impairment on loans, advances and financing          | 38        | (1,106,296)       | (154,466)      | (718,507)         | (50,355)       |
| (Allowance)/Writeback of allowance for impairment on other assets  | 39        | (13,668)          | 2,175          | (9,589)           | 4,353          |
|  |           | <b>6,282,951</b>  | 7,130,768      | <b>5,155,501</b>  | 5,911,072      |
| Share of profit after tax of equity accounted associated companies |           | <b>2,112</b>      | 3,376          | –                 | –              |
| Profit before tax expense and zakat                                |           | <b>6,285,063</b>  | 7,134,144      | <b>5,155,501</b>  | 5,911,072      |
| Tax expense and zakat  | 40        | (1,352,803)       | (1,554,701)    | (1,030,391)       | (1,166,249)    |
| Profit for the year  |           | <b>4,932,260</b>  | 5,579,443      | <b>4,125,110</b>  | 4,744,823      |
| Attributable to:   |           |                   |                |                   |                |
| Equity holders of the Bank   |           | <b>4,871,702</b>  | 5,511,558      | <b>4,125,110</b>  | 4,744,823      |
| Non-controlling interests  |           | <b>60,558</b>     | 67,885         | –                 | –              |
| Profit for the year  |           | <b>4,932,260</b>  | 5,579,443      | <b>4,125,110</b>  | 4,744,823      |
| Earnings per share:  |           |                   |                |                   |                |
| – basic/diluted (sen)  | 41        | <b>25.1</b>       | 28.4*          |                   |                |

\* For comparative purpose, the earnings per share for the year ended 31 December 2019 had been adjusted to reflect the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 29 January 2021.

The accompanying notes form an integral part of the financial statements



# Statements of Comprehensive Income

For the Year Ended 31 December 2020

|   | Note   | Group            |                | Bank             |                |
|---|--------|------------------|----------------|------------------|----------------|
|   |        | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Profit for the year   |        | <b>4,932,260</b> | 5,579,443      | <b>4,125,110</b> | 4,744,823      |
| <b>Other comprehensive income/(loss):</b>   |        |                  |                |                  |                |
| Items that will not be reclassified to profit or loss:  |        |                  |                |                  |                |
| Gain/(Loss) on remeasurements of defined benefit plans  | 11, 30 | <b>28,002</b>    | (228,874)      | <b>27,373</b>    | (225,263)      |
| Net change in revaluation of  |        |                  |                |                  |                |
| – Equity instruments  | 17     | <b>27,976</b>    | 6,993          | <b>27,971</b>    | 7,048          |
| – Property and equipment  |        | –                | 2,093          | –                | –              |
| Gain on disposal of equity instruments  |        | –                | 5              | –                | 5              |
|   |        | <b>55,978</b>    | (219,783)      | <b>55,344</b>    | (218,210)      |
| Items that may be reclassified to profit or loss:   |        |                  |                |                  |                |
| Translation differences in respect of   |        |                  |                |                  |                |
| – Foreign operations  | 6, 30  | <b>(141,329)</b> | (104,305)      | <b>(16,555)</b>  | (18,090)       |
| – Net investment hedge  |        | <b>58,762</b>    | 32,426         | –                | –              |
| Net change in revaluation of financial investments at fair value through other comprehensive income | 30     | <b>547,856</b>   | 473,827        | <b>329,633</b>   | 286,673        |
| Net change in cash flow hedges  | 30     | <b>(95,749)</b>  | (86,885)       | <b>8,450</b>     | (15,221)       |
|   |        | <b>369,540</b>   | 315,063        | <b>321,528</b>   | 253,362        |
| Income tax effect   | 13, 30 | <b>(102,880)</b> | (19,107)       | <b>(87,709)</b>  | (11,086)       |
| Share of changes in associated companies' reserves  | 30     | <b>1,228</b>     | 1,290          | –                | –              |
| Other comprehensive income for the year, net of tax   |        | <b>323,866</b>   | 77,463         | <b>289,163</b>   | 24,066         |
| Total comprehensive income for the year   |        | <b>5,256,126</b> | 5,656,906      | <b>4,414,273</b> | 4,768,889      |
| Total comprehensive income for the year attributable to:  |        |                  |                |                  |                |
| – Equity holders of the Bank  |        | <b>5,206,796</b> | 5,596,487      | <b>4,414,273</b> | 4,768,889      |
| – Non-controlling interests   |        | <b>49,330</b>    | 60,419         | –                | –              |
|   |        | <b>5,256,126</b> | 5,656,906      | <b>4,414,273</b> | 4,768,889      |

The accompanying notes form an integral part of the financial statements

# Consolidated Statement of Changes In Equity

For the Year Ended 31 December 2020

| 2020<br>Group  | Note | Attributable to Equity Holders of the Bank |                                  |                             |                               |  |               | Non-controlling<br>Interests<br>RM'000 | Total<br>Equity<br>RM'000 |
|--|------|--|----------------------------------|-----------------------------|-------------------------------|--|---------------|--|---------------------------|
|  |      | Share<br>Capital<br>RM'000                 | Regulatory<br>Reserves<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 | Total<br>Shareholders'<br>Equity<br>RM'000 | Distributable |  |                           |
| At 1 January 2020                                    |      | 9,417,653                                  | 2,017,353                        | 1,606,357                   | 30,552,967                    | 43,594,330                                 |               | 1,151,874                              | 44,746,204                |
| Profit for the year                                  |      | -  | -                                | -                           | 4,871,702                     | 4,871,702                                  |               | 60,558                                 | 4,932,260                 |
| Other comprehensive income/<br>(loss) for the year   |      | -  | -                                | 335,094                     | -                             | 335,094                                    |               | (11,228)*                              | 323,866                   |
| Total comprehensive income for the year              |      | -  | -                                | 335,094                     | 4,871,702                     | 5,206,796                                  |               | 49,330                                 | 5,256,126                 |
| Transactions with owners/<br>other equity movements: |      |  |                                  |                             |                               |  |               |  |                           |
| Transfer to statutory reserves                       |      | -  | -                                | 8,931                       | (8,931)                       | -  |               | -                                      | -                         |
| Transfer from regulatory reserves                    |      | -  | (797,472)                        | -                           | 797,472                       | -  |               | -                                      | -                         |
| Transfer to general reserves                         |      | -  | -                                | 80,360                      | (80,360)                      | -  |               | -                                      | -                         |
| Dividends paid                                       | 42   | -  | -                                | -                           | (1,552,855)                   | (1,552,855)                                |               | (22,845)                               | (1,575,700)               |
|  |      | -  | (797,472)                        | 89,291                      | (844,674)                     | (1,552,855)                                |               | (22,845)                               | (1,575,700)               |
| At 31 December 2020                                  |      | 9,417,653                                  | 1,219,881                        | 2,030,742                   | 34,579,995                    | 47,248,271                                 |               | 1,178,359                              | 48,426,630                |

Note 28 Note 29 Note 30

\* Represent non-controlling interests' share of currency translation differences in respect of foreign operations.

The accompanying notes form an integral part of the financial statements



| 2019<br>Group  | Note | Attributable to Equity Holders of the Bank |                                  |                             |                               |  |           | Non-controlling<br>Interests<br>RM'000 | Total<br>Equity<br>RM'000 |  |  |
|--|------|--|----------------------------------|-----------------------------|-------------------------------|--|-----------|--|---------------------------|--|--|
|  |      | Non-distributable                          |                                  |                             | Distributable                 |  |           |  |                           |  |  |
|  |      | Share<br>Capital<br>RM'000                 | Regulatory<br>Reserves<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 | Total<br>Shareholders'<br>Equity<br>RM'000 |           |  |                           |  |  |
| At 1 January 2019                                    |      | 9,417,653                                  | 1,806,123                        | 1,431,367                   | 28,060,197                    | 40,715,340                                 | 1,122,353 | 41,837,693                             |                           |  |  |
| Profit for the year                                  |      | -  | -                                | -                           | 5,511,558                     | 5,511,558                                  | 67,885    | 5,579,443                              |                           |  |  |
| Other comprehensive income/<br>(loss) for the year   |      | -  | -                                | 84,924                      | 5                             | 84,929                                     | (7,466)*  | 77,463                                 |                           |  |  |
| Total comprehensive income for the year              |      | -  | -                                | 84,924                      | 5,511,563                     | 5,596,487                                  | 60,419    | 5,656,906                              |                           |  |  |
| Transactions with owners/<br>other equity movements: |      |  |                                  |                             |                               |  |           |  |                           |  |  |
| Transfer to statutory reserves                       |      | -  | -                                | 8,196                       | (8,196)                       | -  | -         | -                                      |                           |  |  |
| Transfer to regulatory reserves                      |      | -  | 211,230                          | -                           | (211,230)                     | -  | -         | -                                      |                           |  |  |
| Transfer to general reserves                         |      | -  | -                                | 81,870                      | (81,870)                      | -  | -         | -                                      |                           |  |  |
| Dividends paid                                       | 42   | -  | -                                | -                           | (2,717,497)                   | (2,717,497)                                | (30,898)  | (2,748,395)                            |                           |  |  |
|  |      | -  | 211,230                          | 90,066                      | (3,018,793)                   | (2,717,497)                                | (30,898)  | (2,748,395)                            |                           |  |  |
| At 31 December 2019                                  |      | 9,417,653                                  | 2,017,353                        | 1,606,357                   | 30,552,967                    | 43,594,330                                 | 1,151,874 | 44,746,204                             |                           |  |  |

Note 28 Note 29 Note 30

\* Represent non-controlling interests' share of currency translation differences in respect of foreign operations.

# Statement of Changes in Equity

For the Year Ended 31 December 2020

| 2020<br>Bank                                      | Note | Attributable to Equity Holders of the Bank |                                  |                             |                               |                           |
|---|------|--|----------------------------------|-----------------------------|-------------------------------|---------------------------|
|   |      | Share<br>Capital<br>RM'000                 | Regulatory<br>Reserves<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 | Total<br>Equity<br>RM'000 |
| At 1 January 2020                                 |      | 9,417,653                                  | 1,619,452                        | 873,228                     | 25,168,037                    | 37,078,370                |
| Profit for the year                               |      | -  | -                                | -                           | 4,125,110                     | 4,125,110                 |
| Other comprehensive income for the year           |      | -  | -                                | 289,163                     | -                             | 289,163                   |
| Total comprehensive income for the year           |      | -  | -                                | 289,163                     | 4,125,110                     | 4,414,273                 |
| Transactions with owners/ other equity movements: |      |  |                                  |                             |                               |                           |
| Transfer to statutory reserves                    |      | -  | -                                | 252                         | (252)                         | -                         |
| Transfer from regulatory reserves                 |      | -  | (588,063)                        | -                           | 588,063                       | -                         |
| Dividends paid                                    | 42   | -  | -                                | -                           | (1,552,855)                   | (1,552,855)               |
|   |      | -  | (588,063)                        | 252                         | (965,044)                     | (1,552,855)               |
| At 31 December 2020                               |      | 9,417,653                                  | 1,031,389                        | 1,162,643                   | 28,328,103                    | 39,939,788                |

Note 28

Note 29

Note 30

The accompanying notes form an integral part of the financial statements



| 2019<br>Bank                                      | Note | Attributable to Equity Holders of the Bank |                                  |                             |                               |  | Total<br>Equity<br>RM'000 |  |
|---|------|--|----------------------------------|-----------------------------|-------------------------------|--|---------------------------|--|
|   |      | Non-distributable                          |                                  |                             | Distributable                 |  |                           |  |
|   |      | Share<br>Capital<br>RM'000                 | Regulatory<br>Reserves<br>RM'000 | Other<br>Reserves<br>RM'000 | Retained<br>Profits<br>RM'000 |  |                           |  |
| At 1 January 2019                                 |      | 9,417,653                                  | 1,461,892                        | 849,167                     | 23,298,266                    |  | 35,026,978                |  |
| Profit for the year                               |      | –  | –                                | –                           | 4,744,823                     |  | 4,744,823                 |  |
| Other comprehensive income for the year           |      | –  | –                                | 24,061                      | 5                             |  | 24,066                    |  |
| Total comprehensive income for the year           |      | –  | –                                | 24,061                      | 4,744,828                     |  | 4,768,889                 |  |
| Transactions with owners/ other equity movements: |      |  |                                  |                             |                               |  |                           |  |
| Transfer to regulatory reserves                   |      | –  | 157,560                          | –                           | (157,560)                     |  | –                         |  |
| Dividends paid                                    | 42   | –  | –                                | –                           | (2,717,497)                   |  | (2,717,497)               |  |
|   |      | –  | 157,560                          | –                           | (2,875,057)                   |  | (2,717,497)               |  |
| At 31 December 2019                               |      | 9,417,653                                  | 1,619,452                        | 873,228                     | 25,168,037                    |  | 37,078,370                |  |
|   |      | Note 28                                    | Note 29                          | Note 30                     |                               |  |                           |  |

# Statements of Cash Flows

For the Year Ended 31 December 2020

|  | Note            | Group            |                | Bank             |                |
|--|-----------------|------------------|----------------|------------------|----------------|
|  |                 | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
|  |                 |                  |                |                  |                |
| <b>Cash flows from operating activities</b>  |                 |                  |                |                  |                |
| Profit before tax expense and zakat  |                 | <b>6,285,063</b> | 7,134,144      | <b>5,155,501</b> | 5,911,072      |
| Adjustments for:   |                 |                  |                |                  |                |
| Share of profit after tax of equity accounted associated companies   | 18(i)(a), 36(a) | (2,112)          | (3,376)        | –                | –              |
| Depreciation of right-of-use assets  | 18(i)(a), 36(a) | <b>150,356</b>   | 167,225        | <b>124,917</b>   | 140,650        |
| Depreciation of property and equipment   | 19, 36(a)       | <b>214,063</b>   | 184,947        | <b>152,175</b>   | 132,142        |
| Amortisation of core deposits intangible   | 20, 36(a)       | <b>4,638</b>     | 4,639          | –                | –              |
| Net gain on disposal of property and equipment   | 35              | (680)            | (986)          | (134)            | (774)          |
| Net (gain)/loss on disposal of foreclosed properties   | 35              | (1,691)          | 959            | (1,691)          | 959            |
| Allowance for impairment on loans, advances and financing  | 38              | <b>1,328,284</b> | 415,205        | <b>832,978</b>   | 183,589        |
| Net gain arising from disposal of financial investments at fair value through other comprehensive income   | 30, 34          | (384,402)        | (118,853)      | (368,368)        | (109,822)      |
| Amortisation of cost and accretion of discount relating to debt securities issued and other borrowed funds | 25              | <b>6,080</b>     | 6,550          | <b>4,269</b>     | 4,731          |
| Unrealised gain on revaluation of financial assets at fair value through profit or loss                    | 34              | (29,076)         | (24,399)       | (27,261)         | (23,078)       |
| Unrealised (gain)/loss on revaluation of trading derivatives   | 34              | (80)             | 77             | (80)             | 77             |
| (Gain)/loss representing ineffective portions of hedging derivatives                                       | 34              | (1,277)          | 1,594          | (829)            | 1,250          |
| Dividends from financial investments at fair value through other comprehensive income                      | 34              | (2,287)          | (4,962)        | (1,600)          | (4,181)        |
| Net loss on liquidation of subsidiary company  |                 | –                | –              | 1                | –              |
| Distributions from collective investments  | 35              | –                | –              | (196,524)        | (206,173)      |
| Dividends from subsidiary companies  | 35              | –                | –              | (674,846)        | (884,632)      |
| Gain on remeasurement of lease contracts   |                 | (8,754)          | (9,325)        | (8,866)          | (9,581)        |
| Property and equipment written off   | 36(a)           | <b>1,325</b>     | 2,852          | <b>76</b>        | 2,446          |
| Loss/(Gain) on revaluation of investment properties  | 17, 35          | <b>18,124</b>    | (50,387)       | –                | –              |
| Allowance/(Writeback of allowance) for impairment on other assets  | 39              | <b>13,668</b>    | (2,175)        | <b>9,589</b>     | (4,353)        |
| Operating profit before working capital changes  |                 | <b>7,591,242</b> | 7,703,729      | <b>4,999,307</b> | 5,134,322      |



|  | Note | Group              |                | Bank               |                |
|--|------|--------------------|----------------|--------------------|----------------|
|  |      | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| <b>Cash flows from operating activities (continued)</b>  |      |                    |                |                    |                |
| (Increase)/Decrease in operating assets:   |      |                    |                |                    |                |
| Placements with banks with original maturity more than three months                            |      | (486,253)          | (465,579)      | (87,804)           | (562,530)      |
| Reverse repurchase agreements  |      | (194,625)          | 192,673        | (194,625)          | (8,208)        |
| Financial assets at fair value through profit or loss  |      | 2,655,835          | (1,805,732)    | 2,339,534          | (1,551,669)    |
| Loans, advances and financing  |      | (15,677,833)       | (13,720,253)   | (12,025,121)       | (8,829,965)    |
| Other assets   |      | (1,177,986)        | 68,421         | (860,182)          | 155,279        |
| Statutory deposits with Central Banks  |      | 8,909,261          | 235,042        | 6,655,185          | 305,178        |
| Increase/(Decrease) in operating liabilities:  |      |                    |                |                    |                |
| Deposits from customers  |      | 12,530,276         | 14,180,583     | 9,819,023          | 9,382,131      |
| Deposits from banks  |      | 2,248,155          | (989,081)      | 1,380,933          | (691,661)      |
| Obligations on securities sold under repurchase agreements                                     |      | (56,546)           | (3,074,951)    | (48,869)           | (3,406,451)    |
| Bills and acceptances payable  |      | (25,439)           | 20,194         | (25,543)           | 20,021         |
| Recourse obligations on loans sold to Cagamas  |      | (1,000,001)        | 1              | (1,000,001)        | 1              |
| Other liabilities  |      | 450,632            | (89,285)       | 117,908            | (18,182)       |
| Cash generated from/(used in) operations   |      | 15,766,718         | 2,255,762      | 11,069,745         | (71,734)       |
| Income tax expense and zakat paid  |      | (1,097,185)        | (1,379,464)    | (799,615)          | (1,027,209)    |
| <b>Net cash generated from/(used in) operating activities</b>                                  |      | <b>14,669,533</b>  | 876,298        | <b>10,270,130</b>  | (1,098,943)    |
| <b>Cash flows from investing activities</b>  |      |                    |                |                    |                |
| Purchase of property and equipment   | 19   | (373,063)          | (205,119)      | (304,749)          | (132,802)      |
| Addition to investment properties  | 17   | (99)               | –              | –                  | –              |
| Proceeds from disposal of property and equipment   |      | 865                | 1,125          | 267                | 793            |
| Proceeds from disposal of foreclosed properties  |      | 20,237             | 29,540         | 19,804             | 27,994         |
| Proceeds from disposal of investment properties  |      | –                  | 2,200          | –                  | –              |
| Net (purchase)/sale of financial investments   |      | (7,374,002)        | 2,196,021      | (4,553,522)        | 3,433,366      |
| Additional investment in a subsidiary company  |      | –                  | –              | –                  | (538,800)      |
| Investment in collective investments   |      | –                  | –              | (199,966)          | (206,326)      |
| Distributions received from collective investments   |      | –                  | –              | 199,966            | 206,326        |
| Dividends received from subsidiary companies   |      | –                  | –              | 601,494            | 715,005        |
| Dividends received from financial investments at fair value through other comprehensive income |      | 2,287              | 4,962          | 1,600              | 4,181          |
| <b>Net cash (used in)/generated from investing activities</b>                                  |      | <b>(7,723,775)</b> | 2,028,729      | <b>(4,235,106)</b> | 3,509,737      |

# Statements of Cash Flows For the Year Ended 31 December 2020

|   | Note     | Group              |                | Bank               |                |
|---|----------|--------------------|----------------|--------------------|----------------|
|   |          | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
|   |          |                    |                |                    |                |
| <b>Cash flows from financing activities</b>                             |          |                    |                |                    |                |
| Dividends paid to equity holders of the Bank                            |          | (1,552,855)        | (2,717,497)    | (1,552,855)        | (2,717,497)    |
| Dividends paid to non-controlling interests                             |          | (22,845)           | (30,898)       | —                  | —              |
| Repayment of lease liabilities  | 18(i)(d) | (113,747)          | (131,159)      | (84,591)           | (99,395)       |
| Net proceeds from issuance of debt securities                           | 25       | —                  | 2,500,000      | —                  | 2,000,000      |
| Redemption of debt securities   | 25       | —                  | (3,588,000)    | —                  | (3,088,000)    |
| <b>Net cash used in financing activities</b>                            |          | <b>(1,689,447)</b> | (3,967,554)    | <b>(1,637,446)</b> | (3,904,892)    |
| Net increase/(decrease) in cash and cash equivalents                    |          | 5,256,311          | (1,062,527)    | 4,397,578          | (1,494,098)    |
| Cash and cash equivalents at beginning of year                          |          | 12,191,838         | 13,320,248     | 7,922,755          | 9,416,853      |
| Exchange differences on translation of opening balances                 |          | (119,868)          | (65,883)       | —                  | —              |
| <b>Cash and cash equivalents at end of year</b>                         |          | <b>17,328,281</b>  | 12,191,838     | <b>12,320,333</b>  | 7,922,755      |
| Note:   |          |                    |                |                    |                |
| Cash and balances with banks  | 3        | 19,698,132         | 14,075,699     | 12,970,667         | 8,485,285      |
| Less: Balances with banks with original maturity more than three months |          | (2,369,851)        | (1,883,861)    | (650,334)          | (562,530)      |
| Cash and cash equivalents at end of year                                |          | 17,328,281         | 12,191,838     | 12,320,333         | 7,922,755      |
| Non-cash changes:   |          |                    |                |                    |                |
| – Non-cash investing activities   | 18(i)(a) | 156,677            | 218,934        | 145,876            | 192,560        |
| – Effects of rent concessions received during the year                  | 18(i)(c) | 849                | —              | 794                | —              |

The accompanying notes form an integral part of the financial statements



# Notes to the Financial Statements

– 31 December 2020

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Group is principally engaged in all aspects of commercial banking, investment banking, financing and Islamic banking business, stock-brokering, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance, trustee services and investment holding.

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

There have been no significant changes to these principal activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 25 February 2021.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following:

### (i) (a) Amendments to Malaysian Financial Reporting Standards (“MFRSs”) that were Adopted or Early Adopted by the Group and the Bank

The Group and the Bank have adopted the following in the current financial year:

Effective for annual periods commencing on or after 1 January 2020

- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)
- Definition of a Business (Amendments to MFRS 3 Business Combinations)
- Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

Effective for annual periods commencing on or after 1 June 2020

- COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)

The main effects of the adoption of Amendments to MFRSs above are summarised below:

**Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)** – These phase 1 amendments provide relief on existing hedge accounting requirements from potential effects of the uncertainty caused by inter-bank offer rates. Companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instruments are based is not altered as a result of the interest rate benchmark reform. In addition, companies are not required to apply the retrospective assessment under MFRS 139, but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% – 125% range during the period of uncertainty arising from the reform. The adoption of these amendments did not have any financial impact to the Group and the Bank.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (i) (a) Amendments to MFRSs that were Adopted or Early Adopted by the Group and the Bank (continued)

The main effects of the adoption of Amendments to MFRSs above are summarised below (continued):

**Definition of a Business (Amendments to MFRS 3 Business Combinations)** – The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The adoption of these amendments did not have any financial impact to the Group and the Bank.

**Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)** – The amendments refine the definition by including ‘obscuring information’ in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company’s financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

The adoption of these amendments did not have any financial impact to the Group and the Bank.

**COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)** – The Group and the Bank have early adopted the amendment which allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. It applies to rent concessions that reduce the lease payments due on or before 30 June 2021.

This amendment is to be applied retrospectively. As the amendment does not apply to rent concessions due on or before 1 January 2020, no adjustments were made to the opening balance of retained profits.

As a practical expedient, the Group and the Bank are not required to assess whether a COVID-19-related rent concession that meets all of the following conditions is a lease modification:

- 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;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

The Group and the Bank have applied practical expedient to all of its property leases that meet the above mentioned conditions. Practical expedient was not applied to the Bank’s computer equipment and software leases as the Bank did not receive any COVID-19-related rent concession for its computer equipment and software leases during the current financial year.

The Group and the Bank accounted for the allocated portion of a contractually forgiven payment as a negative variable lease payment in the period in which the event or condition that triggers the reduced payment occurred. These amounts are recognised in the profit or loss within establishment costs as disclosed in Note 18(i)(c).



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (i) (b) Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (Capital Components)

The Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks (Capital Components) ("Frameworks") were reissued by Bank Negara Malaysia ("BNM") on 5 February 2020 and 9 December 2020 respectively with the following updates:

#### Higher Loss Absorbency ("HLA") Requirement

The Frameworks incorporated HLA requirement that is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). To meet the HLA requirement which is effective on 31 January 2021, financial institutions designated as D-SIBs by BNM are required to hold and maintain a capital buffer of between 0.5% to 1.0% of risk-weighted assets at the consolidated level.

Arising from this requirement, an additional capital buffer of 0.5% of risk-weighted assets (i.e. under Bucket 1) are required to be maintained by the Group above the minimum regulatory requirement with effect from 31 January 2021.

#### Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions

The transitional arrangements for regulatory capital treatment of accounting provisions were introduced as part of the BNM's additional measures to further support efforts to help affected individuals and businesses to recover from the impact of the COVID-19 pandemic while continuing to preserve the safety and soundness of banks.

Under these requirements, financial institutions that elect to apply the said transitional arrangements are allowed to add back a portion of Stage 1 and Stage 2 provisions for expected credit losses to Common Equity Tier 1 capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021, based on the add-back factor prescribed in the frameworks.

The Group and the Bank have not applied the said transitional arrangements provided in the frameworks as at the reporting date.

### (c) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic

As indicated in BNM's letters dated 24 March 2020 and 24 July 2020, additional measures were introduced to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19 pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

#### (i) Moratorium on repayment/payment of loans/financing

- (a) Banking institutions are to grant an automatic moratorium on all loan/financing repayments/payments, principal and interest (except for credit card balances) by individuals and small-medium enterprise ("SME") borrowers/customers for a period of 6 months from 1 April 2020. The automatic moratorium is applicable to loans/financing that are:
  - not in arrears exceeding 90 days as at 1 April 2020; and
  - denominated in Malaysian Ringgit.
- (b) For credit card balances, banking institutions shall offer borrowers/customers the option to convert their credit card balances into a term loan/financing.
- (c) For corporate borrowers/customers, banking institutions are strongly encouraged to facilitate requests for a moratorium on loan/financing repayment/payment, additional financing to support immediate cash flows and the rescheduling and restructuring ("R&R") of existing facilities in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (i) (c) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

#### (ii) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks

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

- (a) The determination of “days past due” should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;
- (b) For loans/financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on “unlikeliness to repay” at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and
- (c) For loans/financing to corporates, the assessment of “unlikeliness to repay” should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

#### Regulatory Capital Treatment

The regulatory capital treatment above shall apply to loans/financing denominated in Malaysian Ringgit or foreign currency that meet the following criteria:

- (a) The principal or interest/profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and
- (b) The application for repayment assistance by a borrower/customer is received on or before 30 June 2021.

The regulatory capital treatment would also be applicable to rescheduled and restructured loans/financing that are facilitated by Agensi Kaunseling dan Pengurusan Kredit, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

#### (iii) Classification in the Central Credit Reference Information System (“CCRIS”)

For rescheduled and restructured individual, SME and corporate loans/financing with arrears not exceeding 90 days as at the date of application for repayment assistance and where application for repayment assistance is received on or before 30 June 2021, including a loan/financing that is restructured and rescheduled more than once, the following classification treatment in CCRIS shall apply:

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

#### (iv) Drawdown of prudential buffers

Banking institutions are allowed with immediate effect to:

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



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (i) (c) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

#### (iv) Drawdown of prudential buffers (continued)

However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially.

As at the reporting date, the Group and the Bank have not drawn down any of the prudential buffers.

#### MFRS 9 Financial Instruments and financial reporting requirements

Whilst MFRS 9 requires the consideration of all reasonable and supportable information, including forward looking information, in the measurement of expected credit losses ("ECL"), given the unprecedented circumstances and sudden onset of the COVID-19 pandemic, there is limited supportable information available at this juncture to forecast the full impact of the COVID-19 pandemic. While the credit model and assumptions applied in the base ECL calculations remain unchanged from prior years, the Group and the Bank have incorporated the following estimates and judgments specific to the impact of the COVID-19 pandemic and the associated relief measures in the measurement of ECL:

##### (i) Forward looking macro-economic information and assumptions

The global and domestic economy have experienced significant shock in 2020, weighed by unprecedented containment measures taken, such as Movement Control Order, business closures and social distancing, to contain the COVID-19 pandemic. In particular, the domestic economic impact was mitigated by the government's stimulus packages such as the Economic Stimulus Package, PRIHATIN package and National Economic Recovery Plan. Hence, the economic growth and economic activities are expected to improve, in tandem with expectations of global recovery ahead, although the outlook is still subjected to some downside risks.

The economic outlook from BNM and various research houses, forward looking information and assumptions relating to COVID-19 have been considered in the Group's and the Bank's forward looking models.

The following are values of the key domestic macro-economic variables and forward looking macro-economic variables for year 2020 and 2021 respectively which are used in the models (Note 38):

|                        | 2020 | 2021      |
|------------------------|------|-----------|
|                        | %    | %         |
| Gross domestic product | -4.5 | 5.0 – 6.0 |
| Consumer price index   | -0.5 | 1.0 – 1.5 |
| Housing price index    | 199  | 186 – 223 |
| Unemployment rate      | 5.3  | 2.9 – 3.5 |

The Group and the Bank will continue to review and monitor closely the abovementioned assumptions if current expectations change materially.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (i) (c) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

MFRS 9 Financial Instruments and financial reporting requirements (continued)

- (ii) Assessment of significant increase in credit risk for stage transfer purposes

The economic shock from the pandemic is expected to be temporary in nature and the positive impact of the significant government stimulus shall mitigate the effects of the COVID-19 pandemic. The Group and the Bank take cognisance that relief assistance available, i.e. automatic moratorium as well as rescheduling and restructuring for eligible borrowers/customers, during this period are granted as part of an unprecedented government effort to support the economy amid the COVID-19 pandemic, rather than in response to the financial circumstances of individual borrowers/customers. This is because eligibility criteria is broad and borrowers need not have exhibited any changes in ability to meet its debt obligations in order to access the relief. Hence, in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk, the relief assistance provided do not automatically result in migration from Stage 1 (12-month ECL) to Stage 2 (lifetime ECL).

The Group and the Bank assess other factors such as historical repayment and delinquency trends prior to the COVID-19 pandemic in considering whether the borrower/customer has experienced a significant increase in credit risk.

Management overlay for loans/financing under relief assistance (Note 38)

Due to the significant uncertainty as a consequence of the COVID-19 pandemic, management overlay is provided in anticipation of potential deterioration of credit risk for loans/financing where relief assistance is provided. The Group and the Bank exercised judgment, adapted and estimated based on the information on-hand in the provision of management overlay.

- (i) Large corporate borrowers/customers

Management overlay is provided for certain large corporate borrowers/customers who are affected by the current economic environment and have applied for rescheduling and restructuring arrangements.

- (ii) Retail and SME borrowers/customers

Borrowers/customers who are eligible for the targeted repayment assistance were identified and assessed. Based on the data available, management overlay is provided to cater for potential deterioration in credit risk of this group of borrowers/customers.

Financial impact of the moratorium on repayment/payment of loans/financing

As a result of moratorium on repayment/payment granted on certain loan/financing to individuals/SMEs, the Group and the Bank have recognised a loss arising from the modification of cash flows of the loan/financing. This loss is set-off against the fair value gain on Government financing schemes received as part of the COVID-19 relief measures. The net modification loss will be unwound through the profit or loss over the remaining tenure of the loan/financing and financing schemes. The day 1 net modification loss is reflected in the interest income and profit income of the Group and of the Bank which is disclosed in Note 31 and Note 56 respectively.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (ii) MFRS and Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank

The following MFRS and Amendments to MFRSs have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2021

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

Effective for annual periods commencing on or after 1 January 2022

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

Effective for annual periods commencing on or after 1 January 2023

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

#### **Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)**

– Amendments were made on some specific requirements of those standards with respect to issues affecting financial reporting during the reform of an interest rate benchmark. The amendments provide a practical expedient whereby a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged items and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

#### **Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"**

– The Annual Improvements cover the following amendments that are applicable to the Group and the Bank:

- (a) **MFRS 9 Financial Instruments** – It clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- (b) **Illustrative Examples accompanying MFRS 16 Leases** – It deletes the Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.

**Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)** – The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

**Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)** – The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company shall recognise such sales proceeds and related cost in profit or loss.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (ii) MFRS and Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank (continued)

The following MFRS and Amendments to MFRSs have been issued by Malaysian Accounting Standards Board (“MASB”) but are not yet effective to the Group and the Bank (continued):

**Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)** – The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

**MFRS 17 Insurance Contracts** – MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts.

**Amendments to MFRS 17 Insurance Contracts** – The amendments are designed to minimise the risk of disruption to implementation already underway and do not change the fundamental principles of the standard or reduce the usefulness of information for investors. In addition, the amendments also defer the effective date of MFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023.

#### **Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)**

– The amendments extend the expiry date for the temporary exemption from applying MFRS 9 Financial Instruments by two years to annual periods beginning on or after 1 January 2023, to be aligned with the effective date of MFRS 17, which replaces MFRS 4.

#### **Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)**

– The amendments provide clarification on the requirements for classifying liabilities as current or non-current, and specifically on the following:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

In response to COVID-19 pandemic, the effective date for MFRS 101 amendments is now deferred by one year to annual reporting periods beginning on or after 1 January 2023.

The adoption of MFRS 17 Insurance Contracts is not expected to have any material financial impact on the financial statements of the Group as the Group’s insurance business is immaterial.

The adoption of other amendments to MFRSs is not expected to have any financial impact on the financial statements of the Group and of the Bank.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated in the notes to the financial statements.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

- (i) *Fair value estimation of financial instruments (Note 46)* – For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgment is required where market observable data are not available. Such judgment normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates.
- (ii) *Impairment losses on loans, advances and financing (Note 2(i)(c), 9, 38)* – The measurement of impairment losses on loans, advances and financing requires judgment. In particular, the estimation of the amount and timing of future cash flows, the assessment of a significant increase in credit risk and incorporation of forward-looking information in the measurement of impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of impairment losses.

The impairment losses computed based on the expected credit losses ("ECL") models are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring impairment losses, such as determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of impairment losses, establishing the segmentation of loans for purposes of measuring impairment losses on a collective basis, determining the number of economic inputs (e.g. gross domestic product growth rates, consumer price index, housing price index, etc.) as well as the effects on default rates and recovery rates, and selecting forward-looking macroeconomic scenarios and determining its probability-weightings.

For credit-impaired loans, advances and financing ("loan(s)") which are individually assessed, judgment by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgments are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ, hence resulting in changes to impairment losses recognised.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

- (iii) *Impairment of goodwill and intangible assets (Note 20)* – The Group and the Bank perform an annual assessment of the carrying value of its goodwill and intangible assets against the recoverable amount of the cash-generating units (“CGU”) to which the goodwill and intangible assets have been allocated. The measurement of the recoverable amount of CGUs are determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU’s ongoing operations. Management judgment is used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used. The estimation of pre-tax cash flows is sensitive to the periods for which the forecasts are available and to assumptions regarding the long-term sustainable cash flows, and reflect management’s view of future performance.
- (iv) *Impairment of other assets* – The assessment of impairment of properties held under property and equipment (Note 19) requires management judgment in the assessment of whether negative fluctuations in values of similar properties in the same location represent an indication of impairment in the value of the individual properties.
- (v) *Valuation of investment properties (Note 17)* – The measurement of the fair values for investment properties performed by management are determined with reference to quotations of market value provided by independent professional valuers.
- (vi) *Income taxes (Note 40)* – The Group and the Bank are subject to income taxes in many jurisdictions. Significant management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation assessed by the tax authority is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.
- (vii) *Deferred tax assets (Note 13)* – Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.
- (viii) *Defined Benefit Plan (Note 11)* – The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainties due to other assumptions made regarding fund membership levels and future salary increases.
- (ix) *Leases (Note 18)* – The measurement of leases requires management to make certain judgments and estimations. Critical judgments required include establishing whether or not it is reasonably certain that an extension option will be exercised or termination option will not be exercised, estimating the future lease payments and calculating the appropriate discount rate to use.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank, its subsidiary companies and its controlled entities made up to the end of the financial year.

##### (i) Subsidiary Companies

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for the acquisition of a subsidiary company is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition-related costs are expensed off in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired. The accounting policy on goodwill is set out in Note 2(iii)(l)(i). In the event that the fair value of the Group's share of the identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest (i.e. a bargain purchase), the entire resulting gain is recognised in profit or loss of the Group. Non-controlling interests represent the portion of profit or loss and net assets of subsidiary companies not attributable, directly or indirectly, to the Group. Non-controlling interests are presented separately in the consolidated statement of profit or loss and consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity holders of the Bank. For each business combination, the Group will elect to measure the amount of non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary company's identifiable net assets.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (b) Basis of Consolidation (continued)

##### (i) Subsidiary Companies (continued)

In a business combination achieved in stages, the previously-held equity interest is remeasured at the acquisition-date fair value with the resulting gain or loss recognised in profit or loss. Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

In preparing the consolidated financial statements, intragroup transactions and balances and intragroup gains on transactions between companies are eliminated in full. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the relevant asset. Consistent accounting policies are applied by the subsidiary companies for transactions and events in similar circumstances. The non-controlling interests' portion of total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statement of profit or loss.

In the Bank's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses, if any. On disposal of such investment, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

##### (ii) Collective Investments

Collective investments are those investments in unit trust funds which the Group is deemed to have control, and hence consolidates the financial results of the funds. The basis of consolidating the collective investments is similar to that used in the consolidation of the subsidiary companies.

In the Bank's separate financial statements, collective investments are stated at cost less impairment losses, if any. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

##### (iii) Associated Companies

Associated companies are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control or joint control of those policies.

Investment in associated companies is accounted for in the consolidated financial statements using the equity method. The Group's investment in associated companies is initially recognised in the consolidated statement of financial position at cost. This initial carrying amount is increased or decreased to recognise the Group's share of post-acquisition net results and other changes to comprehensive income of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

Goodwill, if any, relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (b) Basis of Consolidation (continued)

##### (iii) Associated Companies (continued)

The gain or loss on disposal of an associated company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associated company being disposed. All gains or losses on disposal of associated companies are recognised in profit or loss.

In the Bank's separate financial statements, the investment in associated companies is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### (c) Foreign Currency

##### (i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, i.e. the functional currency. The financial statements of the Group and of the Bank are presented in RM, which is also the Bank's functional currency.

##### (ii) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, i.e. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates ruling at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised directly in profit or loss if the gain or loss on the fair value of the non-monetary item is recognised in profit or loss.

##### (iii) Net Investment in Foreign Operations

In the Bank's separate financial statements, exchange differences arising from monetary items that form part of the Bank's net investment in foreign operations and that are denominated in the functional currency of the Bank or the foreign operations are recognised in profit or loss. In the consolidated financial statements, such exchange differences are recognised initially in other comprehensive income and will be reclassified to profit or loss only upon disposal of the net investment.

##### (iv) Consolidation of Financial Statements of Foreign Operations

The results and financial position of the Group's foreign operations and its subsidiary companies incorporated in the Federal Territory of Labuan, whose functional currencies are not the presentation currency or the currency of a hyperinflationary economy, are translated into the presentation currency at average exchange rates for the year and at the closing exchange rates as at reporting date respectively. All resulting exchange differences are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal of the foreign operation. Exchange differences arising from foreign currency borrowings and foreign currency forwards designated as hedges of a net investment in a foreign operation are recognised in the foreign currency translation reserve via other comprehensive income until the disposal of the net investment, at which time the accumulated translation differences are taken to profit or loss.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits with original maturity of less than three (3) months but excluding monies held-in-trust.

#### (e) Financial Assets and Liabilities

##### (i) Initial Recognition

Financial assets and financial liabilities are recognised when the Group and the Bank become a party to the contractual provisions of the instrument. At initial recognition, the Group and the Bank measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Management also determines the classification of a financial asset and a financial liability at initial recognition.

Regular way purchases and sales of financial assets are recognised using settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

##### (ii) Classification and Subsequent Measurement

###### (a) Financial Assets

The Group and the Bank classify financial assets in the following measurement categories – amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

###### (1) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group and the Bank classify its debt instruments into one of the following three measurement categories:

###### **Amortised cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest/profit ("SPPI/SPPP"), and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the ECL models described in Note 2(iii)(h)(ii). Interest income on financial assets measured at amortised cost is recognised in "interest income" in the statement of profit or loss. The losses arising from impairment on loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on loans, advances and financing". The losses arising from impairment on financial assets other than loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on other assets".



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (e) Financial Assets and Liabilities (continued)

##### (ii) Classification and Subsequent Measurement (continued)

###### (a) Financial Assets (continued)

###### (1) Debt instruments (continued)

###### **FVOCI**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at FVOCI. The changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses measured using the ECL models as described in Note 2(iii)(h)(ii), interest income and foreign exchange gains or losses on the financial assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as "Interest income" using the effective interest method. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in "Net gains and losses on financial instruments".

###### **FVTPL**

Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held for trading and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in "Net gains and losses on financial instruments". Interest earned whilst holding the assets are reported as "Interest income" using the effective interest method.

###### **Business model assessment**

The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors considered include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets. Other factors considered also include the frequency, volume and timing of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

###### **Assessment whether contractual cash flows are solely payments of principal and interest/profit (the SPPI/SPPP test)**

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 assess whether the financial assets' contractual cash flows represent solely payment of principal and interest/profit. In applying the SPPI/SPPP test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest 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 FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (e) Financial Assets and Liabilities (continued)

##### (ii) Classification and Subsequent Measurement (continued)

###### (a) Financial Assets (continued)

###### (1) Debt instruments (continued)

###### Reclassification of debt investments

The Group and the Bank reclassify debt instruments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in that business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

###### (2) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group and the Bank may occasionally elect to classify irrevocably an equity investment that is not held for trading at FVOCL. Such classification is determined on an instrument-by-instrument basis. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in "Net gains and losses on financial instruments" in the statement of profit or loss when the right to the payment has been established.

Upon derecognition, the gains and losses on equity investments at FVTPL, including dividends earned, are recognised in "Net gains and losses on financial instruments" in the statement of profit or loss.

###### (b) Derecognition other than a modification of loan

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

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

###### (c) Financial Liabilities

The Group and the Bank classify financial liabilities in the following measurement categories – amortised cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

- (i) financial liabilities at FVTPL; and
- (ii) financial guarantee contracts and loan commitments.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (e) Financial Assets and Liabilities (continued)

##### (ii) Classification and Subsequent Measurement (continued)

###### (c) Financial Liabilities (continued)

###### **Amortised cost**

Financial liabilities issued by the Group and the Bank are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Non-derivative financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks, repurchase agreements, lease liabilities and debt securities issued and other borrowed funds.

###### **FVTPL**

The classification and measurement of financial liabilities at FVTPL is applied to derivative financial instruments as described in Note 2(iii)(f). The Group and the Bank do not have any non-derivative financial liabilities designated at FVTPL. Certain debt securities issued by the Group and the Bank have been designated in effective hedges of interest rate risk, and the carrying value of these financial liabilities have been adjusted for changes in fair value related to the hedged exposure.

###### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

#### (iii) Determination of Fair Value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is generally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 46.

#### (iv) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

#### (f) Derivative Financial Instruments and Hedge Accounting

The Group and the Bank had elected an accounting policy choice under MFRS 9 Financial Instruments to continue to apply the hedge accounting requirements under MFRS 139 Financial Instruments: Recognition and Measurement.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and as financial liabilities when their fair values are negative.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (f) Derivative Financial Instruments and Hedge Accounting (continued)

Derivatives which are not designated in an effective hedge transaction are classified as FVTPL, with changes in fair value recognised in “Net gains and losses on financial instruments” in the statement of profit or loss. For derivative transactions which meet the specific criteria for hedge accounting, the Group and the Bank apply either fair value, cash flow or net investment hedge accounting.

At inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the cumulative changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

The Group and the Bank will discontinue hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

##### (i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment that is attributable to a particular risk, and could affect profit or loss. For designated and qualifying fair value hedges, changes in the fair value of the hedging instrument are recognised in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The net result is reported as hedge ineffectiveness under “Net gains and losses on financial instruments” in the statement of profit or loss.

If the hedging instrument is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to profit or loss over the remaining period to maturity using the effective interest rate.

##### (ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged forecast cash flows affect the profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss as hedge ineffectiveness.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (f) Derivative Financial Instruments and Hedge Accounting (continued)

##### (iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations and are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to profit or loss.

#### (g) Embedded Derivatives

Some hybrid financial instruments contain both an embedded derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and separately accounted for at fair value, with changes in fair value recognised in profit or loss.

#### (h) Impairment of Financial Assets

##### (i) Definition of Credit-impaired and Default

At each reporting date, the Group and the Bank assess whether financial assets are impaired. In general, a financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loans, advances and financing ("loan(s)") of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

- (1) principal or interest/profit or both are past due for ninety (90) days or more; or
- (2) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- (3) where a loan is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loan exhibits indications of significant credit weaknesses; or
- (4) where a credit-impaired loan is rescheduled and restructured ("R&R"), the loan will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than ninety (90) days past due upon compliance of the required nursing period; or
- (5) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment, as soon as default occurs.

In making an assessment whether an investment in debt or sovereign debt is impaired, the Group and the Bank consider factors such as, but not limited to, market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness and country's ability to access the capital markets for new debt issuance.

As part of the assessment of impairment for financial assets under the ECL model, the default definition has been applied to model Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The definition of default largely aligns with the definition of impaired for regulatory reporting purposes except for immaterial exposures which are not considered defaulted as such defaults are not attributed to the credit risk of the exposures and certain exposures which are considered defaulted based on qualitative assessment.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (h) Impairment of Financial Assets (continued)

##### (ii) Measurement of Impairment – Expected Credit Losses (“ECL”)

The Group and the Bank assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group and the Bank recognise a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable as well as supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. No impairment loss is recognised on equity investments.

The Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit-impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics such as instrument type, credit risk ratings, credit utilisation, level of collateralisation, collateral type, remaining term to maturity and other relevant factors. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on loans, advances and financing.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

###### (i) Stage 1: 12-month ECL – not credit-impaired

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

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

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

###### (iii) Stage 3: Lifetime ECL – credit-impaired

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

#### **Significant increase in credit risk**

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and analysis based on the Group's and the Bank's historical experience and expert credit risk assessment, including forward-looking information.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (h) Impairment of Financial Assets (continued)

##### (ii) Measurement of Impairment – Expected Credit Losses (“ECL”) (continued)

###### Significant increase in credit risk (continued)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative factors such as delinquency, historical delinquency trend, changes in credit ratings and qualitative factors as well as a backstop based on delinquency. For retail portfolio, a combination of delinquency, historical delinquency trend and qualitative factors are used to determine significant increase in credit risk. For non-retail portfolio, internally derived credit ratings have been identified as representing the best available determinant of credit risk whilst for debt securities, external ratings attributed by external agencies are used. The Group and the Bank assign each counterparty, debt securities and financial instrument, credit rating at initial recognition based on available information about the counterparty, debt securities and financial instrument. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. Nevertheless, regardless of the change in credit rating, a backstop is applied and a financial asset is considered to have experienced a significant increase in credit risk if the financial asset is more than 30 days past due on its contractual payments. In addition, the Group and the Bank may determine that an exposure has demonstrated a significant increase in credit risk based on certain qualitative factors using its expert credit judgment and, where possible, relevant historical experience that are considered to be indicative of such increase and whose effect may not otherwise be fully reflected in its quantitative factors.

The Group and the Bank have not used the low credit risk exemption for any financial assets in the financial year ended 31 December 2020.

###### **Measurement of ECL**

ECL are measured using three components, i.e. a PD, a LGD and an EAD. These parameters are derived from internally developed statistical models and adjusted to reflect forward-looking information as described below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of the financial instrument respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk. The LGD represents the expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdown of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the remaining life multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

###### **Forward looking information**

The Group and the Bank have developed methodologies for the application of forward macro-economic variables (“MEV”) which comprise economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEVs into the estimation of the PD and LGD via an application of a scale. The process of formulating a scale involves developing the correlation of MEVs to default rates and recovery rates for various portfolios of financial assets based on analysis of historical data. This correlation is then used to form the predicted effect (reflected via a scalar) between the MEVs and PD as well as LGD, taking into account the projections of MEVs.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (h) Impairment of Financial Assets (continued)

##### (ii) Measurement of Impairment – Expected Credit Losses (“ECL”) (continued)

###### Forward looking information (continued)

The MEVs taken into consideration include, but are not limited to, gross domestic product growth rates, consumer price index as well as housing price index, and require an evaluation of both the current and forecast of the economic environment. The projections of the MEVs are made based on a most-likely outcome (the “base economic scenario”) and a more favourable (“upside”) as well as a more unfavourable outcome (“downside”) as compared to the base economic scenario. The base economic scenario represents a most-likely outcome and is aligned with information used by the Group and the Bank for other purposes such as budgeting. The projections based on the respective economic scenarios are approved by the Bank’s Assets and Liabilities Management Committee and are provided once a year. However, the projections will be reviewed and updated if economic conditions have changed significantly. Scenario weightings for each economic scenario are also determined via a statistical analysis with reference to external forecasts. The scenario weightings will be used to derive a single probability-weighted scalar for each portfolio which will be used to adjust for the PD and LGD of the respective portfolio.

The carrying amount of the asset (other than debt instrument measured at FVOCI) is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. The impairment loss for a debt instrument measured at FVOCI does not reduce the carrying amount of the financial asset which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset was measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit or loss upon the derecognition of the financial asset.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as allowance for impairment on loan commitments and financial guarantees which is reported under “Other liabilities” in the statement of financial position.

##### (iii) Write-off

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

##### (iv) Modification of Loans

Where a loan shows evidence of significant credit weaknesses, the Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of the loans rather than take possession of the collateral. When this happens, the Group and the Bank assess whether the new terms are substantially different from the original terms. The Group and the Bank consider, among others, the following factors:

- (a) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- (b) Whether any substantial new terms are introduced that substantially affects the risk profile of the loan;
- (c) Significant extension of the loan term;
- (d) Significant change in the interest rate; and
- (e) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (h) Impairment of Financial Assets (continued)

#### (iv) Modification of Loans (continued)

The Group and the Bank derecognise a loan when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan and recalculates a new effective interest rate for the loan. 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 assess whether the new loan 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.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition and impairment continues to be assessed for significant increase in credit risk compared to the credit risk at initial origination.

#### (i) Investment Properties

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties upon consolidation.

The Group has adopted the fair value method in measuring investment properties. Investment properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, all properties are measured at fair value, with any changes recognised in profit or loss.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Fair values of investment properties are determined with reference to quotations of market value provided by independent professional valuers.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income as a property revaluation reserve. If a fair value gain reverses a previously recognised impairment loss, the gain is recognised in profit or loss. Upon disposal of the investment property, any surplus previously recorded in revaluation reserve is transferred to retained profits.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (i) Leases

##### (i) Recognition of Leases as a Lessee

The Group and the Bank consider whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group and the Bank assess whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Bank;
- the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group and the Bank have the right to direct the use of the identified asset throughout the period of use. The Group and the Bank assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

##### (ii) Measurement of Leases as a Lessee

At lease commencement date, the Group and the Bank recognise a right-of-use asset (other than leasehold land) and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset or to restore the asset or the site on which it is located at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset (other than leasehold land) is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is measured at amortised cost using effective interest method, and is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the incremental borrowing rates of the Bank and of the respective entities within the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) and payments arising from options reasonably certain to be exercised.

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

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest accrued. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Bank have applied the practical expedient under the COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases) of not to account for rent concessions as lease modifications when certain conditions are met.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (j) Leases (continued)

##### (ii) Measurement of Leases as a Lessee (continued)

The Group and the Bank present right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

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

Leasehold land is recognised at cost on initial measurement. Subsequent to initial recognition, leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iii)(n).

Leasehold land is depreciated over the remaining leasehold period. When the use of leasehold land changes from owner-occupied to investment property, the leasehold land is remeasured to fair value and reclassified as investment property.

##### (iii) Recognition and Measurement of Leases as a Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

#### (k) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. 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 replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss when they are incurred.

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

Subsequent to initial recognition, property and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iii)(n).

Freehold land with an indefinite useful life and work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is provided on a straight-line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives, summarised as follows:

|  |   |
|--|---|
| Buildings                                | 50 years  |
| Renovations                              | Over the term of the leases ranging from 2 – 10 years |
| Office equipment, furniture and fittings | 3 – 10 years  |
| Computer equipment and software          | 2 – 6 years   |
| Motor vehicles                           | 5 – 6 years   |

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (k) Property and Equipment and Depreciation (continued)

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

#### (l) Intangible Assets

##### (i) Goodwill

Goodwill is measured as the excess of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amount from the CGU against the carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of the identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in profit or loss.

##### (ii) Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Intangible assets are recognised only when the identifiability and economic benefit probability criterion are met.

Intangible assets with an indefinite useful life are not amortised but are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite useful life assumption continues to be supportable.

Intangible assets with a finite useful life will be amortised on a straight-line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (m) Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

#### (n) Impairment of Non-Financial Assets

Non-financial assets other than goodwill, such as right-of-use assets, property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in profit or loss, and is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 2(iii)(l)(i).

#### (o) Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements (i.e. reverse repurchase agreements) at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recognised in 'reverse repurchase agreements' in the statement of financial position, reflecting the transaction's economic substance as a collateralised loan by the Group and the Bank. The difference between the purchase and resale prices is recognised in 'Interest income' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

Securities sold under repurchase agreements (i.e. repurchase agreements) at a specified future date are not derecognised from the statement of financial position as the Group and the Bank retain substantially all the risks and rewards of ownership. The consideration received is recognised as an asset with the corresponding obligation, including accrued interest as a liability, reflecting the transaction's economic substance as a collateralised loan given to the Group and the Bank. The difference between the sale and the repurchase prices is recognised in 'Interest expense' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

#### (p) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

#### (q) General Insurance

General insurance underwriting results are determined after taking into account reinsurances, unearned premium reserves, net commissions and net claims incurred.

Unearned premium reserves ("UPR") represent the unexpired risks at the end of the financial year. A fixed percentage method or time apportionment method is used in determining the UPR at reporting date.

Provision is made for outstanding claims based on the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at reporting date. Provision is also made for the cost of claims together with related expenses incurred but not reported at reporting date using a mathematical method of estimation determined by the management on a case by case basis.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (r) Provisions

A provision is recognised when there is a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation and the amount can be reliably estimated.

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

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

#### (s) Debt Securities Issued

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt securities issued consist mainly of senior medium term notes, senior sukuk murabahah, subordinated notes, subordinated sukuk murabahah and borrowings. These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest/profit or both to holders of the debt securities and that the Group is contractually obliged to settle the debt securities in cash or another financial instrument.

The Group has also issued Additional Tier I capital securities which are perpetual debt instruments. These debt securities are classified as a liability in the statement of financial position as there are contractual obligation to deliver cash or other financial instruments to the holders in the form of regular interest payments, potentially extending into the indefinite future.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost. Generally, it is the Group's policy to hedge the fixed interest rate risk on these debt securities, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate debt instruments, the carrying values of the debt securities are adjusted for changes in fair value related to the hedged exposure, instead of being carried at amortised cost.

#### (t) Share Capital

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

#### (u) Treasury Shares

When the Bank re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares. Should such treasury shares be reissued by resale in the open market, the difference between the sales consideration and the carrying amount are shown as a movement in equity, as appropriate. Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable retained profits.

#### (v) Contingent Liabilities and Contingent Assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (w) Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from commercial banking, investment banking, financing and other Islamic banking activities, stock-brokering, general insurance, trustee services, management of unit trust funds and sale of trust units but excluding all related company transactions.

Operating revenue of the Bank comprises gross interest income, commissions earned and other income derived from commercial banking operations.

#### (x) Interest and Financing Income and Expense

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as FVTPL and FVOCL, interest and financing income and expense are recognised under “Interest income”, “Interest expense” and “Net income from Islamic banking business” respectively in the statement of profit or loss using the effective interest/profit method.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest/financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective interest/profit rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

#### (y) Fee and Commission Income

The Group and the Bank earn fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis based on performance obligations satisfied.

Fees earned for the provision of services over a period of time, such as asset management and loan arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances and stock-brokering, are recognised upon completion of the underlying transaction. Fees that are linked to the performance of a certain activity or service, such as corporate advisory services, are recognised upon completion of the performance criteria.

#### (z) Dividend Income

Dividend income is recognised when the right to receive payment is established.

#### (aa) Employee Benefits

##### (i) Short Term Employee Benefits

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

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (aa) Employee Benefits (continued)

##### (ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred.

##### (iii) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully-funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised immediately in defined benefit reserve via other comprehensive income and are not subsequently recycled to profit or loss. Past service costs, whether unvested or already vested, are recognised immediately in profit or loss as incurred. Net interest income or cost is calculated by applying the discount rate to the net defined benefit asset or liability. The Group recognises the changes in the net defined benefit obligation which includes current service costs, past service costs and net interest expense or income under "Personnel costs" in the statement of profit or loss.

The amount recognised in the statement of financial position represents the actual deficit or surplus in the Fund. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from or reductions in future contributions to the Fund.

##### (iv) Share-based Compensation Benefits

Where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in profit or loss over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. The Group could revise its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

#### (ab) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in the respective jurisdictions and is recognised as an expense in profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (ab) Tax Expense (continued)

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill which is not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax relating to fair value remeasurement of financial investments at FVOCI and cash flow hedges, which are recognised in other comprehensive income, is also charged or credited directly to other comprehensive income, and is subsequently recognised in profit or loss when the deferred fair value gain or loss is recognised in profit or loss.

For investment properties which are carried at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set-off under the same taxable entity and taxation authority. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

#### (ac) Dividends

Dividends declared on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

#### (ad) Earnings Per Share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

#### (ae) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

# Notes to the Financial Statements – 31 December 2020

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### (iii) Significant Accounting Policies (continued)

#### (af) Government Financing Scheme and Government Financing Facility

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 is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme 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 costs or expenses are recognised, when the required conditions are fulfilled.

## 3. CASH AND BALANCES WITH BANKS

|                                  | Group             |                | Bank              |                |
|----------------------------------|-------------------|----------------|-------------------|----------------|
|                                  | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| Cash and bank balances           | <b>4,554,370</b>  | 5,169,275      | <b>2,779,601</b>  | 3,150,523      |
| Money market deposit placements: |                   |                |                   |                |
| – maturing within one month      | <b>12,327,482</b> | 6,163,734      | <b>8,519,977</b>  | 3,292,130      |
| – maturing after one month       | <b>2,816,280</b>  | 2,742,690      | <b>1,671,089</b>  | 2,042,632      |
|                                  | <b>15,143,762</b> | 8,906,424      | <b>10,191,066</b> | 5,334,762      |
|                                  | <b>19,698,132</b> | 14,075,699     | <b>12,970,667</b> | 8,485,285      |

The monies held-in-trust for clients for the Group as at the reporting date are approximately RM179,442,000 (2019: RM70,345,000). These amounts are excluded from the cash and balances with banks of the Group in accordance with FRSIC 18.

## 4. REVERSE REPURCHASE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

### (a) Reverse Repurchase Agreements:

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At amortised cost</b>               |                |                |                |                |
| Malaysian Government Securities        | <b>102,300</b> | –              | <b>102,300</b> | –              |
| Malaysian Government Investment Issues | <b>97,845</b>  | –              | <b>97,845</b>  | –              |
| Foreign government treasury bills      | <b>2,688</b>   | 8,208          | <b>2,688</b>   | 8,208          |
|  | <b>202,833</b> | 8,208          | <b>202,833</b> | 8,208          |

The fair value of securities accepted as collateral under reverse repurchase agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owners was RM210,695,000 (2019 – RM8,210,000), of which none (2019 – none) has been resold.



**4. REVERSE REPURCHASE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)**

**(b) Obligations on Securities Sold under Repurchase Agreements:**

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At amortised cost</b>                        |                |                |                |                |
| Financial investments at:                       |                |                |                |                |
| – fair value through other comprehensive income | <b>588,812</b> | 638,131        | <b>588,812</b> | 638,131        |
| – amortised cost                                | <b>325,296</b> | 332,523        | <b>1,473</b>   | 1,023          |
|   | <b>914,108</b> | 970,654        | <b>590,285</b> | 639,154        |

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

|  | Group            |                | Bank             |                |
|--|------------------|----------------|------------------|----------------|
|  | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| <b>At fair value</b>   |                  |                |                  |                |
| <b>Government securities and treasury bills:</b>                           |                  |                |                  |                |
| Malaysian Government Treasury Bills  | <b>109,517</b>   | –              | <b>109,517</b>   | –              |
| Malaysian Government Securities  | <b>464,553</b>   | 2,166,786      | <b>464,553</b>   | 2,166,786      |
| Malaysian Government Investment Issues                                     | <b>330,325</b>   | 1,313,536      | <b>330,325</b>   | 1,281,657      |
|  | <b>904,395</b>   | 3,480,322      | <b>904,395</b>   | 3,448,443      |
| <b>Money market instruments:</b>   |                  |                |                  |                |
| Negotiable instruments of deposit and negotiable Islamic debt certificates | –                | 249,541        | –                | –              |
| <b>Non-money market instruments:</b>                                       |                  |                |                  |                |
| Equity securities  |                  |                |                  |                |
| – Unquoted shares in Malaysia  | <b>478,772</b>   | 445,428        | <b>451,376</b>   | 419,940        |
| Debt securities  |                  |                |                  |                |
| – Cagamas bonds  | <b>200,339</b>   | –              | <b>200,339</b>   | –              |
| – Unquoted corporate bonds/sukuk   | –                | 34,974         | –                | –              |
|  | <b>679,111</b>   | 480,402        | <b>651,715</b>   | 419,940        |
|  | <b>1,583,506</b> | 4,210,265      | <b>1,556,110</b> | 3,868,383      |

# Notes to the Financial Statements – 31 December 2020

## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and equity prices) of the underlying instruments. These instruments further allow the Group and the Bank to transfer, modify or reduce its foreign exchange and interest/profit rate risks via designated hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' transactions are classified as trading derivatives. The Group and the Bank may also take conservative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates via its trading derivatives.

The following tables show the Group's and the Bank's derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 45 to the financial statements.

| Group                                  | 2020                                      |                  |                       | 2019                                      |                  |                       |  |  |
|--|---|------------------|-----------------------|---|------------------|-----------------------|--|--|
|  | Contract/<br>Notional<br>Amount<br>RM'000 | Fair Value       |                       | Contract/<br>Notional<br>Amount<br>RM'000 | Fair Value       |                       |  |  |
|  |   | Assets<br>RM'000 | Liabilities<br>RM'000 |   | Assets<br>RM'000 | Liabilities<br>RM'000 |  |  |
| <b>At fair value</b>                   |   |                  |                       |   |                  |                       |  |  |
| <b>Trading derivatives:</b>            |   |                  |                       |   |                  |                       |  |  |
| Foreign exchange contracts             |   |                  |                       |   |                  |                       |  |  |
| – Currency forwards                    | 1,570,341                                 | 7,995            | 9,149                 | 1,324,857                                 | 6,531            | 5,910                 |  |  |
| – Currency swaps                       | 26,020,528                                | 221,548          | 409,212               | 20,835,248                                | 92,438           | 205,893               |  |  |
| – Currency options                     | 31,773                                    | –                | –                     | 12,761                                    | –                | –                     |  |  |
| Interest rate related contracts        |   |                  |                       |   |                  |                       |  |  |
| – Interest rate swaps                  | –   | –                | –                     | 430,000                                   | –                | 95                    |  |  |
| Precious metal contracts               |   |                  |                       |   |                  |                       |  |  |
| – Forwards                             | 606                                       | 3                | –                     | 120                                       | –                | 1                     |  |  |
|  | <b>27,623,248</b>                         | <b>229,546</b>   | <b>418,361</b>        | 22,602,986                                | 98,969           | 211,899               |  |  |
| <b>Hedging derivatives:</b>            |   |                  |                       |   |                  |                       |  |  |
| <b>Fair value hedge</b>                |   |                  |                       |   |                  |                       |  |  |
| Interest rate related contracts        |   |                  |                       |   |                  |                       |  |  |
| – Interest rate swaps                  | 714,214                                   | –                | 51,288                | 723,501                                   | 393              | 22,142                |  |  |
| <b>Cash flow hedge</b>                 |   |                  |                       |   |                  |                       |  |  |
| Foreign exchange contracts             |   |                  |                       |   |                  |                       |  |  |
| – Cross currency interest rate swaps   | 1,406,300                                 | 37,784           | 13,172                | 1,432,725                                 | 39,253           | 22,309                |  |  |
| Interest/profit rate related contracts |   |                  |                       |   |                  |                       |  |  |
| – Interest/profit rate swaps           | 6,392,060                                 | 2,428            | 96,996                | 4,842,645                                 | 7,409            | 25,428                |  |  |
| <b>Net investment hedge</b>            |   |                  |                       |   |                  |                       |  |  |
| Foreign exchange contracts             |   |                  |                       |   |                  |                       |  |  |
| – Forwards                             | 1,970,192                                 | 17,252           | 46,239                | 1,998,516                                 | 6,306            | 63,946                |  |  |
|  | <b>10,482,766</b>                         | <b>57,464</b>    | <b>207,695</b>        | 8,997,387                                 | 53,361           | 133,825               |  |  |
| <b>Total</b>                           | <b>38,106,014</b>                         | <b>287,010</b>   | <b>626,056</b>        | 31,600,373                                | 152,330          | 345,724               |  |  |



## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

| Bank                                       | 2020                                      |                  |                       | 2019                                      |                  |                       |  |  |
|--|---|------------------|-----------------------|---|------------------|-----------------------|--|--|
|  | Contract/<br>Notional<br>Amount<br>RM'000 | Fair Value       |                       | Contract/<br>Notional<br>Amount<br>RM'000 | Fair Value       |                       |  |  |
|  |   | Assets<br>RM'000 | Liabilities<br>RM'000 |   | Assets<br>RM'000 | Liabilities<br>RM'000 |  |  |
| <b>At fair value</b>                       |   |                  |                       |   |                  |                       |  |  |
| <b>Trading derivatives:</b>                |   |                  |                       |   |                  |                       |  |  |
| Foreign exchange contracts                 |   |                  |                       |   |                  |                       |  |  |
| – Currency forwards                        | 1,517,501                                 | 7,939            | 9,112                 | 1,012,878                                 | 4,207            | 3,637                 |  |  |
| – Currency swaps                           | 24,955,206                                | 207,812          | 407,859               | 20,107,328                                | 84,949           | 205,718               |  |  |
| – Currency options                         | 31,773                                    | –                | –                     | 12,761                                    | –                | –                     |  |  |
| Interest rate related contracts            |   |                  |                       |   |                  |                       |  |  |
| – Interest rate swaps                      | –   | –                | –                     | 560,000                                   | 19               | 95                    |  |  |
| Precious metal contracts                   |   |                  |                       |   |                  |                       |  |  |
| – Forwards                                 | 606                                       | 3                | –                     | 120                                       | –                | 1                     |  |  |
|  | <b>26,505,086</b>                         | <b>215,754</b>   | <b>416,971</b>        | 21,693,087                                | 89,175           | 209,451               |  |  |
| <b>Hedging derivatives:</b>                |   |                  |                       |   |                  |                       |  |  |
| <b>Fair value hedge</b>                    |   |                  |                       |   |                  |                       |  |  |
| Interest rate related contracts            |   |                  |                       |   |                  |                       |  |  |
| – Interest rate swaps                      | 220,000                                   | –                | 5,676                 | 220,000                                   | –                | 1,801                 |  |  |
| <b>Cash flow hedge</b>                     |   |                  |                       |   |                  |                       |  |  |
| Foreign exchange contracts                 |   |                  |                       |   |                  |                       |  |  |
| – Cross currency interest rate swaps       | 1,406,300                                 | 37,784           | 13,172                | 1,432,725                                 | 39,253           | 22,309                |  |  |
| Interest rate related contracts            |   |                  |                       |   |                  |                       |  |  |
| – Interest rate swaps                      | 9,092,060                                 | 198,463          | 98,313                | 7,342,645                                 | 97,520           | 25,428                |  |  |
| <b>Net investment hedge at Group level</b> |   |                  |                       |   |                  |                       |  |  |
| Foreign exchange contracts                 |   |                  |                       |   |                  |                       |  |  |
| – Forwards                                 | 1,970,192                                 | 17,252           | 46,239                | 1,998,516                                 | 6,306            | 63,946                |  |  |
|  | <b>12,688,552</b>                         | <b>253,499</b>   | <b>163,400</b>        | 10,993,886                                | 143,079          | 113,484               |  |  |
| <b>Total</b>                               | <b>39,193,638</b>                         | <b>469,253</b>   | <b>580,371</b>        | 32,686,973                                | 232,254          | 322,935               |  |  |

With the exception of options contracts, the fair values of derivative financial instruments are normally zero or negligible at inception. The subsequent change in fair value is either favourable or unfavourable as a result of fluctuations in the underlying market interest/profit rates and/or foreign exchange rates relative to the terms of the respective contracts.

The fair value at inception of options contracts purchased represents the consideration paid for these contracts, with subsequent changes in the fair value dependent on the movements in the value of the underlying asset and/or index.

# Notes to the Financial Statements – 31 December 2020

## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

As at 31 December 2020, the Group and the Bank have positions in the following types of derivative financial instruments:

### Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

### Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest/profit rates.

### Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a pre-determined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Over-the-counter derivatives may expose the Group and the Bank to the risks associated with the absence of an exchange to close out an open position. This credit risk represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk, the Group and the Bank continually monitor and assess the credit standing of these counterparties.

### Hedge Accounting

Where derivatives of the Group and of the Bank have been designated for the purpose of hedging and meet the hedge effectiveness criteria, the accounting treatment of these derivatives will depend on the nature of the instrument hedged and the type of hedge transaction, as described in Note 2(iii)(f). The Group and the Bank apply hedge accounting in three separate hedging strategies, namely fair value hedge, cash flow hedge and net investment hedge.

### Fair Value Hedge

The Group and the Bank use fair value hedges to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk include the Bank's debt securities issued and financial investments at fair value through other comprehensive income ("FVOCI"). The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The Group and the Bank only hedge the interest rate risk element and other risks such as credit risk, are managed but not hedged by the Group and the Bank. The interest rate risk component is determined as the change in fair value of the long-term fixed rate debt securities (liabilities) and the bonds (assets), i.e. the hedged items, arising solely from changes in 3-month Kuala Lumpur Inter-bank Offer Rate ("KLIBOR") and United States Dollar 3-month London Inter-bank Offer Rate ("LIBOR") (the benchmark rates of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to the changes in benchmark KLIBOR and LIBOR with changes in the fair value of the interest rate swaps (hedging instruments).

The accounting policies for fair value hedge are as disclosed in Note 2(iii)(f).

The Group and the Bank establish the hedging ratio by matching the notional of the derivatives with the principal of the hedged items. The main potential sources of hedge ineffectiveness are as follows:

- (i) Counterparty credit risk which impacts the fair value of the interest rate swaps but not the hedged items; and
- (ii) Mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the interest rates are reset.



## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

### Fair Value Hedge (continued)

The following tables show the notional amount of derivatives designated in fair value hedge relationships in time bands based on the maturity of the derivatives:

|                                 | 2020              |                  |                |              |                | 2019              |                  |                |              |         |
|---------------------------------|-------------------|------------------|----------------|--------------|----------------|-------------------|------------------|----------------|--------------|---------|
|                                 | Up to<br>3 Months | 3 - 12<br>Months | 1 - 5<br>Years | > 5<br>Years | Total          | Up to<br>3 Months | 3 - 12<br>Months | 1 - 5<br>Years | > 5<br>Years | Total   |
|                                 | RM'000            | RM'000           | RM'000         | RM'000       | RM'000         | RM'000            | RM'000           | RM'000         | RM'000       | RM'000  |
| <b>Interest rate swaps</b>      |                   |                  |                |              |                |                   |                  |                |              |         |
| <b>Group</b>                    |                   |                  |                |              |                |                   |                  |                |              |         |
| Hedge of RM bonds (Pay fixed)   | -                 | -                | <b>220,000</b> | -            | <b>220,000</b> | -                 | -                | 220,000        | -            | 220,000 |
| Average fixed interest rate (%) | -                 | -                | <b>3.59</b>    | -            |                | -                 | -                | 3.59           | -            |         |
| <b>Bank</b>                     |                   |                  |                |              |                |                   |                  |                |              |         |
| Hedge of RM bonds (Pay fixed)   | -                 | -                | <b>220,000</b> | -            | <b>220,000</b> | -                 | -                | 220,000        | -            | 220,000 |
| Average fixed interest rate (%) | -                 | -                | <b>3.59</b>    | -            |                | -                 | -                | 3.59           | -            |         |

The carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments included in these carrying amounts are as follows:

|                                | Group                        |   |                              |   | Bank                         |   |                              |   |
|--------------------------------|------------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
|                                | 2020                         |   | 2019                         |   | 2020                         |   | 2019                         |   |
|                                | Carrying<br>Amount<br>RM'000 | Fair Value<br>Hedge<br>Adjustments*<br>RM'000 |
| Financial investments at FVOCI | <b>714,214</b>               | (51,288)                                      | 723,501                      | (21,749)                                      | <b>220,000</b>               | (5,676)                                       | 220,000                      | (1,801)                                       |

\* The carrying amount of financial investments at FVOCI does not include a fair value adjustment as the hedged item is measured at fair value. The accounting for the hedge relationships results in a transfer from other comprehensive income to the profit or loss.

# Notes to the Financial Statements – 31 December 2020

## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

### Fair Value Hedge (continued)

Fair value hedge relationships resulted in the following changes in value used as the basis for recognising hedge ineffectiveness during the year:

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Loss on hedging instruments                          | (29,539)       | (38,346)       | (3,875)        | (12,505)       |
| Gain on hedged items attributable to the hedged risk | 29,960         | 38,099         | 3,853          | 12,596         |
| Exchange differences                                 | 5              | (6)            | –              | –              |
| Ineffectiveness charged to profit or loss (Note 34)  | 426            | (253)          | (22)           | 91             |

The gains and losses on the ineffective portions of the Group's and of the Bank's fair value hedges are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments".

### Cash Flow Hedge

The Group and the Bank principally use interest/profit rate and cross currency interest rate swaps to protect against exposures to variability in future cash flows on non-trading financial assets and liabilities which bear interest/profit at variable rates. The derivatives are entered into after taking into consideration of the interest rate risk from a portfolio of exposures, such as portfolio of assets or portfolio of liabilities.

To qualify for hedge accounting purpose, derivatives are designated in a cash flow hedge relationships to manage the profit and loss volatility associated with the derivatives which would otherwise measured at fair value through profit or loss. This requires identification of eligible assets and liabilities, and designation of derivatives to obtain hedge accounting, which involves designating derivatives as hedges of the variability in highly probable forecast future cash flows attributable to interest/profit rate risk from the benchmark interest rate on variable rate assets and liabilities. The accounting policies for cash flow hedge are as disclosed in Note 2(iii)(f).

To test hedge effectiveness, a comparison is performed to ensure the expected interest/profit cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is the mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the interest rates are reset.



## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

### Cash Flow Hedge (continued)

The following tables show the notional amount of derivatives designated in cash flow hedge relationships in time bands based on the maturity of the derivatives:

|                                    | 2020              |                  |                |              |            | 2019              |                  |                |              |           |
|------------------------------------|-------------------|------------------|----------------|--------------|------------|-------------------|------------------|----------------|--------------|-----------|
|                                    | Up to<br>3 Months | 3 - 12<br>Months | 1 - 5<br>Years | > 5<br>Years | Total      | Up to<br>3 Months | 3 - 12<br>Months | 1 - 5<br>Years | > 5<br>Years | Total     |
|                                    | RM'000            | RM'000           | RM'000         | RM'000       | RM'000     | RM'000            | RM'000           | RM'000         | RM'000       | RM'000    |
| <b>Group</b>                       |                   |                  |                |              |            |                   |                  |                |              |           |
| Interest/profit rate swaps         |                   |                  |                |              |            |                   |                  |                |              |           |
| – Pay fixed                        | 625,000           | 801,800          | 4,265,260      | 700,000      | 6,392,060  | 500,000           | –                | 4,192,645      | 150,000      | 4,842,645 |
| Cross currency interest rate swaps |                   |                  |                |              |            |                   |                  |                |              |           |
| – Pay fixed                        | –                 | 401,800          | –              | –            | 401,800    | –                 | –                | 1,023,375      | –            | 1,023,375 |
| – Pay LIBOR/Receive KLIBOR         | –                 | –                | 1,004,500      | –            | 1,004,500  | –                 | –                | 409,350        | –            | 409,350   |
|                                    | 625,000           | 1,203,600        | 5,269,760      | 700,000      | 7,798,360  | 500,000           | –                | 5,625,370      | 150,000      | 6,275,370 |
| <b>Bank</b>                        |                   |                  |                |              |            |                   |                  |                |              |           |
| Interest rate swaps                |                   |                  |                |              |            |                   |                  |                |              |           |
| – Pay fixed                        | 625,000           | 801,800          | 4,265,260      | 700,000      | 6,392,060  | 500,000           | –                | 4,192,645      | 150,000      | 4,842,645 |
| – Receive fixed                    | –                 | –                | 1,700,000      | 1,000,000    | 2,700,000  | –                 | –                | 500,000        | 2,000,000    | 2,500,000 |
| Cross currency interest rate swaps |                   |                  |                |              |            |                   |                  |                |              |           |
| – Pay fixed                        | –                 | 401,800          | –              | –            | 401,800    | –                 | –                | 1,023,375      | –            | 1,023,375 |
| – Pay LIBOR/Receive KLIBOR         | –                 | –                | 1,004,500      | –            | 1,004,500  | –                 | –                | 409,350        | –            | 409,350   |
|                                    | 625,000           | 1,203,600        | 6,969,760      | 1,700,000    | 10,498,360 | 500,000           | –                | 6,125,370      | 2,150,000    | 8,775,370 |

There were no cash flow hedges that were discontinued as a result of the hedged cash flows no longer expected to occur.

The net gains or losses on cash flow hedges reclassified from other comprehensive income to profit or loss is recognised in "Net gains and losses on financial instruments". During the financial year, a loss of RM1,057,000 (2019 – gain of RM10,465,000) was recognised by the Group and the Bank in the statement of profit or loss.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments". During the financial year, a gain of RM851,000 (2019 – loss of RM1,341,000) (Note 34) was recognised by the Group and the Bank.

# Notes to the Financial Statements – 31 December 2020

## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

### Net Investment Hedge

The Group's statement of financial position is affected by gains and losses as a result of the translation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of liabilities (certain short-term interbank borrowing funding pools) and forward foreign exchange contracts.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The accounting policies for net investment hedge are as disclosed in Note 2(iii)(f).

For hedging instruments which are liabilities, effectiveness is assessed by comparing changes in the carrying amount of the liabilities with changes in the investment in foreign operations which is due to movement in the spot exchange rate.

For hedging instruments which are forward foreign exchange contracts, the Group only designates the spot element of the derivatives as hedging instruments. Changes in the fair value of the hedging instruments attributable to changes in forward points are recognised directly in profit or loss under "Other operating income – foreign exchange profit" and these amounts are not included in the assessment of hedge effectiveness.

Due to the pegging of Hong Kong Dollar ("HKD") to United States Dollar ("USD") and, as part of the risk management strategy, the Group has designated USD interbank borrowings to hedge part of its HKD exposure. Such designation will result in potential hedge ineffectiveness as the movement in HKD does not perfectly correlate with the movement in USD.

Ineffectiveness may also arise if there are significant losses recorded in the net assets of the foreign operations.

The following table shows the notional amount of financial instruments designated as net investment hedge relationships in time bands based on the maturity of the financial instruments:

| Group   | 2020                           |                             |                          |                 | 2019                           |                             |                          |                 |
|---|--------------------------------|-----------------------------|--------------------------|-----------------|--------------------------------|-----------------------------|--------------------------|-----------------|
|   | Foreign<br>Currency<br>FCY'000 | Up to<br>3 Months<br>RM'000 | 3 – 5<br>Years<br>RM'000 | Total<br>RM'000 | Foreign<br>Currency<br>FCY'000 | Up to<br>3 Months<br>RM'000 | 3 – 5<br>Years<br>RM'000 | Total<br>RM'000 |
| USD Short-term interbank<br>borrowings        | 815,000                        | 3,274,670                   | –                        | 3,274,670       | 815,000                        | 3,336,203                   | –                        | 3,336,203       |
| HKD:MYR Forward foreign<br>exchange contracts | 3,801,990                      | –                           | 1,970,191                | 1,970,191       | 3,801,990                      | –                           | 1,998,516                | 1,998,516       |
|   | <b>3,274,670</b>               | <b>1,970,191</b>            | <b>5,244,861</b>         |                 |                                | 3,336,203                   | 1,998,516                | 5,334,719       |



## 6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

### Net Investment Hedge (continued)

The amounts relating to items designated as hedging instruments are as follows:

|  | Notional Amount RM'000 | Carrying Amount Liabilities RM'000 | Change in Fair Value Used for Calculating Hedge Ineffectiveness RM'000 | Change in the Value of the Hedging Instruments Recognised in Other Comprehensive Income RM'000 | Hedge Ineffectiveness Recognised in Profit or Loss RM'000 |
|--|------------------------|------------------------------------|--|--|---|
| <b>2020</b>                                |                        |                                    |  |  |   |
| USD Short-term interbank borrowings        | –                      | 3,274,670                          | 39,600   | 37,235   | 2,365   |
| HKD:MYR Forward foreign exchange contracts | 1,970,191              | –                                  | 21,527   | 21,527   | –   |
|  | <b>1,970,191</b>       | <b>3,274,670</b>                   | <b>61,127</b>  | <b>58,762</b>  | <b>2,365</b>  |
| <b>2019</b>                                |                        |                                    |  |  |   |
| USD Short-term interbank borrowings        | –                      | 3,336,203                          | 28,316   | 24,435   | 3,881   |
| HKD:MYR Forward foreign exchange contracts | 1,998,516              | –                                  | 7,991  | 7,991  | –   |
|  | <b>1,998,516</b>       | <b>3,336,203</b>                   | <b>36,307</b>  | <b>32,426</b>  | <b>3,881</b>  |

# Notes to the Financial Statements – 31 December 2020

## 7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

|  | Group             |                | Bank              |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>At fair value</b>   |                   |                |                   |                |
| <b>Government securities and treasury bills:</b>                           |                   |                |                   |                |
| Malaysian Government Treasury Bills  | 700,094           | –              | 700,094           | –              |
| Malaysian Government Securities  | 17,302,295        | 11,982,825     | 16,966,318        | 11,819,642     |
| Malaysian Government Investment Issues                                     | 23,398,381        | 21,806,968     | 12,865,030        | 11,477,222     |
| Other government treasury bills  | 156,877           | 160,557        | –                 | –              |
|  | <b>41,557,647</b> | 33,950,350     | <b>30,531,442</b> | 23,296,864     |
| <b>Money market instruments:</b>   |                   |                |                   |                |
| Negotiable instruments of deposit and negotiable Islamic debt certificates | 938,442           | 426,813        | 938,442           | 426,813        |
| <b>Non-money market instruments:</b>                                       |                   |                |                   |                |
| Equity securities  |                   |                |                   |                |
| – Quoted shares and convertible loan stocks outside Malaysia               | 1,382             | 1,556          | –                 | –              |
| – Unquoted shares  | 379,025           | 351,538        | 372,474           | 345,113        |
| Debt securities  |                   |                |                   |                |
| – Cagamas bonds  | 503,931           | 610,409        | 400,484           | 507,554        |
| – Unquoted corporate bonds/sukuk   | 5,166,976         | 4,799,974      | 810,727           | 1,419,753      |
| Unit trust funds   | –                 | 12,853         | –                 | –              |
|  | <b>6,051,314</b>  | 5,776,330      | <b>1,583,685</b>  | 2,272,420      |
|  | <b>48,547,403</b> | 40,153,493     | <b>33,053,569</b> | 25,996,097     |

Included in financial investments at FVOCI are the following securities sold under repurchase agreements (Note 4(b)):

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Malaysian Government Securities        | 602,268        | 478,258        | 602,268        | 478,258        |
| Malaysian Government Investment Issues | –              | 190,120        | –              | 190,120        |
|  | <b>602,268</b> | 668,378        | <b>602,268</b> | 668,378        |



## 7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

The following expected credit losses ("ECL") for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value:

| Group                                       | Lifetime ECL                           |  |  |                 |
|---|--|--|--|-----------------|
|   | 12-Month<br>ECL<br>(Stage 1)<br>RM'000 | Not Credit-<br>Impaired<br>(Stage 2)<br>RM'000 | Credit-<br>Impaired<br>(Stage 3)<br>RM'000 | Total<br>RM'000 |
| At 1 January 2019                           | 7,371                                  | 1,225  | –  | 8,596           |
| Net allowance made/(written back) (Note 39) | 249                                    | (406)  | –  | (157)           |
| New financial investments purchased         | 6,796                                  | 135  | –  | 6,931           |
| Allowance made                              | 210                                    | –  | –  | 210             |
| Amount derecognised                         | (6,734)                                | (541)  | –  | (7,275)         |
| Change in models/risk parameters            | (23)                                   | –  | –  | (23)            |
| Exchange differences                        | (4)                                    | (23)   | –  | (27)            |
| At 31 December 2019                         | 7,616                                  | 796  | –  | 8,412           |
| Net allowance made (Note 39)                | 3,498                                  | 1,183  | –  | 4,681           |
| New financial investments purchased         | 7,962                                  | 1,183  | –  | 9,145           |
| Allowance made                              | 2,692                                  | –  | –  | 2,692           |
| Amount derecognised                         | (7,219)                                | –  | –  | (7,219)         |
| Change in models/risk parameters            | 63                                     | –  | –  | 63              |
| Exchange differences                        | (3)                                    | (60)   | –  | (63)            |
| At 31 December 2020                         | 11,111                                 | 1,919  | –  | 13,030          |

| Bank                                 | Lifetime ECL                           |  |  |                 |
|--------------------------------------|--|--|--|-----------------|
|                                      | 12-Month<br>ECL<br>(Stage 1)<br>RM'000 | Not Credit-<br>Impaired<br>(Stage 2)<br>RM'000 | Credit-<br>Impaired<br>(Stage 3)<br>RM'000 | Total<br>RM'000 |
| At 1 January 2019                    | 4,860                                  | –  | –  | 4,860           |
| Net allowance written back (Note 39) | (508)                                  | –  | –  | (508)           |
| New financial investments purchased  | 4,984                                  | –  | –  | 4,984           |
| Allowance written back               | (493)                                  | –  | –  | (493)           |
| Amount derecognised                  | (4,998)                                | –  | –  | (4,998)         |
| Change in models/risk parameters     | (1)                                    | –  | –  | (1)             |
| At 31 December 2019                  | 4,352                                  | –  | –  | 4,352           |
| Net allowance made (Note 39)         | 1,132                                  | –  | –  | 1,132           |
| New financial investments purchased  | 6,770                                  | –  | –  | 6,770           |
| Allowance made                       | 255                                    | –  | –  | 255             |
| Amount derecognised                  | (5,859)                                | –  | –  | (5,859)         |
| Change in models/risk parameters     | (34)                                   | –  | –  | (34)            |
| At 31 December 2020                  | 5,484                                  | –  | –  | 5,484           |

# Notes to the Financial Statements – 31 December 2020

## 8. FINANCIAL INVESTMENTS AT AMORTISED COST

|  | Group             |                | Bank              |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>At amortised cost</b>   |                   |                |                   |                |
| <b>Government securities and treasury bills:</b>                           |                   |                |                   |                |
| Malaysian Government Securities  | <b>1,071,562</b>  | 1,016,394      | <b>1,071,562</b>  | 1,016,394      |
| Malaysian Government Investment Issues                                     | <b>7,750,118</b>  | 7,098,076      | <b>3,870,625</b>  | 4,030,824      |
| Foreign government treasury bills  | <b>1,039,673</b>  | 1,118,597      | <b>60,911</b>     | 34,236         |
| Other foreign government securities  | <b>1,528,131</b>  | 1,232,825      | <b>5,762</b>      | 6,835          |
|  | <b>11,389,484</b> | 10,465,892     | <b>5,008,860</b>  | 5,088,289      |
| <b>Money market instruments:</b>   |                   |                |                   |                |
| Negotiable instruments of deposit and negotiable Islamic debt certificates | <b>1,832,725</b>  | 1,163,001      | <b>1,060,142</b>  | 1,310,142      |
| <b>Non-money market instruments:</b>                                       |                   |                |                   |                |
| Debt securities  |                   |                |                   |                |
| – Cagamas bonds  | <b>4,780,804</b>  | 5,605,977      | <b>4,780,804</b>  | 5,605,977      |
| – Unquoted corporate bonds/sukuk   | <b>9,606,182</b>  | 10,407,844     | <b>7,999,629</b>  | 8,619,793      |
|  | <b>14,386,986</b> | 16,013,821     | <b>12,780,433</b> | 14,225,770     |
| Allowance for impairment   | <b>(5,175)</b>    | (4,546)        | <b>(4,174)</b>    | (3,745)        |
|  | <b>27,604,020</b> | 27,638,168     | <b>18,845,261</b> | 20,620,456     |



## 8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows:

| Group                               | Lifetime ECL                           |  |  |       | Total<br>RM'000 |
|-------------------------------------|--|--|--|-------|-----------------|
|                                     | 12-Month<br>ECL<br>(Stage 1)<br>RM'000 | Not Credit-<br>Impaired<br>(Stage 2)<br>RM'000 | Credit-<br>Impaired<br>(Stage 3)<br>RM'000 |       |                 |
| At 1 January 2019                   | 4,097                                  | –  | 19   | 4,116 |                 |
| Net allowance made (Note 39)        | 352                                    | –  | –  | 352   |                 |
| New financial investments purchased | 556                                    | –  | –  | 556   |                 |
| Allowance made                      | 140                                    | –  | –  | 140   |                 |
| Amount derecognised                 | (341)                                  | –  | –  | (341) |                 |
| Change in models/risk parameters    | (3)                                    | –  | –  | (3)   |                 |
| Exchange differences                | 78                                     | –  | –  | 78    |                 |
| At 31 December 2019                 | 4,527                                  | –  | 19   | 4,546 |                 |
| Net allowance made (Note 39)        | 146                                    | –  | –  | 146   |                 |
| New financial investments purchased | 622                                    | –  | –  | 622   |                 |
| Allowance made                      | 278                                    | –  | –  | 278   |                 |
| Amount derecognised                 | (754)                                  | –  | –  | (754) |                 |
| Exchange differences                | 483                                    | –  | –  | 483   |                 |
| At 31 December 2020                 | 5,156                                  | –  | 19   | 5,175 |                 |

| Bank                                 | Lifetime ECL                           |  |  |       | Total<br>RM'000 |
|--------------------------------------|--|--|--|-------|-----------------|
|                                      | 12-Month<br>ECL<br>(Stage 1)<br>RM'000 | Not Credit-<br>Impaired<br>(Stage 2)<br>RM'000 | Credit-<br>Impaired<br>(Stage 3)<br>RM'000 |       |                 |
| At 1 January 2019                    | 3,481                                  | –  | 19   | 3,500 |                 |
| Net allowance made (Note 39)         | 166                                    | –  | –  | 166   |                 |
| New financial investments purchased  | 179                                    | –  | –  | 179   |                 |
| Allowance made                       | 71                                     | –  | –  | 71    |                 |
| Amount derecognised                  | (80)                                   | –  | –  | (80)  |                 |
| Change in models/risk parameters     | (4)                                    | –  | –  | (4)   |                 |
| Exchange differences                 | 79                                     | –  | –  | 79    |                 |
| At 31 December 2019                  | 3,726                                  | –  | 19   | 3,745 |                 |
| Net allowance written back (Note 39) | (61)                                   | –  | –  | (61)  |                 |
| New financial investments purchased  | 65                                     | –  | –  | 65    |                 |
| Allowance made                       | 236                                    | –  | –  | 236   |                 |
| Amount derecognised                  | (362)                                  | –  | –  | (362) |                 |
| Exchange differences                 | 490                                    | –  | –  | 490   |                 |
| At 31 December 2020                  | 4,155                                  | –  | 19   | 4,174 |                 |

# Notes to the Financial Statements – 31 December 2020

## 8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Included in financial investments at amortised cost are the following securities sold under repurchase agreements (Note 4(b)):

|                                     | Group          |                | Bank           |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Foreign government treasury bills   | 1,720          | 1,230          | 1,720          | 1,230          |
| Other foreign government securities | 337,914        | 360,228        | –              | –              |
|                                     | 339,634        | 361,458        | 1,720          | 1,230          |

## 9. LOANS, ADVANCES AND FINANCING

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>At amortised cost</b>                                  |                |                |                |                |
| Overdrafts  | 9,464,586      | 11,181,394     | 6,667,586      | 7,939,545      |
| Term loans/financing                                      |                |                |                |                |
| – Housing loans/financing                                 | 131,511,581    | 121,626,130    | 101,898,138    | 95,310,475     |
| – Syndicated term loans/financing                         | 3,842,179      | 3,762,298      | 1,160,411      | 1,134,368      |
| – Hire purchase receivables                               | 54,760,909     | 51,552,787     | 43,331,042     | 40,583,747     |
| – Other term loans/financing                              | 128,504,129    | 124,159,645    | 101,330,530    | 96,806,613     |
| Credit card receivables                                   | 1,996,528      | 2,161,229      | 1,954,379      | 2,113,070      |
| Bills receivables   | 64,900         | 108,825        | 51,758         | 87,066         |
| Trust receipts  | 194,102        | 254,153        | 103,974        | 152,614        |
| Claims on customers under acceptance credits <sup>#</sup> | 2,691,792      | 3,551,070      | 2,517,347      | 3,254,785      |
| Revolving credits   | 10,499,096     | 10,076,109     | 8,651,661      | 8,537,705      |
| Staff loans*  | 2,121,425      | 2,034,801      | 1,845,539      | 1,784,760      |
| Gross loans, advances and financing                       | 345,651,227    | 330,468,441    | 269,512,365    | 257,704,748    |
| Less: Allowance for impairment on loans and financing     |                |                |                |                |
| – Expected credit losses                                  | (2,848,446)    | (1,991,947)    | (2,073,391)    | (1,434,674)    |
| – Stage 1: 12-Month ECL                                   | (1,528,896)    | (970,934)      | (1,054,961)    | (670,917)      |
| – Stage 2: Lifetime ECL not credit-impaired               | (1,046,834)    | (649,912)      | (845,848)      | (535,186)      |
| – Stage 3: Lifetime ECL credit-impaired                   | (272,716)      | (371,101)      | (172,582)      | (228,571)      |
| Net loans, advances and financing                         | 342,802,781    | 328,476,494    | 267,438,974    | 256,270,074    |

<sup>#</sup> Included in claims on customers under acceptance credits of the Group and of the Bank are bankers' acceptance rediscounted of RM3,000,000 (2019 – RM25,814,000).

\* Included in staff loans of the Group and of the Bank are loans to directors of subsidiary companies amounting to RM7,232,000 (2019 – RM7,613,000) and RM7,050,000 (2019 – RM7,370,000) respectively.



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing presented by class of financial instruments are as follows:

|                           | Group              |                | Bank               |                |
|---------------------------|--------------------|----------------|--------------------|----------------|
|                           | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Retail loans/financing*   |                    |                |                    |                |
| – Housing loans/financing | <b>131,511,594</b> | 121,626,147    | <b>101,898,138</b> | 95,310,475     |
| – Hire purchase           | <b>54,512,804</b>  | 51,347,164     | <b>43,331,042</b>  | 40,583,747     |
| – Credit cards            | <b>1,996,528</b>   | 2,161,229      | <b>1,954,379</b>   | 2,113,070      |
| – Other loans/financing^  | <b>111,116,862</b> | 108,217,642    | <b>84,296,422</b>  | 82,218,399     |
|                           | <b>299,137,788</b> | 283,352,182    | <b>231,479,981</b> | 220,225,691    |
| Corporate loans/financing | <b>46,513,439</b>  | 47,116,259     | <b>38,032,384</b>  | 37,479,057     |
|                           | <b>345,651,227</b> | 330,468,441    | <b>269,512,365</b> | 257,704,748    |

\* Included in retail loans/financing are loans/financing granted to individual borrowers and mid-market commercial enterprises.

^ Included in other loans/financing are term loans, trade financing, overdrafts and revolving credits.

The maturity structure of gross loans, advances and financing by residual contractual maturity is as follows:

|                                     | Group              |                | Bank               |                |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
|                                     | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Maturity within one year            | <b>29,828,393</b>  | 30,074,737     | <b>21,712,839</b>  | 20,934,050     |
| More than one year to three years   | <b>27,587,328</b>  | 28,380,117     | <b>22,453,205</b>  | 22,617,780     |
| More than three years to five years | <b>31,575,192</b>  | 33,530,946     | <b>24,315,669</b>  | 26,812,787     |
| More than five years                | <b>256,660,314</b> | 238,482,641    | <b>201,030,652</b> | 187,340,131    |
|                                     | <b>345,651,227</b> | 330,468,441    | <b>269,512,365</b> | 257,704,748    |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by type of customer are as follows:

|                                 | Group          |                | Bank           |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Non-bank financial institutions |                |                |                |                |
| – Stock-broking companies       | 969            | 1,210          | 969            | 1,210          |
| – Others                        | 13,973,772     | 12,995,158     | 12,685,217     | 11,407,279     |
| Business enterprises            |                |                |                |                |
| – Small and medium enterprises  | 70,742,571     | 68,397,014     | 57,359,814     | 55,665,614     |
| – Others                        | 27,969,048     | 28,904,318     | 22,017,281     | 22,770,623     |
| Government and statutory bodies | 1,018,079      | 1,020,098      | 15,843         | 14,325         |
| Individuals                     | 228,442,845    | 215,333,895    | 175,512,155    | 166,003,229    |
| Other entities                  | 29,121         | 31,808         | 22,698         | 24,939         |
| Foreign entities                | 3,474,822      | 3,784,940      | 1,898,388      | 1,817,529      |
|                                 | 345,651,227    | 330,468,441    | 269,512,365    | 257,704,748    |

Gross loans, advances and financing analysed by geographical distribution are as follows:

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Malaysia   | 323,728,119    | 307,164,075    | 268,793,402    | 256,906,982    |
| Hong Kong SAR and the People's Republic of China | 13,607,461     | 15,164,688     | –              | –              |
| Cambodia   | 4,606,971      | 4,720,804      | –              | –              |
| Other countries                                  | 3,708,676      | 3,418,874      | 718,963        | 797,766        |
|  | 345,651,227    | 330,468,441    | 269,512,365    | 257,704,748    |



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

|                                    | Group              |                | Bank               |                |
|------------------------------------|--------------------|----------------|--------------------|----------------|
|                                    | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Fixed rate                         |                    |                |                    |                |
| – Housing loans/financing          | <b>786,457</b>     | 849,134        | <b>23,381</b>      | 39,532         |
| – Hire purchase receivables        | <b>52,260,020</b>  | 48,956,560     | <b>43,163,759</b>  | 40,412,009     |
| – Other fixed rate loans/financing | <b>22,659,120</b>  | 21,679,909     | <b>11,910,692</b>  | 10,572,924     |
| Variable rate                      |                    |                |                    |                |
| – Base rate/Base lending rate plus | <b>219,697,158</b> | 209,523,638    | <b>181,127,943</b> | 175,186,208    |
| – Cost plus                        | <b>37,001,413</b>  | 35,281,822     | <b>32,966,166</b>  | 31,130,503     |
| – Other variable rates             | <b>13,247,059</b>  | 14,177,378     | <b>320,424</b>     | 363,572        |
|                                    | <b>345,651,227</b> | 330,468,441    | <b>269,512,365</b> | 257,704,748    |

Gross loans, advances and financing analysed by economic purpose are as follows:

|  | Group                                   |                           | Bank                                    |                          |
|--|---|---------------------------|---|--------------------------|
|  | 2020<br>RM'000                          | 2019<br>RM'000            | 2020<br>RM'000                          | 2019<br>RM'000           |
| Purchase of securities                                 | <b>4,359,446</b>                        | 4,215,419                 | <b>3,937,183</b>                        | 3,686,897                |
| Purchase of transport vehicles                         | <b>54,982,651</b>                       | 51,770,061                | <b>43,552,949</b>                       | 40,810,981               |
| Purchase of landed properties                          | <b>218,890,201</b>                      | 207,792,100               | <b>174,208,388</b>                      | 167,126,742              |
| (of which: – residential<br>– non-residential)         | <b>135,970,426</b><br><b>82,919,775</b> | 125,850,883<br>81,941,217 | <b>105,640,480</b><br><b>68,567,908</b> | 98,888,486<br>68,238,256 |
| Purchase of fixed assets (excluding landed properties) | <b>443,942</b>                          | 433,035                   | <b>87,120</b>                           | 83,595                   |
| Personal use   | <b>13,742,077</b>                       | 13,648,878                | <b>7,653,250</b>                        | 7,316,469                |
| Credit card  | <b>1,996,528</b>                        | 2,161,229                 | <b>1,954,379</b>                        | 2,113,070                |
| Purchase of consumer durables                          | <b>798</b>                              | 801                       | <b>103</b>                              | 101                      |
| Construction   | <b>7,396,048</b>                        | 7,401,779                 | <b>5,718,835</b>                        | 5,808,391                |
| Mergers and acquisitions                               | –                                       | 9,730                     | –                                       | 9,730                    |
| Working capital  | <b>38,874,027</b>                       | 38,576,599                | <b>27,605,664</b>                       | 26,456,630               |
| Other purpose  | <b>4,965,509</b>                        | 4,458,810                 | <b>4,794,494</b>                        | 4,292,142                |
|  | <b>345,651,227</b>                      | 330,468,441               | <b>269,512,365</b>                      | 257,704,748              |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by sector are as follows:

|   | Group              |                | Bank               |                |
|---|--------------------|----------------|--------------------|----------------|
|   | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Agriculture, hunting, forestry and fishing        | <b>3,280,896</b>   | 3,545,062      | <b>2,282,306</b>   | 2,524,728      |
| Mining and quarrying                              | <b>314,277</b>     | 334,813        | <b>164,594</b>     | 165,225        |
| Manufacturing                                     | <b>11,111,565</b>  | 11,004,846     | <b>8,407,467</b>   | 8,345,617      |
| Electricity, gas and water                        | <b>129,803</b>     | 162,295        | <b>55,895</b>      | 47,363         |
| Construction                                      | <b>16,032,004</b>  | 12,903,477     | <b>12,702,933</b>  | 9,878,302      |
| Wholesale & retail trade and restaurants & hotels | <b>28,914,864</b>  | 27,306,914     | <b>23,847,726</b>  | 22,475,527     |
| Transport, storage and communication              | <b>4,450,488</b>   | 4,153,801      | <b>3,236,937</b>   | 3,033,476      |
| Finance, insurance and business services          | <b>19,724,670</b>  | 19,332,370     | <b>17,314,287</b>  | 16,036,222     |
| Real estate                                       | <b>28,710,902</b>  | 32,182,576     | <b>22,360,371</b>  | 25,915,549     |
| Community, social and personal services           | <b>3,495,524</b>   | 3,190,201      | <b>2,140,910</b>   | 1,844,962      |
| Households  | <b>228,317,274</b> | 214,862,347    | <b>176,945,619</b> | 167,387,862    |
| Others  | <b>1,168,960</b>   | 1,489,739      | <b>53,320</b>      | 49,915         |
|   | <b>345,651,227</b> | 330,468,441    | <b>269,512,365</b> | 257,704,748    |

Movements in credit-impaired loans, advances and financing (“impaired loans/financing”) are as follows:

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| At 1 January  | <b>1,604,919</b> | 1,620,733      | <b>1,144,133</b> | 1,143,782      |
| Impaired during the year  | <b>1,223,521</b> | 3,066,488      | <b>735,365</b>   | 2,106,495      |
| Reclassified as non-impaired  | <b>(814,904)</b> | (2,172,788)    | <b>(571,151)</b> | (1,559,030)    |
| Recoveries  | <b>(272,687)</b> | (357,532)      | <b>(202,723)</b> | (265,130)      |
| Amount written off  | <b>(443,016)</b> | (470,169)      | <b>(181,090)</b> | (212,200)      |
| Loans/financing converted to foreclosed properties                                  | <b>(40,569)</b>  | (78,196)       | <b>(35,885)</b>  | (68,007)       |
| Exchange differences  | <b>(6,046)</b>   | (3,617)        | <b>(3,135)</b>   | (1,777)        |
| At 31 December  | <b>1,251,218</b> | 1,604,919      | <b>885,514</b>   | 1,144,133      |
| Gross impaired loans/financing as percentage of gross loans, advances and financing | <b>0.36%</b>     | 0.49%          | <b>0.33%</b>     | 0.44%          |



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by geographical distribution are as follows:

|  | Group            |                | Bank           |                |
|--|------------------|----------------|----------------|----------------|
|  | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Malaysia   | <b>995,962</b>   | 1,310,329      | <b>824,162</b> | 1,031,067      |
| Hong Kong SAR and the People's Republic of China | <b>120,136</b>   | 103,643        | —              | —              |
| Cambodia   | <b>28,801</b>    | 45,233         | —              | —              |
| Other countries                                  | <b>106,319</b>   | 145,714        | <b>61,352</b>  | 113,066        |
|  | <b>1,251,218</b> | 1,604,919      | <b>885,514</b> | 1,144,133      |

Impaired loans/financing analysed by economic purpose are as follows:

|  | Group                            |                    | Bank                             |                    |
|--|----------------------------------|--------------------|----------------------------------|--------------------|
|  | 2020<br>RM'000                   | 2019<br>RM'000     | 2020<br>RM'000                   | 2019<br>RM'000     |
| Purchase of securities                                 | —                                | 724                | —                                | 724                |
| Purchase of transport vehicles                         | <b>175,309</b>                   | 241,765            | <b>122,349</b>                   | 161,236            |
| Purchase of landed properties                          | <b>647,802</b>                   | 856,891            | <b>505,315</b>                   | 672,131            |
| (of which: – residential<br>– non-residential)         | <b>440,544</b><br><b>207,258</b> | 629,565<br>227,326 | <b>327,157</b><br><b>178,158</b> | 470,280<br>201,851 |
| Purchase of fixed assets (excluding landed properties) | <b>12,779</b>                    | 8,523              | <b>660</b>                       | 992                |
| Personal use   | <b>106,756</b>                   | 153,351            | <b>40,292</b>                    | 57,930             |
| Credit card  | <b>13,812</b>                    | 17,983             | <b>13,221</b>                    | 17,035             |
| Purchase of consumer durables                          | <b>1</b>                         | 1                  | <b>1</b>                         | 1                  |
| Construction   | <b>15,077</b>                    | 57,119             | <b>10,484</b>                    | 52,463             |
| Working capital  | <b>274,330</b>                   | 256,412            | <b>187,869</b>                   | 169,509            |
| Other purpose  | <b>5,352</b>                     | 12,150             | <b>5,323</b>                     | 12,112             |
|  | <b>1,251,218</b>                 | 1,604,919          | <b>885,514</b>                   | 1,144,133          |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by sector are as follows:

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Agriculture, hunting, forestry and fishing        | 19,093         | 22,385         | 19,038         | 22,335         |
| Mining and quarrying                              | 11,398         | 1,579          | 11,167         | 1,577          |
| Manufacturing                                     | 70,438         | 55,698         | 43,123         | 38,971         |
| Electricity, gas and water                        | 5,041          | 4,848          | –              | 12             |
| Construction                                      | 101,758        | 107,125        | 88,572         | 93,545         |
| Wholesale & retail trade and restaurants & hotels | 143,872        | 162,315        | 111,171        | 124,760        |
| Transport, storage and communication              | 16,723         | 18,107         | 12,391         | 11,513         |
| Finance, insurance and business services          | 58,637         | 55,947         | 38,587         | 44,343         |
| Real estate                                       | 19,658         | 41,543         | 15,012         | 38,914         |
| Community, social and personal services           | 7,363          | 9,367          | 5,808          | 7,789          |
| Households  | 777,078        | 1,099,910      | 539,288        | 759,083        |
| Others  | 20,159         | 26,095         | 1,357          | 1,291          |
|   | 1,251,218      | 1,604,919      | 885,514        | 1,144,133      |

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

| Group<br>2020  | Retail Loans/Financing                   |                            |                           |  |  |                 |
|--|--|----------------------------|---------------------------|--|--|-----------------|
|  | Housing<br>Loans/<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans/<br>Financing<br>RM'000 | Corporate<br>Loans/<br>Financing<br>RM'000 | Total<br>RM'000 |
| <b>Stage 1: 12-Month ECL</b>   |  |                            |                           |  |  |                 |
| At 1 January 2020  | 104,083                                  | 185,571                    | 23,187                    | 388,121                                | 269,972                                    | 970,934         |
| Changes due to loans, advances and financing recognised as at 1 January 2020 | 39,076                                   | 38,843                     | 2,148                     | 42,017                                 | 29,851                                     | 151,935         |
| – Transfer to Stage 1: 12-Month ECL  | 40,783                                   | 46,139                     | 3,352                     | 55,172                                 | 31,854                                     | 177,300         |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (1,673)                                  | (7,025)                    | (1,108)                   | (9,929)                                | (2,001)                                    | (21,736)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | (34)                                     | (271)                      | (96)                      | (3,226)                                | (2)  | (3,629)         |



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Group<br>2020  | Retail Loans/Financing                   |                            |                           |  |  | Total<br>RM'000 |
|--|--|----------------------------|---------------------------|--|--|-----------------|
|  | Housing<br>Loans/<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans/<br>Financing<br>RM'000 | Corporate<br>Loans/<br>Financing<br>RM'000 |                 |
| <b>Stage 1: 12-Month ECL (continued)</b>                                     |  |                            |                           |  |  |                 |
| New loans, advances and financing originated                                 | 9,979                                    | 38,107                     | 2,007                     | 47,627                                 | 13,161                                     | 110,881         |
| Net remeasurement due to changes in credit risk                              | (31,180)                                 | 10,261                     | (4,664)                   | 174,055                                | 55,995                                     | 204,467         |
| Loans, advances and financing derecognised (other than write-off)            | (2,100)                                  | (11,359)                   | (5,681)                   | (35,762)                               | (4,655)                                    | (59,557)        |
| Modifications to contractual cash flows of loans, advances and financing     | (7,900)                                  | (102)                      | (1,214)                   | (11,422)                               | (3,563)                                    | (24,201)        |
| Changes in models/risk parameters  | 12,827                                   | 94,255                     | 6,269                     | 35,054                                 | 27,707                                     | 176,112         |
| Exchange differences   | (143)                                    | (141)                      | 5                         | (1,359)                                | (37)                                       | (1,675)         |
| At 31 December 2020  | 124,642                                  | 355,435                    | 22,057                    | 638,331                                | 388,431                                    | 1,528,896       |
| <b>Stage 2: Lifetime ECL not credit-impaired</b>                             |  |                            |                           |  |  |                 |
| At 1 January 2020  | 86,378                                   | 85,735                     | 2,230                     | 238,683                                | 236,886                                    | 649,912         |
| Changes due to loans, advances and financing recognised as at 1 January 2020 | (5,958)                                  | (29,476)                   | 1,936                     | (46,440)                               | (32,313)                                   | (112,251)       |
| - Transfer to Stage 1: 12-Month ECL  | (35,843)                                 | (39,143)                   | (948)                     | (48,825)                               | (31,854)                                   | (156,613)       |
| - Transfer to Stage 2: Lifetime ECL not credit-impaired                      | 31,345                                   | 13,089                     | 2,982                     | 19,087                                 | 2,415                                      | 68,918          |
| - Transfer to Stage 3: Lifetime ECL credit-impaired                          | (1,460)                                  | (3,422)                    | (98)                      | (16,702)                               | (2,874)                                    | (24,556)        |
| New loans, advances and financing originated                                 | 2,266                                    | 8,803                      | 139                       | 21,120                                 | 2,334                                      | 34,662          |
| Net remeasurement due to changes in credit risk                              | (3,121)                                  | 88,935                     | (892)                     | 29,415                                 | (19,372)                                   | 94,965          |
| Loans, advances and financing derecognised (other than write-off)            | (2,908)                                  | (4,780)                    | (538)                     | (11,956)                               | (27,828)                                   | (48,010)        |
| Modifications to contractual cash flows of loans, advances and financing     | 48,270                                   | 331                        | (773)                     | 156,066                                | 37,590                                     | 241,484         |
| Changes in models/risk parameters  | 5,908                                    | 6,589                      | 778                       | 82,431                                 | 91,399                                     | 187,105         |
| Exchange differences   | (18)                                     | (4)                        | (1)                       | (1,008)                                | (2)  | (1,033)         |
| At 31 December 2020  | 130,817                                  | 156,133                    | 2,879                     | 468,311                                | 288,694                                    | 1,046,834       |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Group<br>2020  | Retail Loans/Financing                   |                            |                           |  |  | Total<br>RM'000 |
|--|--|----------------------------|---------------------------|--|--|-----------------|
|  | Housing<br>Loans/<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans/<br>Financing<br>RM'000 | Corporate<br>Loans/<br>Financing<br>RM'000 |                 |
| <b>Stage 3: Lifetime ECL credit-impaired</b>                                 |  |                            |                           |  |  |                 |
| At 1 January 2020  | 81,539                                   | 141,236                    | 14,465                    | 118,428                                | 15,433                                     | 371,101         |
| Changes due to loans, advances and financing recognised as at 1 January 2020 | (33,118)                                 | (9,367)                    | (4,084)                   | 4,423                                  | 2,462                                      | (39,684)        |
| – Transfer to Stage 1: 12-Month ECL  | (4,940)                                  | (6,996)                    | (2,404)                   | (6,347)                                | –  | (20,687)        |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (29,672)                                 | (6,064)                    | (1,874)                   | (9,158)                                | (414)                                      | (47,182)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | 1,494                                    | 3,693                      | 194                       | 19,928                                 | 2,876                                      | 28,185          |
| New loans, advances and financing originated*                                | 368                                      | 2,016                      | 20                        | 39,632                                 | 69   | 42,105          |
| Net remeasurement due to changes in credit risk                              | 53,549                                   | 100,820                    | 16,757                    | 195,046                                | 8,561                                      | 374,733         |
| Loans, advances and financing derecognised (other than write-off)            | (3,370)                                  | (13,814)                   | (1,493)                   | (5,687)                                | –  | (24,364)        |
| Modifications to contractual cash flows of loans, advances and financing     | 3,025                                    | 953                        | 2,875                     | 1,016                                  | (8,177)                                    | (308)           |
| Changes in models/risk parameters  | 58                                       | 677                        | 4                         | 164                                    | –  | 903             |
| Amount written off   | (46,079)                                 | (112,642)                  | (17,294)                  | (252,687)                              | (14,314)                                   | (443,016)       |
| Exchange differences   | (33)                                     | (163)                      | (9)                       | (8,147)                                | (161)                                      | (8,513)         |
| Amount transferred to allowance for impairment loss on foreclosed properties | –  | –                          | –                         | (241)                                  | –  | (241)           |
| At 31 December 2020  | 55,939                                   | 109,716                    | 11,241                    | 91,947                                 | 3,873                                      | 272,716         |
| Total ECL as at 31 December 2020   | 311,398                                  | 621,284                    | 36,177                    | 1,198,589                              | 680,998                                    | 2,848,446       |

\* New loans, advances and financing originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Group<br>2019  | Retail Loans/Financing                   |                            |                           |  |  | Total<br>RM'000 |
|--|--|----------------------------|---------------------------|--|--|-----------------|
|  | Housing<br>Loans/<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans/<br>Financing<br>RM'000 | Corporate<br>Loans/<br>Financing<br>RM'000 |                 |
| <b>Stage 1: 12-Month ECL</b>   |  |                            |                           |  |  |                 |
| At 1 January 2019  | 110,958                                  | 242,541                    | 26,816                    | 418,504                                | 287,506                                    | 1,086,325       |
| Changes due to loans, advances and financing recognised as at 1 January 2019 | 54,879                                   | 25,899                     | 3,512                     | 64,202                                 | 7,302                                      | 155,794         |
| – Transfer to Stage 1: 12-Month ECL  | 57,920                                   | 39,322                     | 4,526                     | 76,794                                 | 12,409                                     | 190,971         |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (2,850)                                  | (12,870)                   | (887)                     | (9,477)                                | (5,104)                                    | (31,188)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | (191)                                    | (553)                      | (127)                     | (3,115)                                | (3)  | (3,989)         |
| New loans, advances and financing originated                                 | 10,098                                   | 28,315                     | 2,362                     | 48,255                                 | 25,010                                     | 114,040         |
| Net remeasurement due to changes in credit risk                              | (51,478)                                 | (34,397)                   | (2,310)                   | (94,343)                               | (16,622)                                   | (199,150)       |
| Loans, advances and financing derecognised (other than write-off)            | (2,697)                                  | (11,321)                   | (423)                     | (33,953)                               | (21,300)                                   | (69,694)        |
| Modifications to contractual cash flows of loans, advances and financing     | (820)                                    | (1)                        | (1,498)                   | (1,730)                                | (327)                                      | (4,376)         |
| Changes in models/risk parameters  | (16,725)                                 | (65,416)                   | (5,267)                   | (12,461)                               | (11,588)                                   | (111,457)       |
| Exchange differences   | (132)                                    | (49)                       | (5)                       | (353)                                  | (9)  | (548)           |
| At 31 December 2019  | 104,083                                  | 185,571                    | 23,187                    | 388,121                                | 269,972                                    | 970,934         |
| <b>Stage 2: Lifetime ECL not credit-impaired</b>                             |  |                            |                           |  |  |                 |
| At 1 January 2019  | 115,450                                  | 96,497                     | 4,011                     | 193,716                                | 136,547                                    | 546,221         |
| Changes due to loans, advances and financing recognised as at 1 January 2019 | (31,969)                                 | (13,067)                   | (189)                     | (22,831)                               | (7,584)                                    | (75,640)        |
| – Transfer to Stage 1: 12-Month ECL  | (50,867)                                 | (32,218)                   | (2,258)                   | (30,010)                               | (12,409)                                   | (127,762)       |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | 24,452                                   | 24,056                     | 2,344                     | 22,611                                 | 5,104                                      | 78,567          |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | (5,554)                                  | (4,905)                    | (275)                     | (15,432)                               | (279)                                      | (26,445)        |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Group<br>2019  | Retail Loans/Financing                   |                            |                           |  |  | Total<br>RM'000 |
|--|--|----------------------------|---------------------------|--|--|-----------------|
|  | Housing<br>Loans/<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans/<br>Financing<br>RM'000 | Corporate<br>Loans/<br>Financing<br>RM'000 |                 |
| <b>Stage 2: Lifetime ECL not credit-impaired (continued)</b>                 |  |                            |                           |  |  |                 |
| New loans, advances and financing originated                                 | 2,433                                    | 6,456                      | 179                       | 22,394                                 | 92,240                                     | 123,702         |
| Net remeasurement due to changes in credit risk                              | 26,319                                   | (2,174)                    | (244)                     | 29,713                                 | (34,729)                                   | 18,885          |
| Loans, advances and financing derecognised (other than write-off)            | (5,180)                                  | (4,044)                    | (408)                     | (9,583)                                | (35,500)                                   | (54,715)        |
| Modifications to contractual cash flows of loans, advances and financing     | 6  | (8)                        | (516)                     | 101                                    | 5,579                                      | 5,162           |
| Changes in models/risk parameters  | (20,681)                                 | 2,085                      | (602)                     | 25,346                                 | 80,332                                     | 86,480          |
| Exchange differences   | –  | (10)                       | (1)                       | (173)                                  | 1  | (183)           |
| At 31 December 2019  | 86,378                                   | 85,735                     | 2,230                     | 238,683                                | 236,886                                    | 649,912         |
| <b>Stage 3: Lifetime ECL credit-impaired</b>                                 |  |                            |                           |  |  |                 |
| At 1 January 2019  | 69,729                                   | 157,017                    | 16,497                    | 154,326                                | 12,298                                     | 409,867         |
| Changes due to loans, advances and financing recognised as at 1 January 2019 | (22,911)                                 | (12,832)                   | (3,323)                   | (41,370)                               | 282  | (80,154)        |
| – Transfer to Stage 1: 12-Month ECL  | (7,053)                                  | (7,104)                    | (2,268)                   | (46,784)                               | –  | (63,209)        |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (21,603)                                 | (11,186)                   | (1,457)                   | (13,133)                               | –  | (47,379)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | 5,745                                    | 5,458                      | 402                       | 18,547                                 | 282  | 30,434          |
| New loans, advances and financing originated*                                | 1,596                                    | 1,593                      | 378                       | 60,271                                 | –  | 63,838          |
| Net remeasurement due to changes in credit risk                              | 76,346                                   | 170,548                    | 22,411                    | 211,865                                | 1,788                                      | 482,958         |
| Loans, advances and financing derecognised (other than write-off)            | (5,375)                                  | (23,003)                   | (1,911)                   | (10,665)                               | –  | (40,954)        |
| Modifications to contractual cash flows of loans, advances and financing     | 1,202                                    | 174                        | 4,647                     | 842                                    | 1,077                                      | 7,942           |
| Changes in models/risk parameters  | 311                                      | 3,938                      | (648)                     | (1,521)                                | (12)                                       | 2,068           |
| Amount written off   | (39,346)                                 | (156,137)                  | (23,577)                  | (251,109)                              | –  | (470,169)       |
| Exchange differences   | (13)                                     | (62)                       | (9)                       | (1,892)                                | –  | (1,976)         |
| Amount transferred to allowance for impairment loss on foreclosed properties | –  | –                          | –                         | (2,319)                                | –  | (2,319)         |
| At 31 December 2019  | 81,539                                   | 141,236                    | 14,465                    | 118,428                                | 15,433                                     | 371,101         |
| Total ECL as at 31 December 2019   | 272,000                                  | 412,542                    | 39,882                    | 745,232                                | 522,291                                    | 1,991,947       |

\* New loans, advances and financing originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Bank<br>2020  | Retail Loans               |                            |                           |                          |                              | Total<br>RM'000 |
|---|----------------------------|----------------------------|---------------------------|--------------------------|------------------------------|-----------------|
|   | Housing<br>Loans<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans<br>RM'000 | Corporate<br>Loans<br>RM'000 |                 |
| <b>Stage 1: 12-Month ECL</b>                                      |                            |                            |                           |                          |                              |                 |
| At 1 January 2020   | 78,326                     | 140,368                    | 22,425                    | 177,815                  | 251,983                      | 670,917         |
| Changes due to loans and advances recognised as at 1 January 2020 | 29,545                     | 26,451                     | 2,125                     | 32,089                   | 30,349                       | 120,559         |
| – Transfer to Stage 1: 12-Month ECL                               | 30,867                     | 31,655                     | 3,288                     | 39,468                   | 31,854                       | 137,132         |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired           | (1,297)                    | (4,994)                    | (1,094)                   | (7,305)                  | (1,505)                      | (16,195)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired               | (25)                       | (210)                      | (69)                      | (74)                     | –                            | (378)           |
| New loans and advances originated                                 | 6,863                      | 31,586                     | 1,874                     | 14,558                   | 11,746                       | 66,627          |
| Net remeasurement due to changes in credit risk                   | (22,952)                   | 11,659                     | (4,385)                   | 84,481                   | 26,927                       | 95,730          |
| Loans and advances derecognised (other than write-off)            | (1,662)                    | (8,343)                    | (5,581)                   | (8,109)                  | (2,888)                      | (26,583)        |
| Modifications to contractual cash flows of loans and advances     | (5,734)                    | (39)                       | (1,196)                   | (6,198)                  | (3,635)                      | (16,802)        |
| Changes in models/risk parameters                                 | 10,406                     | 73,847                     | 6,157                     | 29,423                   | 24,968                       | 144,801         |
| Exchange differences  | –                          | –                          | –                         | (288)                    | –                            | (288)           |
| At 31 December 2020   | 94,792                     | 275,529                    | 21,419                    | 323,771                  | 339,450                      | 1,054,961       |
| <b>Stage 2: Lifetime ECL not credit-impaired</b>                  |                            |                            |                           |                          |                              |                 |
| At 1 January 2020   | 73,069                     | 58,720                     | 2,165                     | 168,365                  | 232,867                      | 535,186         |
| Changes due to loans and advances recognised as at 1 January 2020 | (5,340)                    | (20,887)                   | 1,910                     | (26,182)                 | (32,964)                     | (83,463)        |
| – Transfer to Stage 1: 12-Month ECL                               | (28,134)                   | (26,976)                   | (930)                     | (37,229)                 | (31,854)                     | (125,123)       |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired           | 24,021                     | 8,949                      | 2,937                     | 12,709                   | 1,505                        | 50,121          |
| – Transfer to Stage 3: Lifetime ECL credit-impaired               | (1,227)                    | (2,860)                    | (97)                      | (1,662)                  | (2,615)                      | (8,461)         |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Bank<br>2020   | Retail Loans               |                            |                           |                          |                              | Total<br>RM'000 |
|--|----------------------------|----------------------------|---------------------------|--------------------------|------------------------------|-----------------|
|  | Housing<br>Loans<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans<br>RM'000 | Corporate<br>Loans<br>RM'000 |                 |
| <b>Stage 2: Lifetime ECL not credit-impaired (continued)</b>                 |                            |                            |                           |                          |                              |                 |
| New loans and advances originated  | 1,383                      | 6,179                      | 117                       | 7,729                    | 2,306                        | 17,714          |
| Net remeasurement due to changes in credit risk                              | (3,582)                    | 67,847                     | (917)                     | 19,877                   | (29,505)                     | 53,720          |
| Loans and advances derecognised (other than write-off)                       | (2,547)                    | (2,100)                    | (499)                     | (7,697)                  | (26,021)                     | (38,864)        |
| Modifications to contractual cash flows of loans and advances                | 41,291                     | 248                        | (771)                     | 123,110                  | 37,590                       | 201,468         |
| Changes in models/risk parameters  | 5,329                      | 4,601                      | 758                       | 62,560                   | 86,839                       | 160,087         |
| At 31 December 2020  | 109,603                    | 114,608                    | 2,763                     | 347,762                  | 271,112                      | 845,848         |
| <b>Stage 3: Lifetime ECL credit-impaired</b>                                 |                            |                            |                           |                          |                              |                 |
| At 1 January 2020  | 60,364                     | 94,487                     | 13,698                    | 45,046                   | 14,976                       | 228,571         |
| Changes due to loans and advances recognised as at 1 January 2020            | (24,205)                   | (5,564)                    | (4,035)                   | (5,907)                  | 2,615                        | (37,096)        |
| – Transfer to Stage 1: 12-Month ECL  | (2,733)                    | (4,679)                    | (2,358)                   | (2,239)                  | –                            | (12,009)        |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (22,724)                   | (3,955)                    | (1,843)                   | (5,404)                  | –                            | (33,926)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | 1,252                      | 3,070                      | 166                       | 1,736                    | 2,615                        | 8,839           |
| New loans and advances originated*   | 289                        | 581                        | 17                        | 2                        | –                            | 889             |
| Net remeasurement due to changes in credit risk                              | 42,729                     | 74,882                     | 16,560                    | 39,449                   | 4,950                        | 178,570         |
| Loans and advances derecognised (other than write-off)                       | (2,721)                    | (10,157)                   | (1,404)                   | (2,042)                  | –                            | (16,324)        |
| Modifications to contractual cash flows of loans and advances                | 2,487                      | 580                        | 2,839                     | 892                      | (8,177)                      | (1,379)         |
| Changes in models/risk parameters  | 46                         | 489                        | 4                         | 143                      | –                            | 682             |
| Amount written off   | (34,743)                   | (78,566)                   | (17,053)                  | (36,414)                 | (14,314)                     | (181,090)       |
| Amount transferred to allowance for impairment loss on foreclosed properties | –                          | –                          | –                         | (241)                    | –                            | (241)           |
| At 31 December 2020  | 44,246                     | 76,732                     | 10,626                    | 40,928                   | 50                           | 172,582         |
| Total ECL as at 31 December 2020   | 248,641                    | 466,869                    | 34,808                    | 712,461                  | 610,612                      | 2,073,391       |

\* New loans and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Bank<br>2019  | Retail Loans               |                            |                           |                          |                              | Total<br>RM'000 |
|---|----------------------------|----------------------------|---------------------------|--------------------------|------------------------------|-----------------|
|   | Housing<br>Loans<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans<br>RM'000 | Corporate<br>Loans<br>RM'000 |                 |
| <b>Stage 1: 12-Month ECL</b>                                      |                            |                            |                           |                          |                              |                 |
| At 1 January 2019   | 86,902                     | 182,898                    | 26,416                    | 208,521                  | 270,989                      | 775,726         |
| Changes due to loans and advances recognised as at 1 January 2019 | 45,221                     | 16,941                     | 3,444                     | 18,275                   | 6,969                        | 90,850          |
| – Transfer to Stage 1: 12-Month ECL                               | 47,700                     | 26,253                     | 4,447                     | 25,433                   | 12,006                       | 115,839         |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired           | (2,336)                    | (8,929)                    | (877)                     | (7,006)                  | (5,037)                      | (24,185)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired               | (143)                      | (383)                      | (126)                     | (152)                    | –                            | (804)           |
| New loans and advances originated                                 | 7,573                      | 25,657                     | 1,937                     | 8,421                    | 20,387                       | 63,975          |
| Net remeasurement due to changes in credit risk                   | (44,407)                   | (19,660)                   | (2,316)                   | (36,477)                 | (17,079)                     | (119,939)       |
| Loans and advances derecognised (other than write-off)            | (2,293)                    | (8,567)                    | (413)                     | (6,099)                  | (18,616)                     | (35,988)        |
| Modifications to contractual cash flows of loans and advances     | (820)                      | –                          | (1,455)                   | (1,317)                  | (327)                        | (3,919)         |
| Changes in models/risk parameters                                 | (13,850)                   | (56,901)                   | (5,188)                   | (13,397)                 | (10,340)                     | (99,676)        |
| Exchange differences  | –                          | –                          | –                         | (112)                    | –                            | (112)           |
| At 31 December 2019   | 78,326                     | 140,368                    | 22,425                    | 177,815                  | 251,983                      | 670,917         |
| <b>Stage 2: Lifetime ECL not credit-impaired</b>                  |                            |                            |                           |                          |                              |                 |
| At 1 January 2019   | 97,910                     | 64,962                     | 3,943                     | 150,576                  | 134,700                      | 452,091         |
| Changes due to loans and advances recognised as at 1 January 2019 | (28,113)                   | (9,231)                    | (231)                     | (10,768)                 | (7,248)                      | (55,591)        |
| – Transfer to Stage 1: 12-Month ECL                               | (42,424)                   | (21,749)                   | (2,229)                   | (22,946)                 | (12,006)                     | (101,354)       |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired           | 18,820                     | 16,013                     | 2,266                     | 15,084                   | 5,037                        | 57,220          |
| – Transfer to Stage 3: Lifetime ECL credit-impaired               | (4,509)                    | (3,495)                    | (268)                     | (2,906)                  | (279)                        | (11,457)        |

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| Bank<br>2019   | Retail Loans               |                            |                           |                          |                              | Total<br>RM'000 |
|--|----------------------------|----------------------------|---------------------------|--------------------------|------------------------------|-----------------|
|  | Housing<br>Loans<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Loans<br>RM'000 | Corporate<br>Loans<br>RM'000 |                 |
| <b>Stage 2: Lifetime ECL not credit-impaired (continued)</b>                 |                            |                            |                           |                          |                              |                 |
| New loans and advances originated  | 1,714                      | 5,810                      | 169                       | 4,580                    | 91,656                       | 103,929         |
| Net remeasurement due to changes in credit risk                              | 24,350                     | (391)                      | (298)                     | 16,095                   | (35,376)                     | 4,380           |
| Loans and advances derecognised (other than write-off)                       | (4,463)                    | (2,917)                    | (374)                     | (7,479)                  | (35,391)                     | (50,624)        |
| Modifications to contractual cash flows of loans and advances                | (18)                       | (1)                        | (455)                     | 94                       | 5,579                        | 5,199           |
| Changes in models/risk parameters  | (18,311)                   | 488                        | (589)                     | 15,267                   | 78,947                       | 75,802          |
| At 31 December 2019  | 73,069                     | 58,720                     | 2,165                     | 168,365                  | 232,867                      | 535,186         |
| <b>Stage 3: Lifetime ECL credit-impaired</b>                                 |                            |                            |                           |                          |                              |                 |
| At 1 January 2019  | 51,672                     | 105,727                    | 16,149                    | 53,249                   | 12,255                       | 239,052         |
| Changes due to loans and advances recognised as at 1 January 2019            | (17,108)                   | (7,710)                    | (3,213)                   | (7,507)                  | 279                          | (35,259)        |
| – Transfer to Stage 1: 12-Month ECL  | (5,276)                    | (4,504)                    | (2,218)                   | (2,487)                  | –                            | (14,485)        |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (16,484)                   | (7,084)                    | (1,389)                   | (8,078)                  | –                            | (33,035)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | 4,652                      | 3,878                      | 394                       | 3,058                    | 279                          | 12,261          |
| New loans and advances originated*   | 1,292                      | 1,439                      | 339                       | 721                      | –                            | 3,791           |
| Net remeasurement due to changes in credit risk                              | 57,530                     | 115,401                    | 21,404                    | 63,265                   | 1,365                        | 258,965         |
| Loans and advances derecognised (other than write-off)                       | (4,373)                    | (16,889)                   | (1,853)                   | (8,822)                  | –                            | (31,937)        |
| Modifications to contractual cash flows of loans and advances                | 1,149                      | 111                        | 4,590                     | 262                      | 1,077                        | 7,189           |
| Changes in models/risk parameters  | 232                        | 2,935                      | (639)                     | (1,394)                  | –                            | 1,134           |
| Amount written off   | (30,030)                   | (106,527)                  | (23,079)                  | (52,564)                 | –                            | (212,200)       |
| Amount transferred to allowance for impairment loss on foreclosed properties | –                          | –                          | –                         | (2,164)                  | –                            | (2,164)         |
| At 31 December 2019  | 60,364                     | 94,487                     | 13,698                    | 45,046                   | 14,976                       | 228,571         |
| Total ECL as at 31 December 2019   | 211,759                    | 293,575                    | 38,288                    | 391,226                  | 499,826                      | 1,434,674       |

\* New loans and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.



## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Financial assets that are purchased or originated and credit-impaired

The Group and the Bank do not purchase or originate credit-impaired loans, advances and financing.

Write-off of loans, advances and financing which are still under enforcement activity

The contractual amount outstanding on loans, advances and financing that were written off during the year and that are still subject to enforcement activity for the Group and the Bank are RM443,016,000 (2019 – RM470,169,000) and RM181,090,000 (2019 – RM212,200,000) respectively.

Information about the nature and effect of modification on the measurement of allowance for credit-impaired loans/financing

The amortised costs prior to modification of loans, advances and financing of the Group and of the Bank that were modified but not derecognised during the year for which allowance for impairment was measured at an amount equal to lifetime ECL are RM2,912,651,000 (2019 – RM240,542,000) and RM2,383,893,000 (2019 – RM180,063,000) respectively.

Gross carrying amount of previously modified loans, advances and financing for which loss allowance has changed to 12-Month ECL measurement during the year for the Group and the Bank are RM236,906,000 (2019 – RM77,231,000) and RM155,234,000 (2019 – RM30,102,000) respectively as at the end of the year.

Collateral and other credit enhancements

The Group's and the Bank's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collateral held by the Group and the Bank since the end of the previous financial year.

In line with the Group's and the Bank's ECL model, no loss allowance was recognised for certain loans, advances and financing which were individually assessed where the expected realisable value of the underlying collateral were higher than the exposure at default at the reporting date. The carrying amount of such financial assets for the Group and the Bank are RM144,689,000 (2019 – RM86,522,000) and RM116,301,000 (2019 – RM66,536,000) respectively as at the end of the year.

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

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

Overall, the total allowance for impairment on loans, advances and financing for the Group and the Bank increased by RM856.5 million and RM638.7 million respectively, due to the following:

- (a) 12-month ECL (Stage 1) – increase of RM558.0 million and RM384.0 million respectively for the Group and the Bank, mainly due to:
  - management overlay provided to cater for potential deterioration of credit risk for loans, advances and financing where relief assistance is provided; and
  - recalibration of forward looking macro-economic variables used in the Group's models to reflect the impact of the COVID-19 pandemic.
- (b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM396.9 million and RM310.7 million respectively for the Group and the Bank, mainly due to:
  - loans, advances and financing that migrated to Stage 2 from Stage 1 as a result of deterioration in credit quality post moratorium; and
  - recalibration of forward looking macro-economic variables used in the Group's models to reflect the impact of the COVID-19 pandemic.

# Notes to the Financial Statements – 31 December 2020

## 9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impact of movements in gross carrying amount of loans, advances and financing on allowance for loans, advances and financing (continued)

Overall, the total allowance for impairment on loans, advances and financing for the Group and the Bank increased by RM856.5 million and RM638.7 million respectively, due to the following (continued):

- (c) Lifetime ECL Credit-Impaired (Stage 3) – decrease of RM98.4 million and RM56.0 million respectively for the Group and the Bank, mainly due to:
  - repayment received from loans, advances and financing as well as loans, advances and financing that were written off; partially offset by
  - loans, advances and financing that migrated to Stage 3.

## 10. OTHER ASSETS

|   | Note  | Group            |                | Bank             |                |
|---|-------|------------------|----------------|------------------|----------------|
|   |       | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Deferred handling fees                                    | (i)   | <b>230,011</b>   | 234,967        | <b>189,988</b>   | 196,046        |
| Interest/Income receivable                                |       | <b>22,706</b>    | 42,896         | <b>484</b>       | 6,073          |
| Other receivables, deposits and prepayments               |       | <b>2,003,908</b> | 1,005,633      | <b>1,518,676</b> | 767,704        |
| Collateral pledged for derivative transactions            |       | <b>386,994</b>   | 192,877        | <b>386,994</b>   | 192,877        |
| Employee benefits   | 11    | <b>2,748</b>     | 48,430         | <b>2,703</b>     | 47,633         |
| Amount due from trust funds                               | (ii)  | <b>259,116</b>   | 230,324        | –                | –              |
| Foreclosed properties <sup>#</sup>                        |       | <b>191,162</b>   | 177,617        | <b>170,327</b>   | 161,053        |
| Outstanding contracts on clients' accounts                | (iii) | <b>311,659</b>   | 214,656        | –                | –              |
| Amount due from subsidiary companies                      | (iv)  | –                | –              | <b>46,967</b>    | 47,763         |
| Distribution receivable from collective investments       | 43(b) | –                | –              | <b>28,176</b>    | 31,618         |
| Dividend receivable from subsidiary companies             | 43(b) | –                | –              | <b>823,477</b>   | 750,125        |
|   |       | <b>3,408,304</b> | 2,147,400      | <b>3,167,792</b> | 2,200,892      |
| # Stated net of accumulated allowance for impairment loss |       | <b>50,157</b>    | 39,624         | <b>48,016</b>    | 38,086         |

- (i) This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans/financing.
- (ii) This balance refers to amount due from trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units. It also includes management fee receivable from trust funds.
- (iii) This balance represents outstanding purchase contracts in respect of the stock-broking business of the subsidiary companies entered into on behalf of clients where settlements have yet to be made by clients.
- (iv) These balances are unsecured, non-interest bearing and are repayable on demand.



## 11. EMPLOYEE BENEFITS

### Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final or last drawn salary for each completed year of service with the Group upon attainment of retirement age. Effective from 1 July 2013, the normal retirement age was raised from 55 years to 60 years in accordance with Malaysia's Minimum Retirement Age Act 2012, and an optional retirement age, from 55 years to anytime prior to 60 years was introduced. For employees who leave before the attainment of the normal retirement age or the optional retirement age, the retirement benefit will be computed based on the scale stipulated in the rules of the Fund.

The defined benefit plan is a tax exempt fund, fully funded by the Bank and certain subsidiary companies which are participating companies of the plan. Employees are not required to contribute to the plan. The funding requirements are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions as set out below. The latest actuarial valuation for funding purposes was made as at 31 December 2020 by Actuarial Partners Consulting Sdn. Bhd ("Actuary").

As at 31 December 2020, the plan is in surplus of RM2,748,000 (31 December 2019: RM48,430,000) and cash contribution are recommended by the Actuary to be made to the plan by the Bank and the participating subsidiary companies in the next three (3) years until the next actuarial valuation.

The assets of the Fund are held separately from the assets of the Group and of the Bank and are administered by a board of trustees. There are three (3) trustees currently, one (1) of whom is a member of the Board of Directors of the Bank and the remaining two (2) trustees are members of senior management of the Bank.

The defined benefit plan exposes the Group and the Bank to actuarial risks such as market (investment) risk, interest rate risk and salary risk. Market risk arises from investments delivering an inadequate return; changes in interest rate would affect the cost of borrowings as well as valuation of plan obligations; salary risk arises from higher than expected salary increase leading to higher plan obligations.

The investments of the plan comply with the requirement of the income tax ruling for tax exempt funds that 80% of the plan assets (gross) are invested in specified assets with at least 20% of plan assets (gross) in government issued securities. The strategic investment policy of the defined benefit plan can be summarised as plan asset mix based on 20% to 35% of investment properties, 20% to 25% of government securities and 40% to 60% in a combination of equities, unit trusts and cash.

Compliance with investment policies is reported quarterly to the Board of Trustees.

The amounts recognised in the statements of financial position are determined as follows:

|                                     | Note | Group          |                | Bank           |                |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
|                                     |      | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Present value of funded obligations |      | (1,272,045)    | (1,197,152)    | (1,251,311)    | (1,178,144)    |
| Fair value of plan assets           |      | 1,274,793      | 1,245,582      | 1,254,014      | 1,225,777      |
| Net assets                          | 10   | 2,748          | 48,430         | 2,703          | 47,633         |

# Notes to the Financial Statements – 31 December 2020

## 11. EMPLOYEE BENEFITS (CONTINUED)

### Defined Benefit Plan (continued)

Movements in the present value of funded obligations are as follows:

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Obligation at 1 January                                 | <b>1,197,152</b> | 1,160,420      | <b>1,178,144</b> | 1,141,969      |
| Recognised in profit or loss                            |                  |                |                  |                |
| – current service cost                                  | <b>75,864</b>    | 67,513         | <b>74,628</b>    | 66,439         |
| – interest cost   | <b>52,524</b>    | 54,104         | <b>51,668</b>    | 53,245         |
| – allocation adjustment                                 | –                | –              | (506)            | –              |
| Benefits paid – the Fund                                | <b>(53,364)</b>  | (177,843)      | <b>(52,494)</b>  | (175,016)      |
| Remeasurements recognised in other comprehensive income |                  |                |                  |                |
| – effects of changes in demographic assumptions         | <b>1,555</b>     | –              | <b>1,530</b>     | –              |
| – effects of changes in financial assumptions           | <b>(63,497)</b>  | 92,958         | <b>(62,462)</b>  | 91,507         |
| – effects of experience adjustments                     | <b>61,811</b>    | –              | <b>60,803</b>    | –              |
| Obligation at 31 December                               | <b>1,272,045</b> | 1,197,152      | <b>1,251,311</b> | 1,178,144      |

Movements in the fair value of plan assets are as follows:

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Fair value at 1 January                                 | <b>1,245,582</b> | 1,487,882      | <b>1,225,777</b> | 1,464,225      |
| Recognised in profit or loss                            |                  |                |                  |                |
| – interest income                                       | <b>54,704</b>    | 71,459         | <b>53,812</b>    | 70,324         |
| – allocation adjustment                                 | –                | –              | (325)            | –              |
| Benefits paid – the Fund                                | <b>(53,364)</b>  | (177,843)      | <b>(52,494)</b>  | (175,016)      |
| Remeasurements recognised in other comprehensive income |                  |                |                  |                |
| – remeasurements on plan assets                         | <b>27,871</b>    | (135,916)      | <b>27,417</b>    | (133,756)      |
| – allocation adjustment                                 | –                | –              | (173)            | –              |
| Fair value at 31 December                               | <b>1,274,793</b> | 1,245,582      | <b>1,254,014</b> | 1,225,777      |



## 11. EMPLOYEE BENEFITS (CONTINUED)

### Defined Benefit Plan (continued)

The fair value of plan assets constitutes the following:

|                                       | Group          |                | Bank           |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Deposit placements and cash           | 17             | 15             | 17             | 15             |
| Government securities                 | 574,045        | 553,275        | 564,689        | 544,478        |
| Unquoted corporate bonds              | 84,202         | 307,804        | 82,829         | 302,910        |
| Quoted equity securities <sup>1</sup> | 928,771        | 940,371        | 913,632        | 925,419        |
| Unit trust funds <sup>2</sup>         | 120,307        | 103,429        | 118,346        | 101,784        |
| Properties <sup>3</sup>               | 852,267        | 807,429        | 838,375        | 794,590        |
| Plan assets (gross)                   | 2,559,609      | 2,712,323      | 2,517,888      | 2,669,196      |
| Other liabilities (net)               | (11,369)       | (11,938)       | (11,184)       | (11,747)       |
| Borrowings                            | (1,273,447)    | (1,454,803)    | (1,252,690)    | (1,431,672)    |
|                                       | 1,274,793      | 1,245,582      | 1,254,014      | 1,225,777      |

<sup>1</sup> Quoted equity securities analysed by sectors are as follows:

|                              | Group          |                | Bank           |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Financial institutions*      | 597,663        | 564,158        | 587,921        | 555,188        |
| Insurance companies          | 257,463        | 283,359        | 253,266        | 278,853        |
| Property companies           | 73,626         | 92,833         | 72,426         | 91,357         |
| Commercial/trading companies | 19             | 21             | 19             | 21             |
|                              | 928,771        | 940,371        | 913,632        | 925,419        |

\* Included in the fair value of equity securities of the Fund are ordinary shares of the Bank with a fair value of RM595,677,000 (2019 – RM562,134,000).

<sup>2</sup> Unit trust funds analysed by type of funds are as follows:

|                | Group          |                | Bank           |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Equity funds   | 110,021        | 93,018         | 108,228        | 91,539         |
| Dividend funds | 10,286         | 10,411         | 10,118         | 10,245         |
|                | 120,307        | 103,429        | 118,346        | 101,784        |

# Notes to the Financial Statements – 31 December 2020

## 11. EMPLOYEE BENEFITS (CONTINUED)

### Defined Benefit Plan (continued)

<sup>3</sup> Properties\* analysed by type of properties are as follows:

|                        | Group          |                | Bank           |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Terraced shop offices  | <b>794,496</b> | 756,469        | <b>781,545</b> | 744,440        |
| Stratified office lots | <b>29,814</b>  | 29,870         | <b>29,328</b>  | 29,395         |
| Commercial buildings   | <b>26,407</b>  | 19,650         | <b>25,977</b>  | 19,338         |
| Residential buildings  | <b>1,550</b>   | 1,440          | <b>1,525</b>   | 1,417          |
|                        | <b>852,267</b> | 807,429        | <b>838,375</b> | 794,590        |

\* All the properties held as plan assets of the Group and of the Bank are occupied by the Bank and certain subsidiary companies of the Bank. Certain floors in the commercial buildings and terraced shop offices are tenanted by external parties of which they contributed about 1.4% (2019: 1.3%) of the total rental income from properties.

The amounts recognised under other operating expenses in the statement of profit or loss are as follows:

|  | Note  | Group           |                | Bank            |                |
|--|-------|-----------------|----------------|-----------------|----------------|
|  |       | 2020<br>RM'000  | 2019<br>RM'000 | 2020<br>RM'000  | 2019<br>RM'000 |
| Current service cost                                       |       | <b>75,864</b>   | 67,513         | <b>74,628</b>   | 66,439         |
| Interest cost  |       | <b>52,524</b>   | 54,104         | <b>51,668</b>   | 53,245         |
| Interest income  |       | <b>(54,704)</b> | (71,459)       | <b>(53,812)</b> | (70,324)       |
| Allocation adjustment                                      |       | <b>–</b>        | –              | <b>(181)</b>    | –              |
| Amount included under<br>“personnel costs – pension costs” | 36(a) | <b>73,684</b>   | 50,158         | <b>72,303</b>   | 49,360         |



## 11. EMPLOYEE BENEFITS (CONTINUED)

### Defined Benefit Plan (continued)

Remeasurements recognised in other comprehensive income are as follows:

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Present value of funded obligations:            |                |                |                |                |
| – effects of changes in demographic assumptions | (1,555)        | –              | (1,530)        | –              |
| – effects of changes in financial assumptions   | 63,497         | (92,958)       | 62,462         | (91,507)       |
| – effects of experience adjustments             | (61,811)       | –              | (60,803)       | –              |
| Fair value of plan assets                       |                |                |                |                |
| – remeasurements on plan assets                 | 27,871         | (135,916)      | 27,417         | (133,756)      |
| – allocation adjustment                         | –              | –              | (173)          | –              |
|   | <b>28,002</b>  | (228,874)      | <b>27,373</b>  | (225,263)      |

Actual return on plan assets is as follows:

|                                | Group          |                | Bank           |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Interest income on plan assets | <b>54,704</b>  | 71,459         | <b>53,812</b>  | 70,324         |
| Remeasurements on plan assets  | <b>27,871</b>  | (135,916)      | <b>27,417</b>  | (133,756)      |
| Allocation adjustment          | –              | –              | (498)          | –              |
| Actual return on plan assets   | <b>82,575</b>  | (64,457)       | <b>80,731</b>  | (63,432)       |

# Notes to the Financial Statements – 31 December 2020

## 11. EMPLOYEE BENEFITS (CONTINUED)

### Defined Benefit Plan (continued)

#### (i) Actuarial Assumptions

Principal actuarial assumptions used at the reporting date (expressed as weighted averages) are as follows:

|                                   | Group and Bank |       |
|-----------------------------------|----------------|-------|
|                                   | 2020           | 2019  |
| Discount rate                     | 4.00%          | 4.50% |
| Expected rate of salary increases | 6.00%          | 7.00% |

The discount rate used in the actuarial assumptions is based on a blend of yields of long term high quality corporate bonds. The expected rate of salary increases takes into account the increases in salaries from factors such as inflation, productivity and promotions.

The principal actuarial assumptions are based on the latest actuarial valuation performed as of 31 December 2020.

As at 31 December 2020, the weighted average duration of the defined benefit obligation was 11.0 years.

#### (ii) Sensitivity Analysis

The effect of changes in the principal actuarial assumptions on the present value of funded obligations are as follows:

|   | 2020                 |                      | 2019                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | Sensitivity          |                      | Sensitivity          |                      |
|   | +1%<br>RM'000        | -1%<br>RM'000        | +1%<br>RM'000        | -1%<br>RM'000        |
| <b>Group</b>  |                      |                      |                      |                      |
| (Decrease)/Increase in present value of funded obligations:<br>– Discount rate<br>– Expected salary | (119,613)<br>134,323 | 140,371<br>(117,211) | (114,446)<br>140,248 | 134,226<br>(121,925) |
| <b>Bank</b>   |                      |                      |                      |                      |
| (Decrease)/Increase in present value of funded obligations:<br>– Discount rate<br>– Expected salary | (117,663)<br>132,134 | 138,083<br>(115,300) | (112,626)<br>138,018 | 132,092<br>(119,986) |

The sensitivity analysis presented above may not be representative of the actual change in the present value of funded obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.



## 12. STATUTORY DEPOSITS WITH CENTRAL BANKS

|                      | Group            |                | Bank           |                |
|----------------------|------------------|----------------|----------------|----------------|
|                      | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Bank Negara Malaysia | 436,044          | 8,763,996      | 267,844        | 6,924,591      |
| Other central banks  | 698,880          | 1,280,189      | 30,245         | 28,683         |
|                      | <b>1,134,924</b> | 10,044,185     | <b>298,089</b> | 6,953,274      |

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement ("SRR") is determined based on a set percentage of total eligible liabilities.

With effective from 16 May 2020, banks in Malaysia are allowed to use Malaysian Government Securities and Malaysian Government Investment Issues to fully meet the SRR compliance. Such flexibility is available until 31 May 2021.

The statutory deposits of the overseas subsidiary companies and overseas branches are denominated in foreign currencies and are maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

## 13. DEFERRED TAX

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| At 1 January  | 26,491         | 22,736         | 11,307         | (1,495)        |
| Recognised in profit or loss (net) (Note 40)                    |                |                |                |                |
| – relating to changes in tax rate                               | –              | (4,983)        | –              | –              |
| – relating to origination and reversal of temporary differences | (623,996)      | 41,659         | (531,223)      | 37,255         |
| – over provision of net deferred tax assets                     | (2,874)        | (13,503)       | (2,894)        | (13,367)       |
| Recognised in equity (net) (Note 30)                            | (102,880)      | (19,107)       | (87,709)       | (11,086)       |
| Exchange differences  | 547            | (311)          | (182)          | –              |
| At 31 December  | (702,712)      | 26,491         | (610,701)      | 11,307         |

# Notes to the Financial Statements – 31 December 2020

## 13. DEFERRED TAX (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

|                               | Group          |                | Bank           |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Deferred tax assets, net      | 81,637         | 83,484         | –              | 11,307         |
| Deferred tax liabilities, net | (784,349)      | (56,993)       | (610,701)      | –              |
|                               | (702,712)      | 26,491         | (610,701)      | 11,307         |

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

|                          | Group          |                | Bank           |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Deferred tax assets      | 486,273        | 277,902        | 330,039        | 177,064        |
| Deferred tax liabilities | (1,188,985)    | (251,411)      | (940,740)      | (165,757)      |
|                          | (702,712)      | 26,491         | (610,701)      | 11,307         |

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

| Deferred tax assets of the Group                                | Allowance for<br>Losses<br>on Loans<br>and Financing<br>RM'000 | Other<br>Temporary<br>Differences*<br>RM'000 | Total<br>RM'000 |
|---|--|--|-----------------|
| At 1 January 2019   | 44,744   | 207,880                                      | 252,624         |
| Recognised in profit or loss (Note 40)                          |  |  |                 |
| – relating to origination and reversal of temporary differences | 1,550  | 36,637                                       | 38,187          |
| – over provision  | (7,454)  | (5,037)                                      | (12,491)        |
| Exchange differences  | (348)  | (70)   | (418)           |
| At 31 December 2019   | 38,492   | 239,410                                      | 277,902         |
| Recognised in profit or loss (Note 40)                          |  |  |                 |
| – relating to origination and reversal of temporary differences | 174,037  | 37,403                                       | 211,440         |
| – over provision  | (7)  | (3,212)                                      | (3,219)         |
| Exchange differences  | 423  | (273)  | 150             |
| At 31 December 2020   | 212,945  | 273,328                                      | 486,273         |

\* Mainly consist of temporary differences in respect of provision for other operating expenses.



### 13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

| Deferred tax liabilities<br>of the Group                              | Defined<br>Benefit<br>Assets<br>RM'000 | Revaluation<br>Reserves<br>RM'000 | Excess of<br>Capital                         |          | Hedging<br>Reserves<br>RM'000 | Interest on<br>Moratorium<br>Account<br>RM'000 | Other<br>Temporary<br>Differences <sup>#</sup><br>RM'000 | Total<br>RM'000 |
|---|--|-----------------------------------|--|----------|-------------------------------|--|--|-----------------|
|   |  |                                   | Allowances<br>Over<br>Depreciation<br>RM'000 |          |                               |  |  |                 |
| At 1 January 2019   | 78,232                                 | 17,217                            | 85,353                                       |          | 13,920                        | –  | 35,166   | 229,888         |
| Recognised in profit or loss<br>(Note 40)                             |  |                                   |  |          |                               |  |  |                 |
| – relating to changes in tax rate                                     | –                                      | –                                 | –  |          | –                             | –  | 4,983  | 4,983           |
| – relating to origination and<br>reversal of temporary<br>differences |  |                                   |  |          |                               |  |  |                 |
| – under/(over) provision  | (12,017)                               | –                                 | 2,782  |          | –                             | –  | 5,763  | (3,472)         |
| – over provision  | –                                      | –                                 | 1,047  |          | –                             | –  | (35)   | 1,012           |
| Recognised in equity (Note 30)  | (54,817)                               | 94,776                            | –  | (20,852) | –                             | –  | –  | 19,107          |
| Exchange differences  | –                                      | –                                 | (107)  |          | –                             | –  | –  | (107)           |
| At 31 December 2019   | 11,398                                 | 111,993                           | 89,075                                       | (6,932)  | –                             | –  | 45,877   | 251,411         |
| Recognised in profit or loss<br>(Note 40)                             |  |                                   |  |          |                               |  |  |                 |
| – relating to origination and<br>reversal of temporary<br>differences |  |                                   |  |          |                               |  |  |                 |
| – relating to changes in tax rate                                     | (17,620)                               | –                                 | 6,984  |          | –                             | 843,492  | 2,580  | 835,436         |
| – over provision  | –                                      | –                                 | (345)  |          | –                             | –  | –  | (345)           |
| Recognised in equity (Note 30)  | 6,697                                  | 119,163                           | –  | (22,980) | –                             | –  | –  | 102,880         |
| Exchange differences  | –                                      | –                                 | (397)  |          | –                             | –  | –  | (397)           |
| At 31 December 2020   | 475                                    | 231,156                           | 95,317                                       | (29,912) | 843,492                       | 48,457   | 1,188,985  |                 |

<sup>#</sup> Mainly consist of temporary differences in respect of gain on revaluation of investment properties.

# Notes to the Financial Statements – 31 December 2020

## 13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

| Deferred tax assets of the Bank                                 | Allowance for Losses on Loans RM'000 | Other Temporary Differences* RM'000 | Total RM'000 |
|---|--------------------------------------|-------------------------------------|--------------|
| At 1 January 2019   | 11,547                               | 155,892                             | 167,439      |
| Recognised in profit or loss (Note 40)                          |                                      |                                     |              |
| – relating to origination and reversal of temporary differences | 10,202                               | 11,735                              | 21,937       |
| – over provision  | (7,288)                              | (5,024)                             | (12,312)     |
| At 31 December 2019   | 14,461                               | 162,603                             | 177,064      |
| Recognised in profit or loss (Note 40)                          |                                      |                                     |              |
| – relating to origination and reversal of temporary differences | 132,601                              | 23,784                              | 156,385      |
| – over provision  | –                                    | (3,228)                             | (3,228)      |
| Exchange differences  | –                                    | (182)                               | (182)        |
| At 31 December 2020   | 147,062                              | 182,977                             | 330,039      |

\* Mainly consist of temporary differences in respect of provision for other operating expenses.

| Deferred tax liabilities of the Bank                            | Defined Benefit Assets RM'000 | Revaluation Reserves RM'000 | Excess of Capital Allowances Over Depreciation RM'000 | Hedging Reserves RM'000 | Interest on Moratorium Account RM'000 | Other Temporary Differences RM'000 | Total RM'000 |
|---|-------------------------------|-----------------------------|---|-------------------------|---------------------------------------|------------------------------------|--------------|
| At 1 January 2019   | 77,150                        | 14,473                      | 53,633  | 18,719                  | –                                     | 4,959                              | 168,934      |
| Recognised in profit or loss (Note 40)                          |                               |                             |   |                         |                                       |                                    |              |
| – relating to origination and reversal of temporary differences | (11,851)                      | –                           | (3,390)   | –                       | –                                     | (77)                               | (15,318)     |
| – under provision   | –                             | –                           | 1,055   | –                       | –                                     | –                                  | 1,055        |
| Recognised in equity (Note 30)                                  | (54,063)                      | 68,802                      | –   | (3,653)                 | –                                     | –                                  | 11,086       |
| At 31 December 2019   | 11,236                        | 83,275                      | 51,298  | 15,066                  | –                                     | 4,882                              | 165,757      |
| Recognised in profit or loss (Note 40)                          |                               |                             |   |                         |                                       |                                    |              |
| – relating to origination and reversal of temporary differences | (17,339)                      | –                           | 2,172   | –                       | 703,126                               | (351)                              | 687,608      |
| – over provision  | –                             | –                           | (334)   | –                       | –                                     | –                                  | (334)        |
| Recognised in equity (Note 30)                                  | 6,569                         | 79,112                      | –   | 2,028                   | –                                     | –                                  | 87,709       |
| At 31 December 2020   | 466                           | 162,387                     | 53,136  | 17,094                  | 703,126                               | 4,531                              | 940,740      |



### 13. DEFERRED TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items as it is not probable that the respective subsidiary companies will generate sufficient future taxable profits available against which these can be utilised:

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2020<br>RM'000 | 2019<br>RM'000 |
| Unutilised tax losses         | 5,025          | 5,098          |
| Unutilised capital allowances | 22,963         | 22,963         |

Subject to the agreement by the relevant tax authorities, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM5,025,000 (2019 – RM5,098,000) and RM22,963,000 (2019 – RM22,963,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

### 14. COLLECTIVE INVESTMENTS

Details of the collective investments of the Bank are as follows:

| Name of Funds                        | Principal Activities  | Place of Incorporation | Effective Interest |           |
|--------------------------------------|-----------------------|------------------------|--------------------|-----------|
|                                      |                       |                        | 2020<br>%          | 2019<br>% |
| Public Institutional Bond Fund       | Bond fund             | Malaysia               | 100.0              | 100.0     |
| Public Wholesale Income Fund         | Wholesale income fund | Malaysia               | 100.0              | 100.0     |
| Public Islamic Wholesale Income Fund | Wholesale income fund | Malaysia               | 100.0              | 100.0     |

The collective investments have been consolidated in accordance with MFRS 10 Consolidated Financial Statements.

### 15. INVESTMENT IN SUBSIDIARY COMPANIES

| Bank                                | 2020           |                           | 2019           |                           |
|-------------------------------------|----------------|---------------------------|----------------|---------------------------|
|                                     | Cost<br>RM'000 | Market<br>Value<br>RM'000 | Cost<br>RM'000 | Market<br>Value<br>RM'000 |
| <b>At cost:</b>                     |                |                           |                |                           |
| Quoted shares outside Malaysia      |                |                           |                |                           |
| – Quoted shares in Hong Kong SAR    | 1,672,195      | 874,948                   | 1,672,195      | 1,343,970                 |
| Unquoted shares                     |                |                           |                |                           |
| – In Malaysia                       | 3,330,611      |                           | 3,330,611      |                           |
| – Outside Malaysia                  | 1,491,918      |                           | 1,491,918      |                           |
|                                     | 6,494,724      |                           | 6,494,724      |                           |
| Less: Accumulated impairment losses | (430)          |                           | (430)          |                           |
|                                     | 6,494,294      |                           | 6,494,294      |                           |

# Notes to the Financial Statements – 31 December 2020

## 15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

| Name  | Principal Activities   | Effective Interest |           |
|---|--|--------------------|-----------|
|   |  | 2020<br>%          | 2019<br>% |
| <u>Local subsidiary companies</u>                 |  |                    |           |
| Public Islamic Bank Berhad                        | Islamic banking  | <b>100.0</b>       | 100.0     |
| Public Investment Bank Berhad                     | Investment banking   | <b>100.0</b>       | 100.0     |
| Public Invest Nominees (Tempatan) Sdn. Bhd.       | Nominee services   | <b>100.0</b>       | 100.0     |
| Public Invest Nominees (Asing) Sdn. Bhd.          | Nominee services   | <b>100.0</b>       | 100.0     |
| Public Consolidated Holdings Sdn. Bhd.            | Investment holding   | <b>100.0</b>       | 100.0     |
| Public Mutual Berhad                              | Sale and management of unit trust funds and private retirement schemes | <b>100.0</b>       | 100.0     |
| Public Holdings Sdn. Bhd.                         | Property holding   | <b>100.0</b>       | 100.0     |
| Public Nominees (Tempatan) Sdn. Bhd.              | Nominee services   | <b>100.0</b>       | 100.0     |
| Public Nominees (Asing) Sdn. Bhd.                 | Nominee services   | <b>100.0</b>       | 100.0     |
| Public Bank (L) Ltd.                              | Offshore banking   | <b>100.0</b>       | 100.0     |
| PB Trust (L) Ltd.                                 | Offshore trust company   | <b>100.0</b>       | 100.0     |
| PB Trustee Services Berhad                        | Trustee services   | <b>100.0</b>       | 100.0     |
| PB Venture Capital Sdn. Bhd.                      | Investment holding   | <b>100.0</b>       | 100.0     |
| Public Leasing & Factoring Sdn. Bhd.              | Leasing and factoring  | <b>100.0</b>       | 100.0     |
| PB International Factors Sdn. Bhd.                | Investment holding   | <b>100.0</b>       | 100.0     |
| PBFIN Berhad                                      | In members' voluntary liquidation                                      | –                  | 100.0     |
| <u>Overseas subsidiary companies</u>              |  |                    |           |
| Cambodian Public Bank Plc <sup>++</sup>           | Banking  | <b>100.0</b>       | 100.0     |
| Campu Securities Plc <sup>++</sup>                | Securities dealing and underwriting                                    | <b>100.0</b>       | 100.0     |
| Campu Lonpac Insurance Plc <sup>++</sup>          | General insurance  | <b>55.0</b>        | 55.0      |
| Public Financial Holdings Limited <sup>**</sup>   | Investment and property holding  | <b>73.2</b>        | 73.2      |
| Public Bank (Hong Kong) Limited <sup>+</sup>      | Banking  | <b>73.2</b>        | 73.2      |
| Public Finance Limited <sup>+</sup>               | Deposit-taking and finance   | <b>73.2</b>        | 73.2      |
| Public Financial Limited <sup>+</sup>             | Investment holding   | <b>73.2</b>        | 73.2      |
| Public Securities Limited <sup>+</sup>            | Stock and share broking  | <b>73.2</b>        | 73.2      |
| Public Securities (Nominees) Limited <sup>+</sup> | Nominee services   | <b>73.2</b>        | 73.2      |
| Public Financial Securities Limited <sup>+</sup>  | Stock and share broking  | <b>73.2</b>        | 73.2      |
| Public Bank (Nominees) Limited <sup>+</sup>       | Nominee services   | <b>73.2</b>        | 73.2      |
| Public Futures Limited <sup>+</sup>               | Dormant  | <b>73.2</b>        | 73.2      |
| Winton (B.V.I.) Limited <sup>+</sup>              | Investment holding   | <b>73.2</b>        | 73.2      |
| Winton Financial Limited <sup>+</sup>             | Provision of financing   | <b>73.2</b>        | 73.2      |
| Winton Motors, Limited <sup>+</sup>               | Trading of taxi cabs and taxi licences, and leasing of taxis           | <b>73.2</b>        | 73.2      |
| Public Bank Vietnam Limited <sup>#</sup>          | Banking  | <b>100.0</b>       | 100.0     |

\* Shares quoted on The Stock Exchange of Hong Kong Limited.

+ Subsidiary companies audited by Ernst & Young Hong Kong.

++ Subsidiary companies audited by Ernst & Young Cambodia.

# Subsidiary company audited by Ernst & Young Vietnam.



## 15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

All the local subsidiary companies are incorporated in Malaysia. All the overseas subsidiary companies are incorporated in Hong Kong SAR except for Public Financial Holdings Limited which is incorporated in Bermuda, Cambodian Public Bank Plc, Campu Securities Plc and Campu Lonpac Insurance Plc which are incorporated in Cambodia, Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands, and Public Bank Vietnam Limited which is incorporated in Socialist Republic of Vietnam.

PBFIN Berhad which was dormant and 100.0% owned subsidiary company of the Bank, commenced Members' Voluntary Winding-up on 27 October 2020. The winding-up proceedings have no material effect on the earnings and net assets of the Group for the year ended 31 December 2020.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Bank, non-controlling shareholders hold protective rights restricting the Bank's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

The Bank's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

## 16. INVESTMENT IN ASSOCIATED COMPANIES

|                                    | Group          |                | Bank           |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Unquoted shares, at cost           | 90,010         | 90,010         | 45,000         | 45,000         |
| Share of post-acquisition reserves | (11,589)       | (14,930)       | –              | –              |
|                                    | 78,421         | 75,080         | 45,000         | 45,000         |
| Represented by:                    |                |                |                |                |
| Group's share of net assets        | 78,421         | 75,080         |                |                |

The summarised financial information of associated companies is as follows:

|                            | Group          |                |
|----------------------------|----------------|----------------|
|                            | 2020<br>RM'000 | 2019<br>RM'000 |
| Total assets               | 2,188,530      | 1,709,047      |
| Total liabilities          | 1,984,665      | 1,474,869      |
| Operating revenue          | 1,280,627      | 1,082,102      |
| Profit/(Loss) after tax    | 165,891        | (4,120)        |
| Total comprehensive income | 169,943        | 400            |

# Notes to the Financial Statements – 31 December 2020

## 16. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Details of the associated companies, all of which are unquoted, are as follows:

| Name                      | Principal Activities | Place of Incorporation | Effective Interest |        |
|---------------------------|----------------------|------------------------|--------------------|--------|
|                           |                      |                        | 2020 %             | 2019 % |
| AIA PUBLIC Takaful Berhad | Family takaful       | Malaysia               | <b>30.0</b>        | 30.0   |
| CPB Properties Co., Ltd.  | Property holding     | Cambodia               | <b>49.0</b>        | 49.0   |

There are no significant restrictions on the ability of the associated companies to transfer funds to the Group in the form of cash dividends.

The Group's associated companies are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

## 17. INVESTMENT PROPERTIES

|  | Note     | Group          |             |
|--|----------|----------------|-------------|
|  |          | 2020 RM'000    | 2019 RM'000 |
| <b>At fair value</b>   |          |                |             |
| At 1 January   |          | <b>753,095</b> | 719,207     |
| Net transfer to owner-occupied property                      |          | (20,000)       | (11,008)    |
| – Right-of-use assets  | 18(i)(a) | –              | (10,428)    |
| – Property and equipment                                     | 19       | (20,000)       | (580)       |
| Reversal of over provision                                   |          | –              | (4,320)     |
| Fair valuation (loss)/gain recognised in profit or loss      | 35       | (18,124)       | 50,387      |
| Fair valuation gain recognised in other comprehensive income |          | –              | 2,093       |
| Addition   |          | 99             | –           |
| Disposals  |          | –              | (2,200)     |
| Exchange differences   |          | (2,185)        | (1,064)     |
| At 31 December   |          | <b>712,885</b> | 753,095     |
| Included in the above are:                                   |          |                |             |
| Freehold land and building                                   |          | <b>526,450</b> | 546,450     |
| Short term leasehold land and building                       |          | <b>176,432</b> | 195,164     |
| Long term leasehold land and building                        |          | <b>10,003</b>  | 11,481      |
|  |          | <b>712,885</b> | 753,095     |

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM527,400,000 (2019 – RM547,400,000) have been determined with reference to quotations of market value provided by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. The investment properties in Hong Kong SAR amounting to RM185,485,000 (2019 – RM205,695,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The Group has assessed that the highest and best use of its properties do not differ from their existing use. The decrease in the fair values of RM18,124,000 (2019 – increase in fair values of RM50,387,000) has been recognised in profit or loss during the year.



## 17. INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM14,908,000 (2019 – RM15,981,000) (Note 35) during the year.

No investment properties were pledged as security for banking facilities at the reporting date.

## 18. LEASES

### (i) As a Lessee

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below:

#### (a) Right-of-use assets

| Group   | Short term<br>leasehold<br>land<br>RM'000 | Long term<br>leasehold<br>land<br>RM'000 | Land and<br>Buildings<br>RM'000 | Computer<br>Equipment<br>& Software<br>RM'000 | Total<br>RM'000  |
|---|---|--|---------------------------------|---|------------------|
| At 1 January 2019                                     | 107,893                                   | 239,470                                  | 995,685                         | 90,488  | 1,433,536        |
| Additions   | –   | –  | 218,934                         | –   | 218,934          |
| Depreciation charge for the year (Note 36(a))         | (3,624)                                   | (670)                                    | (111,223)                       | (51,708)                                      | (167,225)        |
| Transfer (to)/from investment properties<br>(Note 17) | (1,124)                                   | 11,552                                   | –                               | –   | 10,428           |
| Remeasurements  | –   | –  | (66,415)                        | –   | (66,415)         |
| Exchange differences                                  | (502)                                     | (1,115)                                  | (481)                           | –   | (2,098)          |
| At 31 December 2019                                   | 102,643                                   | 249,237                                  | 1,036,500                       | 38,780  | 1,427,160        |
| Additions   | –   | –  | 156,677                         | –   | 156,677          |
| Depreciation charge for the year (Note 36(a))         | (3,688)                                   | (696)                                    | (113,066)                       | (32,906)                                      | (150,356)        |
| Remeasurements  | –   | –  | (43,739)                        | (5,874)                                       | (49,613)         |
| Exchange differences                                  | (1,305)                                   | (3,404)                                  | 375                             | –   | (4,334)          |
| At 31 December 2020                                   | <b>97,650</b>                             | <b>245,137</b>                           | <b>1,036,747</b>                | –   | <b>1,379,534</b> |

| Bank  | Long term<br>leasehold<br>land<br>RM'000 | Land and<br>Buildings<br>RM'000 | Computer<br>Equipment<br>& Software<br>RM'000 | Total<br>RM'000  |
|---|--|---------------------------------|---|------------------|
| At 1 January 2019                             | 115                                      | 1,249,465                       | 90,488  | 1,340,068        |
| Additions                                     | –  | 192,560                         | –   | 192,560          |
| Depreciation charge for the year (Note 36(a)) | (1)                                      | (88,941)                        | (51,708)                                      | (140,650)        |
| Remeasurements                                | –  | (69,457)                        | –   | (69,457)         |
| At 31 December 2019                           | 114                                      | 1,283,627                       | 38,780  | 1,322,521        |
| Additions                                     | –  | <b>145,876</b>                  | –   | <b>145,876</b>   |
| Depreciation charge for the year (Note 36(a)) | (2)                                      | (92,009)                        | (32,906)                                      | (124,917)        |
| Remeasurements                                | –  | (47,919)                        | (5,874)                                       | (53,793)         |
| Exchange differences                          | –  | (26)                            | –   | (26)             |
| At 31 December 2020                           | <b>112</b>                               | <b>1,289,549</b>                | –   | <b>1,289,661</b> |

# Notes to the Financial Statements – 31 December 2020

## 18. LEASES (CONTINUED)

### (i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

### (b) Lease liabilities

The following table sets out a maturity analysis of lease liabilities, showing contractual undiscounted cash flows:

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Within one year   | <b>115,970</b>   | 119,162        | <b>109,093</b>   | 147,896        |
| Between one and five years  | <b>406,962</b>   | 393,015        | <b>461,726</b>   | 441,532        |
| More than five years  | <b>963,571</b>   | 954,802        | <b>1,343,992</b> | 1,343,558      |
|   | <b>1,486,503</b> | 1,466,979      | <b>1,914,811</b> | 1,932,986      |
| Lease liabilities included in the statement of financial position | <b>1,072,120</b> | 1,087,808      | <b>1,342,940</b> | 1,344,637      |

### (c) Amount recognised in the profit or loss

| Note  | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Depreciation charge of right-of-use assets  |                |                |                |                |
| – Leasehold land  | <b>4,384</b>   | 4,294          | <b>2</b>       | 1              |
| – Land and buildings  | <b>113,066</b> | 111,223        | <b>92,009</b>  | 88,941         |
| – Computer equipment & software   | <b>32,906</b>  | 51,708         | <b>32,906</b>  | 51,708         |
| 18(i)(a)  | <b>150,356</b> | 167,225        | <b>124,917</b> | 140,650        |
| Interest expense  | <b>47,099</b>  | 46,144         | <b>60,466</b>  | 58,824         |
| Financing expense   | <b>568</b>     | 523            | –              | –              |
|   | <b>47,667</b>  | 46,667         | <b>60,466</b>  | 58,824         |
| Variable lease payments not included in the measurement of lease liabilities (included in marketing expenses) | <b>2,377</b>   | 2,482          | <b>2,377</b>   | 2,482          |



## 18. LEASES (CONTINUED)

### (i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

### (c) Amount recognised in the profit or loss (continued)

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Negative variable lease payments arising from COVID-19-related rent concessions (included in establishment costs) | 849            | —              | 794            | —              |

### (d) Amount recognised in the statement of cash flows

|                               | Group          |                | Bank           |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Total cash outflow for leases | (113,747)      | (131,159)      | (84,591)       | (99,395)       |

### (e) Leasing activities

#### Real estate leases

The Group and the Bank lease various premises from which it conducts business. Rental contracts are typically made for fixed periods of 3 years. Most leases include an option to renew the lease for an additional period of the same duration after the end of the contract term as described in Note 18(i)(f) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements generally do not impose any covenants other than to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Leases are either non-cancellable or may only be cancelled by giving 2 or 3 months notice before the termination date.

The lease payments are adjusted upon renewal of the lease contract, based on the current market rentals. Rental incremental rate was capped at between 5% and 10% for most of the lease contracts.

As a result of the COVID-19 pandemic, the Group and the Bank have received rent concessions in the form of reduction in lease payments for a period of time without a condition attached to the forgiveness during the current financial year. The Group and the Bank have applied the practical expedient to these rent concessions as explained in Note 2(l)(a).

#### Computer equipment and software

The Bank leases computer equipment and software under finance lease. At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The Bank has not received any COVID-19-related rent concessions for computer equipment and software in the current financial year.

# Notes to the Financial Statements – 31 December 2020

## 18. LEASES (CONTINUED)

### (i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

#### (e) Leasing activities (continued)

Gateway server and electronic terminal with variable lease payments based on usage

The Bank has lease agreements with certain vendors to provide gateway server and electronic terminal to facilitate the acceptance of digital wallet which contain variable lease payments that are based on number of usage and the number of terminals being leased during the period.

The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases. Payments made under these leases are expensed as incurred and recognised in the profit or loss as marketing expenses as disclosed in Note 18(i)(c) above.

Other leases

The Group and the Bank did not enter into any lease contracts that are short-term and/or leases of low value items.

### (f) Extension options

Most leases of the Group's and the Bank's premises contain extension options exercisable by the Group and the Bank and not by the lessors. The Group and the Bank assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

All the extension options in premises leases have been included in the lease liability as the Group and the Bank are reasonably certain that the leases will be extended based on its past practice.

### (ii) As a Lessor

The Group leases out its investment properties under operating leases with the term of the leases ranging from one to five years. None of the leases includes contingent rentals.

Rental income received during the year is as disclosed in Note 35.

Total future minimum lease payments under these non-cancellable operating leases are as follows:

|                            | Group          |                |
|----------------------------|----------------|----------------|
|                            | 2020<br>RM'000 | 2019<br>RM'000 |
| Within one year            | 9,917          | 15,097         |
| Between one and five years | 11,102         | 21,923         |
|                            | 21,019         | 37,020         |

The Group and the Bank do not have any leases under finance lease.



## 19. PROPERTY AND EQUIPMENT

| Group<br>2020                           | Note  | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 |                       | Renovations<br>RM'000 | Office<br>equipment,<br>furniture &<br>fittings<br>RM'000 | Computer<br>equipment<br>& software<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|---|-------|----------------------------|---------------------|-----------------------|-----------------------|---|---|-----------------------------|-----------------|
|   |       |                            | Buildings<br>RM'000 | Renovations<br>RM'000 |                       |   |   |                             |                 |
| <b>Cost</b>                             |       |                            |                     |                       |                       |   |   |                             |                 |
| At 1 January 2020                       |       | 126,624                    | 730,801             | 375,501               | 595,696               | 962,762   | 35,917  | 2,827,301                   |                 |
| Additions                               |       | -                          | -                   | 20,100                | 21,906                | 329,085   | 1,972   | 373,063                     |                 |
| Disposals                               |       | -                          | -                   | -                     | (1,560)               | (2,066)   | (2,364)                                       | (5,990)                     |                 |
| Net transfer from investment properties | 17    | 7,200                      | 12,800              | -                     | -                     | -   | -   | 20,000                      |                 |
| Reclassification                        |       | -                          | -                   | (6,595)               | 6,595                 | -   | -   | -                           |                 |
| Write-offs                              | 36(a) | -                          | -                   | (7,440)               | (2,833)               | (18,190)  | (1,471)                                       | (29,934)                    |                 |
| Exchange differences                    |       | -                          | (2,464)             | (2,487)               | (1,085)               | (3,938)   | (399)   | (10,373)                    |                 |
| At 31 December 2020                     |       | 133,824                    | 741,137             | 379,079               | 618,719               | 1,267,653   | 33,655  | 3,174,067                   |                 |
| <b>Accumulated depreciation</b>         |       |                            |                     |                       |                       |   |   |                             |                 |
| At 1 January 2020                       |       | -                          | 264,933             | 278,814               | 457,817               | 657,386   | 20,955  | 1,679,905                   |                 |
| Depreciation charge for the year        | 36(a) | -                          | 17,740              | 22,281                | 32,808                | 137,175   | 4,059   | 214,063                     |                 |
| Disposals                               |       | -                          | -                   | -                     | (1,377)               | (2,064)   | (2,364)                                       | (5,805)                     |                 |
| Write-offs                              | 36(a) | -                          | -                   | (6,621)               | (2,624)               | (18,131)  | (1,233)                                       | (28,609)                    |                 |
| Exchange differences                    |       | -                          | (1,341)             | (1,936)               | (977)                 | (3,474)   | (330)   | (8,058)                     |                 |
| At 31 December 2020                     |       | -                          | 281,332             | 292,538               | 485,647               | 770,892   | 21,087  | 1,851,496                   |                 |
| <b>Accumulated impairment loss</b>      |       |                            |                     |                       |                       |   |   |                             |                 |
| At 1 January/31 December 2020           |       | 1,064                      | 3,757               | -                     | -                     | -   | -   | -                           | 4,821           |
| <b>Carrying amounts</b>                 |       |                            |                     |                       |                       |   |   |                             |                 |
| At 31 December 2020                     |       | 132,760                    | 456,048             | 86,541                | 133,072               | 496,761   | 12,568  | 1,317,750                   |                 |

# Notes to the Financial Statements – 31 December 2020

## 19. PROPERTY AND EQUIPMENT (CONTINUED)

| Group<br>2019                           | Note  | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Renovations<br>RM'000 | Office<br>equipment,<br>furniture &<br>fittings<br>RM'000 | Computer<br>equipment<br>& software<br>RM'000 | Motor<br>vehicles<br>RM'000 | Work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|---|-------|----------------------------|---------------------|-----------------------|---|---|-----------------------------|--------------------------------|-----------------|
|   |       |                            |                     |                       |   |   |                             |                                |                 |
| <b>Cost</b>                             |       |                            |                     |                       |   |   |                             |                                |                 |
| At 1 January 2019                       |       | 126,624                    | 734,082             | 355,159               | 592,311   | 948,106                                       | 29,087                      | 261                            | 2,785,630       |
| Additions                               |       | –                          | 314                 | 37,700                | 31,040  | 124,619                                       | 11,446                      | –                              | 205,119         |
| Disposals                               |       | –                          | –                   | (3,197)               | (4,290)   | (7,141)                                       | (3,457)                     | –                              | (18,085)        |
| Net transfer from investment properties | 17    | –                          | 515                 | –                     | –   | –   | –                           | –                              | 515             |
| Reclassification                        |       | –                          | –                   | (11,732)              | 8,401   | 3,589   | –                           | (258)                          | –               |
| Write-offs                              | 36(a) | –                          | –                   | (971)                 | (31,101)  | (104,875)                                     | (902)                       | –                              | (137,849)       |
| Reversal of over provision              |       | –                          | (2,880)             | –                     | –   | –   | –                           | –                              | (2,880)         |
| Exchange differences                    |       | –                          | (1,230)             | (1,458)               | (665)   | (1,536)                                       | (257)                       | (3)                            | (5,149)         |
| At 31 December 2019                     |       | 126,624                    | 730,801             | 375,501               | 595,696   | 962,762                                       | 35,917                      | –                              | 2,827,301       |
| <b>Accumulated depreciation</b>         |       |                            |                     |                       |   |   |                             |                                |                 |
| At 1 January 2019                       |       | –                          | 248,303             | 263,192               | 461,030   | 657,117                                       | 21,744                      | –                              | 1,651,386       |
| Depreciation charge for the year        | 36(a) | –                          | 17,271              | 20,647                | 32,369  | 110,964                                       | 3,696                       | –                              | 184,947         |
| Disposals                               |       | –                          | –                   | (3,192)               | (4,219)   | (7,079)                                       | (3,456)                     | –                              | (17,946)        |
| Transfer to investment properties       | 17    | –                          | (65)                | –                     | –   | –   | –                           | –                              | (65)            |
| Write-offs                              | 36(a) | –                          | –                   | (899)                 | (30,860)  | (102,397)                                     | (841)                       | –                              | (134,997)       |
| Exchange differences                    |       | –                          | (576)               | (934)                 | (503)   | (1,219)                                       | (188)                       | –                              | (3,420)         |
| At 31 December 2019                     |       | –                          | 264,933             | 278,814               | 457,817   | 657,386                                       | 20,955                      | –                              | 1,679,905       |
| <b>Accumulated impairment loss</b>      |       |                            |                     |                       |   |   |                             |                                |                 |
| At 1 January/31 December 2019           |       | 1,064                      | 3,757               | –                     | –   | –   | –                           | –                              | 4,821           |
| <b>Carrying amounts</b>                 |       |                            |                     |                       |   |   |                             |                                |                 |
| At 31 December 2019                     |       | 125,560                    | 462,111             | 96,687                | 137,879   | 305,376                                       | 14,962                      | –                              | 1,142,575       |



## 19. PROPERTY AND EQUIPMENT (CONTINUED)

| Bank<br>2020                     | Note  | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Renovations<br>RM'000 | Office<br>equipment,<br>furniture &<br>fittings<br>RM'000 | Computer<br>equipment<br>& software<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|----------------------------------|-------|----------------------------|---------------------|-----------------------|---|---|-----------------------------|-----------------|
| <b>Cost</b>                      |       |                            |                     |                       |   |   |                             |                 |
| At 1 January 2020                |       | 81,092                     | 262,042             | 216,043               | 435,152   | 722,454                                       | 17,393                      | 1,734,176       |
| Additions                        |       | -                          | -                   | 5,180                 | 12,244  | 287,265                                       | 60                          | 304,749         |
| Disposals                        |       | -                          | -                   | -                     | (1,125)   | (1,717)                                       | (1,181)                     | (4,023)         |
| Reclassification                 |       | -                          | -                   | (5,990)               | 5,990   | -   | -                           | -               |
| Write-offs                       | 36(a) | -                          | -                   | (17)                  | (1,299)   | (14,775)                                      | (8)                         | (16,099)        |
| Exchange differences             |       | -                          | -                   | (677)                 | (181)   | (1,010)                                       | (92)                        | (1,960)         |
| At 31 December 2020              |       | 81,092                     | 262,042             | 214,539               | 450,781   | 992,217                                       | 16,172                      | 2,016,843       |
| <b>Accumulated depreciation</b>  |       |                            |                     |                       |   |   |                             |                 |
| At 1 January 2020                |       | -                          | 126,169             | 167,334               | 321,588   | 489,701                                       | 10,805                      | 1,115,597       |
| Depreciation charge for the year | 36(a) | -                          | 5,232               | 7,715                 | 24,886  | 112,665                                       | 1,677                       | 152,175         |
| Disposals                        |       | -                          | -                   | -                     | (993)   | (1,716)                                       | (1,181)                     | (3,890)         |
| Write-offs                       | 36(a) | -                          | -                   | -                     | (1,261)   | (14,754)                                      | (8)                         | (16,023)        |
| Exchange differences             |       | -                          | -                   | (325)                 | (160)   | (664)   | (73)                        | (1,222)         |
| At 31 December 2020              |       | -                          | 131,401             | 174,724               | 344,060   | 585,232                                       | 11,220                      | 1,246,637       |
| <b>Carrying amounts</b>          |       |                            |                     |                       |   |   |                             |                 |
| At 31 December 2020              |       | 81,092                     | 130,641             | 39,815                | 106,721   | 406,985                                       | 4,952                       | 770,206         |

# Notes to the Financial Statements – 31 December 2020

## 19. PROPERTY AND EQUIPMENT (CONTINUED)

| Bank<br>2019                     | Note  | Freehold<br>land<br>RM'000 | Buildings<br>RM'000 | Renovations<br>RM'000 | Office<br>equipment,<br>furniture &<br>fittings<br>RM'000 | Computer<br>equipment<br>& software<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|----------------------------------|-------|----------------------------|---------------------|-----------------------|---|---|-----------------------------|-----------------|
| <b>Cost</b>                      |       |                            |                     |                       |   |   |                             |                 |
| At 1 January 2019                |       | 81,092                     | 262,042             | 212,153               | 440,520   | 737,170                                       | 13,616                      | 1,746,593       |
| Additions                        |       | –                          | –                   | 17,179                | 18,633  | 91,133  | 5,857                       | 132,802         |
| Disposals                        |       | –                          | –                   | –                     | (1,805)   | (5,700)                                       | (1,962)                     | (9,467)         |
| Reclassification                 |       | –                          | –                   | (11,990)              | 8,401   | 3,589   | –                           | –               |
| Write-offs                       | 36(a) | –                          | –                   | (847)                 | (30,501)  | (103,419)                                     | (71)                        | (134,838)       |
| Exchange differences             |       | –                          | –                   | (452)                 | (96)  | (319)   | (47)                        | (914)           |
| At 31 December 2019              |       | 81,092                     | 262,042             | 216,043               | 435,152   | 722,454                                       | 17,393                      | 1,734,176       |
| <b>Accumulated depreciation</b>  |       |                            |                     |                       |   |   |                             |                 |
| At 1 January 2019                |       | –                          | 120,938             | 159,395               | 328,386   | 505,572                                       | 11,556                      | 1,125,847       |
| Depreciation charge for the year | 36(a) | –                          | 5,231               | 8,971                 | 25,372  | 91,245  | 1,323                       | 132,142         |
| Disposals                        |       | –                          | –                   | –                     | (1,787)   | (5,700)                                       | (1,961)                     | (9,448)         |
| Write-offs                       | 36(a) | –                          | –                   | (846)                 | (30,300)  | (101,178)                                     | (68)                        | (132,392)       |
| Exchange differences             |       | –                          | –                   | (186)                 | (83)  | (238)   | (45)                        | (552)           |
| At 31 December 2019              |       | –                          | 126,169             | 167,334               | 321,588   | 489,701                                       | 10,805                      | 1,115,597       |
| <b>Carrying amounts</b>          |       |                            |                     |                       |   |   |                             |                 |
| At 31 December 2019              |       | 81,092                     | 135,873             | 48,709                | 113,564   | 232,753                                       | 6,588                       | 618,579         |

No land and buildings of the Group and of the Bank were pledged as security for banking facilities at the reporting date.



## 20. INTANGIBLE ASSETS

| Group                                     | Finite Useful Life                    |                    | Indefinite Useful Lives  |   |  | Total<br>RM'000  |
|---|---------------------------------------|--------------------|--------------------------|---|--|------------------|
|   | Core Deposits<br>Intangible<br>RM'000 | Goodwill<br>RM'000 | Trading Rights<br>RM'000 | Share-brokering<br>Licence<br>and Stock<br>Exchange |  |                  |
| At 1 January 2019                         | 33,628                                | 2,394,559          | 26,568                   |   |  | 2,454,755        |
| Amortisation during the year (Note 36(a)) | (4,639)                               | –                  | –                        |   |  | (4,639)          |
| Exchange differences                      | –                                     | (7,075)            | (2)                      |   |  | (7,077)          |
| At 31 December 2019                       | 28,989                                | 2,387,484          | 26,566                   |   |  | 2,443,039        |
| Amortisation during the year (Note 36(a)) | (4,638)                               | –                  | –                        |   |  | (4,638)          |
| Exchange differences                      | –                                     | (20,669)           | (5)                      |   |  | (20,674)         |
| At 31 December 2020                       | <b>24,351</b>                         | <b>2,366,815</b>   | <b>26,561</b>            |   |  | <b>2,417,727</b> |

Note (a) ← → Note (b)

| Bank                          | Goodwill<br>RM'000 |
|-------------------------------|--------------------|
| At 1 January/31 December 2020 | <b>695,393</b>     |
| At 1 January/31 December 2019 | 695,393            |

### (a) Intangible Assets with Finite Useful Life

Core deposits intangible was recognised arising from the acquisition of Public Bank Vietnam Limited. The core deposits intangible is deemed to have a finite useful life of 10 years and is amortised based on a straight-line method.

# Notes to the Financial Statements – 31 December 2020

## 20. INTANGIBLE ASSETS (CONTINUED)

### (b) Goodwill and Intangible Assets with Indefinite Useful Lives

For purposes of impairment assessment, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, as follows:

| As at 31 December 2020   | Group<br>RM'000  | Bank<br>RM'000 | Discount<br>rate<br>% | Nominal<br>growth rate<br>beyond initial<br>cash flow<br>projections<br>% |
|--|------------------|----------------|-----------------------|---|
| <b>Cash-generating Unit:</b>   |                  |                |                       |   |
| Goodwill   |                  |                |                       |   |
| Hire purchase financing  | 395,953          | 395,953        | 9.6                   | 5.1   |
| East Malaysia operations (in respect of business acquired from the former Hock Hua Bank) | 299,440          | 299,440        | 8.6                   | 5.1   |
| Hong Kong operations   | 1,500,069        | –              | 6.9                   | 4.1   |
| Fund management  | 19,555           | –              | 8.6                   | 5.1   |
| Investment banking   | 28,053           | –              | 9.6                   | 5.1   |
| Trustee services   | 6,242            | –              | 8.6                   | 5.1   |
| Vietnam operations   | 117,503          | –              | 4.4                   | 6.8   |
|  | <b>2,366,815</b> | <b>695,393</b> |                       |   |
| Share-brokering Licence and Stock Exchange Trading Rights                                |                  |                |                       |   |
| Hong Kong operations   | 311              | –              | 6.9                   | 4.1   |
| Investment banking   | 26,250           | –              | 9.6                   | 5.1   |
|  | <b>26,561</b>    | <b>–</b>       |                       |   |
|  | <b>2,393,376</b> | <b>695,393</b> |                       |   |



## 20. INTANGIBLE ASSETS (CONTINUED)

### (b) Goodwill and Intangible Assets with Indefinite Useful Lives (continued)

| As at 31 December 2019   | Group<br>RM'000 | Bank<br>RM'000 | Discount<br>rate<br>% | Nominal<br>growth rate<br>beyond initial<br>cash flow<br>projections<br>% |
|--|-----------------|----------------|-----------------------|---|
| <b>Cash-generating Unit:</b>   |                 |                |                       |   |
| Goodwill   |                 |                |                       |   |
| Hire purchase financing  | 395,953         | 395,953        | 9.4                   | 5.2   |
| East Malaysia operations (in respect of business acquired from the former Hock Hua Bank) | 299,440         | 299,440        | 8.4                   | 5.2   |
| Hong Kong operations   | 1,520,738       | –              | 7.0                   | 4.0   |
| Fund management  | 19,555          | –              | 8.4                   | 5.2   |
| Investment banking   | 28,053          | –              | 9.4                   | 5.2   |
| Trustee services   | 6,242           | –              | 8.4                   | 5.2   |
| Vietnam operations   | 117,503         | –              | 4.4                   | 6.7   |
|  | 2,387,484       | 695,393        |                       |   |
| <u>Share-brokering Licence and Stock Exchange Trading Rights</u>                         |                 |                |                       |   |
| Hong Kong operations   | 316             | –              | 7.0                   | 4.0   |
| Investment banking   | 26,250          | –              | 9.4                   | 5.2   |
|  | 26,566          | –              |                       |   |
|  | 2,414,050       | 695,393        |                       |   |

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the CGUs are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on five (5) years financial budgets approved by management. Cash flows beyond the fifth (5th) year are extrapolated to fifty (50) years using a nominal long-term growth rate which does not exceed the average of the last twenty (20) years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. The forecast period is based on the Group's long-term perspective with respect to the operation of these units. Impairment is recognised in profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets with indefinite useful lives consist of a share-brokering licence and stock exchange trading rights which are deemed to have indefinite useful lives as there are no expiry dates. The recoverable amount of the intangible assets have been assessed using the value-in-use method, by discounting the estimated cash flows from their CGUs. Impairment is recognised in profit or loss when the carrying amount of the CGUs exceeds their recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's and the Bank's goodwill and intangible assets.

# Notes to the Financial Statements – 31 December 2020

## 21. DEPOSITS FROM CUSTOMERS

|                                   | Group              |                | Bank               |                |
|-----------------------------------|--------------------|----------------|--------------------|----------------|
|                                   | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| <b>At amortised cost</b>          |                    |                |                    |                |
| Core deposits:                    |                    |                |                    |                |
| – Demand deposits                 | <b>59,355,197</b>  | 51,106,160     | <b>47,669,930</b>  | 40,067,724     |
| – Savings deposits                | <b>46,244,527</b>  | 37,733,184     | <b>31,119,195</b>  | 25,260,085     |
| – Fixed deposits                  | <b>204,543,978</b> | 205,806,430    | <b>149,670,726</b> | 149,042,566    |
|                                   | <b>310,143,702</b> | 294,645,774    | <b>228,459,851</b> | 214,370,375    |
| Negotiable instruments of deposit | –                  | 22,979         | –                  | –              |
| Money market deposits             | <b>55,669,218</b>  | 58,610,421     | <b>49,576,393</b>  | 53,845,616     |
|                                   | <b>55,669,218</b>  | 58,633,400     | <b>49,576,393</b>  | 53,845,616     |
| Other deposits                    | <b>57,831</b>      | 61,301         | <b>42,469</b>      | 43,699         |
|                                   | <b>365,870,751</b> | 353,340,475    | <b>278,078,713</b> | 268,259,690    |

Certain deposits from customers of the Bank and its wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"), up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under current accounts, savings accounts and fixed deposits, inclusive of Islamic deposits. This guarantee excludes money market deposits and negotiable instruments of deposit.

Included in deposits from customers of the Group and of the Bank are deposits of RM3,078,374,000 (2019 – RM3,458,043,000) and RM2,195,626,000 (2019 – RM2,180,658,000) respectively held as collateral for loans, advances and financing.

The maturity structure of fixed deposits, negotiable instruments of deposit and money market deposits are as follows:

|                                     | Group              |                | Bank               |                |
|-------------------------------------|--------------------|----------------|--------------------|----------------|
|                                     | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Due within six months               | <b>218,744,626</b> | 224,301,309    | <b>164,809,471</b> | 168,700,151    |
| More than six months to one year    | <b>41,230,618</b>  | 39,961,843     | <b>34,317,332</b>  | 34,046,661     |
| More than one year to three years   | <b>232,592</b>     | 173,570        | <b>115,979</b>     | 139,173        |
| More than three years to five years | <b>5,360</b>       | 3,108          | <b>4,337</b>       | 2,197          |
|                                     | <b>260,213,196</b> | 264,439,830    | <b>199,247,119</b> | 202,888,182    |



## 21. DEPOSITS FROM CUSTOMERS (CONTINUED)

The deposits are sourced from the following types of customers:

|  | Group              |                | Bank               |                |
|--|--------------------|----------------|--------------------|----------------|
|  | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Federal and state governments              | <b>8,369,668</b>   | 7,510,524      | <b>4,291,436</b>   | 5,155,389      |
| Local government and statutory authorities | <b>4,062,758</b>   | 4,636,517      | <b>3,210,402</b>   | 3,756,788      |
| Business enterprises                       | <b>100,540,241</b> | 93,749,815     | <b>80,071,334</b>  | 74,933,430     |
| Individuals                                | <b>186,738,461</b> | 176,930,222    | <b>148,149,825</b> | 138,499,660    |
| Foreign customers                          | <b>9,484,501</b>   | 9,821,754      | <b>4,499,011</b>   | 4,382,060      |
| Others                                     | <b>56,675,122</b>  | 60,691,643     | <b>37,856,705</b>  | 41,532,363     |
|  | <b>365,870,751</b> | 353,340,475    | <b>278,078,713</b> | 268,259,690    |

## 22. DEPOSITS FROM BANKS

|                              | Group             |                | Bank              |                |
|------------------------------|-------------------|----------------|-------------------|----------------|
|                              | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>At amortised cost</b>     |                   |                |                   |                |
| Licensed banks               | <b>2,948,196</b>  | 4,714,525      | <b>1,948,884</b>  | 3,464,138      |
| Licensed investment banks    | <b>428,612</b>    | 458,211        | <b>416,091</b>    | 206,023        |
| Bank Negara Malaysia*        | <b>1,883,775</b>  | 349,466        | <b>1,809,409</b>  | 332,098        |
| Other financial institutions | <b>5,481,645</b>  | 2,971,871      | <b>9,001,951</b>  | 7,793,143      |
|                              | <b>10,742,228</b> | 8,494,073      | <b>13,176,335</b> | 11,795,402     |

\* Included RM1,602,657,000 and RM1,552,634,000 for the Group and the Bank respectively, received under a government financing scheme for the purpose of SME lending at a below market and concession rate with a six-year maturity to be repaid in June 2026. The fair value gain arising from the placement of funds with the Group and the Bank is applied to address the financial and accounting impact incurred from lending at concession rates to SMEs and for COVID-19 related relief measures.

## 23. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

## 24. RE COURSE OBLIGATIONS ON LOANS SOLD TO CAGAMAS

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

# Notes to the Financial Statements – 31 December 2020

## 25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS

|   | Note | Group             |                | Bank              |                |
|---|------|-------------------|----------------|-------------------|----------------|
|   |      | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>At amortised cost</b>  |      |                   |                |                   |                |
| Borrowings  | (a)  | <b>2,853,203</b>  | 2,898,768      | <b>2,285,247</b>  | 2,324,394      |
| <b>At amortised cost, modified for change in value as a result of fair value hedges</b> |      |                   |                |                   |                |
| Senior Medium Term Notes/Sukuk Murabahah  | (b)  | <b>3,319,457</b>  | 3,319,114      | <b>2,799,507</b>  | 2,799,252      |
| Subordinated Notes/Sukuk Murabahah  | (c)  | <b>5,999,992</b>  | 5,999,986      | <b>4,999,992</b>  | 4,999,986      |
| Additional Tier I capital securities  | (d)  | <b>99,702</b>     | 99,582         | <b>99,702</b>     | 99,582         |
|   |      | <b>9,419,151</b>  | 9,418,682      | <b>7,899,201</b>  | 7,898,820      |
|   |      | <b>12,272,354</b> | 12,317,450     | <b>10,184,448</b> | 10,223,214     |

Movements in debt securities issued and other borrowed funds are as follows:

|  |  | Group             |                | Bank              |                |
|--|--|-------------------|----------------|-------------------|----------------|
|  |  | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| At 1 January                               |  | <b>12,317,450</b> | 13,436,794     | <b>10,223,214</b> | 11,341,598     |
| Addition/Issuance                          |  |                   |                |                   |                |
| – Subordinated Notes/Sukuk Murabahah       |  | –                 | 2,500,000      | –                 | 2,000,000      |
| Repayment/Redemption                       |  |                   |                |                   |                |
| – Senior Medium Term Notes/Sukuk Murabahah |  | –                 | (1,000,000)    | –                 | (1,000,000)    |
| – Subordinated Notes/Sukuk Murabahah       |  | –                 | (500,000)      | –                 | –              |
| – Non-Innovative Tier I stapled securities |  | –                 | (2,088,000)    | –                 | (2,088,000)    |
| Transaction costs                          |  | –                 | (1,256)        | –                 | (1,256)        |
| Amortisation of cost/Accretion of discount |  | <b>6,080</b>      | 6,550          | <b>4,269</b>      | 4,731          |
| Fair value changes                         |  | –                 | (9,634)        | –                 | (9,634)        |
| Exchange differences                       |  | <b>(51,176)</b>   | (27,004)       | <b>(43,035)</b>   | (24,225)       |
|  |  | <b>12,272,354</b> | 12,317,450     | <b>10,184,448</b> | 10,223,214     |



## 25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

### (a) Borrowings

|  | Group            |                | Bank             |                |
|--|------------------|----------------|------------------|----------------|
|  | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Unsecured:                                   |                  |                |                  |                |
| Hong Kong Dollar term loan                   | <b>562,765</b>   | 570,856        | –                | –              |
| United States Dollar term loan               | <b>802,344</b>   | 815,697        | <b>802,344</b>   | 815,697        |
| United States Dollar syndicated term loan    | <b>1,469,351</b> | 1,497,287      | <b>1,469,351</b> | 1,497,287      |
|  | <b>2,834,460</b> | 2,883,840      | <b>2,271,695</b> | 2,312,984      |
| Cumulative amortisation of transaction costs | <b>18,743</b>    | 14,928         | <b>13,552</b>    | 11,410         |
|  | <b>2,853,203</b> | 2,898,768      | <b>2,285,247</b> | 2,324,394      |

The unsecured Hong Kong Dollar term loan is maturing in 2 years with interest at HIBOR plus 1.40% (2019 – HIBOR plus 1.40% maturing in 3 years).

The unsecured United States Dollar term loan is maturing in 2 years with interest at LIBOR plus 0.80% (2019 – LIBOR plus 0.80% maturing in 3 years).

The unsecured United States Dollar syndicated term loan is maturing in 2 years with interest at LIBOR plus 0.93% (2019 – LIBOR plus 0.93% maturing in 3 years).

### (b) Senior Medium Term Notes ("MTNs")/Sukuk Murabahah

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Issued under the RM20.0 billion Senior MTNs Programme:    |                  |                |                  |                |
| RM1,000 million due in 2021                               | <b>999,500</b>   | 999,500        | <b>999,500</b>   | 999,500        |
| RM910 million due in 2023                                 | <b>909,545</b>   | 909,545        | <b>909,545</b>   | 909,545        |
| RM890 million due in 2025                                 | <b>889,555</b>   | 889,555        | <b>889,555</b>   | 889,555        |
| Issued under the RM5.0 billion Sukuk Murabahah Programme: |                  |                |                  |                |
| RM520 million due in 2021                                 | <b>519,740</b>   | 519,740        | –                | –              |
|   | <b>3,318,340</b> | 3,318,340      | <b>2,798,600</b> | 2,798,600      |
| Cumulative amortisation of transaction costs              | <b>1,117</b>     | 774            | <b>907</b>       | 652            |
|   | <b>3,319,457</b> | 3,319,114      | <b>2,799,507</b> | 2,799,252      |

# Notes to the Financial Statements – 31 December 2020

## 25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

### (b) Senior Medium Term Notes ("MTNs")/Sukuk Murabahah (continued)

#### Senior MTNs issued by the Bank

The Senior MTNs issued by the Bank are under a Senior MTNs Programme of up to RM20.0 billion in nominal value. The tenure of the Senior MTNs Programme will be up to thirty (30) years from the date of first issuance. Each issuance of the Senior MTNs shall have a tenure of more than one (1) year provided that the Senior MTNs shall mature on or prior to the expiry of the Senior MTNs Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The interest rates for the Senior MTNs above range between 4.22% and 4.60% (2019: ranging between 4.22% and 4.60%) per annum.

#### Senior Sukuk Murabahah

The Senior Sukuk Murabahah issued by the Bank's wholly owned subsidiary company, Public Islamic Bank Berhad ("PIBB") is under a Sukuk Murabahah Programme which is for the purpose of facilitating the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The tenure of the Sukuk Murabahah Programme will be up to thirty (30) years from the date of first issuance. Each issuance of the Senior Sukuk Murabahah shall have a tenure of more than one (1) year provided that the Senior Sukuk Murabahah shall mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Senior Sukuk Murabahah bear profit at 4.30% (2019: 4.30%) per annum.

The Senior MTNs/Sukuk Murabahah constitute direct unsecured liabilities of the Group and of the Bank, and rank at least pari passu with all other present and future unsecured liabilities of the Group and of the Bank, except for those liabilities preferred by law.

### (c) Subordinated Notes/Sukuk Murabahah

|   | Note | Group            |                | Bank             |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| (i) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme: |      |                  |                |                  |                |
| Fourth tranche: RM2,000 million 4.85% Subordinated Notes 2027/2022  | (a)  | <b>1,999,970</b> | 1,999,970      | <b>1,999,970</b> | 1,999,970      |
| Fifth tranche: RM1,000 million 4.70% Subordinated Notes 2028/2023   | (b)  | <b>1,000,000</b> | 1,000,000      | <b>1,000,000</b> | 1,000,000      |
| Sixth tranche: RM1,500 million 3.90% Subordinated Notes 2029/2024   | (c)  | <b>1,500,000</b> | 1,500,000      | <b>1,500,000</b> | 1,500,000      |
| Seventh tranche: RM500 million 3.72% Subordinated Notes 2029/2024   | (d)  | <b>500,000</b>   | 500,000        | <b>500,000</b>   | 500,000        |
| Cumulative amortisation of transaction costs  |      | <b>22</b>        | 16             | <b>22</b>        | 16             |
|   |      | <b>4,999,992</b> | 4,999,986      | <b>4,999,992</b> | 4,999,986      |



## 25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

### (c) Subordinated Notes/Sukuk Murabahah (continued)

|  | Note | Group            |                | Bank             |                |
|--|------|------------------|----------------|------------------|----------------|
|  |      | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| (ii) Issued under the RM5.0 billion Sukuk Murabahah Programme:<br>Second tranche: RM500 million 4.65% Subordinated Sukuk Murabahah 2027/2022 | (a)  | <b>500,000</b>   | 500,000        | -                | -              |
| Third tranche: RM500 million 3.75% Subordinated Sukuk Murabahah 2029/2024  | (b)  | <b>500,000</b>   | 500,000        | -                | -              |
|  |      | <b>1,000,000</b> | 1,000,000      | -                | -              |
|  |      | <b>5,999,992</b> | 5,999,986      | <b>4,999,992</b> | 4,999,986      |

- (i) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme

The Bank obtained approval from Bank Negara Malaysia (“BNM”) and the Securities Commission vide their letters dated 14 June 2013 and 10 July 2013 respectively, to establish a Basel III – Compliant Tier II Subordinated Medium Term Notes Programme (“the Basel III – Compliant MTNs Programme”) of up to RM10.0 billion in nominal value. The tenure of the Basel III – Compliant MTNs Programme will be up to thirty (30) years, with the tenure for each issuance not less than five (5) years from the issue date, and callable not earlier than five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Notes will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer fully qualify as Tier II Capital for the purposes of BNM’s capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their nominal amount.

The Subordinated Notes to be issued will qualify as Tier II capital for the computation of the regulatory capital of the Group and of the Bank in accordance with BNM’s Capital Adequacy Framework (Capital Components).

The Bank has issued the following tranches of Subordinated Notes:

- (a) On 25 April 2017, the Bank issued the fourth tranche of RM2,000 million in aggregate nominal amount of Subordinated Notes due in 2027 callable in 2022. The Notes bear interest at the rate of 4.85% per annum.
- (b) On 29 October 2018, the Bank issued the fifth tranche of RM1,000 million in aggregate nominal amount of Subordinated Notes due in 2028 callable in 2023. The Notes bear interest at the rate of 4.70% per annum.
- (c) On 29 July 2019, the Bank issued the sixth tranche of RM1,500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at the rate of 3.90% per annum.
- (d) On 18 December 2019, the Bank issued the seventh tranche of RM500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at the rate of 3.72% per annum.

# Notes to the Financial Statements – 31 December 2020

## 25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

### (c) Subordinated Notes/Sukuk Murabahah (continued)

- (ii) Issued under the RM5.0 billion Sukuk Murabahah Programme

The Bank's wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad ("PIBB") obtained approval from BNM and the Securities Commission on 24 March 2014 and 21 April 2014 respectively, for the establishment of an Islamic medium term note programme under the Shariah principle of Murabahah to facilitate the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value.

The tenure of the Sukuk Murabahah Programme is up to thirty (30) years from the date of first issuance of Sukuk Murabahah under the Sukuk Murabahah Programme. The tenure of each issuance of Subordinated Sukuk Murabahah, and subject to the call option, shall have at least five (5) years from the issue date, provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear profit at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Sukuk Murabahah will, subject to the prior written consent of BNM, be redeemable in whole or in part, at the option of PIBB in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Subordinated Sukuk Murabahah will no longer fully qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or changes in law which will make it unlawful to continue performing its obligations or on the first call date or at any subsequent profit payment date thereafter at their nominal amount.

The Subordinated Sukuk Murabahah to be issued will qualify as Tier II capital for the computation of the regulatory capital of PIBB and of the Group in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

PIBB has issued the following tranches of Subordinated Sukuk Murabahah:

- (a) On 3 August 2017, PIBB issued the second tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2027 callable in 2022. The Subordinated Sukuk Murabahah bear profit at the rate of 4.65% per annum.
- (b) On 31 October 2019, PIBB issued the third tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2029 callable in 2024. The Subordinated Sukuk Murabahah bear profit at the rate of 3.75% per annum.

The above Subordinated Notes/Sukuk Murabahah constitute unsecured liabilities/obligations of the Bank and PIBB respectively, and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank and PIBB, other than the Additional Tier I capital securities which are subordinated to the Subordinated Notes/Sukuk Murabahah, in accordance with the terms and conditions of the Subordinated Notes/Sukuk Murabahah.



## 25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

### (d) Additional Tier I Capital Securities ("ATICS")

|   | Group and Bank |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| Issued under the RM10.0 billion Basel III Compliant Additional Tier I Capital Securities Programme: |                |                |
| First tranche: RM100 million 5.08% ATICS callable in 2023   | 99,400         | 99,400         |
| Cumulative amortisation of transaction costs  | 302            | 182            |
|   | <b>99,702</b>  | 99,582         |

On 7 March 2018, the Bank had obtained approval from BNM for a Basel III Compliant Additional Tier I Capital Securities Programme ("the ATICS Programme") for the issuance of up to RM10.0 billion in nominal value of ATICS. The tenure of the ATICS Programme is perpetual. Each issuance will bear interest at a rate to be determined prior to the issuance, payable quarterly or semi-annually in arrears. The ATICS to be issued are intended to qualify as Additional Tier I capital of the Bank and shall comply with the BNM's Capital Adequacy Framework (Capital Components).

Subject to the approval from BNM and the redemption conditions being satisfied, the Bank may redeem a tranche of ATICS in whole or in part. The optional redemption may be exercised by the Bank on a date falling no earlier than the fifth (5th) anniversary of the issue date of the relevant ATICS and any distribution payment date thereafter.

The ATICS are direct and unsecured obligations of the Bank. The ATICS rank pari passu and without preference among themselves, with the most junior class of preference shares (if any), but in priority to the rights and claims of holders of ordinary shares of the Bank. The ATICS are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank except to those liabilities which by their terms rank equal with or junior to the ATICS.

On 26 June 2018, the Bank issued the first tranche of RM100 million in aggregate nominal amount of ATICS. The ATICS is perpetual, callable on 26 June 2023 and bear interest at 5.08% per annum payable semi-annually.

# Notes to the Financial Statements – 31 December 2020

## 26. OTHER LIABILITIES

|   | Note  | Group            |                | Bank             |                |
|---|-------|------------------|----------------|------------------|----------------|
|   |       | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Interest/Income payable   |       | <b>1,784,522</b> | 2,085,618      | <b>1,357,913</b> | 1,599,710      |
| Other payables and accruals   |       | <b>2,977,882</b> | 2,471,928      | <b>2,292,787</b> | 1,932,282      |
| Collateral received for derivative transactions                                 |       | <b>95,359</b>    | 47,566         | <b>95,359</b>    | 47,566         |
| Amount due to trust funds   | (i)   | <b>126,832</b>   | 91,313         | –                | –              |
| Unprocessed sales and/or redemptions  | (ii)  | <b>221,849</b>   | 144,024        | –                | –              |
| Accrued restoration costs   | (iii) | <b>70,846</b>    | 70,752         | <b>71,581</b>    | 71,405         |
| Outstanding contracts on clients' accounts                                      | (iv)  | <b>260,299</b>   | 206,265        | –                | –              |
| Allowance for impairment on loan/financing commitments and financial guarantees | (v)   | <b>70,176</b>    | 52,944         | <b>56,372</b>    | 43,730         |
| Dividend payable to shareholders  |       | <b>21,014</b>    | 25,987         | <b>2,738</b>     | 2,814          |
| Amount due to subsidiary companies  | (vi)  | –                | –              | <b>21,776</b>    | 37,262         |
|   |       | <b>5,628,779</b> | 5,196,397      | <b>3,898,526</b> | 3,734,769      |

- (i) This balance refers to amount due to trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units.
- (ii) The unprocessed sales and/or redemptions are in respect of the fund management activities of a subsidiary company.
- (iii) Costs estimated to dismantle and remove the asset or to restore the leased asset or the site on which it is located at the end of the lease term.
- (iv) These balances relate to contracts entered by the stock-broking business of the subsidiary companies on behalf of clients where settlements have yet to be made.



## 26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows:

| Group  | Lifetime ECL                        |  |  |                 |
|--|-------------------------------------|--|--|-----------------|
|  | 12-Month ECL<br>(Stage 1)<br>RM'000 | Not Credit-<br>Impaired<br>(Stage 2)<br>RM'000 | Credit-<br>Impaired<br>(Stage 3)<br>RM'000 | Total<br>RM'000 |
| <b>2020</b>  |                                     |  |  |                 |
| At 1 January 2020  | 42,845                              | 8,475  | 1,624                                      | 52,944          |
| Changes due to loan/financing commitments and financial guarantees recognised as at 1 January 2020 | 1,857                               | (1,315)  | (542)                                      | -               |
| – Transfer to Stage 1: 12-Month ECL  | 2,924                               | (2,851)  | (73)                                       | -               |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired  | (1,062)                             | 1,584  | (522)                                      | -               |
| – Transfer to Stage 3: Lifetime ECL credit-impaired  | (5)                                 | (48)   | 53   | -               |
| New loan/financing commitments and financial guarantees originated                                 | 4,817                               | 1,729  | 42   | 6,588           |
| Net remeasurement due to changes in credit risk  | 15                                  | 684  | (580)                                      | 119             |
| Loan/financing commitments and financial guarantees derecognised                                   | (3,285)                             | (1,308)  | (27)                                       | (4,620)         |
| Modifications to contractual cash flows of loan/ financing commitments and financial guarantees    | (235)                               | 1,415  | (5)  | 1,175           |
| Changes in models/risk parameters  | 10,061                              | 3,983  | 1  | 14,045          |
| Exchange differences   | (75)                                | -  | -  | (75)            |
| At 31 December 2020  | 56,000                              | 13,663   | 513  | 70,176          |
| <b>2019</b>  |                                     |  |  |                 |
| At 1 January 2019  | 53,063                              | 8,273  | 1,147                                      | 62,483          |
| Changes due to loan/financing commitments and financial guarantees recognised as at 1 January 2019 | 1,570                               | (1,255)  | (315)                                      | -               |
| – Transfer to Stage 1: 12-Month ECL  | 2,233                               | (2,143)  | (90)                                       | -               |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired  | (652)                               | 979  | (327)                                      | -               |
| – Transfer to Stage 3: Lifetime ECL credit-impaired  | (11)                                | (91)   | 102  | -               |
| New loan/financing commitments and financial guarantees originated                                 | 4,353                               | 2,212  | 110  | 6,675           |
| Net remeasurement due to changes in credit risk  | (15,434)                            | 809  | 764  | (13,861)        |
| Loan/financing commitments and financial guarantees derecognised                                   | (3,851)                             | (2,346)  | (60)                                       | (6,257)         |
| Modifications to contractual cash flows of loan/ financing commitments and financial guarantees    | (4)                                 | (14)   | (214)                                      | (232)           |
| Changes in models/risk parameters  | 3,162                               | 797  | 192  | 4,151           |
| Exchange differences   | (14)                                | (1)  | -  | (15)            |
| At 31 December 2019  | 42,845                              | 8,475  | 1,624                                      | 52,944          |

# Notes to the Financial Statements – 31 December 2020

## 26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

| Bank   | Lifetime ECL                        |  |  |                 |
|--|-------------------------------------|--|--|-----------------|
|  | 12-Month ECL<br>(Stage 1)<br>RM'000 | Not Credit-Impaired<br>(Stage 2)<br>RM'000 | Credit-Impaired<br>(Stage 3)<br>RM'000 | Total<br>RM'000 |
| <b>2020</b>  |                                     |  |  |                 |
| At 1 January 2020  | 34,904                              | 7,534                                      | 1,292                                  | 43,730          |
| Changes due to loan commitments and financial guarantees recognised as at 1 January 2020 | 1,554                               | (1,208)                                    | (346)                                  | –               |
| – Transfer to Stage 1: 12-Month ECL  | 2,546                               | (2,493)                                    | (53)                                   | –               |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                                  | (987)                               | 1,325                                      | (338)                                  | –               |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                                      | (5)                                 | (40)                                       | 45                                     | –               |
| New loan commitments and financial guarantees originated                                 | 3,102                               | 1,348                                      | 24                                     | 4,474           |
| Net remeasurement due to changes in credit risk  | (278)                               | 86   | (524)                                  | (716)           |
| Loan commitments and financial guarantees derecognised                                   | (2,914)                             | (1,222)                                    | (23)                                   | (4,159)         |
| Modifications to contractual cash flows of loan commitments and financial guarantees     | (221)                               | 1,016                                      | (1)                                    | 794             |
| Changes in models/risk parameters  | 8,668                               | 3,580                                      | 1                                      | 12,249          |
| At 31 December 2020  | 44,815                              | 11,134                                     | 423                                    | 56,372          |
| <b>2019</b>  |                                     |  |  |                 |
| At 1 January 2019  | 34,345                              | 7,065                                      | 1,012                                  | 42,422          |
| Changes due to loan commitments and financial guarantees recognised as at 1 January 2019 | 1,142                               | (866)                                      | (276)                                  | –               |
| – Transfer to Stage 1: 12-Month ECL  | 1,760                               | (1,698)                                    | (62)                                   | –               |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                                  | (608)                               | 892  | (284)                                  | –               |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                                      | (10)                                | (60)                                       | 70                                     | –               |
| New loan commitments and financial guarantees originated                                 | 3,413                               | 1,968                                      | 74                                     | 5,455           |
| Net remeasurement due to changes in credit risk  | (3,073)                             | 968  | 602                                    | (1,503)         |
| Loan commitments and financial guarantees derecognised                                   | (3,314)                             | (2,270)                                    | (55)                                   | (5,639)         |
| Modifications to contractual cash flows of loan commitments and financial guarantees     | (4)                                 | (14)                                       | (215)                                  | (233)           |
| Changes in models/risk parameters  | 2,395                               | 683  | 150                                    | 3,228           |
| At 31 December 2019  | 34,904                              | 7,534                                      | 1,292                                  | 43,730          |

(vi) These balances are unsecured, non-interest bearing and have no fixed terms of repayment.



## 27. PROVISION FOR TAX EXPENSE AND ZAKAT

|             | Group          |                | Bank           |                |
|-------------|----------------|----------------|----------------|----------------|
|             | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Tax expense | 209,824        | 539,789        | 109,527        | 412,868        |
| Zakat       | 318            | 318            | -              | -              |
|             | 210,142        | 540,107        | 109,527        | 412,868        |

## 28. SHARE CAPITAL

|  | Group and Bank |              |
|--|----------------|--------------|
|  | 2020<br>'000   | 2019<br>'000 |
| Number of ordinary shares:<br>At 1 January/31 December | 3,882,138      | 3,882,138    |

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Issued and fully paid ordinary shares:<br>At 1 January/31 December | 9,417,653      | 9,417,653      |

Subsequent to financial year end, the Bank had on 29 January 2021 completed the bonus issue of 15,528,553,388 bonus shares (i.e. issuable shares) on the basis of 4 bonus shares for every 1 existing Public Bank Berhad share held (Note 55(b)).

## 29. REGULATORY RESERVES

The regulatory reserves are maintained by the Bank and the Bank's banking subsidiary companies in Malaysia, Hong Kong SAR and Cambodia as an additional credit risk absorbent in excess of the requirements of accounting standards. The reserves in respect of Malaysia are maintained in line with the requirements of BNM by the Bank and its domestic banking subsidiary companies. The reserves in respect of Hong Kong SAR and Cambodia are maintained in line with the requirements of the Hong Kong Monetary Authority and the National Bank of Cambodia.

As part of the measures to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19 pandemic, banking institutions in Malaysia are allowed by BNM to reduce the regulatory reserves held against expected losses to 0%. However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially.

As at the reporting date, the Group and the Bank have not drawn down the prudential buffer.

# Notes to the Financial Statements – 31 December 2020

## 30. OTHER RESERVES

| Group   | Foreign Currency          |                         |                             |                         |                                       |                 | Revaluation Reserves |         |     | Defined Benefit Reserves RM'000 | General Reserves RM'000 | Others RM'000 | Total RM'000 |
|---|---------------------------|-------------------------|-----------------------------|-------------------------|---------------------------------------|-----------------|----------------------|---------|-----|---------------------------------|-------------------------|---------------|--------------|
|   | Statutory Reserves RM'000 | Capital Reserves RM'000 | Translation Reserves RM'000 | Hedging Reserves RM'000 | Financial Investments at FVOCI RM'000 | Property RM'000 |                      |         |     |                                 |                         |               |              |
| At 1 January 2020   | 44,878                    | 60,442                  | 40,301                      | (21,952)                | 641,983                               | 1,533           | 380,430              | 458,570 | 172 | 1,606,357                       |                         |               |              |
| Net currency translation differences in respect of:   |                           |                         |                             |                         |                                       |                 |                      |         |     |                                 |                         |               |              |
| – foreign operations  | -                         | -                       | (130,101)                   | -                       | -                                     | -               | -                    | -       | -   | (130,101)                       |                         |               |              |
| – net investment hedge (Note 6)   | -                         | -                       | 58,762                      | -                       | -                                     | -               | -                    | -       | -   | 58,762                          |                         |               |              |
|   | -                         | -                       | (71,339)                    | -                       | -                                     | -               | -                    | -       | -   | (71,339)                        |                         |               |              |
| Net change in revaluation of financial investments at fair value through other comprehensive income ("FVOCI") |                           |                         |                             |                         |                                       |                 |                      |         |     |                                 |                         |               |              |
| – Net unrealised gain   | -                         | -                       | -                           | -                       | 960,234                               | -               | -                    | -       | -   | 960,234                         |                         |               |              |
| – Net gain on disposal reclassified to profit or loss (Note 34)   | -                         | -                       | -                           | -                       | (384,402)                             | -               | -                    | -       | -   | (384,402)                       |                         |               |              |
|   | -                         | -                       | -                           | -                       | 575,832                               | -               | -                    | -       | -   | 575,832                         |                         |               |              |
| Net change in cash flow hedges:   |                           |                         |                             |                         |                                       |                 |                      |         |     |                                 |                         |               |              |
| – Net unrealised loss   | -                         | -                       | -                           | (95,749)                | -                                     | -               | -                    | -       | -   | (95,749)                        |                         |               |              |
| Gain on remeasurements of defined benefit plans   | -                         | -                       | -                           | -                       | -                                     | -               | -                    | 28,002  | -   | 28,002                          |                         |               |              |
| Deferred tax (Note 13)  | -                         | -                       | -                           | 22,980                  | (119,163)                             | -               | (6,697)              | -       | -   | (102,880)                       |                         |               |              |
| Share of gain of equity accounted associated company  | -                         | -                       | -                           | -                       | 1,228                                 | -               | -                    | -       | -   | 1,228                           |                         |               |              |
| Other comprehensive (loss)/income   | -                         | -                       | (71,339)                    | (72,769)                | 457,897                               | -               | 21,305               | -       | -   | 335,094                         |                         |               |              |
| Transferred from retained profits   | 8,931                     | -                       | -                           | -                       | -                                     | -               | -                    | 80,360  | -   | 89,291                          |                         |               |              |
| At 31 December 2020   | 53,809                    | 60,442                  | (31,038)                    | (94,721)                | 1,099,880                             | 1,533           | 401,735              | 538,930 | 172 | 2,030,742                       |                         |               |              |



### 30. OTHER RESERVES (CONTINUED)

| Group   | Statutory Reserves<br>RM'000 | Capital Reserves<br>RM'000 | Translation Reserves<br>RM'000 | Foreign Currency<br>Hedging Reserves<br>RM'000 | Revaluation Reserves                     |                    |           | Defined Benefit Reserves<br>RM'000 | General Reserves<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|----------------------------|--------------------------------|--|--|--------------------|-----------|------------------------------------|----------------------------|------------------|-----------------|
|   |                              |                            |                                |  | Financial Investments at FVOCI<br>RM'000 | Property<br>RM'000 |           |                                    |                            |                  |                 |
| At 1 January 2019   | 36,682                       | 60,442                     | 104,154                        | 44,081   | 254,649                                  | -                  | 554,487   | 376,700                            | 172                        | 1,431,367        |                 |
| Net currency translation differences in respect of:             |                              |                            |                                |  |  |                    |           |                                    |                            |                  |                 |
| - foreign operations  | -                            | -                          | (96,279)                       | -  | -  | -                  | -         | -                                  | -                          | -                | (96,279)        |
| - net investment hedge (Note 6)                                 | -                            | -                          | 32,426                         | -  | -  | -                  | -         | -                                  | -                          | -                | 32,426          |
|   | -                            | -                          | (63,853)                       | -  | -  | -                  | -         | -                                  | -                          | -                | (63,853)        |
| Net change in revaluation of financial investments at FVOCI     |                              |                            |                                |  |  |                    |           |                                    |                            |                  |                 |
| - Net unrealised gain   | -                            | -                          | -                              | -  | 599,673                                  | -                  | -         | -                                  | -                          | -                | 599,673         |
| - Net gain on disposal reclassified to profit or loss (Note 34) | -                            | -                          | -                              | -  | (118,853)                                | -                  | -         | -                                  | -                          | -                | (118,853)       |
|   | -                            | -                          | -                              | -  | 480,820                                  | -                  | -         | -                                  | -                          | -                | 480,820         |
| Net change in revaluation of property and equipment             | -                            | -                          | -                              | -  | -  | -                  | 1,533     | -                                  | -                          | -                | 1,533           |
| Net change in cash flow hedges:                                 |                              |                            |                                |  |  |                    |           |                                    |                            |                  |                 |
| - Net unrealised loss   | -                            | -                          | -                              | (86,885)                                       | -  | -                  | -         | -                                  | -                          | -                | (86,885)        |
| Loss on remeasurements of defined benefit plans                 | -                            | -                          | -                              | -  | -  | -                  | -         | (228,874)                          | -                          | -                | (228,874)       |
| Deferred tax (Note 13)  | -                            | -                          | -                              | 20,852   | (94,776)                                 | -                  | 54,817    | -                                  | -                          | -                | (19,107)        |
| Share of gain of equity accounted associated company            | -                            | -                          | -                              | -  | 1,290                                    | -                  | -         | -                                  | -                          | -                | 1,290           |
| Other comprehensive (loss)/income                               | -                            | -                          | (63,853)                       | (66,033)                                       | 387,334                                  | 1,533              | (174,057) | -                                  | -                          | -                | 84,924          |
| Transferred from retained profits                               | 8,196                        | -                          | -                              | -  | -  | -                  | -         | 81,870                             | -                          | -                | 90,066          |
| At 31 December 2019   | 44,878                       | 60,442                     | 40,301                         | (21,952)                                       | 641,983                                  | 1,533              | 380,430   | 458,570                            | 172                        | 1,606,357        |                 |

# Notes to the Financial Statements – 31 December 2020

## 30. OTHER RESERVES (CONTINUED)

| Bank  | Statutory Reserves<br>RM'000 | Foreign Currency Translation Reserves<br>RM'000 | Hedging Reserves<br>RM'000 | Revaluation Reserves - Financial Investments at FVOCI<br>RM'000 |         | Defined Benefit Reserves<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|---|----------------------------|---|---------|------------------------------------|-----------------|
|   |                              |   |                            |   |         |                                    |                 |
| At 1 January 2020   | 2,906                        | (8,796)   | 47,708                     | 457,301   | 374,109 |                                    | 873,228         |
| Net currency translation differences in respect of foreign operations | –                            | (16,555)  | –                          | –   | –       |                                    | (16,555)        |
| Net change in revaluation of financial investments at FVOCI           |                              |   |                            |   |         |                                    |                 |
| – Net unrealised gain   | –                            | –   | –                          | 725,972   | –       |                                    | 725,972         |
| – Net gain on disposal reclassified to profit or loss (Note 34)       | –                            | –   | –                          | (368,368)   | –       |                                    | (368,368)       |
| Net change in cash flow hedges:                                       | –                            | –   | –                          | 357,604   | –       |                                    | 357,604         |
| – Net unrealised gain   | –                            | –   | 8,450                      | –   | –       |                                    | 8,450           |
| Gain on remeasurements of defined benefit plans                       | –                            | –   | –                          | –   | 27,373  |                                    | 27,373          |
| Deferred tax (Note 13)  | –                            | –   | (2,028)                    | (79,112)  | (6,569) |                                    | (87,709)        |
| Other comprehensive (loss)/income                                     | –                            | (16,555)  | 6,422                      | 278,492   | 20,804  |                                    | 289,163         |
| Transferred from retained profits                                     | 252                          | –   | –                          | –   | –       |                                    | 252             |
| At 31 December 2020   | 3,158                        | (25,351)  | 54,130                     | 735,793   | 394,913 |                                    | 1,162,643       |



### 30. OTHER RESERVES (CONTINUED)

| Bank  | Statutory Reserves<br>RM'000 | Foreign Currency Translation Reserves<br>RM'000 | Hedging Reserves<br>RM'000 | Revaluation Reserves - Financial Investments at FVOCI<br>RM'000 |  | Defined Benefit Reserves<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|---|----------------------------|---|--|------------------------------------|-----------------|
|   |                              |   |                            |   |  |                                    |                 |
| At 1 January 2019   | 2,906                        | 9,294   | 59,276                     | 232,382   |  | 545,309                            | 849,167         |
| Net currency translation differences in respect of foreign operations | –                            | (18,090)  | –                          | –   |  | –                                  | (18,090)        |
| Net change in revaluation of financial investments at FVOCI           |                              |   |                            |   |  |                                    |                 |
| – Net unrealised gain   | –                            | –   | –                          | 403,543   |  | –                                  | 403,543         |
| – Net gain on disposal reclassified to profit or loss (Note 34)       | –                            | –   | –                          | (109,822)   |  | –                                  | (109,822)       |
| Net change in cash flow hedges:                                       | –                            | –   | –                          | 293,721   |  | –                                  | 293,721         |
| – Net unrealised loss   | –                            | –   | (15,221)                   | –   |  | –                                  | (15,221)        |
| Loss on remeasurements of defined benefit plans                       | –                            | –   | –                          | –   |  | (225,263)                          | (225,263)       |
| Deferred tax (Note 13)  | –                            | –   | 3,653                      | (68,802)  |  | 54,063                             | (11,086)        |
| Other comprehensive (loss)/income                                     | –                            | (18,090)  | (11,568)                   | 224,919   |  | (171,200)                          | 24,061          |
| At 31 December 2019   | 2,906                        | (8,796)   | 47,708                     | 457,301   |  | 374,109                            | 873,228         |

The statutory reserves maintained by an overseas subsidiary company and overseas branches are in compliance with the requirements of the Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

The capital reserves of the Group arose mainly from the capitalisation of retained profits that resulted from bonus issues by subsidiary companies and the restructuring exercise involving certain subsidiary companies undertaken by the Group in previous years.

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of overseas subsidiary companies, overseas branches and the subsidiary companies incorporated in the Federal Territory of Labuan, after offsetting the impact of the effective portion of net investment hedges.

The hedging reserves are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

The revaluation reserves – financial investments at fair value through other comprehensive income ("FVOCI") are in respect of unrealised fair value gains and losses on financial investments at FVOCI, after offsetting the impact of related fair value hedges.

The revaluation reserves – property relates to the revaluation gains and losses of the transfer of own-occupied properties to investment properties subsequent to the change of use.

The defined benefit reserves are in respect of remeasurements of the net defined benefit assets/liabilities.

The general reserves represent non-distributable profit reserves maintained by an overseas subsidiary company in compliance with the regulatory requirements of the country in which the Group operates.

# Notes to the Financial Statements – 31 December 2020

## 31. INTEREST INCOME

|  | Group             |                | Bank              |                |
|--|-------------------|----------------|-------------------|----------------|
|  | 2020<br>RM'000    | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| Loans and advances*  | <b>11,885,707</b> | 13,884,080     | <b>10,477,299</b> | 12,423,343     |
| Balances with banks  | <b>234,032</b>    | 268,975        | <b>199,817</b>    | 205,656        |
| Financial investments at fair value through other comprehensive income | <b>1,104,802</b>  | 1,102,768      | <b>913,266</b>    | 904,844        |
| Financial investments at amortised cost                                | <b>866,356</b>    | 885,369        | <b>839,646</b>    | 849,296        |
| Others   | <b>54,658</b>     | 77,380         | <b>90,788</b>     | 91,073         |
|  | <b>14,145,555</b> | 16,218,572     | <b>12,520,816</b> | 14,474,212     |
| Financial assets at fair value through profit or loss                  | <b>38,683</b>     | 72,634         | <b>37,703</b>     | 71,190         |
|  | <b>14,184,238</b> | 16,291,206     | <b>12,558,519</b> | 14,545,402     |

\* Day 1 Net Modification Loss:

Included in interest income and net income from Islamic banking business in the current year are the following day 1 net modification loss relating to COVID-19 relief measures:

|   | Group<br>RM'000  | Bank<br>RM'000   |
|---|------------------|------------------|
| Loss on modification of cash flow:                          |                  |                  |
| – Interest income   | <b>1,098,714</b> | <b>1,098,714</b> |
| – Net income from Islamic banking business                  | <b>289,431</b>   | –                |
|   | <b>1,388,145</b> | <b>1,098,714</b> |
| Less: Benefits recognised under various government schemes: |                  |                  |
| – Interest income   | (774,922)        | (774,922)        |
| – Net income from Islamic banking business                  | (114,807)        | –                |
|   | <b>(889,729)</b> | <b>(774,922)</b> |
| Day 1 net modification loss                                 | <b>498,416</b>   | <b>323,792</b>   |
| of which recognised in:                                     |                  |                  |
| – Interest income   | <b>323,792</b>   | <b>323,792</b>   |
| – Net income from Islamic banking business (Note 56)        | <b>174,624</b>   | –                |
|   | <b>498,416</b>   | <b>323,792</b>   |



### 31. INTEREST INCOME (CONTINUED)

- \* Day 1 Net Modification Loss (continued):

The Group and the Bank granted an automatic moratorium on all loan/financing repayments to individuals and small and medium enterprises ("SME") for a period of six months from 1 April 2020. After the six months period has ended, the Group and the Bank continued to grant further moratorium to borrowers/customers experiencing temporary financial constraints due to the COVID-19 pandemic particularly the unemployed. As a result of the moratorium, the Group and the Bank recognised a loss from modification of cash flows of the loans/financing.

As part of the government support measures in response to COVID-19 pandemic, the Group and the Bank received amounts under a Government financing scheme for the purpose of SME lending at a below market and concession rate to SMEs through the Special Relief Facility. The benefits under these schemes for the Group and the Bank is recognised in the interest income and net income from Islamic banking business.

### 32. INTEREST EXPENSE

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Deposits from banks                             | <b>263,438</b>   | 316,732        | <b>283,118</b>   | 349,951        |
| Deposits from customers                         | <b>6,013,651</b> | 7,767,391      | <b>5,692,298</b> | 7,406,489      |
| Loans sold to Cagamas                           | <b>229,369</b>   | 235,400        | <b>229,369</b>   | 235,400        |
| Debt securities issued and other borrowed funds | <b>435,545</b>   | 486,442        | <b>420,510</b>   | 467,040        |
| Others  | <b>62,459</b>    | 51,121         | <b>63,565</b>    | 60,402         |
|   | <b>7,004,462</b> | 8,857,086      | <b>6,688,860</b> | 8,519,282      |

# Notes to the Financial Statements – 31 December 2020

## 33. NET FEE AND COMMISSION INCOME

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| (a) Fee and commission income:                          |                  |                |                  |                |
| Commissions   | <b>462,692</b>   | 625,304        | <b>614,243</b>   | 676,471        |
| Service charges and fees                                | <b>328,907</b>   | 311,228        | <b>238,044</b>   | 226,407        |
| Guarantee fees  | <b>30,866</b>    | 34,571         | <b>28,694</b>    | 31,587         |
| Commitment fees   | <b>70,010</b>    | 75,588         | <b>61,674</b>    | 68,497         |
| Unit trust management fees                              | <b>1,141,324</b> | 1,068,433      | –                | –              |
| Fee on sale of trust units                              | <b>374,625</b>   | 257,521        | –                | –              |
| Brokerage and commissions from stock-broking activities | <b>246,584</b>   | 91,205         | –                | –              |
| Other fee and commission income                         | <b>57,948</b>    | 69,866         | <b>38,007</b>    | 52,234         |
|   | <b>2,712,956</b> | 2,533,716      | <b>980,662</b>   | 1,055,196      |
| (b) Fee and commission expense:                         |                  |                |                  |                |
| Unit trust agency fees                                  | <b>(464,549)</b> | (412,645)      | –                | –              |
| Debit/Credit card related fees                          | <b>(267,413)</b> | (348,811)      | <b>(264,680)</b> | (345,577)      |
| Loan-related fees                                       | <b>(18,192)</b>  | (14,337)       | <b>(15,817)</b>  | (11,878)       |
| Other fee and commission expense                        | <b>(33,439)</b>  | (17,460)       | <b>(11,532)</b>  | (11,937)       |
|   | <b>(783,593)</b> | (793,253)      | <b>(292,029)</b> | (369,392)      |
| Net fee and commission income                           | <b>1,929,363</b> | 1,740,463      | <b>688,633</b>   | 685,804        |



### 34. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Net gain arising on financial assets at fair value through profit or loss:                  |                |                |                |                |
| – net gain on disposal  | <b>28,928</b>  | 19,086         | <b>29,134</b>  | 18,818         |
| – gross dividend income   | <b>1,603</b>   | 2,097          | <b>1,483</b>   | 1,977          |
| – unrealised revaluation gain   | <b>29,076</b>  | 24,399         | <b>27,261</b>  | 23,078         |
|   | <b>59,607</b>  | 45,582         | <b>57,878</b>  | 43,873         |
| Net gain/(loss) arising on trading derivatives:   |                |                |                |                |
| – unrealised revaluation gain/(loss)  | <b>80</b>      | (77)           | <b>80</b>      | (77)           |
| Net gain arising on financial investments at fair value through other comprehensive income: |                |                |                |                |
| – net gain on disposal (Note 30)  | <b>384,402</b> | 118,853        | <b>368,368</b> | 109,822        |
| – gross dividend income   | <b>2,287</b>   | 4,962          | <b>1,600</b>   | 4,181          |
|   | <b>386,689</b> | 123,815        | <b>369,968</b> | 114,003        |
| Gain/(Loss) representing ineffective portions of hedging derivatives:                       |                |                |                |                |
| – fair value hedge (Note 6)   | <b>426</b>     | (253)          | <b>(22)</b>    | 91             |
| – cash flow hedge (Note 6)  | <b>851</b>     | (1,341)        | <b>851</b>     | (1,341)        |
|   | <b>1,277</b>   | (1,594)        | <b>829</b>     | (1,250)        |
|   | <b>447,653</b> | 167,726        | <b>428,755</b> | 156,549        |

# Notes to the Financial Statements – 31 December 2020

## 35. OTHER OPERATING INCOME

|  | Group           |                | Bank             |                |
|--|-----------------|----------------|------------------|----------------|
|  | 2020<br>RM'000  | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Distribution income from collective investments                  | -               | -              | <b>196,524</b>   | 206,173        |
| Dividend income from subsidiary companies:                       |                 |                |                  |                |
| – quoted outside Malaysia  | -               | -              | <b>63,321</b>    | 84,695         |
| – unquoted in Malaysia   | -               | -              | <b>611,525</b>   | 799,937        |
|  | -               | -              | <b>871,370</b>   | 1,090,805      |
| Other income/(loss):   |                 |                |                  |                |
| Foreign exchange profit  | <b>302,504</b>  | 336,084        | <b>392,723</b>   | 339,252        |
| Rental income from:  |                 |                |                  |                |
| – investment properties (Note 17)                                | <b>14,908</b>   | 15,981         | -                | -              |
| – other properties   | <b>11,265</b>   | 10,720         | <b>13,596</b>    | 13,102         |
| Net gain on disposal of property and equipment                   | <b>680</b>      | 986            | <b>134</b>       | 774            |
| Net gain/(loss) on disposal of foreclosed properties             | <b>1,691</b>    | (959)          | <b>1,691</b>     | (959)          |
| (Loss)/Gain on revaluation of investment properties<br>(Note 17) | <b>(18,124)</b> | 50,387         | -                | -              |
| Others   | <b>131,271</b>  | 79,516         | <b>80,666</b>    | 66,956         |
|  | <b>444,195</b>  | 492,715        | <b>488,810</b>   | 419,125        |
|  | <b>444,195</b>  | 492,715        | <b>1,360,180</b> | 1,509,930      |



### 36. OTHER OPERATING EXPENSES

|  | Group            |                | Bank             |                |
|--|------------------|----------------|------------------|----------------|
|  | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Personnel costs  |                  |                |                  |                |
| – Salaries, allowances and bonuses                                 | <b>2,376,371</b> | 2,264,670      | <b>1,797,660</b> | 1,712,941      |
| – Pension costs  | <b>345,291</b>   | 299,517        | <b>300,112</b>   | 258,483        |
| – Others   | <b>144,861</b>   | 177,436        | <b>112,397</b>   | 142,053        |
|  | <b>2,866,523</b> | 2,741,623      | <b>2,210,169</b> | 2,113,477      |
| Establishment costs  |                  |                |                  |                |
| – Depreciation   | <b>364,419</b>   | 352,172        | <b>277,092</b>   | 272,792        |
| – Insurance  | <b>23,711</b>    | 23,534         | <b>19,590</b>    | 19,493         |
| – Water and electricity  | <b>47,746</b>    | 52,146         | <b>32,673</b>    | 35,829         |
| – General repairs and maintenance                                  | <b>130,785</b>   | 127,667        | <b>113,585</b>   | 108,483        |
| – Information technology expenses                                  | <b>57,374</b>    | 59,707         | <b>21,717</b>    | 27,847         |
| – Others   | <b>91,361</b>    | 95,674         | <b>45,786</b>    | 52,434         |
|  | <b>715,396</b>   | 710,900        | <b>510,443</b>   | 516,878        |
| Marketing expenses   |                  |                |                  |                |
| – Advertisement and publicity                                      | <b>46,752</b>    | 58,770         | <b>15,215</b>    | 20,757         |
| – Others   | <b>71,951</b>    | 83,767         | <b>35,073</b>    | 52,427         |
|  | <b>118,703</b>   | 142,537        | <b>50,288</b>    | 73,184         |
| Administration and general expenses                                |                  |                |                  |                |
| – Communication expenses   | <b>62,118</b>    | 49,843         | <b>51,278</b>    | 37,425         |
| – Legal and professional fees                                      | <b>41,387</b>    | 37,326         | <b>25,070</b>    | 25,386         |
| – Others   | <b>105,338</b>   | 136,963        | <b>40,415</b>    | 71,732         |
|  | <b>208,843</b>   | 224,132        | <b>116,763</b>   | 134,543        |
| Cost of resource sharing charged to<br>Public Islamic Bank Berhad* | –                | –              | <b>(424,033)</b> | (416,753)      |
| Total other operating expenses                                     | <b>3,909,465</b> | 3,819,192      | <b>2,463,630</b> | 2,421,329      |

\* The type of resource sharing rendered by the Bank in Malaysia are as follows:

|                               | Bank             |                |
|-------------------------------|------------------|----------------|
|                               | 2020<br>RM'000   | 2019<br>RM'000 |
| Credit related                | <b>(186,265)</b> | (185,966)      |
| Non-credit branch support     | <b>(159,017)</b> | (158,140)      |
| Other administration function | <b>(78,751)</b>  | (72,647)       |
|                               | <b>(424,033)</b> | (416,753)      |

# Notes to the Financial Statements – 31 December 2020

## 36. OTHER OPERATING EXPENSES (CONTINUED)

(a) Included in other operating expenses are the following:

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Auditors' remuneration:                                  |                |                |                |                |
| Parent auditor   |                |                |                |                |
| – Audit  | <b>3,091</b>   | 2,757          | <b>2,105</b>   | 2,075          |
| – Regulatory related services*                           | <b>541</b>     | 533            | <b>427</b>     | 421            |
| – Other services   | <b>278</b>     | 186            | <b>270</b>     | –              |
| Firms affiliated with parent auditor                     |                |                |                |                |
| – Audit  | <b>2,694</b>   | 2,359          | <b>252</b>     | –              |
| – Regulatory related services*                           | <b>396</b>     | 342            | –              | –              |
| – Other services   | <b>95</b>      | 87             | –              | –              |
| Other auditors   |                |                |                |                |
| – Audit  | <b>147</b>     | 387            | <b>26</b>      | 273            |
| – Regulatory related services*                           | <b>16</b>      | 15             | <b>16</b>      | 15             |
| – Other services   | <b>15</b>      | 15             | <b>15</b>      | 15             |
| Depreciation of right-of-use assets (Note 18(i)(a))      | <b>150,356</b> | 167,225        | <b>124,917</b> | 140,650        |
| Depreciation of property and equipment (Note 19)         | <b>214,063</b> | 184,947        | <b>152,175</b> | 132,142        |
| Amortisation of core deposits intangible (Note 20)       | <b>4,638</b>   | 4,639          | –              | –              |
| Direct operating expenses of investment properties that: |                |                |                |                |
| – generated rental income                                | <b>6,707</b>   | 7,358          | –              | –              |
| – did not generate rental income                         | –              | 439            | –              | –              |
| Directors' remuneration (Note 37)                        | <b>81,943</b>  | 79,413         | <b>61,886</b>  | 59,551         |
| Pension costs  |                |                |                |                |
| – defined contribution plan                              | <b>271,607</b> | 249,359        | <b>227,809</b> | 209,123        |
| – defined benefit plan (Note 11)                         | <b>73,684</b>  | 50,158         | <b>72,303</b>  | 49,360         |
| Property and equipment written off (Note 19)             | <b>1,325</b>   | 2,852          | <b>76</b>      | 2,446          |

\* Regulatory related services include half year limited review, validation review based on agreed-upon procedures and review of statement on risk management and internal control and etc.

(b) Employees

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 19,414 (2019 – 19,260) and 14,759 (2019 – 14,807) respectively.



### 37. DIRECTORS' REMUNERATION

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| <b>Directors of the Bank:</b>                               |                |                |                |                |
| Executive Director/Chief Executive Officer:                 |                |                |                |                |
| Fees  | <b>863</b>     | 837            | <b>316</b>     | 316            |
| Salary and other remuneration, including meeting allowances | <b>18,213</b>  | 15,801         | <b>17,626</b>  | 15,381         |
| Bonuses   | <b>18,968</b>  | 18,968         | <b>18,968</b>  | 18,968         |
| Benefits-in-kind  | <b>49</b>      | 33             | <b>49</b>      | 33             |
|   | <b>38,093</b>  | 35,639         | <b>36,959</b>  | 34,698         |
| Non-Executive Directors:                                    |                |                |                |                |
| Fees  | <b>5,045</b>   | 4,515          | <b>2,752</b>   | 2,620          |
| Other remuneration  | <b>22,590</b>  | 22,562         | <b>22,224</b>  | 22,266         |
| Benefits-in-kind  | <b>90</b>      | 55             | <b>90</b>      | 55             |
|   | <b>27,725</b>  | 27,132         | <b>25,066</b>  | 24,941         |
| <b>Directors of subsidiary companies:</b>                   |                |                |                |                |
| Executive Directors:  |                |                |                |                |
| Fees  | <b>632</b>     | 605            | –              | –              |
| Salary and other remuneration, including meeting allowances | <b>6,198</b>   | 7,035          | –              | –              |
| Bonuses   | <b>4,853</b>   | 4,823          | –              | –              |
| Benefits-in-kind  | <b>871</b>     | 868            | –              | –              |
|   | <b>12,554</b>  | 13,331         | –              | –              |
| Non-Executive Directors:                                    |                |                |                |                |
| Fees  | <b>2,475</b>   | 2,259          | –              | –              |
| Other remuneration  | <b>2,106</b>   | 2,008          | –              | –              |
|   | <b>4,581</b>   | 4,267          | –              | –              |
| Grand total   | <b>82,953</b>  | 80,369         | <b>62,025</b>  | 59,639         |
| Total (excluding benefits-in-kind) (Note 36(a))             | <b>81,943</b>  | 79,413         | <b>61,886</b>  | 59,551         |

# Notes to the Financial Statements – 31 December 2020

## 37. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

|                                     | ← Remuneration Received from the Bank → |        |        |                  |                  |            | Remuneration Received from Subsidiary Companies |            |        |             |
|-------------------------------------|---|--------|--------|------------------|------------------|------------|---|------------|--------|-------------|
|                                     | Salary                                  | Fees   | Bonus  | Other Emoluments | Benefits-in-kind | Bank Total | Fees  | Emoluments | Other  | Group Total |
|                                     | RM'000                                  | RM'000 | RM'000 | RM'000           | RM'000           | RM'000     | RM'000  | RM'000     | RM'000 | RM'000      |
| <b>2020</b>                         |   |        |        |                  |                  |            |   |            |        |             |
| Executive Director:                 |   |        |        |                  |                  |            |   |            |        |             |
| Tan Sri Dato' Sri Tay Ah Lek        | 10,512                                  | 316    | 18,968 | 7,114            | 49               | 36,959     | 547   | 587        | 38,093 |             |
| Non-Executive Directors:            |   |        |        |                  |                  |            |   |            |        |             |
| Tan Sri Dato' Sri Dr. Teh Hong Piow | –                                       | 428    | –      | 19,936           | 90               | 20,454     | 1,178   | 200        | 21,832 |             |
| Mr Lai Wan                          | –                                       | 428    | –      | 410              | –                | 838        | 291   | –          | 1,129  |             |
| Mr Tang Wing Chew                   | –                                       | 316    | –      | 251              | –                | 567        | 291   | –          | 858    |             |
| Ms Lai Wai Keen                     | –                                       | 316    | –      | 332              | –                | 648        | –   | –          | 648    |             |
| Ms Cheah Kim Ling                   | –                                       | 316    | –      | 411              | –                | 727        | –   | –          | 727    |             |
| Mr Lee Chin Guan                    | –                                       | 316    | –      | 174              | –                | 490        | 275   | 84         | 849    |             |
| Dato' Mohd Hanif bin Sher Mohamed   | –                                       | 316    | –      | 412              | –                | 728        | 258   | 82         | 1,068  |             |
| Ms Tham Chai Phong                  | –                                       | 316    | –      | 298              | –                | 614        | –   | –          | 614    |             |
|                                     | –                                       | 2,752  | –      | 22,224           | 90               | 25,066     | 2,293   | 366        | 27,725 |             |
| Total Directors' remuneration       | 10,512                                  | 3,068  | 18,968 | 29,338           | 139              | 62,025     | 2,840   | 953        | 65,818 |             |
| <b>2019</b>                         |   |        |        |                  |                  |            |   |            |        |             |
| Executive Director:                 |   |        |        |                  |                  |            |   |            |        |             |
| Tan Sri Dato' Sri Tay Ah Lek        | 8,856                                   | 316    | 18,968 | 6,525            | 33               | 34,698     | 521   | 420        | 35,639 |             |
| Non-Executive Directors:            |   |        |        |                  |                  |            |   |            |        |             |
| Tan Sri Dato' Sri Dr. Teh Hong Piow | –                                       | 428    | –      | 19,969           | 55               | 20,452     | 960   | 199        | 21,611 |             |
| Mr Lai Wan                          | –                                       | 428    | –      | 429              | –                | 857        | 229   | –          | 1,086  |             |
| Mr Tang Wing Chew                   | –                                       | 316    | –      | 401              | –                | 717        | 229   | –          | 946    |             |
| Ms Lai Wai Keen                     | –                                       | 316    | –      | 333              | –                | 649        | –   | –          | 649    |             |
| Ms Cheah Kim Ling                   | –                                       | 316    | –      | 400              | –                | 716        | –   | –          | 716    |             |
| Mr Lee Chin Guan                    | –                                       | 316    | –      | 175              | –                | 491        | 214   | –          | 705    |             |
| Dato' Mohd Hanif bin Sher Mohamed   | –                                       | 316    | –      | 385              | –                | 701        | 263   | 97         | 1,061  |             |
| Ms Tham Chai Phong                  | –                                       | 184    | –      | 174              | –                | 358        | –   | –          | 358    |             |
|                                     | –                                       | 2,620  | –      | 22,266           | 55               | 24,941     | 1,895   | 296        | 27,132 |             |
| Total Directors' remuneration       | 8,856                                   | 2,936  | 18,968 | 28,791           | 88               | 59,639     | 2,416   | 716        | 62,771 |             |



### 38. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Expected credit losses ("ECL") on:                    |                  |                |                  |                |
| – Loans, advances and financing                       | <b>1,310,977</b> | 424,729        | <b>820,336</b>   | 182,281        |
| – Loan/financing commitments and financial guarantees | <b>17,307</b>    | (9,524)        | <b>12,642</b>    | 1,308          |
|   | <b>1,328,284</b> | 415,205        | <b>832,978</b>   | 183,589        |
| Impaired loans and financing written off              | <b>56</b>        | 40             | <b>56</b>        | 40             |
| Impaired loans and financing recovered                | <b>(222,044)</b> | (260,779)      | <b>(114,527)</b> | (133,274)      |
|   | <b>1,106,296</b> | 154,466        | <b>718,507</b>   | 50,355         |

Details of the forward looking macro-economic variables and management overlay are explained in Note 2(i)(c).

The breakdown of ECL charge for the year ended 31 December 2020 are as follows:

|              | Forward Looking ECL Due to COVID-19 Pandemic |   |                                 |                                |
|--------------|--|---|---------------------------------|--------------------------------|
|              | Base<br>ECL<br>RM'000                        | Macro-<br>economic<br>Variables<br>RM'000 | Management<br>Overlay<br>RM'000 | Total ECL<br>Charged<br>RM'000 |
|              |  | Group                                     | Bank                            | Group                          |
| <b>Group</b> | <b>677,084</b>                               | <b>349,123</b>                            | <b>302,077</b>                  | <b>1,328,284</b>               |
| <b>Bank</b>  | <b>323,770</b>                               | <b>290,951</b>                            | <b>218,257</b>                  | <b>832,978</b>                 |

### 39. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON OTHER ASSETS

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Expected credit losses on:   |                |                |                |                |
| – Financial investments at fair value through other comprehensive income | <b>4,681</b>   | (157)          | <b>1,132</b>   | (508)          |
| – Debt instruments (Note 7)  |                |                |                |                |
| – Financial investments at amortised cost                                | <b>146</b>     | 352            | <b>(61)</b>    | 166            |
| – Debt instruments (Note 8)  |                |                |                |                |
| – Deposits and placements with banks and other financial institutions    | <b>263</b>     | 1,688          | <b>–</b>       | –              |
| Allowance made/(written back) on:  |                |                |                |                |
| – Foreclosed properties  | <b>8,569</b>   | (4,013)        | <b>8,518</b>   | (4,011)        |
| – Other receivables  | <b>9</b>       | (45)           | <b>–</b>       | –              |
|  | <b>13,668</b>  | (2,175)        | <b>9,589</b>   | (4,353)        |

# Notes to the Financial Statements – 31 December 2020

## 40. TAX EXPENSE AND ZAKAT

|   | Group            |                | Bank             |                |
|---|------------------|----------------|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 |
| Malaysian income tax  | <b>605,561</b>   | 1,455,131      | <b>491,812</b>   | 1,193,903      |
| Overseas income tax   | <b>122,072</b>   | 139,178        | <b>9,797</b>     | 11,341         |
| (Over)/Under provision in prior years   | <b>727,633</b>   | 1,594,309      | <b>501,609</b>   | 1,205,244      |
| – Malaysian income tax  | <b>(3,806)</b>   | (12,757)       | <b>(4,195)</b>   | (11,598)       |
| – Overseas income tax   | <b>900</b>       | (3,978)        | <b>(1,140)</b>   | (3,509)        |
| Deferred tax expense/(income) (Note 13)                                       | <b>724,727</b>   | 1,577,574      | <b>496,274</b>   | 1,190,137      |
| – Relating to changes in tax rate   | <b>–</b>         | 4,983          | <b>–</b>         | –              |
| – Relating to origination and reversal of temporary differences arising from: |                  |                |                  |                |
| – allowance for losses on loans/financing                                     | <b>(174,037)</b> | (1,550)        | <b>(132,601)</b> | (10,202)       |
| – excess/(shortfall) of capital allowance over depreciation                   | <b>6,984</b>     | 2,782          | <b>2,172</b>     | (3,390)        |
| – defined benefit plan  | <b>(17,620)</b>  | (12,017)       | <b>(17,339)</b>  | (11,851)       |
| – interest on moratorium account  | <b>843,492</b>   | –              | <b>703,126</b>   | –              |
| – other temporary differences   | <b>(34,823)</b>  | (30,874)       | <b>(24,135)</b>  | (11,812)       |
| – under provision   | <b>623,996</b>   | (41,659)       | <b>531,223</b>   | (37,255)       |
|   | <b>2,874</b>     | 13,503         | <b>2,894</b>     | 13,367         |
|   | <b>626,870</b>   | (28,156)       | <b>534,117</b>   | (23,888)       |
| Tax expense   | <b>1,351,597</b> | 1,554,401      | <b>1,030,391</b> | 1,166,249      |
| Zakat   | <b>1,206</b>     | 300            | <b>–</b>         | –              |
|   | <b>1,352,803</b> | 1,554,701      | <b>1,030,391</b> | 1,166,249      |

The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) on the estimated chargeable profit for the financial year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 24%.

Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



#### 40. TAX EXPENSE AND ZAKAT (CONTINUED)

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

| Group  | 2020        |                  | 2019  |           |
|--|-------------|------------------|-------|-----------|
|  | %           | RM'000           | %     | RM'000    |
| Profit before tax expense                              |             | <b>6,285,063</b> |       | 7,134,144 |
| Income tax using Malaysian tax rate                    | <b>24.0</b> | <b>1,508,415</b> | 24.0  | 1,712,194 |
| Effects of different tax rates                         | (0.4)       | (23,752)         | (0.6) | (40,935)  |
| Income not subject to tax                              | (2.5)       | (157,433)        | (2.0) | (145,440) |
| Expenses not deductible for tax purposes               | 0.6         | 34,944           | 0.4   | 26,831    |
| Effects of net investment hedges in foreign operations | (0.2)       | (10,545)         | –     | –         |
| Effects of changes in tax rate                         | –           | –                | –     | 4,983     |
|  | <b>21.5</b> | <b>1,351,629</b> | 21.8  | 1,557,633 |
| Over provision in prior years                          | –           | (32)             | –     | (3,232)   |
| Tax expense for the year                               | <b>21.5</b> | <b>1,351,597</b> | 21.8  | 1,554,401 |

| Bank                                     | 2020        |                  | 2019  |           |
|--|-------------|------------------|-------|-----------|
|  | %           | RM'000           | %     | RM'000    |
| Profit before tax expense                |             | <b>5,155,501</b> |       | 5,911,072 |
| Income tax using Malaysian tax rate      | <b>24.0</b> | <b>1,237,320</b> | 24.0  | 1,418,657 |
| Income not subject to tax                | (4.2)       | (217,414)        | (4.6) | (268,131) |
| Expenses not deductible for tax purposes | 0.2         | 12,926           | 0.3   | 17,463    |
|  | <b>20.0</b> | <b>1,032,832</b> | 19.7  | 1,167,989 |
| Over provision in prior years            | –           | (2,441)          | –     | (1,740)   |
| Tax expense for the year                 | <b>20.0</b> | <b>1,030,391</b> | 19.7  | 1,166,249 |

# Notes to the Financial Statements – 31 December 2020

## 41. EARNINGS PER SHARE

### (a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Bank for the year divided by the weighted average number of ordinary shares in issue or issuable during the year, if any.

|  | Group             |            | Bank              |            |
|--|-------------------|------------|-------------------|------------|
|  | 2020              | 2019       | 2020              | 2019       |
| Net profit attributable to equity holders of the Bank (RM'000)             | <b>4,871,702</b>  | 5,511,558  | <b>4,125,110</b>  | 4,744,823  |
| '000   |                   |            |                   |            |
| Number of ordinary shares in issue at beginning/end of the year            | <b>3,882,138</b>  | 3,882,138  | <b>3,882,138</b>  | 3,882,138  |
| Bonus issue subsequent to year end (Note 28 and 55(b))                     | <b>15,528,554</b> | 15,528,554 | <b>15,528,554</b> | 15,528,554 |
| Adjusted number of ordinary shares in issue or issuable at end of the year | <b>19,410,692</b> | 19,410,692 | <b>19,410,692</b> | 19,410,692 |
| Basic earnings per share (sen)   |                   |            |                   |            |
| – Before issuance of bonus shares  | <b>125.5</b>      | 142.0      | <b>106.3</b>      | 122.2      |
| – After issuance of bonus shares   | <b>25.1</b>       | 28.4       | <b>21.3</b>       | 24.4       |

### (b) Diluted Earnings Per Share

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

## 42. DIVIDENDS

|   | Group and Bank   |                |
|---|------------------|----------------|
|   | 2020<br>RM'000   | 2019<br>RM'000 |
| Dividends recognised as distribution to ordinary equity holders of the Bank:  |                  |                |
| First interim dividend of 33.0 sen based on 3,882,138,347 ordinary shares in respect of the financial year ended 31 December 2019   | –                | 1,281,106      |
| Second interim dividend of 40.0 sen based on 3,882,138,347 ordinary shares (2018 – 37.0 sen based on 3,882,138,347 ordinary shares) in respect of the financial year ended 31 December 2019 | <b>1,552,855</b> | 1,436,391      |
|   | <b>1,552,855</b> | 2,717,497      |

Subsequent to the financial year end, on 25 February 2021, the Directors declared an interim dividend of 13.0 sen, with the total amounting to approximately RM2,523,389,926 computed based on 19,410,691,735 ordinary shares in issue or issuable (including bonus issues as disclosed in Note 28 and 55(b) to the financial statements) in respect of the financial year ended 31 December 2020. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2021. The Directors do not propose any final dividend in respect of the financial year ended 31 December 2020.



## 42. DIVIDENDS (CONTINUED)

Accordingly, based on the above, the dividend declared per share for each financial year are as follows:

|   | Group and Bank<br>Dividend per share |             |
|---|--------------------------------------|-------------|
|   | 2020<br>Sen                          | 2019<br>Sen |
| Dividends per ordinary share:                                     |                                      |             |
| Paid:   |                                      |             |
| First interim dividend based on 3,882,138,347 ordinary shares     | –                                    | 33.0        |
| Declared subsequent to the financial year end:                    |                                      |             |
| Interim dividend computed based on 19,410,691,735 ordinary shares | 13.0                                 | –           |
| Second interim dividend based on 3,882,138,347 ordinary shares    | –                                    | 40.0        |
|   | <b>13.0</b>                          | 73.0        |

## 43. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Group and of the Bank are:

### (i) Collective Investments

Collective investments are those investments as disclosed in Note 14.

### (ii) Subsidiary Companies

Details of the subsidiary companies are shown in Note 15.

### (iii) Associated Companies

Associated companies are those entities in which the Group has significant influence but not control, as disclosed in Note 16.

### (iv) Key Management Personnel and the Close Members of His/Her Family

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank include Executive Director and Non-Executive Directors of the Bank, chief executive officers of major subsidiary companies of the Bank and certain key members of senior management of the Bank and its major subsidiary companies.

### (v) Public Bank Group Officers' Retirement Benefits Fund

Details of the retirement benefits fund are shown in Note 11.

### (vi) Companies in which Certain Directors Have Substantial Financial Interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Bank.

All related party transactions are conducted on normal commercial terms which are no more favourable than those generally available to the public.

# Notes to the Financial Statements – 31 December 2020

## 43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows:

| Group                                     | Key Management Personnel* |                | Companies in which Certain Directors have Substantial Interest |                | Public Bank Group Officers' Retirement Benefits Fund |                |
|---|---------------------------|----------------|--|----------------|--|----------------|
|   | 2020<br>RM'000            | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000                                       | 2019<br>RM'000 |
| <b>Income earned:</b>                     |                           |                |  |                |  |                |
| Interest on loans, advances and financing | 493                       | 532            | –  | –              | 39,597   | 54,896         |
| Commission income                         | –                         | –              | 49,140   | 51,862         | –  | –              |
| Rental income                             | 147                       | 147            | 3,341  | 3,163          | –  | –              |
| Brokerage income                          | 3                         | 9              | 3  | –              | –  | –              |
| Fee income                                | –                         | –              | –  | 50             | 202  | 235            |
|   | <b>643</b>                | <b>688</b>     | <b>52,484</b>  | <b>55,075</b>  | <b>39,799</b>  | <b>55,131</b>  |
| <b>Expenditure incurred:</b>              |                           |                |  |                |  |                |
| Interest on deposits                      | 355,122                   | 373,425        | 11,224   | 6,590          | –  | –              |
| Interest on debt securities issued        | –                         | 78             | 1,640  | 2,290          | –  | –              |
| Rental of premises^                       | –                         | –              | 420  | 420            | 41,440   | 39,357         |
| Insurance premiums                        | –                         | –              | 37,025   | 36,619         | –  | –              |
| Others                                    | –                         | –              | 2  | 8              | –  | –              |
|   | <b>355,122</b>            | <b>373,503</b> | <b>50,311</b>  | <b>45,927</b>  | <b>41,440</b>  | <b>39,357</b>  |

\* Included transactions with close members of the key management personnel's family.

^ This amount represents actual rental of premises incurred by the Group.

The table above includes the following transactions of the Group with the Directors of the Bank (including close members of their families):

- (i) interest on deposits of RM354,166,000 (2019 – RM371,816,000);
- (ii) rental income of RM147,000 (2019 – RM147,000); and
- (iii) interest on loans, advances and financing of RM70,000 (2019 – RM78,000).

Transactions between the Bank and its subsidiary companies and collective investments are eliminated at Group level upon consolidation.



### 43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows (continued):

| Bank  | Collective Investments |                | Subsidiary Companies |                | Key Management Personnel* |                | Companies in which Certain Directors have Substantial Interest |                | Public Bank Group Officers' Retirement Benefits Fund |                |
|---|------------------------|----------------|----------------------|----------------|---------------------------|----------------|--|----------------|--|----------------|
|   | 2020<br>RM'000         | 2019<br>RM'000 | 2020<br>RM'000       | 2019<br>RM'000 | 2020<br>RM'000            | 2019<br>RM'000 | 2020<br>RM'000   | 2019<br>RM'000 | 2020<br>RM'000                                       | 2019<br>RM'000 |
| <b>Income earned:</b>   |                        |                |                      |                |                           |                |  |                |  |                |
| Interest on interbank lending and money market instruments held | -                      | -              | 83,565               | 102,694        | -                         | -              | -  | -              | -  | -              |
| Interest rate swaps   | -                      | -              | 36,147               | 13,699         | -                         | -              | -  | -              | -  | -              |
| Interest on loans and advances                                  | -                      | -              | 18,550               | 26,120         | 196                       | 190            | -  | -              | 39,597   | 54,896         |
| Dividend/Distribution income (Note 35)                          | 196,524                | 206,173        | 674,846              | 884,632        | -                         | -              | -  | -              | -  | -              |
| Cost of resource sharing charged (Note 36)                      | -                      | -              | 424,033              | 416,753        | -                         | -              | -  | -              | -  | -              |
| Commission income   | -                      | -              | 177,482              | 84,991         | -                         | -              | 48,768   | 47,909         | -  | -              |
| Rental income   | -                      | -              | 2,384                | 2,412          | 147                       | 147            | -  | -              | -  | -              |
| Others  | -                      | -              | 8,215                | 6,996          | -                         | -              | -  | -              | -  | -              |
|   | 196,524                | 206,173        | 1,425,222            | 1,538,297      | 343                       | 337            | 48,768   | 47,909         | 39,597   | 54,896         |
| <b>Expenditure incurred:</b>                                    |                        |                |                      |                |                           |                |  |                |  |                |
| Interest on deposits  | 60,957                 | 71,058         | 70,527               | 132,931        | 354,853                   | 372,660        | 10,515   | 5,629          | -  | -              |
| Interest on debt securities issued                              | -                      | -              | -                    | -              | -                         | 78             | 1,176  | 1,822          | -  | -              |
| Rental of premises^   | -                      | -              | 30,771               | 28,642         | -                         | -              | 420  | 420            | 39,139   | 37,064         |
| Insurance premiums  | -                      | -              | -                    | -              | -                         | -              | 27,241   | 26,581         | -  | -              |
| Fee and commission expense                                      | -                      | -              | 3,276                | 2,949          | -                         | -              | -  | -              | -  | -              |
| Professional fees   | -                      | -              | 175                  | 196            | -                         | -              | -  | -              | -  | -              |
| Building maintenance  | -                      | -              | 3,320                | 3,308          | -                         | -              | -  | -              | -  | -              |
|   | 60,957                 | 71,058         | 108,069              | 168,026        | 354,853                   | 372,738        | 39,352   | 34,452         | 39,139   | 37,064         |

\* Included transactions with close members of the key management personnel's family.

^ This amount represents actual rental of premises incurred by the Bank.

The table above includes the following transactions of the Bank with its Directors (including close members of their families):

- (i) interest on deposits of RM354,065,000 (2019 – RM371,678,000);
- (ii) rental income of RM147,000 (2019 – RM147,000); and
- (iii) interest on loans and advances of RM68,000 (2019 – RM75,000).

# Notes to the Financial Statements – 31 December 2020

## 43. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| Group<br>31 December 2020              | Associated<br>Companies<br>RM'000 | Key<br>Management<br>Personnel*<br>RM'000 | Companies<br>in which<br>Certain<br>Directors have<br>Substantial<br>Interest<br>RM'000 | Public Bank<br>Group<br>Officers'<br>Retirement<br>Benefits Fund<br>RM'000 |
|--|-----------------------------------|---|---|--|
| <b>Amount due from related parties</b> |                                   |   |   |  |
| Loans, advances and financing          | –                                 | 19,770                                    | –   | 1,272,819  |
| Rental deposits                        | –                                 | –   | –   | 10,340   |
|  | –                                 | 19,770                                    | –   | 1,283,159  |
| <b>Amount due to related parties</b>   |                                   |   |   |  |
| Demand deposits                        | 17,847                            | 15,744                                    | 13,700  | 1,513  |
| Term deposits                          | 291,740                           | 9,487,976                                 | 653,692   | 17   |
| Debt securities issued                 | –                                 | –   | 37,416  | –  |
| Others                                 | 264                               | 578                                       | –   | –  |
|  | 309,851                           | 9,504,298                                 | 704,808   | 1,530  |
| <b>Commitments and contingencies</b>   |                                   |   |   |  |
| Commitments                            | –                                 | 5,627                                     | –   | 732,182  |



#### 43. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

| Group<br>31 December 2019              | Associated<br>Companies<br>RM'000 | Key<br>Management<br>Personnel*<br>RM'000 | Directors have<br>Substantial<br>Interest<br>RM'000 | Companies<br>in which<br>Certain<br>Directors have<br>Substantial<br>Interest<br>RM'000 | Public Bank<br>Group<br>Officers'<br>Retirement<br>Benefits Fund<br>RM'000 |
|--|-----------------------------------|---|---|---|--|
| <b>Amount due from related parties</b> |                                   |   |   |   |  |
| Loans, advances and financing          | –                                 | 19,570                                    | –   | 1,457,200   |  |
| Rental deposits                        | –                                 | –   | –   | 10,027  |  |
|  | –                                 | 19,570                                    | –   | 1,467,227   |  |
| <b>Amount due to related parties</b>   |                                   |   |   |   |  |
| Demand deposits                        | 18,992                            | 21,122                                    | 10,600  | –   |  |
| Term deposits                          | 144,190                           | 9,112,250                                 | 190,144   | 13  |  |
| Debt securities issued                 | –                                 | –   | 36,501  | –   |  |
| Others                                 | 142                               | 559                                       | –   | –   |  |
|  | 163,324                           | 9,133,931                                 | 237,245   | 13  |  |
| <b>Commitments and contingencies</b>   |                                   |   |   |   |  |
| Commitments                            | –                                 | 5,007                                     | –   | 547,800   |  |

\* Included transactions with close members of the key management personnel's family.

The tables above include the following outstanding balances of the Group with the Directors of the Bank (including close members of their families):

- (i) demand deposits and term deposits of RM9,454,505,000 (2019 – RM9,077,377,000); and
- (ii) loans, advances and financing of RM1,949,000 (2019 – RM2,112,000).

Balances between the Bank and its subsidiary companies and collective investments are eliminated at Group level upon consolidation.

# Notes to the Financial Statements – 31 December 2020

## 43. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| Bank<br>31 December 2020                      | Collective Investments<br>RM'000 | Subsidiary Companies<br>RM'000 | Key Management Personnel*<br>RM'000 | Companies in which Certain Directors have Substantial Interest RM'000 |   | Public Bank Group Officers' Retirement Benefits Fund RM'000 |
|---|----------------------------------|--------------------------------|-------------------------------------|---|---|---|
|   |                                  |                                |                                     | Certain Directors have Substantial Interest RM'000                    | Public Bank Group Officers' Retirement Benefits Fund RM'000 |   |
| <b>Amount due from related parties</b>        |                                  |                                |                                     |   |   |   |
| Interbank lending                             | –                                | 1,952,088                      | –                                   | –   | –   | –   |
| Derivative financial assets                   | –                                | 196,035                        | –                                   | –   | –   | –   |
| Loans and advances                            | –                                | 675,065                        | 8,880                               | –   | 1,272,819   | –   |
| Money market instruments held                 | –                                | 1,060,141                      | –                                   | –   | –   | –   |
| Dividend/Distribution receivable<br>(Note 10) | 28,176                           | 823,477                        | –                                   | –   | –   | –   |
| Rental deposits                               | –                                | 36,141                         | –                                   | –   | 9,764   | –   |
| Interest receivable                           | –                                | 10,078                         | –                                   | –   | –   | –   |
| Others  | –                                | 748                            | –                                   | –   | –   | –   |
|   | <b>28,176</b>                    | <b>4,753,773</b>               | <b>8,880</b>                        | <b>–</b>  | <b>1,282,583</b>  |   |
| <b>Amount due to related parties</b>          |                                  |                                |                                     |   |   |   |
| Demand deposits                               | 101                              | 101,319                        | 14,626                              | 13,700  | 1,513   | –   |
| Term deposits                                 | 1,469,499                        | 737,032                        | 9,476,201                           | 610,193   | 17  | –   |
| Debt securities issued                        | –                                | –                              | –                                   | 26,792  | –   | –   |
| Interbank borrowing                           | –                                | 3,780,639                      | –                                   | –   | –   | –   |
| Derivative financial liabilities              | –                                | 1,317                          | –                                   | –   | –   | –   |
| Interest payable                              | 16,946                           | 4,260                          | –                                   | –   | –   | –   |
| Others  | –                                | 570                            | 415                                 | –   | –   | –   |
|   | <b>1,486,546</b>                 | <b>4,625,137</b>               | <b>9,491,242</b>                    | <b>650,685</b>  | <b>1,530</b>  |   |
| <b>Commitments and contingencies</b>          |                                  |                                |                                     |   |   |   |
| Contingent liabilities                        | –                                | 95,804                         | –                                   | –   | –   | –   |
| Commitments                                   | –                                | 933,195                        | 3,778                               | –   | 732,182   | –   |
|   | <b>–</b>                         | <b>1,028,999</b>               | <b>3,778</b>                        | <b>–</b>  | <b>732,182</b>  |   |



#### 43. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

| Bank<br>31 December 2019                      | Collective Investments<br>RM'000 | Subsidiary Companies<br>RM'000 | Key Management Personnel*<br>RM'000 | Directors have Substantial Interest<br>RM'000 | Companies in which Certain Directors have Substantial Interest<br>RM'000 | Public Bank Group Officers' Retirement Benefits Fund<br>RM'000 |
|---|----------------------------------|--------------------------------|-------------------------------------|---|--|--|
| <b>Amount due from related parties</b>        |                                  |                                |                                     |   |  |  |
| Interbank lending                             | –                                | 2,775,082                      | –                                   | –   | –  | –  |
| Derivative financial assets                   | –                                | 90,130                         | –                                   | –   | –  | –  |
| Loans and advances                            | –                                | 707,199                        | 8,377                               | –   | –  | 1,457,200  |
| Money market instruments held                 | –                                | 1,310,142                      | –                                   | –   | –  | –  |
| Dividend/Distribution receivable<br>(Note 10) | 31,618                           | 750,125                        | –                                   | –   | –  | –  |
| Rental deposits                               | –                                | 35,906                         | –                                   | –   | –  | 9,452  |
| Interest receivable                           | –                                | 10,745                         | –                                   | –   | –  | –  |
| Others  | –                                | 1,112                          | –                                   | –   | –  | –  |
|   | 31,618                           | 5,680,441                      | 8,377                               | –   | –  | 1,466,652  |
| <b>Amount due to related parties</b>          |                                  |                                |                                     |   |  |  |
| Demand deposits                               | 101                              | 126,078                        | 19,479                              | 10,600  | –  | –  |
| Term deposits                                 | 1,822,056                        | 1,548,524                      | 9,095,600                           | 177,630                                       | –  | 13   |
| Debt securities issued                        | –                                | –                              | –                                   | 26,058  | –  | –  |
| Interbank borrowing                           | –                                | 3,840,207                      | –                                   | –   | –  | –  |
| Interest payable                              | 25,949                           | 10,736                         | –                                   | –   | –  | –  |
| Others  | –                                | 577                            | 225                                 | –   | –  | –  |
|   | 1,848,106                        | 5,526,122                      | 9,115,304                           | 214,288                                       | –  | 13   |
| <b>Commitments and contingencies</b>          |                                  |                                |                                     |   |  |  |
| Contingent liabilities                        | –                                | 6,079                          | –                                   | –   | –  | –  |
| Commitments                                   | –                                | 811,239                        | 4,253                               | –   | –  | 547,800  |
|   | –                                | 817,318                        | 4,253                               | –   | –  | 547,800  |

\* Included transactions with close members of the key management personnel's family.

The tables above include the following outstanding balances of the Bank with its Directors (including close members of their families):

- (i) demand deposits and term deposits of RM9,451,124,000 (2019 – RM9,073,337,000); and
- (ii) loans and advances of RM1,925,000 (2019 – RM2,067,000).

# Notes to the Financial Statements – 31 December 2020

## 43. RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) Loans, advances and financing granted to the Directors of the Bank and other key management personnel of the Group and of the Bank are on similar terms and conditions generally available to other employees within the Group.

None of the loans, advances and financing granted to key management personnel (2019 – None) are impaired.

- (d) Key Management Personnel Compensation

The remuneration of Directors and other members of key management during the year are as follows:

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Short-term employee benefits:                               |                |                |                |                |
| Fees  | <b>5,908</b>   | 5,352          | <b>3,068</b>   | 2,936          |
| Salary and other remuneration, including meeting allowances | <b>114,015</b> | 107,487        | <b>97,107</b>  | 91,256         |
| Benefits-in-kind  | <b>1,692</b>   | 1,528          | <b>378</b>     | 317            |
| Post-employment benefits:                                   |                |                |                |                |
| Defined contribution plan                                   | <b>12,836</b>  | 11,999         | <b>11,132</b>  | 10,293         |
| Annual service cost   | <b>872</b>     | 754            | <b>746</b>     | 639            |
|   | <b>135,323</b> | 127,120        | <b>112,431</b> | 105,441        |

Included in the total key management personnel compensation are:

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Directors' remuneration including benefits-in-kind |                |                |                |                |
| – Directors of the Bank                            | <b>65,818</b>  | 62,771         | <b>62,025</b>  | 59,639         |



#### 44. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

|   | Group              |                | Bank               |                |
|---|--------------------|----------------|--------------------|----------------|
|   | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Outstanding credit exposures with connected parties             | <b>2,990,942</b>   | 2,188,164      | <b>3,885,165</b>   | 3,221,173      |
| of which:   |                    |                |                    |                |
| Total credit exposures which are impaired or in default         | <b>191</b>         | 1,039          | <b>186</b>         | 908            |
| Total credit exposures  | <b>386,614,141</b> | 369,200,252    | <b>300,215,291</b> | 287,411,919    |
| Percentage of outstanding credit exposures to connected parties |                    |                |                    |                |
| – as a proportion of total credit exposures                     | <b>0.77%</b>       | 0.59%          | <b>1.29%</b>       | 1.12%          |
| – as a proportion of total capital                              | <b>5.68%</b>       | 4.55%          | <b>9.85%</b>       | 8.94%          |
| – which is impaired or in default                               | <b>0.01%</b>       | 0.05%          | <b>0.00%</b>       | 0.03%          |

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

Based on these guidelines, a connected party refers to any of the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Influential shareholder and his close relatives;
- (iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and
- (viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT

### Overview

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk, and liquidity and funding risk.

The Group's financial risk management is underpinned by the Group's risk appetite and is subject to the Board of Directors' oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees and working group which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Internal Capital Adequacy Assessment Process ("ICAAP") Working Group.

### Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

#### Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk frameworks and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

#### Risk Management Approach

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. The credit policies, guidelines and procedures are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division ("RMD"), the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing group-wide credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.

The management of credit risk starts with experienced key personnel appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. Loan applications of significant amounts and/or higher risk exposure are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify the terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer as well as the business condition and prospect. The credit assessment is assisted by the internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's loan application.

##### (b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal or external credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

##### (c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, the investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenures and these investment parameters are subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board of Directors. As at the reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

##### (d) Counterparty Credit Risk on Derivative Financial Instruments

CCR on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to maturity date of the contract and that the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted notional principal value of the derivatives, but equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract. The Group will only suffer losses if the contract carries a positive economic value at time of default.

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess over the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PvP") settlement method to further reduce settlement risk. For derivative financial instruments where the PvP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

Proposition of counterparty limits to financial institutions by the business units are independently assessed and evaluated by RMD before approval is granted by the relevant approving party. The Independent Credit Review (“ICR”) Team within RMD provides independent evaluation and views on retail business loans and corporate loans of selected loan size and/or type. Periodical review/assessment of business sectors and industries in which the Bank’s borrowers are significantly exposed to are also carried out by the ICR Team besides providing assistance in the formulation of credit policies and guidelines undertaken by the business units.

Post approval reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Various credit risk analytics are performed periodically to identify key risk characteristics and to risk profile the credit portfolio. In addition, comprehensive assessment on emerging risk is conducted to assess the impact of the risk on the Bank’s portfolio as well as establishing appropriate measures to mitigate the risk. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of the credit profiling conducted, emerging risk assessment, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

#### (i) Credit Risk Exposures and Credit Risk Concentration

The following tables present the Group’s and the Bank’s maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group or the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

Credit concentration risk arises from excessive exposures to any single exposure or group of exposure or sector that will potentially result in losses which are large enough to undermine the health of the Group and of the Bank. To manage these large exposures and to avoid any undue credit concentration risk, the Group has emplaced internal exposure limits expressed as a percentage of the Group’s capital.

#### By Industry Analysis

The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (i) Credit Risk Exposures and Credit Risk Concentration (continued)

###### By Industry Analysis (continued)

| Group<br>31 December 2020  | Government<br>and Central<br>Banks<br>RM'000 | Financial<br>Services<br>RM'000 | Transport<br>and<br>Business<br>Services<br>RM'000 | Agriculture,<br>Manufacturing,<br>Wholesale &<br>Retail Trade<br>RM'000 | Construction<br>& Real<br>Estate<br>RM'000 | Residential<br>Mortgages<br>RM'000 | Motor<br>Vehicle<br>Financing<br>RM'000 | Other<br>Consumer<br>Loans<br>RM'000 | Total<br>RM'000    |
|--|--|---------------------------------|--|---|--|------------------------------------|---|--------------------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |  |                                 |  |   |  |                                    |   |                                      |                    |
| Cash and balances with banks   | 8,802,205                                    | 10,895,927                      | -  | -   | -  | -                                  | -                                       | -                                    | 19,698,132         |
| Reverse repurchase agreements  | 202,833                                      | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 202,833            |
| Financial assets at fair value through profit or loss                  |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 904,395                                      | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 904,395            |
| - Non-money market instruments*  | -  | 200,339                         | -  | -   | -  | -                                  | -                                       | -                                    | 200,339            |
| Derivative financial assets  | -  | 287,010                         | -  | -   | -  | -                                  | -                                       | -                                    | 287,010            |
| Financial investments at fair value through other comprehensive income |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 41,557,647                                   | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 41,557,647         |
| - Money market instruments   | -  | 938,442                         | -  | -   | -  | -                                  | -                                       | -                                    | 938,442            |
| - Non-money market instruments#  | 434,903                                      | 4,254,248                       | 162,053  | 632,232   | 187,471                                    | -                                  | -                                       | -                                    | 5,670,907          |
| Financial investments at amortised cost (Gross)                        |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 11,389,484                                   | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 11,389,484         |
| - Money market instruments   | -  | 1,832,725                       | -  | -   | -  | -                                  | -                                       | -                                    | 1,832,725          |
| - Non-money market instruments   | 1,287,852                                    | 8,820,197                       | 1,202,526  | 1,430,335   | 1,646,076                                  | -                                  | -                                       | -                                    | 14,386,986         |
| Gross loans, advances and financing                                    |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Retail loans/financing   |  |                                 |  | 369   | 20,454                                     | 131,471,041                        | -                                       | 19,730                               | 131,511,594        |
| - housing loans/financing  | -  | -                               | -  | 369   | 20,454                                     | 131,471,041                        | -                                       | 19,730                               | 131,511,594        |
| - hire purchase  | 567  | 34,808                          | 2,569,994  | 5,202,901   | 1,928,030                                  | -                                  | 44,776,363                              | 141                                  | 54,512,804         |
| - credit cards   | 4  | 79                              | 4,283  | 16,014  | 3,034                                      | -                                  | -                                       | 1,973,114                            | 1,996,528          |
| - other loans/financing  | 16,742                                       | 218,513                         | 6,825,340  | 32,464,135  | 21,739,469                                 | 7,508,510                          | 227,076                                 | 42,117,077                           | 111,116,862        |
| - Corporate loans/financing  | 1,000,853                                    | 13,872,485                      | 3,126,931  | 7,236,736   | 21,051,919                                 | 48,678                             | -                                       | 175,837                              | 46,513,439         |
| Statutory deposits with Central Banks                                  | 1,134,924                                    | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 1,134,924          |
|  | 66,732,409                                   | 41,354,773                      | 13,891,127   | 46,982,722  | 46,576,453                                 | 139,028,229                        | 45,003,439                              | 44,285,899                           | 443,855,051        |
| <b>Commitments and Contingencies</b>                                   |  |                                 |  |   |  |                                    |   |                                      |                    |
| Contingent liabilities   | 1,994  | 86,367                          | 419,730  | 408,934   | 689,575                                    | -                                  | -                                       | 1,377,997                            | 2,984,597          |
| Commitments  | 524,559                                      | 3,321,205                       | 3,611,767  | 12,893,591  | 10,225,945                                 | 18,424,278                         | 21,661                                  | 16,820,830                           | 65,843,836         |
|  | 526,553                                      | 3,407,572                       | 4,031,497  | 13,302,525  | 10,915,520                                 | 18,424,278                         | 21,661                                  | 18,198,827                           | 68,828,433         |
| <b>Total Credit Exposures</b>  | <b>67,258,962</b>                            | <b>44,762,345</b>               | <b>17,922,624</b>                                  | <b>60,285,247</b>   | <b>57,491,973</b>                          | <b>157,452,507</b>                 | <b>45,025,100</b>                       | <b>62,484,726</b>                    | <b>512,683,484</b> |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (i) Credit Risk Exposures and Credit Risk Concentration (continued)

###### By Industry Analysis (continued)

| Group<br>31 December 2019  | Government<br>and Central<br>Banks<br>RM'000 | Financial<br>Services<br>RM'000 | Transport<br>and<br>Business<br>Services<br>RM'000 | Agriculture,<br>Manufacturing,<br>Wholesale &<br>Retail Trade<br>RM'000 | Construction<br>& Real<br>Estate<br>RM'000 | Residential<br>Mortgages<br>RM'000 | Motor<br>Vehicle<br>Financing<br>RM'000 | Other<br>Consumer<br>Loans<br>RM'000 | Total<br>RM'000    |
|--|--|---------------------------------|--|---|--|------------------------------------|---|--------------------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |  |                                 |  |   |  |                                    |   |                                      |                    |
| Cash and balances with banks   | 5,096,678                                    | 8,979,021                       | –  | –   | –  | –                                  | –                                       | –                                    | 14,075,699         |
| Reverse repurchase agreements  | 8,208  | –                               | –  | –   | –  | –                                  | –                                       | –                                    | 8,208              |
| Financial assets at fair value through profit or loss                  |  |                                 |  |   |  |                                    |   |                                      |                    |
| – Government securities and treasury bills                             | 3,480,322                                    | –                               | –  | –   | –  | –                                  | –                                       | –                                    | 3,480,322          |
| – Money market instruments   | –  | 249,541                         | –  | –   | –  | –                                  | –                                       | –                                    | 249,541            |
| – Non-money market instruments*  | –  | 34,974                          | –  | –   | –  | –                                  | –                                       | –                                    | 34,974             |
| Derivative financial assets  | –  | 152,330                         | –  | –   | –  | –                                  | –                                       | –                                    | 152,330            |
| Financial investments at fair value through other comprehensive income |  |                                 |  |   |  |                                    |   |                                      |                    |
| – Government securities and treasury bills                             | 33,950,350                                   | –                               | –  | –   | –  | –                                  | –                                       | –                                    | 33,950,350         |
| – Money market instruments   | –  | 426,813                         | –  | –   | –  | –                                  | –                                       | –                                    | 426,813            |
| – Non-money market instruments#  | 427,312                                      | 3,797,998                       | 324,591  | 660,344   | 212,991                                    | –                                  | –                                       | –                                    | 5,423,236          |
| Financial investments at amortised cost (Gross)                        |  |                                 |  |   |  |                                    |   |                                      |                    |
| – Government securities and treasury bills                             | 10,465,892                                   | –                               | –  | –   | –  | –                                  | –                                       | –                                    | 10,465,892         |
| – Money market instruments   | –  | 1,163,001                       | –  | –   | –  | –                                  | –                                       | –                                    | 1,163,001          |
| – Non-money market instruments   | 1,287,832                                    | 9,908,527                       | 1,383,470  | 1,798,699   | 1,635,293                                  | –                                  | –                                       | –                                    | 16,013,821         |
| Gross loans, advances and financing                                    |  |                                 |  |   |  |                                    |   |                                      |                    |
| – Retail loans/financing   | –  | –                               | –  | 415   | 21,472                                     | 121,584,566                        | –                                       | 19,694                               | 121,626,147        |
| – housing loans/financing  | –  | –                               | –  | –   | –  | –                                  | –                                       | –                                    | –                  |
| – hire purchase  | 1,029  | 28,020                          | 2,505,935  | 4,961,135   | 1,914,892                                  | –                                  | 41,936,153                              | –                                    | 51,347,164         |
| – credit cards   | 3  | 16                              | 4,099  | 12,479  | 2,681                                      | –                                  | –                                       | 2,141,951                            | 2,161,229          |
| – other loans/financing  | 18,221                                       | 268,567                         | 6,581,895  | 31,292,173  | 21,119,925                                 | 6,911,933                          | 229,377                                 | 41,795,551                           | 108,217,642        |
| – Corporate loans/financing  | 1,000,848                                    | 13,222,715                      | 3,044,940  | 7,577,115   | 22,027,083                                 | 46,291                             | –                                       | 197,267                              | 47,116,259         |
| Statutory deposits with Central Banks                                  | 10,044,185                                   | –                               | –  | –   | –  | –                                  | –                                       | –                                    | 10,044,185         |
|  | 65,780,880                                   | 38,231,523                      | 13,844,930   | 46,302,360  | 46,934,337                                 | 128,542,790                        | 42,165,530                              | 44,154,463                           | 425,956,813        |
| <b>Commitments and Contingencies</b>                                   |  |                                 |  |   |  |                                    |   |                                      |                    |
| Contingent liabilities   | 2,016  | 138,823                         | 434,156  | 698,826   | 881,334                                    | –                                  | –                                       | 1,108,293                            | 3,263,448          |
| Commitments  | 557,059                                      | 1,703,589                       | 3,779,416  | 11,784,677  | 10,457,652                                 | 16,197,137                         | 17,532                                  | 14,954,165                           | 59,451,227         |
|  | 559,075                                      | 1,842,412                       | 4,213,572  | 12,483,503  | 11,338,986                                 | 16,197,137                         | 17,532                                  | 16,062,458                           | 62,714,675         |
| <b>Total Credit Exposures</b>  | <b>66,339,955</b>                            | <b>40,073,935</b>               | <b>18,058,502</b>                                  | <b>58,785,863</b>   | <b>58,273,323</b>                          | <b>144,739,927</b>                 | <b>42,183,062</b>                       | <b>60,216,921</b>                    | <b>488,671,488</b> |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (i) Credit Risk Exposures and Credit Risk Concentration (continued)

###### By Industry Analysis (continued)

| Bank<br>31 December 2020   | Government<br>and Central<br>Banks<br>RM'000 | Financial<br>Services<br>RM'000 | Transport<br>and<br>Business<br>Services<br>RM'000 | Agriculture,<br>Manufacturing,<br>Wholesale &<br>Retail Trade<br>RM'000 | Construction<br>& Real<br>Estate<br>RM'000 | Residential<br>Mortgages<br>RM'000 | Motor<br>Vehicle<br>Financing<br>RM'000 | Other<br>Consumer<br>Loans<br>RM'000 | Total<br>RM'000    |
|--|--|---------------------------------|--|---|--|------------------------------------|---|--------------------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |  |                                 |  |   |  |                                    |   |                                      |                    |
| Cash and balances with banks   | 5,100,114                                    | 7,870,553                       | -  | -   | -  | -                                  | -                                       | -                                    | 12,970,667         |
| Reverse repurchase agreements  | 202,833                                      | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 202,833            |
| Financial assets at fair value through profit or loss                  |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 904,395                                      | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 904,395            |
| - Non-money market instruments*  | -  | 200,339                         | -  | -   | -  | -                                  | -                                       | -                                    | 200,339            |
| Derivative financial assets  | -  | 469,253                         | -  | -   | -  | -                                  | -                                       | -                                    | 469,253            |
| Financial investments at fair value through other comprehensive income |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 30,531,442                                   | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 30,531,442         |
| - Money market instruments   | -  | 938,442                         | -  | -   | -  | -                                  | -                                       | -                                    | 938,442            |
| - Non-money market instruments‡  | 321,182                                      | 540,939                         | 92,920   | 174,554   | 81,616                                     | -                                  | -                                       | -                                    | 1,211,211          |
| Financial investments at amortised cost (Gross)                        |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 5,008,860                                    | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 5,008,860          |
| - Money market instruments   | -  | 1,060,142                       | -  | -   | -  | -                                  | -                                       | -                                    | 1,060,142          |
| - Non-money market instruments   | 1,126,031                                    | 7,830,621                       | 1,172,478  | 1,313,735   | 1,337,568                                  | -                                  | -                                       | -                                    | 12,780,433         |
| Gross loan and advances  |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Retail loans   | -  | -                               | -  | -   | -  | 101,898,138                        | -                                       | -                                    | 101,898,138        |
| - housing loans  | -  | -                               | -  | -   | -  | -                                  | -                                       | -                                    | -                  |
| - hire purchase  | 206  | 33,931                          | 2,201,119  | 5,014,270   | 1,848,017                                  | -                                  | 34,233,499                              | -                                    | 43,331,042         |
| - credit cards   | 4  | 79                              | 4,283  | 16,014  | 3,034                                      | -                                  | -                                       | 1,930,965                            | 1,954,379          |
| - other loans  | 15,637                                       | 158,360                         | 4,934,868  | 24,986,955  | 15,541,831                                 | 6,348,914                          | 205,063                                 | 32,104,794                           | 84,296,422         |
| - Corporate loans  | -  | 12,584,765                      | 2,758,799  | 4,793,883   | 17,670,422                                 | 48,678                             | -                                       | 175,837                              | 38,032,384         |
| Statutory deposits with Central Banks                                  | 298,089                                      | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 298,089            |
|  | 43,508,793                                   | 31,687,424                      | 11,164,467   | 36,299,411  | 36,482,488                                 | 108,295,730                        | 34,438,562                              | 34,211,596                           | 336,088,471        |
| <b>Commitments and Contingencies</b>                                   |  |                                 |  |   |  |                                    |   |                                      |                    |
| Contingent liabilities   | 1,994  | 179,035                         | 253,270  | 301,095   | 628,007                                    | -                                  | -                                       | 1,106,273                            | 2,469,674          |
| Commitments  | 522,448                                      | 3,953,231                       | 1,932,906  | 10,831,201  | 8,200,106                                  | 14,330,842                         | 4,325                                   | 14,497,858                           | 54,272,917         |
|  | 524,442                                      | 4,132,266                       | 2,186,176  | 11,132,296  | 8,828,113                                  | 14,330,842                         | 4,325                                   | 15,604,131                           | 56,742,591         |
| <b>Total Credit Exposures</b>  | <b>44,033,235</b>                            | <b>35,819,690</b>               | <b>13,350,643</b>                                  | <b>47,431,707</b>   | <b>45,310,601</b>                          | <b>122,626,572</b>                 | <b>34,442,887</b>                       | <b>49,815,727</b>                    | <b>392,831,062</b> |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (i) Credit Risk Exposures and Credit Risk Concentration (continued)

###### By Industry Analysis (continued)

| Bank<br>31 December 2019   | Government<br>and Central<br>Banks<br>RM'000 | Financial<br>Services<br>RM'000 | Transport<br>and<br>Business<br>Services<br>RM'000 | Agriculture,<br>Manufacturing,<br>Wholesale &<br>Retail Trade<br>RM'000 | Construction<br>& Real<br>Estate<br>RM'000 | Residential<br>Mortgages<br>RM'000 | Motor<br>Vehicle<br>Financing<br>RM'000 | Other<br>Consumer<br>Loans<br>RM'000 | Total<br>RM'000    |
|--|--|---------------------------------|--|---|--|------------------------------------|---|--------------------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |  |                                 |  |   |  |                                    |   |                                      |                    |
| Cash and balances with banks   | 1,050,347                                    | 7,434,938                       | -  | -   | -  | -                                  | -                                       | -                                    | 8,485,285          |
| Reverse repurchase agreements  | 8,208  | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 8,208              |
| Financial assets at fair value through profit or loss                  |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 3,448,443                                    | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 3,448,443          |
| - Non-money market instruments*  | -  | -                               | -  | -   | -  | -                                  | -                                       | -                                    | -                  |
| Derivative financial assets  | -  | 232,254                         | -  | -   | -  | -                                  | -                                       | -                                    | 232,254            |
| Financial investments at fair value through other comprehensive income |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 23,296,864                                   | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 23,296,864         |
| - Money market instruments   | -  | 426,813                         | -  | -   | -  | -                                  | -                                       | -                                    | 426,813            |
| - Non-money market instruments#  | 316,843                                      | 1,352,171                       | 41,812   | 137,691   | 78,790                                     | -                                  | -                                       | -                                    | 1,927,307          |
| Financial investments at amortised cost (Gross)                        |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Government securities and treasury bills                             | 5,088,289                                    | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 5,088,289          |
| - Money market instruments   | -  | 1,310,142                       | -  | -   | -  | -                                  | -                                       | -                                    | 1,310,142          |
| - Non-money market instruments   | 1,126,051                                    | 8,822,095                       | 1,353,388  | 1,586,668   | 1,337,568                                  | -                                  | -                                       | -                                    | 14,225,770         |
| Gross loan and advances  |  |                                 |  |   |  |                                    |   |                                      |                    |
| - Retail loans   |  |                                 |  |   |  |                                    |   |                                      |                    |
| - housing loans  | -  | -                               | -  | -   | -  | 95,310,475                         | -                                       | -                                    | 95,310,475         |
| - hire purchase  | 556  | 27,010                          | 2,116,576  | 4,752,370   | 1,829,487                                  | -                                  | 31,857,748                              | -                                    | 40,583,747         |
| - credit cards   | 3  | 16                              | 4,099  | 12,479  | 2,681                                      | -                                  | -                                       | 2,093,792                            | 2,113,070          |
| - other loans  | 13,769                                       | 201,947                         | 4,719,266  | 24,190,544  | 15,210,178                                 | 5,933,109                          | 208,225                                 | 31,741,361                           | 82,218,399         |
| - Corporate loans  | -  | 11,257,585                      | 2,573,748  | 4,652,661   | 18,751,505                                 | 46,291                             | -                                       | 197,267                              | 37,479,057         |
| Statutory deposits with Central Banks                                  | 6,953,274                                    | -                               | -  | -   | -  | -                                  | -                                       | -                                    | 6,953,274          |
|  | 41,302,647                                   | 31,064,971                      | 10,808,889   | 35,332,413  | 37,210,209                                 | 101,289,875                        | 32,065,973                              | 34,032,420                           | 323,107,397        |
| <b>Commitments and Contingencies</b>                                   |  |                                 |  |   |  |                                    |   |                                      |                    |
| Contingent liabilities   | 2,016  | 140,443                         | 290,053  | 323,938   | 757,661                                    | -                                  | -                                       | 951,286                              | 2,465,397          |
| Commitments  | 535,412                                      | 2,345,051                       | 1,759,385  | 9,512,082   | 8,490,866                                  | 13,078,759                         | 1,374                                   | 13,416,255                           | 49,139,184         |
|  | 537,428                                      | 2,485,494                       | 2,049,438  | 9,836,020   | 9,248,527                                  | 13,078,759                         | 1,374                                   | 14,367,541                           | 51,604,581         |
| <b>Total Credit Exposures</b>  | <b>41,840,075</b>                            | <b>33,550,465</b>               | <b>12,858,327</b>                                  | <b>45,168,433</b>   | <b>46,458,736</b>                          | <b>114,368,634</b>                 | <b>32,067,347</b>                       | <b>48,399,961</b>                    | <b>374,711,978</b> |

\* Excluding equity securities of the Group and of the Bank of RM478,772,000 (2019 - RM445,428,000) and RM451,376,000 (2019 - RM419,940,000) respectively which do not carry any credit risk.

# Excluding equity securities of the Group and of the Bank of RM380,407,000 (2019 - RM353,094,000) and RM372,474,000 (2019 - RM345,113,000) respectively which do not carry any credit risk.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (i) Credit Risk Exposures and Credit Risk Concentration (continued)

#### By Geographical Analysis

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows:

| Group<br>31 December 2020  | Malaysia<br>RM'000 | Hong Kong<br>& China<br>RM'000 | Cambodia<br>RM'000 | Other Countries<br>RM'000 | Total<br>RM'000    |
|--|--------------------|--------------------------------|--------------------|---------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |                    |                                |                    |                           |                    |
| Cash and balances with banks   | 11,181,929         | 4,169,389                      | 1,808,186          | 2,538,628                 | 19,698,132         |
| Reverse repurchase agreements  | 200,145            | -                              | -                  | 2,688                     | 202,833            |
| Financial assets at fair value through profit or loss                  |                    |                                |                    |                           |                    |
| – Government securities and treasury bills                             | 904,395            | -                              | -                  | -                         | 904,395            |
| – Non-money market instruments*  | 200,339            | -                              | -                  | -                         | 200,339            |
| Derivative financial assets  | 138,564            | 55,041                         | -                  | 93,405                    | 287,010            |
| Financial investments at fair value through other comprehensive income |                    |                                |                    |                           |                    |
| – Government securities and treasury bills                             | 41,400,770         | -                              | -                  | 156,877                   | 41,557,647         |
| – Money market instruments   | 938,442            | -                              | -                  | -                         | 938,442            |
| – Non-money market instruments#  | 5,482,785          | -                              | -                  | 188,122                   | 5,670,907          |
| Financial investments at amortised cost (Gross)                        |                    |                                |                    |                           |                    |
| – Government securities and treasury bills                             | 8,821,680          | 1,061,003                      | 1,390,630          | 116,171                   | 11,389,484         |
| – Money market instruments   | -                  | 1,001,587                      | -                  | 831,138                   | 1,832,725          |
| – Non-money market instruments   | 13,790,152         | 311,211                        | -                  | 285,623                   | 14,386,986         |
| Gross loans, advances and financing                                    |                    |                                |                    |                           |                    |
| – Retail loans/financing   |                    |                                |                    |                           |                    |
| – housing loans/financing  | 125,492,449        | 4,772,797                      | 379,862            | 866,486                   | 131,511,594        |
| – hire purchase  | 52,123,312         | 2,257,619                      | 800                | 131,073                   | 54,512,804         |
| – credit cards   | 1,988,274          | 567                            | 6,883              | 804                       | 1,996,528          |
| – other loans/financing  | 100,990,986        | 3,189,716                      | 4,219,426          | 2,716,734                 | 111,116,862        |
| – Corporate loans/financing  | 42,642,998         | 3,386,762                      | -                  | 483,679                   | 46,513,439         |
| Statutory deposits with Central Banks                                  | 436,044            | 31,735                         | 591,237            | 75,908                    | 1,134,924          |
|  | 406,733,264        | 20,237,427                     | 8,397,024          | 8,487,336                 | 443,855,051        |
| <b>Commitments and Contingencies</b>                                   |                    |                                |                    |                           |                    |
| Contingent liabilities   | 2,468,791          | 166,413                        | 31,887             | 317,506                   | 2,984,597          |
| Commitments  | 62,753,927         | 1,273,938                      | 1,183,281          | 632,690                   | 65,843,836         |
|  | 65,222,718         | 1,440,351                      | 1,215,168          | 950,196                   | 68,828,433         |
| <b>Total Credit Exposures</b>  | <b>471,955,982</b> | <b>21,677,778</b>              | <b>9,612,192</b>   | <b>9,437,532</b>          | <b>512,683,484</b> |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (i) Credit Risk Exposures and Credit Risk Concentration (continued)

#### By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

| Group<br>31 December 2019  | Malaysia<br>RM'000 | Hong Kong<br>& China<br>RM'000 | Cambodia<br>RM'000 | Other Countries<br>RM'000 | Total<br>RM'000    |
|--|--------------------|--------------------------------|--------------------|---------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |                    |                                |                    |                           |                    |
| Cash and balances with banks   | 7,043,362          | 3,311,934                      | 2,142,464          | 1,577,939                 | 14,075,699         |
| Reverse repurchase agreements  | –                  | –                              | –                  | 8,208                     | 8,208              |
| Financial assets at fair value through profit or loss                  |                    |                                |                    |                           |                    |
| – Government securities and treasury bills                             | 3,480,322          | –                              | –                  | –                         | 3,480,322          |
| – Money market instruments   | 249,541            | –                              | –                  | –                         | 249,541            |
| – Non-money market instruments*  | 34,974             | –                              | –                  | –                         | 34,974             |
| Derivative financial assets  | 69,920             | 32,807                         | –                  | 49,603                    | 152,330            |
| Financial investments at fair value through other comprehensive income |                    |                                |                    |                           |                    |
| – Government securities and treasury bills                             | 33,789,793         | –                              | –                  | 160,557                   | 33,950,350         |
| – Money market instruments   | 426,813            | –                              | –                  | –                         | 426,813            |
| – Non-money market instruments#  | 5,280,717          | –                              | –                  | 142,519                   | 5,423,236          |
| Financial investments at amortised cost (Gross)                        |                    |                                |                    |                           |                    |
| – Government securities and treasury bills                             | 8,114,470          | 1,251,184                      | 941,505            | 158,733                   | 10,465,892         |
| – Money market instruments   | –                  | 689,016                        | –                  | 473,985                   | 1,163,001          |
| – Non-money market instruments   | 15,334,110         | 109,063                        | –                  | 570,648                   | 16,013,821         |
| Gross loans, advances and financing                                    |                    |                                |                    |                           |                    |
| – Retail loans/financing   |                    |                                |                    |                           |                    |
| – housing loans/financing  | 115,857,753        | 4,753,201                      | 273,843            | 741,350                   | 121,626,147        |
| – hire purchase  | 48,885,147         | 2,294,875                      | 782                | 166,360                   | 51,347,164         |
| – credit cards   | 2,142,073          | 4,873                          | 12,911             | 1,372                     | 2,161,229          |
| – other loans/financing  | 97,602,996         | 3,666,330                      | 4,433,268          | 2,515,048                 | 108,217,642        |
| – Corporate loans/financing  | 42,322,591         | 4,445,409                      | –                  | 348,259                   | 47,116,259         |
| Statutory deposits with Central Banks                                  | 8,763,996          | 59,455                         | 1,132,483          | 88,251                    | 10,044,185         |
|  | 389,398,578        | 20,618,147                     | 8,937,256          | 7,002,832                 | 425,956,813        |
| <b>Commitments and Contingencies</b>                                   |                    |                                |                    |                           |                    |
| Contingent liabilities   | 2,547,900          | 184,779                        | 20,000             | 510,769                   | 3,263,448          |
| Commitments  | 55,897,829         | 1,699,854                      | 1,264,933          | 588,611                   | 59,451,227         |
|  | 58,445,729         | 1,884,633                      | 1,284,933          | 1,099,380                 | 62,714,675         |
| <b>Total Credit Exposures</b>  | <b>447,844,307</b> | <b>22,502,780</b>              | <b>10,222,189</b>  | <b>8,102,212</b>          | <b>488,671,488</b> |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (i) Credit Risk Exposures and Credit Risk Concentration (continued)

#### By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

| Bank<br>31 December 2020   | Malaysia<br>RM'000 | Hong Kong<br>& China<br>RM'000 | Cambodia<br>RM'000 | Other Countries<br>RM'000 | Total<br>RM'000    |
|--|--------------------|--------------------------------|--------------------|---------------------------|--------------------|
| <b>On-Balance Sheet Exposures</b>                                      |                    |                                |                    |                           |                    |
| Cash and balances with banks   | 10,357,028         | 65,870                         | 168,188            | 2,379,581                 | 12,970,667         |
| Reverse repurchase agreements  | 200,145            | -                              | -                  | 2,688                     | 202,833            |
| Financial assets at fair value through profit or loss                  |                    |                                |                    |                           |                    |
| - Government securities and treasury bills                             | 904,395            | -                              | -                  | -                         | 904,395            |
| - Non-money market instruments*  | 200,339            | -                              | -                  | -                         | 200,339            |
| Derivative financial assets  | 334,599            | 41,697                         | -                  | 92,957                    | 469,253            |
| Financial investments at fair value through other comprehensive income |                    |                                |                    |                           |                    |
| - Government securities and treasury bills                             | 30,531,442         | -                              | -                  | -                         | 30,531,442         |
| - Money market instruments   | 938,442            | -                              | -                  | -                         | 938,442            |
| - Non-money market instruments#  | 1,211,211          | -                              | -                  | -                         | 1,211,211          |
| Financial investments at amortised cost (Gross)                        |                    |                                |                    |                           |                    |
| - Government securities and treasury bills                             | 4,942,187          | -                              | -                  | 66,673                    | 5,008,860          |
| - Money market instruments   | 1,060,142          | -                              | -                  | -                         | 1,060,142          |
| - Non-money market instruments   | 12,780,433         | -                              | -                  | -                         | 12,780,433         |
| Gross loans and advances   |                    |                                |                    |                           |                    |
| - Retail loans   |                    |                                |                    |                           |                    |
| - housing loans  | 101,853,614        | -                              | -                  | 44,524                    | 101,898,138        |
| - hire purchase  | 43,325,107         | -                              | -                  | 5,935                     | 43,331,042         |
| - credit cards   | 1,953,575          | -                              | -                  | 804                       | 1,954,379          |
| - other loans  | 83,628,722         | -                              | -                  | 667,700                   | 84,296,422         |
| - Corporate loans  | 37,558,047         | 100,566                        | -                  | 373,771                   | 38,032,384         |
| Statutory deposits with Central Banks                                  | 267,844            | -                              | -                  | 30,245                    | 298,089            |
|  | 332,047,272        | 208,133                        | 168,188            | 3,664,878                 | 336,088,471        |
| <b>Commitments and Contingencies</b>                                   |                    |                                |                    |                           |                    |
| Contingent liabilities   | 2,362,237          | -                              | 89,726             | 17,711                    | 2,469,674          |
| Commitments  | 53,543,479         | 660,103                        | -                  | 69,335                    | 54,272,917         |
|  | 55,905,716         | 660,103                        | 89,726             | 87,046                    | 56,742,591         |
| <b>Total Credit Exposures</b>  | <b>387,952,988</b> | <b>868,236</b>                 | <b>257,914</b>     | <b>3,751,924</b>          | <b>392,831,062</b> |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (i) Credit Risk Exposures and Credit Risk Concentration (continued)

#### By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

| <b>Bank<br/>31 December 2019</b>                                       | <b>Malaysia<br/>RM'000</b> | <b>Hong Kong<br/>&amp; China<br/>RM'000</b> | <b>Cambodia<br/>RM'000</b> | <b>Other Countries<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|----------------------------|---|----------------------------|-----------------------------------|-------------------------|
| <b>On-Balance Sheet Exposures</b>                                      |                            |   |                            |                                   |                         |
| Cash and balances with banks   | 6,033,612                  | 231,544                                     | 162,530                    | 2,057,599                         | 8,485,285               |
| Reverse repurchase agreements  | –                          | –   | –                          | 8,208                             | 8,208                   |
| Financial assets at fair value through profit or loss                  |                            |   |                            |                                   |                         |
| – Government securities and treasury bills                             | 3,448,443                  | –   | –                          | –                                 | 3,448,443               |
| – Non-money market instruments*  | –                          | –   | –                          | –                                 | –                       |
| Derivative financial assets  | 160,050                    | 24,689                                      | –                          | 47,515                            | 232,254                 |
| Financial investments at fair value through other comprehensive income |                            |   |                            |                                   |                         |
| – Government securities and treasury bills                             | 23,296,864                 | –   | –                          | –                                 | 23,296,864              |
| – Money market instruments   | 426,813                    | –   | –                          | –                                 | 426,813                 |
| – Non-money market instruments#  | 1,927,307                  | –   | –                          | –                                 | 1,927,307               |
| Financial investments at amortised cost (Gross)                        |                            |   |                            |                                   |                         |
| – Government securities and treasury bills                             | 5,047,218                  | –   | –                          | 41,071                            | 5,088,289               |
| – Money market instruments   | 1,310,142                  | –   | –                          | –                                 | 1,310,142               |
| – Non-money market instruments   | 14,225,770                 | –   | –                          | –                                 | 14,225,770              |
| Gross loans and advances   |                            |   |                            |                                   |                         |
| – Retail loans   |                            |   |                            |                                   |                         |
| – housing loans  | 95,263,417                 | –   | –                          | 47,058                            | 95,310,475              |
| – hire purchase  | 40,575,131                 | –   | –                          | 8,616                             | 40,583,747              |
| – credit cards   | 2,111,698                  | –   | –                          | 1,372                             | 2,113,070               |
| – other loans  | 81,477,679                 | –   | –                          | 740,720                           | 82,218,399              |
| – Corporate loans  | 37,143,740                 | 94,717                                      | –                          | 240,600                           | 37,479,057              |
| Statutory deposits with Central Banks                                  | 6,924,591                  | –   | –                          | 28,683                            | 6,953,274               |
|  | 319,372,475                | 350,950                                     | 162,530                    | 3,221,442                         | 323,107,397             |
| <b>Commitments and Contingencies</b>                                   |                            |   |                            |                                   |                         |
| Contingent liabilities   | 2,451,943                  | –   | –                          | 13,454                            | 2,465,397               |
| Commitments  | 48,379,600                 | 678,549                                     | –                          | 81,035                            | 49,139,184              |
|  | 50,831,543                 | 678,549                                     | –                          | 94,489                            | 51,604,581              |
| <b>Total Credit Exposures</b>  | <b>370,204,018</b>         | <b>1,029,499</b>                            | <b>162,530</b>             | <b>3,315,931</b>                  | <b>374,711,978</b>      |

\* Excluding equity securities of the Group and of the Bank of RM478,772,000 (2019 – RM445,428,000) and RM451,376,000 (2019 – RM419,940,000) respectively which do not carry any credit risk.

# Excluding equity securities of the Group and of the Bank of RM380,407,000 (2019 – RM353,094,000) and RM372,474,000 (2019 – RM345,113,000) respectively which do not carry any credit risk.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (ii) Credit Quality

The table below represents an analysis of the credit quality of financial assets based on the following internally classified grades:

- “Good Grade” refers to exposures that are neither past due nor credit-impaired and debt instruments with rating of AAA to AA-/P-1 by a recognised credit rating agency or government guaranteed.
- “Satisfactory Grade” refers to exposures that are past due 1 to 30 days after the contractual due date that are neither credit-impaired nor have shown significant increase in credit risk and debt instruments with rating of A+ to BBB/P-2 by a recognised credit rating agency.
- “Sub-standard Grade” refers to exposures that are past due 31 days or more but not credit-impaired as well as borrowers with indication of significant increase in credit risk and debt instruments with rating of BB to CCC/P-3 by a recognised credit rating agency.
- “Credit-impaired Grade” refers to exposures that have been assessed as credit-impaired.

In the absence of ratings from the debt instruments, the issuer’s rating will be applied.

| Group  | 2020              |                   |                   |                 | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Debt Instruments</b>                                    |                   |                   |                   |                 |                   |                   |                   |                 |
| Good   | 74,017,813        | -                 | -                 | 74,017,813      | 69,420,838        | -                 | -                 | 69,420,838      |
| Satisfactory   | 2,674,971         | -                 | -                 | 2,674,971       | 1,631,721         | -                 | -                 | 1,631,721       |
| Sub-standard   | -                 | 188,122           | -                 | 188,122         | -                 | 142,519           | -                 | 142,519         |
| Credit-impaired  | -                 | -                 | 19                | 19              | -                 | -                 | 19                | 19              |
| Gross carrying amount                                      | 76,692,784        | 188,122           | 19                | 76,880,925      | 71,052,559        | 142,519           | 19                | 71,195,097      |
| <b>Gross Loans, Advances and Financing</b>                 |                   |                   |                   |                 |                   |                   |                   |                 |
| Good   | 313,998,854       | -                 | -                 | 313,998,854     | 293,284,202       | -                 | -                 | 293,284,202     |
| Satisfactory   | 8,714,678         | -                 | -                 | 8,714,678       | 15,607,121        | -                 | -                 | 15,607,121      |
| Sub-standard   | -                 | 21,686,477        | -                 | 21,686,477      | -                 | 19,972,199        | -                 | 19,972,199      |
| Credit-impaired  | -                 | -                 | 1,251,218         | 1,251,218       | -                 | -                 | 1,604,919         | 1,604,919       |
| Gross carrying amount                                      | 322,713,532       | 21,686,477        | 1,251,218         | 345,651,227     | 308,891,323       | 19,972,199        | 1,604,919         | 330,468,441     |
| <b>Loan/Financing Commitments and Financial Guarantees</b> |                   |                   |                   |                 |                   |                   |                   |                 |
| Good   | 25,615,372        | -                 | -                 | 25,615,372      | 24,799,878        | -                 | -                 | 24,799,878      |
| Satisfactory   | 52,270            | -                 | -                 | 52,270          | 74,268            | -                 | -                 | 74,268          |
| Sub-standard   | -                 | 787,917           | -                 | 787,917         | -                 | 480,027           | -                 | 480,027         |
| Credit-impaired  | -                 | -                 | 33,774            | 33,774          | -                 | -                 | 33,857            | 33,857          |
| Gross exposure   | 25,667,642        | 787,917           | 33,774            | 26,489,333      | 24,874,146        | 480,027           | 33,857            | 25,388,030      |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (ii) Credit Quality (continued)

| Bank   | 2020              |                   |                   |                 | 2019              |                   |                   |                 |
|--|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|
|  | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 | Stage 1<br>RM'000 | Stage 2<br>RM'000 | Stage 3<br>RM'000 | Total<br>RM'000 |
| <b>Debt Instruments</b>                          |                   |                   |                   |                 |                   |                   |                   |                 |
| Good   | 52,625,240        | -                 | -                 | 52,625,240      | 49,713,632        | -                 | -                 | 49,713,632      |
| Satisfactory                                     | 10,005            | -                 | -                 | 10,005          | 9,977             | -                 | -                 | 9,977           |
| Sub-standard                                     | -                 | -                 | -                 | -               | -                 | -                 | -                 | -               |
| Credit-impaired                                  | -                 | -                 | 19                | 19              | -                 | -                 | 19                | 19              |
| Gross carrying amount                            | 52,635,245        | -                 | 19                | 52,635,264      | 49,723,609        | -                 | 19                | 49,723,628      |
| <b>Gross Loans and Advances</b>                  |                   |                   |                   |                 |                   |                   |                   |                 |
| Good   | 244,223,745       | -                 | -                 | 244,223,745     | 229,309,438       | -                 | -                 | 229,309,438     |
| Satisfactory                                     | 6,393,200         | -                 | -                 | 6,393,200       | 10,584,930        | -                 | -                 | 10,584,930      |
| Sub-standard                                     | -                 | 18,009,906        | -                 | 18,009,906      | -                 | 16,666,247        | -                 | 16,666,247      |
| Credit-impaired                                  | -                 | -                 | 885,514           | 885,514         | -                 | -                 | 1,144,133         | 1,144,133       |
| Gross carrying amount                            | 250,616,945       | 18,009,906        | 885,514           | 269,512,365     | 239,894,368       | 16,666,247        | 1,144,133         | 257,704,748     |
| <b>Loan Commitments and Financial Guarantees</b> |                   |                   |                   |                 |                   |                   |                   |                 |
| Good   | 20,226,276        | -                 | -                 | 20,226,276      | 19,623,631        | -                 | -                 | 19,623,631      |
| Satisfactory                                     | 41,732            | -                 | -                 | 41,732          | 58,486            | -                 | -                 | 58,486          |
| Sub-standard                                     | -                 | 673,753           | -                 | 673,753         | -                 | 416,725           | -                 | 416,725         |
| Credit-impaired                                  | -                 | -                 | 28,588            | 28,588          | -                 | -                 | 27,639            | 27,639          |
| Gross exposure                                   | 20,268,008        | 673,753           | 28,588            | 20,970,349      | 19,682,117        | 416,725           | 27,639            | 20,126,481      |

#### Past Due But Not Credit-impaired

Past due but not credit-impaired loans, advances and financing are loans/financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes loans/financing which are due one or more days after the contractual due date but less than ninety (90) days.

An aging analysis of loans, advances and financing which are past due but not credit-impaired is as follows:

|               | Group          |                | Bank           |                |
|---------------|----------------|----------------|----------------|----------------|
|               | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| 1 to 30 Days  | 11,276,992     | 14,964,494     | 8,511,064      | 11,437,960     |
| 31 to 59 Days | 4,460,311      | 6,818,278      | 3,373,478      | 5,214,903      |
| 60 to 89 Days | 1,958,311      | 2,976,995      | 1,451,618      | 2,194,948      |
|               | 17,695,614     | 24,759,767     | 13,336,160     | 18,847,811     |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

##### (iii) Collateral

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

- for residential mortgages – charges over residential properties
- for commercial property loans/financing – charges over the properties being financed
- for motor vehicle financing – ownership claims over the vehicles financed
- for share margin financing – pledges over securities from listed exchange
- for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Group and the Bank as at 31 December 2020 are at 92.4% (2019 – 92.2%) and 92.3% (2019 – 92.4%) respectively. The financial effect of collateral held for other remaining financial assets is not significant.

#### Repossessed Collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the financial year are as follows:

|                            | Group          |                | Bank           |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Residential properties     | 98,917         | 90,572         | 85,669         | 79,585         |
| Non-residential properties | 92,245         | 87,045         | 84,658         | 81,468         |
|                            | 191,162        | 177,617        | 170,327        | 161,053        |

Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (iv) Credit Quality of Financial Investments

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

#### Financial Assets at Fair Value through Profit or Loss

|              | 31 December 2020                |                            |              |   |                            |              | 31 December 2019                |                            |              |   |                            |              |
|--------------|---------------------------------|----------------------------|--------------|---|----------------------------|--------------|---------------------------------|----------------------------|--------------|---|----------------------------|--------------|
|              | Money Market Instruments        |                            |              | Non-money Market Instruments<br>- Debt Securities |                            |              | Money Market Instruments        |                            |              | Non-money Market Instruments<br>- Debt Securities |                            |              |
|              | International Ratings<br>RM'000 | Domestic Ratings<br>RM'000 | Total RM'000 | International Ratings<br>RM'000                   | Domestic Ratings<br>RM'000 | Total RM'000 | International Ratings<br>RM'000 | Domestic Ratings<br>RM'000 | Total RM'000 | International Ratings<br>RM'000                   | Domestic Ratings<br>RM'000 | Total RM'000 |
| <b>Group</b> |                                 |                            |              |   |                            |              |                                 |                            |              |   |                            |              |
| AAA to AA-   | -                               | -                          | -            | -   | -                          | -            | -                               | 249,541                    | 249,541      | -   | -                          | -            |
| P-1 to P-2   | -                               | -                          | -            | -   | 200,339                    | 200,339      | -                               | -                          | -            | -   | 34,974                     | 34,974       |
|              | -                               | -                          | -            | -   | 200,339                    | 200,339      | -                               | 249,541                    | 249,541      | -   | 34,974                     | 34,974       |
| <b>Bank</b>  |                                 |                            |              |   |                            |              |                                 |                            |              |   |                            |              |
| P-1 to P-2   | -                               | -                          | -            | -   | 200,339                    | 200,339      | -                               | -                          | -            | -   | -                          | -            |
|              | -                               | -                          | -            | -   | 200,339                    | 200,339      | -                               | -                          | -            | -   | -                          | -            |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

#### Financial Investments at Fair Value through Other Comprehensive Income

|                 | 31 December 2020             |                         |              |   |                         |              | 31 December 2019             |                         |              |   |                         |              |
|-----------------|------------------------------|-------------------------|--------------|---|-------------------------|--------------|------------------------------|-------------------------|--------------|---|-------------------------|--------------|
|                 | Money Market Instruments     |                         |              | Non-money Market Instruments<br>- Debt Securities |                         |              | Money Market Instruments     |                         |              | Non-money Market Instruments<br>- Debt Securities |                         |              |
|                 | International Ratings RM'000 | Domestic Ratings RM'000 | Total RM'000 | International Ratings RM'000                      | Domestic Ratings RM'000 | Total RM'000 | International Ratings RM'000 | Domestic Ratings RM'000 | Total RM'000 | International Ratings RM'000                      | Domestic Ratings RM'000 | Total RM'000 |
| <b>Group</b>    |                              |                         |              |   |                         |              |                              |                         |              |   |                         |              |
| Sovereign       |                              |                         |              |   |                         |              |                              |                         |              |   |                         |              |
| guaranteed      | -                            | -                       | -            | -   | 900,179                 | 900,179      | -                            | -                       | -            | -   | 987,079                 | 987,079      |
| AAA to AA-      | -                            | 838,503                 | 838,503      | -   | 3,263,378               | 3,263,378    | -                            | 347,531                 | 347,531      | -   | 3,627,260               | 3,627,260    |
| A+ to A-        | -                            | 99,939                  | 99,939       | 219,572   | 531,392                 | 750,964      | -                            | 79,282                  | 79,282       | 211,794   | 220,416                 | 432,210      |
| BBB+ to BBB-    | -                            | -                       | -            | 144,704   | -                       | 144,704      | -                            | -                       | -            | 138,471   | -                       | 138,471      |
| Lower than BBB- | -                            | -                       | -            | 188,122   | -                       | 188,122      | -                            | -                       | -            | 142,519   | -                       | 142,519      |
| P-1 to P-2      | -                            | -                       | -            | -   | 342,212                 | 342,212      | -                            | -                       | -            | -   | -                       | -            |
| Unrated         | -                            | -                       | -            | 81,348  | -                       | 81,348       | -                            | -                       | -            | 82,844  | -                       | 82,844       |
|                 | -                            | 938,442                 | 938,442      | 633,746   | 5,037,161               | 5,670,907    | -                            | 426,813                 | 426,813      | 575,628   | 4,834,755               | 5,410,383    |
| <b>Bank</b>     |                              |                         |              |   |                         |              |                              |                         |              |   |                         |              |
| Sovereign       |                              |                         |              |   |                         |              |                              |                         |              |   |                         |              |
| guaranteed      | -                            | -                       | -            | -   | 482,573                 | 482,573      | -                            | -                       | -            | -   | 474,221                 | 474,221      |
| AAA to AA-      | -                            | 838,503                 | 838,503      | -   | 528,299                 | 528,299      | -                            | 347,531                 | 347,531      | -   | 1,453,086               | 1,453,086    |
| A+ to A-        | -                            | 99,939                  | 99,939       | -   | -                       | -            | -                            | 79,282                  | 79,282       | -   | -                       | -            |
| P-1 to P-2      | -                            | -                       | -            | -   | 200,339                 | 200,339      | -                            | -                       | -            | -   | -                       | -            |
|                 | -                            | 938,442                 | 938,442      | -   | 1,211,211               | 1,211,211    | -                            | 426,813                 | 426,813      | -   | 1,927,307               | 1,927,307    |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit Risk (continued)

#### Risk Management Approach (continued)

- (iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

#### Financial Investments at Amortised Cost

|              | 31 December 2020                |                            |                  |   |                            |                   | 31 December 2019                |                            |                  |   |                            |                   |
|--------------|---------------------------------|----------------------------|------------------|---|----------------------------|-------------------|---------------------------------|----------------------------|------------------|---|----------------------------|-------------------|
|              | Money Market Instruments        |                            |                  | Non-money Market Instruments<br>- Debt Securities |                            |                   | Money Market Instruments        |                            |                  | Non-money Market Instruments<br>- Debt Securities |                            |                   |
|              | International Ratings<br>RM'000 | Domestic Ratings<br>RM'000 | Total<br>RM'000  | International Ratings<br>RM'000                   | Domestic Ratings<br>RM'000 | Total<br>RM'000   | International Ratings<br>RM'000 | Domestic Ratings<br>RM'000 | Total<br>RM'000  | International Ratings<br>RM'000                   | Domestic Ratings<br>RM'000 | Total<br>RM'000   |
| <b>Group</b> |                                 |                            |                  |   |                            |                   |                                 |                            |                  |   |                            |                   |
| Sovereign    |                                 |                            |                  |   |                            |                   |                                 |                            |                  |   |                            |                   |
| guaranteed   | -                               | -                          | -                | -   | 7,087,700                  | 7,087,700         | -                               | -                          | -                | -   | 7,652,950                  | 7,652,950         |
| AAA to AA-   | 181,120                         | -                          | 181,120          | 279,530   | 6,692,428                  | 6,971,958         | 105,130                         | -                          | 105,130          | 496,113   | 7,618,571                  | 8,114,684         |
| A+ to A-     | 1,443,860                       | -                          | 1,443,860        | 161,849   | 10,005                     | 171,854           | 813,280                         | -                          | 813,280          | 154,940   | 10,005                     | 164,945           |
| P-1 to P-2   | 207,745                         | -                          | 207,745          | 155,455   | -                          | 155,455           | 244,591                         | -                          | 244,591          | 81,223  | -                          | 81,223            |
| Defaulted    | -                               | -                          | -                | -   | 19                         | 19                | -                               | -                          | -                | -   | 19                         | 19                |
|              | <b>1,832,725</b>                | -                          | <b>1,832,725</b> | <b>596,834</b>                                    | <b>13,790,152</b>          | <b>14,386,986</b> | <b>1,163,001</b>                | -                          | <b>1,163,001</b> | <b>732,276</b>                                    | <b>15,281,545</b>          | <b>16,013,821</b> |
| <b>Bank</b>  |                                 |                            |                  |   |                            |                   |                                 |                            |                  |   |                            |                   |
| Sovereign    |                                 |                            |                  |   |                            |                   |                                 |                            |                  |   |                            |                   |
| guaranteed   | -                               | -                          | -                | -   | 6,194,641                  | 6,194,641         | -                               | -                          | -                | -   | 6,734,032                  | 6,734,032         |
| AAA to AA-   | -                               | 1,060,142                  | 1,060,142        | -   | 6,575,768                  | 6,575,768         | -                               | 1,310,142                  | 1,310,142        | -   | 7,481,714                  | 7,481,714         |
| A+ to A-     | -                               | -                          | -                | -   | 10,005                     | 10,005            | -                               | -                          | -                | -   | 10,005                     | 10,005            |
| Defaulted    | -                               | -                          | -                | -   | 19                         | 19                | -                               | -                          | -                | -   | 19                         | 19                |
|              | -                               | <b>1,060,142</b>           | <b>1,060,142</b> | -   | <b>12,780,433</b>          | <b>12,780,433</b> | -                               | <b>1,310,142</b>           | <b>1,310,142</b> | -   | <b>14,225,770</b>          | <b>14,225,770</b> |

The ratings shown for money market instruments (e.g. negotiable instruments of deposit and bankers' acceptances) are based on the ratings assigned to the respective financial institutions issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, there were no financial investments which were past due (2019 – none).



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk

Market risk is the risk that movements in market variables, including interest rates/rates of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

The market risk exposure of the Group is identified into two types:

(i) Traded Market Risk

Primarily the interest rate/rate of return risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.

(ii) Non-Traded Market Risk

Interest rate/rate of return risk, foreign exchange risk and equity prices risk arising mainly from the retail and commercial banking assets and liabilities, as well as financial investments designated as at fair value through other comprehensive income and at amortised cost.

The Group's core market risks are as follows:

(a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

Risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in the interest rate/rate of return over time arising from activities such as deposits taking, lending or financing and investment.

(b) Foreign Exchange Risk

Risk of adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies and overseas branches, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are United States Dollars and Hong Kong Dollars.

(c) Equity Risk

Risk of adverse impact arising from movements in equity prices on equity positions held by the Group for dividend purposes.

#### Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk frameworks and policies, aligns market risk management with risk appetite and implements actions to ensure that the market risk remains within established risk tolerance level.

(i) Traded Market Risk

#### Risk Management Approach

The Group's traded market risk frameworks comprise market risk policies and practices, market risk limits and valuation methodologies. The Group's traded market risk for fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The Treasury Middle Office ("TMO") conducts daily operational checking on the treasury operations. Any operational lapses and non-compliance with the internal policies and limits will be reported to the ALCO. In addition, TMO also conducts independent verification on the daily mark-to-market valuation of fixed income instruments.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

- (i) Traded Market Risk (continued)

#### Risk Management Approach (continued)

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by RMD. Changes to operational market risk limits are approved by the ALCO. The trading book positions and limits are reported to the ALCO regularly. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

During the financial year, the Group's and the Bank's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM181,000 (2019 – RM260,000) and RM171,000 (2019 – RM245,000) respectively. The composition of the Group's and the Bank's trading portfolio is set out in Note 5 (except for equity securities) to the financial statements.

- (ii) Non-Traded Market Risk

- (a) Interest Rate/Rate of Return Risk in the Banking Book

The sources of IRR/RoRBB are as follows:

- (i) Repricing Risk – Risk caused by timing differences in the interest rate/rate of return changes and cash flows that occur in the repricing and maturity of the Group's fixed and floating rate assets, liabilities and off-balance sheet instruments.
- (ii) Yield Curve Risk – Risk when unanticipated changes in the yield curve has adverse effects on the Group's earnings and EVE.
- (iii) Basis Risk – Risk arising from the imperfect correlation between changes in the interest rate/rate of return earned and paid on different instruments with otherwise similar repricing characteristics. This will affect the Group's net interest/profit margin, i.e. earnings and also future cash flows, which in turn affect economic value of the Group.
- (iv) Optionality Risk – Risk of early repayments of loans/financing and early withdrawal of deposits due to changes in the interest rate/rate of return which will potentially affect future earnings.

#### Risk Management Approach

The Group emphasises the importance of IRR/RoRBB as most of the balance sheet items of the Group generate interest/profit income and interest/profit expense that are correlated to interest rate/rate of return. Hence, the primary objective in managing the IRR/RoRBB is to manage the volatility in the Group's net interest/profit income ("NII/NPI") and EVE due to the changing levels of interest rate/rate of return, whilst balancing the cost of hedging the risk. This is achieved in various manners such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the interest rate/rate of return of sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the interest rate/rate of return risk is set out in Note 6 to the financial statements.

The Group's IRR/RoRBB is also governed by the Group's Interest Rate Risk/Rate of Return Risk Management Policy to ensure that all IRR/RoRBB is managed within its risk appetite. All limits and policies are approved by the Board of Directors or RMC and are regularly reviewed to ensure that the limits and policies remain applicable and is able to surface potential interest rate/rate of return risk.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

#### (ii) Non-Traded Market Risk (continued)

##### (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

###### Risk Management Approach (continued)

The Group uses a range of approaches to measure IRR/RoRBB, whereby the impact on NII/NPI and EVE is considered at all times, as follows:

###### (i) Repricing Gap Reports

Distribution of interest rate/rate of return sensitive assets, liabilities and off-balance sheet positions into time bands according to their remaining maturity or next repricing maturity. One of the challenges of this mismatch repricing analysis is the underlying assumptions of the embedded optionality of loan/financing prepayments, early deposits withdrawal and effective duration of liabilities which are contractually repayable on demand such as current and savings accounts.

This is measured on a monthly basis for the Bank and quarterly basis for the Group.

###### (ii) Sensitivity Analysis

Impact to NII/NPI – This is the projected Group's NII/NPI sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensitivity gap as at the reporting date after taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

Impact to EVE – This measure takes a comprehensive view of the potential long-term effects of a 100 basis point parallel movement in interest rates/rates of return on the economic value of the Group's Balance Sheet. It requires all future cash flows associated with the Group's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates to determine the overall net present value of the Group.

These are measured on a monthly basis for the Bank and quarterly basis for the Group.

###### (iii) Simulation Scenarios

As and when the need arises, analysis is performed on the sensitivity of projected NII/NPI and EVE under varying interest rate/rate of return and balance sheet scenarios. The analysis also incorporates business assumptions obtained from various lines of business and behavioural assumptions established based on statistical methods for the Group. The impact on earnings is measured against the approved Earning-at-Risk ("EaR") and EVE limits where new business and hedging strategies are carried out to mitigate any increasing interest rate/rate of return risk.

###### (iv) Stress Testing

The vulnerability of the Group's earnings and EVE under various levels of stress using a variety of economic parameters. This semi-annual practice is also to determine the adequacy of capital in meeting the adverse impact of extreme interest rate/rate of return movements on the Group's statements of financial position which can provide an early warning of the potential losses and to facilitate proactive management of the interest rate/rate of return risk.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

#### (ii) Non-Traded Market Risk (continued)

##### (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

###### (i) Interest/Profit Rate Gap Analysis

The following tables indicate the effective interest rate/rate of return at the reporting date and the Group's and the Bank's sensitivity to the interest rate/rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans, advances and financing.

| Group<br>2020  | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Trading<br>book<br>RM'000 | Total<br>RM'000  | Effective<br>interest<br>rate/rate<br>of return<br>% |            |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---------------------------|------------------|--|------------|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                           |                  |  |            |
|  | RM'000                     | RM'000                   | RM'000                    | RM'000                  | RM'000                  | RM'000                  | RM'000                  | RM'000                    |                           |                  |  |            |
| <b>ASSETS</b>  |                            |                          |                           |                         |                         |                         |                         |                           |                           |                  |  |            |
| Cash and balances<br>with banks  | 12,505,376                 | 1,966,265                | 850,015                   | -                       | -                       | -                       | -                       | -                         | 4,376,476                 | -                | 19,698,132   | 1.71       |
| Reverse repurchase<br>agreements   | 202,833                    | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                         | -                | 202,833  | 1.98       |
| Financial assets at fair<br>value through profit<br>or loss                  | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                         | 1,583,506        | 1,583,506  | 1.72       |
| Financial investments at<br>fair value through other<br>comprehensive income | 499,737                    | 710,911                  | 4,236,977                 | 7,452,264               | 10,954,452              | 9,862,970               | 6,872,092               | 7,577,593                 | 380,407                   | -                | 48,547,403   | 2.12       |
| Financial investments at<br>amortised cost                                   | 1,106,963                  | 1,531,427                | 4,753,638                 | 9,129,455               | 3,695,063               | 4,703,896               | 1,816,245               | 867,333                   | -                         | -                | 27,604,020   | 3.44       |
| Loans, advances and<br>financing   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                         | -                | -  | -          |
| - not credit-impaired  | 267,186,862                | 8,760,418                | 13,669,477                | 14,329,265              | 10,637,478              | 9,099,048               | 7,747,729               | 12,969,732                | -                         | -                | 344,400,009  | 3.98       |
| - credit-impaired*   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | (1,597,228)               | -                | (1,597,228)  | -          |
| Other asset balances   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                         | 10,588,646       | 229,546  | 10,818,192 |
| <b>TOTAL ASSETS</b>  | <b>281,501,771</b>         | <b>12,969,021</b>        | <b>23,510,107</b>         | <b>30,910,984</b>       | <b>25,286,993</b>       | <b>23,665,914</b>       | <b>16,436,066</b>       | <b>21,414,658</b>         | <b>13,748,301</b>         | <b>1,813,052</b> | <b>451,256,867</b>                                   |            |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Group<br>2020  | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Non-<br>interest/<br>profit<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate/rate<br>of return<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|--|---------------------------|--------------------|--|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |  |                           |                    |  |
| <b>LIABILITIES AND EQUITY</b>  |                            |                          |                           |                         |                         |                         |                         |                           |  |                           |                    |  |
| Deposits from customers  | 151,266,845                | 58,955,250               | 107,419,268               | 226,056                 | 6,536                   | 2,475                   | 2,885                   | -                         | 47,991,436   | -                         | 365,870,751        | 1.80   |
| Deposits from banks  | 4,383,071                  | 3,226,368                | 1,173,417                 | 30,695                  | 7,349                   | 159                     | 61,266                  | 22,587                    | 1,837,316  | -                         | 10,742,228         | 0.86   |
| Obligations on securities sold under repurchase agreements                     | 602,206                    | 119,198                  | 192,704                   | -                       | -                       | -                       | -                       | -                         | -  | -                         | 914,108            | 2.34   |
| Bills and acceptances payable  | -                          | 3,000                    | -                         | -                       | -                       | -                       | -                       | -                         | 206,347  | -                         | 209,347            | 1.41   |
| Recourse obligations on loans sold to Cagamas                                  | -                          | -                        | -                         | 4,500,003               | -                       | -                       | -                       | -                         | -  | -                         | 4,500,003          | 4.31   |
| Debt securities issued and other borrowed funds                                | 567,956                    | 3,285,231                | 519,950                   | 2,499,992               | 2,009,496               | 2,500,000               | 889,729                 | -                         | -  | -                         | 12,272,354         | 3.77   |
| Other liability balances   | 15,887                     | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 7,887,198  | 418,361                   | 8,321,446          | 5.19   |
| <b>Total Liabilities</b>   | <b>156,835,965</b>         | <b>65,589,047</b>        | <b>109,305,339</b>        | <b>7,256,746</b>        | <b>2,023,381</b>        | <b>2,502,634</b>        | <b>953,880</b>          | <b>22,587</b>             | <b>57,922,297</b>                                  | <b>418,361</b>            | <b>402,830,237</b> |  |
| Equity attributable to equity holders of the Bank                              | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 47,248,271   | -                         | 47,248,271         | -  |
| Non-controlling interests  | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 1,178,359  | -                         | 1,178,359          | -  |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>156,835,965</b>         | <b>65,589,047</b>        | <b>109,305,339</b>        | <b>7,256,746</b>        | <b>2,023,381</b>        | <b>2,502,634</b>        | <b>953,880</b>          | <b>22,587</b>             | <b>106,348,927</b>                                 | <b>418,361</b>            | <b>451,256,867</b> |  |
| On-balance sheet interest/profit sensitivity gap                               | 124,665,806                | (52,620,026)             | (85,795,232)              | 23,654,238              | 23,263,612              | 21,163,280              | 15,482,186              | 21,392,071                | (92,600,626)                                       | 1,394,691                 | -                  |  |
| Off-balance sheet interest/profit sensitivity gap (interest/profit rate swaps) | 2,653,632                  | 4,751,782                | (801,800)                 | (3,964,760)             | (25,000)                | (50,000)                | (1,683,044)             | (880,810)                 | -  | -                         | -                  |  |
| <b>TOTAL INTEREST/PROFIT SENSITIVITY GAP</b>                                   | <b>127,319,438</b>         | <b>(47,868,244)</b>      | <b>(86,597,032)</b>       | <b>19,689,478</b>       | <b>23,238,612</b>       | <b>21,113,280</b>       | <b>13,799,142</b>       | <b>20,511,261</b>         | <b>(92,600,626)</b>                                | <b>1,394,691</b>          | <b>-</b>           |  |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Group<br>2019  | Non-trading book           |                          |                           |                         |                         |                         |                         |                           |                   | Non-<br>interest/<br>profit<br>sensitive | Trading<br>book<br>RM'000 | Total<br>RM'000 | Effective<br>interest<br>rate/rate<br>of return<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------|--|---------------------------|-----------------|--|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                   |  |                           |                 |  |
| <b>ASSETS</b>  |                            |                          |                           |                         |                         |                         |                         |                           |                   |  |                           |                 |  |
| Cash and balances<br>with banks  | 6,819,002                  | 1,975,306                | 767,302                   | -                       | -                       | -                       | -                       | -                         | 4,514,009         | -  | 14,075,699                | 2.71            |  |
| Reverse repurchase<br>agreements   | 8,208                      | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                 | -  | 8,208                     | 6.67            |  |
| Financial assets at fair<br>value through profit<br>or loss                  | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                 | -  | 4,210,265                 | 4,210,265       | 2.97   |
| Financial investments at<br>fair value through other<br>comprehensive income | 153,430                    | 30,404                   | 2,661,438                 | 8,012,452               | 6,072,600               | 6,277,253               | 6,706,112               | 9,873,858                 | 365,946           | -  | 40,153,493                | 3.14            |  |
| Financial investments at<br>amortised cost                                   | 651,338                    | 736,149                  | 5,196,662                 | 2,539,312               | 8,765,055               | 3,275,728               | 4,362,659               | 2,111,265                 | -                 | -  | 27,638,168                | 3.78            |  |
| Loans, advances and<br>financing   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                 | -  | -                         | -               |  |
| - not credit-impaired  | 257,289,128                | 7,489,487                | 13,770,124                | 14,707,307              | 10,067,481              | 7,800,624               | 6,027,872               | 11,711,499                | -                 | -  | 328,863,522               | 5.02            |  |
| - credit-impaired*   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | (387,028)         | -  | (387,028)                 | -               |  |
| Other asset balances   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 18,169,379        | 98,969                                   | 18,268,348                | -               |  |
| <b>TOTAL ASSETS</b>  | <b>264,921,106</b>         | <b>10,231,426</b>        | <b>22,395,526</b>         | <b>25,259,071</b>       | <b>24,905,136</b>       | <b>17,353,605</b>       | <b>17,096,643</b>       | <b>23,696,622</b>         | <b>22,662,306</b> | <b>4,309,234</b>                         | <b>432,830,675</b>        |                 |  |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Group<br>2019  | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Non-<br>interest/<br>profit<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate/rate<br>of return<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|--|---------------------------|--------------------|--|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |  |                           |                    |  |
| <b>LIABILITIES AND EQUITY</b>  |                            |                          |                           |                         |                         |                         |                         |                           |  |                           |                    |  |
| Deposits from customers  | 144,366,618                | 66,204,994               | 104,217,874               | 151,650                 | 3,416                   | 1,806                   | 1,303                   | -                         | 38,392,814   | -                         | 353,340,475        | 2.95   |
| Deposits from banks  | 4,718,644                  | 2,899,881                | 367,880                   | 135,428                 | 31,758                  | 7,178                   | 169                     | 443                       | 332,692  | -                         | 8,494,073          | 2.35   |
| Obligations on securities sold under repurchase agreements                     | 639,154                    | -                        | 331,500                   | -                       | -                       | -                       | -                       | -                         | -  | -                         | 970,654            | 3.10   |
| Bills and acceptances payable  | 22,814                     | -                        | 3,000                     | -                       | -                       | -                       | -                       | -                         | 208,972  | -                         | 234,786            | 3.09   |
| Recourse obligations on loans sold to Cagamas                                  | -                          | -                        | 1,000,002                 | -                       | 4,500,002               | -                       | -                       | -                         | -  | -                         | 5,500,004          | 4.28   |
| Debt securities issued and other borrowed funds                                | 574,374                    | 2,324,394                | -                         | 1,519,746               | 2,499,986               | 2,009,285               | 2,500,000               | 889,665                   | -  | -                         | 12,317,450         | 4.11   |
| Other liability balances   | 6,380                      | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 7,008,750  | 211,899                   | 7,227,029          | 3.92   |
| <b>Total Liabilities</b>   | <b>150,327,984</b>         | <b>71,429,269</b>        | <b>105,920,256</b>        | <b>1,806,824</b>        | <b>7,035,162</b>        | <b>2,018,269</b>        | <b>2,501,472</b>        | <b>890,108</b>            | <b>45,943,228</b>                                  | <b>211,899</b>            | <b>388,084,471</b> |  |
| Equity attributable to equity holders of the Bank                              | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 43,594,330   | -                         | 43,594,330         | -  |
| Non-controlling interests  | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 1,151,874  | -                         | 1,151,874          | -  |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>150,327,984</b>         | <b>71,429,269</b>        | <b>105,920,256</b>        | <b>1,806,824</b>        | <b>7,035,162</b>        | <b>2,018,269</b>        | <b>2,501,472</b>        | <b>890,108</b>            | <b>90,689,432</b>                                  | <b>211,899</b>            | <b>432,830,675</b> |  |
| On-balance sheet interest/profit sensitivity gap                               | 114,593,122                | (61,197,843)             | (83,524,730)              | 23,452,247              | 17,869,974              | 15,335,336              | 14,595,171              | 22,806,514                | (68,027,126)                                       | 4,097,335                 | -                  |  |
| Off-balance sheet interest/profit sensitivity gap (interest/profit rate swaps) | 2,535,644                  | 4,053,877                | (500,000)                 | (1,516,220)             | (3,976,670)             | (25,000)                | -                       | (571,631)                 | -  | -                         | -                  |  |
| <b>TOTAL INTEREST/PROFIT SENSITIVITY GAP</b>                                   | <b>117,128,766</b>         | <b>(57,143,966)</b>      | <b>(84,024,730)</b>       | <b>21,936,027</b>       | <b>13,893,304</b>       | <b>15,310,336</b>       | <b>14,595,171</b>       | <b>22,234,883</b>         | <b>(68,027,126)</b>                                | <b>4,097,335</b>          | <b>-</b>           |  |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Bank<br>2020   | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate % |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---|---------------------------|--------------------|---------------------------------|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |   |                           |                    |                                 |
| <b>ASSETS</b>  |                            |                          |                           |                         |                         |                         |                         |                           |   |                           |                    |                                 |
| Cash and balances<br>with banks  | 8,544,600                  | 1,101,115                | 569,974                   | -                       | -                       | -                       | -                       | -                         | 2,754,978                               | -                         | 12,970,667         | 1.89                            |
| Reverse repurchase<br>agreements   | 202,833                    | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                                       | -                         | 202,833            | 1.98                            |
| Financial assets at fair<br>value through profit<br>or loss                  | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                                       | 1,556,110                 | 1,556,110          | 1.72                            |
| Financial investments at<br>fair value through other<br>comprehensive income | 499,736                    | 447,115                  | 3,823,667                 | 6,489,264               | 8,013,013               | 5,951,448               | 4,200,386               | 3,256,466                 | 372,474                                 | -                         | 33,053,569         | 1.98                            |
| Financial investments at<br>amortised cost                                   | 28,004                     | 42,054                   | 2,849,545                 | 8,223,842               | 1,873,772               | 3,971,784               | 1,441,159               | 415,101                   | -                                       | -                         | 18,845,261         | 4.15                            |
| Loans and advances   |                            |                          |                           |                         |                         |                         |                         |                           |   |                           |                    |                                 |
| - not credit-impaired  | 213,318,712                | 6,715,882                | 8,461,042                 | 10,383,673              | 8,193,855               | 7,069,727               | 5,179,546               | 9,304,414                 | -                                       | -                         | 268,626,851        | 3.86                            |
| - credit-impaired*   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | (1,187,877)                             | -                         | (1,187,877)        | -                               |
| Other asset balances   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 18,937,335                              | 215,754                   | 19,153,089         | -                               |
| <b>TOTAL ASSETS</b>  | <b>222,593,885</b>         | <b>8,306,166</b>         | <b>15,704,228</b>         | <b>25,096,779</b>       | <b>18,080,640</b>       | <b>16,992,959</b>       | <b>10,821,091</b>       | <b>12,975,981</b>         | <b>20,876,910</b>                       | <b>1,771,864</b>          | <b>353,220,503</b> |                                 |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Bank<br>2020   | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Non-<br>interest<br>sensitive | Trading<br>book  | Total              | Effective<br>interest<br>rate<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------------------|------------------|--------------------|------------------------------------|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                               |                  |                    |                                    |
| <b>LIABILITIES AND EQUITY</b>                                    |                            |                          |                           |                         |                         |                         |                         |                           |                               |                  |                    |                                    |
| Deposits from customers  | 111,146,543                | 38,954,550               | 87,450,541                | 111,684                 | 4,295                   | 1,946                   | 2,391                   | -                         | 40,406,763                    | -                | 278,078,713        | 1.86                               |
| Deposits from banks  | 4,610,779                  | 3,697,666                | 2,577,630                 | 27,755                  | 6,349                   | 159                     | 53,561                  | 22,087                    | 2,180,349                     | -                | 13,176,335         | 0.75                               |
| Obligations on securities sold under repurchase agreements       | 590,285                    | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                             | -                | 590,285            | 1.71                               |
| Bills and acceptances payable                                    | -                          | 3,000                    | -                         | -                       | -                       | -                       | -                       | -                         | 205,866                       | -                | 208,866            | 1.41                               |
| Recourse obligations on loans sold to Cagamas                    | -                          | -                        | -                         | 4,500,003               | -                       | -                       | -                       | -                         | -                             | -                | 4,500,003          | 4.31                               |
| Debt securities issued and other borrowed funds                  | -                          | 3,285,231                | -                         | 1,999,992               | 2,009,496               | 2,000,000               | 889,729                 | -                         | -                             | -                | 10,184,448         | 3.83                               |
| Other liability balances   | 15,887                     | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 6,109,207                     | 416,971          | 6,542,065          | 5.19                               |
| <b>Total Liabilities</b>   | <b>116,363,494</b>         | <b>45,940,447</b>        | <b>90,028,171</b>         | <b>6,639,434</b>        | <b>2,020,140</b>        | <b>2,002,105</b>        | <b>945,681</b>          | <b>22,087</b>             | <b>48,902,185</b>             | <b>416,971</b>   | <b>313,280,715</b> |                                    |
| Equity attributable to equity holders of the Bank                | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 39,939,788                    | -                | 39,939,788         | -                                  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              | <b>116,363,494</b>         | <b>45,940,447</b>        | <b>90,028,171</b>         | <b>6,639,434</b>        | <b>2,020,140</b>        | <b>2,002,105</b>        | <b>945,681</b>          | <b>22,087</b>             | <b>88,841,973</b>             | <b>416,971</b>   | <b>353,220,503</b> |                                    |
| On-balance sheet interest sensitivity gap                        | 106,230,391                | (37,634,281)             | (74,323,943)              | 18,457,345              | 16,060,500              | 14,990,854              | 9,875,410               | 12,953,894                | (67,965,063)                  | 1,354,893        | -                  |                                    |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 1,557,200                  | 2,734,360                | (801,800)                 | (3,464,760)             | (25,000)                | (50,000)                | (250,000)               | 300,000                   | -                             | -                | -                  |                                    |
| <b>TOTAL INTEREST SENSITIVITY GAP</b>                            | <b>107,787,591</b>         | <b>(34,899,921)</b>      | <b>(75,125,743)</b>       | <b>14,992,585</b>       | <b>16,035,500</b>       | <b>14,940,854</b>       | <b>9,625,410</b>        | <b>13,253,894</b>         | <b>(67,965,063)</b>           | <b>1,354,893</b> | <b>-</b>           |                                    |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Bank<br>2019   | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate<br>% |  |  |  |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---|---------------------------|--------------------|------------------------------------|--|--|--|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |   |                           |                    |                                    |  |  |  |
|  | Non-trading book           |                          |                           |                         |                         |                         |                         |                           |   |                           |                    |                                    |  |  |  |
| <b>ASSETS</b>  |                            |                          |                           |                         |                         |                         |                         |                           |   |                           |                    |                                    |  |  |  |
| Cash and balances<br>with banks  | 3,292,129                  | 1,480,102                | 562,530                   | -                       | -                       | -                       | -                       | -                         | 3,150,524                               | -                         | 8,485,285          | 2.95                               |  |  |  |
| Reverse repurchase<br>agreements   | 8,208                      | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                                       | -                         | 8,208              | 6.67                               |  |  |  |
| Financial assets at fair<br>value through profit<br>or loss                  | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                                       | 3,868,383                 | 3,868,383          | 2.95                               |  |  |  |
| Financial investments at<br>fair value through other<br>comprehensive income | 99,830                     | -                        | 866,050                   | 7,084,008               | 3,576,459               | 3,632,719               | 4,398,634               | 5,993,284                 | 345,113                                 | -                         | 25,996,097         | 3.06                               |  |  |  |
| Financial investments at<br>amortised cost                                   | 13,037                     | 12,616                   | 2,228,904                 | 2,822,234               | 7,991,723               | 1,873,822               | 3,976,381               | 1,701,739                 | -                                       | -                         | 20,620,456         | 4.14                               |  |  |  |
| Loans and advances   |                            |                          |                           |                         |                         |                         |                         |                           |   |                           |                    |                                    |  |  |  |
| - not credit-impaired  | 206,565,143                | 5,498,637                | 8,521,411                 | 10,502,226              | 7,468,118               | 5,808,438               | 4,504,198               | 7,692,444                 | -                                       | -                         | 256,560,615        | 4.94                               |  |  |  |
| - credit-impaired*   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | (290,541)                               | -                         | (290,541)          | -                                  |  |  |  |
| Other asset balances   | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 24,207,774                              | 89,175                    | 24,296,949         | -                                  |  |  |  |
| <b>TOTAL ASSETS</b>  | <b>209,978,347</b>         | <b>6,991,355</b>         | <b>12,178,895</b>         | <b>20,408,468</b>       | <b>19,036,300</b>       | <b>11,314,979</b>       | <b>12,879,213</b>       | <b>15,387,467</b>         | <b>27,412,870</b>                       | <b>3,957,558</b>          | <b>339,545,452</b> |                                    |  |  |  |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

| Bank<br>2019   | Non-trading book           |                          |                           |                         |                         |                         |                         |                           | Non-<br>interest<br>sensitive<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000    | Effective<br>interest<br>rate<br>% |
|--|----------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---|---------------------------|--------------------|------------------------------------|
|  | Up to<br>1 month<br>RM'000 | >1-3<br>months<br>RM'000 | >3-12<br>months<br>RM'000 | >1-2<br>years<br>RM'000 | >2-3<br>years<br>RM'000 | >3-4<br>years<br>RM'000 | >4-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |   |                           |                    |                                    |
| <b>LIABILITIES AND EQUITY</b>                                    |                            |                          |                           |                         |                         |                         |                         |                           |   |                           |                    |                                    |
| Deposits from customers  | 102,025,884                | 47,224,778               | 85,866,428                | 136,395                 | 2,291                   | 1,430                   | 768                     | -                         | 33,001,716                              | -                         | 268,259,690        | 3.05                               |
| Deposits from banks  | 4,870,241                  | 4,330,824                | 1,356,466                 | 123,671                 | 28,145                  | 6,178                   | 169                     | 443                       | 1,079,265                               | -                         | 11,795,402         | 2.38                               |
| Obligations on securities sold under repurchase agreements       | 639,154                    | -                        | -                         | -                       | -                       | -                       | -                       | -                         | -                                       | -                         | 639,154            | 3.08                               |
| Bills and acceptances payable                                    | 22,814                     | -                        | 3,000                     | -                       | -                       | -                       | -                       | -                         | 208,595                                 | -                         | 234,409            | 3.09                               |
| Recourse obligations on loans sold to Cagamas                    | -                          | -                        | 1,000,002                 | -                       | 4,500,002               | -                       | -                       | -                         | -                                       | -                         | 5,500,004          | 4.28                               |
| Debt securities issued and other borrowed funds                  | -                          | 2,324,394                | -                         | 999,884                 | 1,999,986               | 2,009,285               | 2,000,000               | 889,665                   | -                                       | -                         | 10,223,214         | 4.09                               |
| Other liability balances   | 6,380                      | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 5,599,378                               | 209,451                   | 5,815,209          | 3.92                               |
| <b>Total Liabilities</b>   | <b>107,564,473</b>         | <b>53,879,996</b>        | <b>88,225,896</b>         | <b>1,259,950</b>        | <b>6,530,424</b>        | <b>2,016,893</b>        | <b>2,000,937</b>        | <b>890,108</b>            | <b>39,888,954</b>                       | <b>209,451</b>            | <b>302,467,082</b> |                                    |
| Equity attributable to equity holders of the Bank                | -                          | -                        | -                         | -                       | -                       | -                       | -                       | -                         | 37,078,370                              | -                         | 37,078,370         | -                                  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              | <b>107,564,473</b>         | <b>53,879,996</b>        | <b>88,225,896</b>         | <b>1,259,950</b>        | <b>6,530,424</b>        | <b>2,016,893</b>        | <b>2,000,937</b>        | <b>890,108</b>            | <b>76,967,324</b>                       | <b>209,451</b>            | <b>339,545,452</b> |                                    |
| On-balance sheet interest sensitivity gap                        | 102,413,874                | (46,888,641)             | (76,047,001)              | 19,148,518              | 12,505,876              | 9,298,086               | 10,878,276              | 14,497,359                | (49,554,454)                            | 3,748,107                 | -                  |                                    |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 1,437,400                  | 2,148,620                | (500,000)                 | (1,434,350)             | (3,476,670)             | (25,000)                | -                       | 1,850,000                 | -                                       | -                         | -                  |                                    |
| <b>TOTAL INTEREST SENSITIVITY GAP</b>                            | <b>103,851,274</b>         | <b>(44,740,021)</b>      | <b>(76,547,001)</b>       | <b>17,714,168</b>       | <b>9,029,206</b>        | <b>9,273,086</b>        | <b>10,878,276</b>       | <b>16,347,359</b>         | <b>(49,554,454)</b>                     | <b>3,748,107</b>          | <b>-</b>           |                                    |

\* This is arrived at after deducting expected credit losses from the outstanding credit-impaired loans, advances and financing.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

#### (ii) Non-Traded Market Risk (continued)

##### (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

##### (ii) Interest Rate/Rate of Return Risk Sensitivity Analysis

The following tables present the projected Group's and Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's and Bank's interest rate/rate of return sensitivity gap as at the reporting date, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

| Group<br><b>Impact on NII/NPI</b> | 2020             |                    | 2019             |                    |
|-----------------------------------|------------------|--------------------|------------------|--------------------|
|                                   | -100 bps         | +100 bps           | -100 bps         | +100 bps           |
|                                   | RM'000           | RM'000             | RM'000           | RM'000             |
| <b>Ringgit Malaysia</b>           | (735,005)        | 638,697            | (566,405)        | 542,702            |
| United States Dollars             | (40,301)         | 27,642             | (36,462)         | 20,741             |
| Hong Kong Dollars                 | (44,286)         | 35,508             | (39,686)         | 32,038             |
| Other Currencies                  | (19,832)         | 17,446             | (20,635)         | 17,740             |
|                                   | <b>(839,424)</b> | <b>719,293</b>     | <b>(663,188)</b> | <b>613,221</b>     |
| <b>Impact on EVE</b>              |                  |                    |                  |                    |
| Ringgit Malaysia                  | 2,478,753        | (1,360,419)        | 2,289,391        | (1,347,289)        |
| United States Dollars             | 119,981          | (29,303)           | 63,390           | 6,532              |
| Hong Kong Dollars                 | (46,381)         | 91,880             | (50,893)         | 88,442             |
| Other Currencies                  | 16,486           | (3,794)            | 12,974           | (3,872)            |
|                                   | <b>2,568,839</b> | <b>(1,301,636)</b> | <b>2,314,862</b> | <b>(1,256,187)</b> |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(ii) Interest Rate/Rate of Return Risk Sensitivity Analysis (continued)

|                       | 2020             |                  | 2019             |                  |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | -100 bps         | +100 bps         | -100 bps         | +100 bps         |
|                       | RM'000           | RM'000           | RM'000           | RM'000           |
| <b>Bank</b>           |                  |                  |                  |                  |
| <b>Impact on NII</b>  |                  |                  |                  |                  |
| Ringgit Malaysia      | (640,822)        | 563,919          | (493,263)        | 474,519          |
| United States Dollars | (1,773)          | 7,892            | (13,719)         | 13,483           |
| Hong Kong Dollars     | 1,513            | (1,524)          | 1,910            | (1,916)          |
| Other Currencies      | (3,946)          | 3,490            | (6,057)          | 5,910            |
|                       | <b>(645,028)</b> | <b>573,777</b>   | <b>(511,129)</b> | <b>491,996</b>   |
| <b>Impact on EVE</b>  |                  |                  |                  |                  |
| Ringgit Malaysia      | 1,727,513        | (784,877)        | 1,692,682        | (897,100)        |
| United States Dollars | (38,885)         | 68,470           | (90,724)         | 97,056           |
| Hong Kong Dollars     | (51,622)         | 50,373           | (68,609)         | 66,208           |
| Other Currencies      | 8,276            | (2,802)          | 4,803            | (542)            |
|                       | <b>1,645,282</b> | <b>(668,836)</b> | <b>1,538,152</b> | <b>(734,378)</b> |

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the ALCO seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI and EVE are measured on a monthly basis for the Bank and quarterly basis for the Group, both of which are reported to the ALCO and the RMC.

(b) Foreign Exchange Risk

#### Risk Management Approach

The Group manages such risk through funding in the same functional currencies or hedging via forward contracts, where possible. In addition, Net Open Position ("NOP") limit is set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on the potential foreign exchange risk against the cost of hedging and is periodically assessed by the ALCO.

(i) The following tables summarised the assets, liabilities and NOP by currencies as at the reporting date, which are mainly in Ringgit Malaysia, Hong Kong Dollars and United States Dollars. Other currencies mainly include exposure to Vietnamese Dong, Euro, Australian Dollars, Chinese Renminbi, New Zealand Dollars, Sri Lankan Rupees, Laotian Kip, Great Britain Pounds, Cambodian Riel, Japanese Yen and Singapore Dollars.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

- (ii) Non-Traded Market Risk (continued)
- (b) Foreign Exchange Risk (continued)

| Group<br>2020  | Malaysian<br>Ringgit<br>RM'000 | Hong Kong<br>Dollars<br>RM'000 | United States<br>Dollars<br>RM'000 | Others<br>RM'000 | Total<br>RM'000    |
|--|--------------------------------|--------------------------------|------------------------------------|------------------|--------------------|
| <b>ASSETS</b>  |                                |                                |                                    |                  |                    |
| Cash and balances with banks   | 10,325,480                     | 1,352,719                      | 4,747,353                          | 3,272,580        | 19,698,132         |
| Reverse repurchase agreements  | 200,146                        | –                              | –                                  | 2,687            | 202,833            |
| Financial assets at fair value through profit or loss                  | 1,583,506                      | –                              | –                                  | –                | 1,583,506          |
| Derivative financial assets  | 273,218                        | 13,344                         | –                                  | 448              | 287,010            |
| Financial investments at fair value through other comprehensive income | 47,612,079                     | 3,526                          | 584,942                            | 346,856          | 48,547,403         |
| Financial investments at amortised cost                                | 22,607,653                     | 1,960,033                      | 2,485,752                          | 550,582          | 27,604,020         |
| Loans, advances and financing  | 319,577,909                    | 12,851,643                     | 5,962,630                          | 4,410,599        | 342,802,781        |
| Other assets   | 1,988,537                      | 522,438                        | 358,017                            | 539,312          | 3,408,304          |
| Statutory deposits with Central Banks                                  | 436,044                        | 166                            | 619,587                            | 79,127           | 1,134,924          |
| Deferred tax assets  | 51,584                         | 11,322                         | 12,122                             | 6,609            | 81,637             |
| Investment in associated companies                                     | 78,404                         | –                              | 17                                 | –                | 78,421             |
| Investment properties  | 527,400                        | 185,485                        | –                                  | –                | 712,885            |
| Right-of-use assets  | 945,700                        | 389,701                        | 36,894                             | 7,239            | 1,379,534          |
| Property and equipment   | 1,084,665                      | 105,194                        | 71,273                             | 56,618           | 1,317,750          |
| Intangible assets  | 775,494                        | 1,500,379                      | –                                  | 141,854          | 2,417,727          |
| <b>TOTAL ASSETS</b>  | <b>408,067,819</b>             | <b>18,895,950</b>              | <b>14,878,587</b>                  | <b>9,414,511</b> | <b>451,256,867</b> |
| <b>LIABILITIES</b>   |                                |                                |                                    |                  |                    |
| Deposits from customers  | 330,885,149                    | 13,560,305                     | 15,034,458                         | 6,390,839        | 365,870,751        |
| Deposits from banks  | 3,774,616                      | 408,391                        | 5,169,468                          | 1,389,753        | 10,742,228         |
| Obligations on securities sold under repurchase agreements             | 588,812                        | –                              | –                                  | 325,296          | 914,108            |
| Bills and acceptances payable  | 209,095                        | –                              | –                                  | 252              | 209,347            |
| Recourse obligations on loans sold to Cagamas                          | 4,500,003                      | –                              | –                                  | –                | 4,500,003          |
| Derivative financial liabilities                                       | 530,162                        | 1,390                          | 94,504                             | –                | 626,056            |
| Debt securities issued and other borrowed funds                        | 9,419,151                      | 567,956                        | 2,285,247                          | –                | 12,272,354         |
| Lease liabilities  | 964,321                        | 57,425                         | 41,825                             | 8,549            | 1,072,120          |
| Other liabilities  | 3,857,114                      | 603,147                        | 368,940                            | 799,578          | 5,628,779          |
| Provision for tax expense and zakat                                    | 133,029                        | 6,963                          | 50,561                             | 19,589           | 210,142            |
| Deferred tax liabilities   | 760,844                        | 23,505                         | –                                  | –                | 784,349            |
| <b>TOTAL LIABILITIES</b>   | <b>355,622,296</b>             | <b>15,229,082</b>              | <b>23,045,003</b>                  | <b>8,933,856</b> | <b>402,830,237</b> |
| Non-controlling interests  | –                              | 1,143,255                      | 35,104                             | –                | 1,178,359          |
| <b>On-Balance Sheet Open Position</b>                                  | <b>52,445,523</b>              | <b>2,523,613</b>               | <b>(8,201,520)</b>                 | <b>480,655</b>   | <b>47,248,271</b>  |
| <b>Off-Balance Sheet Open Position</b>                                 | <b>(7,379,081)</b>             | <b>(2,033,412)</b>             | <b>6,687,808</b>                   | <b>2,724,685</b> | <b>–</b>           |
| <b>NET OPEN POSITION</b>   | <b>45,066,442</b>              | <b>490,201</b>                 | <b>(1,513,712)</b>                 | <b>3,205,340</b> | <b>47,248,271</b>  |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

| Group<br>2019  | Malaysian<br>Ringgit<br>RM'000 | Hong Kong<br>Dollars<br>RM'000 | United States<br>Dollars<br>RM'000 | Others<br>RM'000 | Total<br>RM'000    |
|--|--------------------------------|--------------------------------|------------------------------------|------------------|--------------------|
| <b>ASSETS</b>  |                                |                                |                                    |                  |                    |
| Cash and balances with banks   | 6,668,708                      | 745,824                        | 4,834,979                          | 1,826,188        | 14,075,699         |
| Reverse repurchase agreements  | –                              | –                              | –                                  | 8,208            | 8,208              |
| Financial assets at fair value through profit or loss                  | 4,210,265                      | –                              | –                                  | –                | 4,210,265          |
| Derivative financial assets  | 135,412                        | 8,118                          | 7,105                              | 1,695            | 152,330            |
| Financial investments at fair value through other comprehensive income | 39,277,333                     | 3,577                          | 567,492                            | 305,091          | 40,153,493         |
| Financial investments at amortised cost                                | 23,391,949                     | 1,771,404                      | 1,712,624                          | 762,191          | 27,638,168         |
| Loans, advances and financing  | 303,829,671                    | 13,696,188                     | 6,818,230                          | 4,132,405        | 328,476,494        |
| Other assets   | 1,029,980                      | 473,718                        | 282,870                            | 360,832          | 2,147,400          |
| Statutory deposits with Central Banks                                  | 8,763,996                      | 336                            | 1,184,948                          | 94,905           | 10,044,185         |
| Deferred tax assets  | 55,335                         | 13,782                         | 9,523                              | 4,844            | 83,484             |
| Investment in associated companies                                     | 75,064                         | –                              | 16                                 | –                | 75,080             |
| Investment properties  | 547,400                        | 205,695                        | –                                  | –                | 753,095            |
| Right-of-use assets  | 977,363                        | 407,204                        | 38,455                             | 4,138            | 1,427,160          |
| Property and equipment   | 920,126                        | 94,612                         | 80,684                             | 47,153           | 1,142,575          |
| Intangible assets  | 775,493                        | 1,521,053                      | –                                  | 146,493          | 2,443,039          |
| <b>TOTAL ASSETS</b>  | <b>390,658,095</b>             | <b>18,941,511</b>              | <b>15,536,926</b>                  | <b>7,694,143</b> | <b>432,830,675</b> |
| <b>LIABILITIES</b>   |                                |                                |                                    |                  |                    |
| Deposits from customers  | 318,025,138                    | 13,513,302                     | 15,661,429                         | 6,140,606        | 353,340,475        |
| Deposits from banks  | 3,020,884                      | 1,077,982                      | 3,364,180                          | 1,031,027        | 8,494,073          |
| Obligations on securities sold under repurchase agreements             | 638,131                        | –                              | –                                  | 332,523          | 970,654            |
| Bills and acceptances payable  | 234,044                        | –                              | 428                                | 314              | 234,786            |
| Recourse obligations on loans sold to Cagamas                          | 5,500,004                      | –                              | –                                  | –                | 5,500,004          |
| Derivative financial liabilities                                       | 309,488                        | 2,444                          | 33,788                             | 4                | 345,724            |
| Debt securities issued and other borrowed funds                        | 9,418,682                      | 574,374                        | 2,324,394                          | –                | 12,317,450         |
| Lease liabilities  | 975,276                        | 65,266                         | 42,650                             | 4,616            | 1,087,808          |
| Other liabilities  | 3,546,678                      | 595,638                        | 342,864                            | 711,217          | 5,196,397          |
| Provision for tax expense and zakat                                    | 432,253                        | 32,042                         | 68,531                             | 7,281            | 540,107            |
| Deferred tax liabilities   | 35,344                         | 21,649                         | –                                  | –                | 56,993             |
| <b>TOTAL LIABILITIES</b>   | <b>342,135,922</b>             | <b>15,882,697</b>              | <b>21,838,264</b>                  | <b>8,227,588</b> | <b>388,084,471</b> |
| Non-controlling interests  | –                              | 1,119,197                      | 32,677                             | –                | 1,151,874          |
| <b>On-Balance Sheet Open Position</b>                                  | <b>48,522,173</b>              | <b>1,939,617</b>               | <b>(6,334,015)</b>                 | <b>(533,445)</b> | <b>43,594,330</b>  |
| <b>Off-Balance Sheet Open Position</b>                                 | <b>(6,653,697)</b>             | <b>(1,594,864)</b>             | <b>4,761,452</b>                   | <b>3,487,109</b> | <b>–</b>           |
| <b>NET OPEN POSITION</b>   | <b>41,868,476</b>              | <b>344,753</b>                 | <b>(1,572,563)</b>                 | <b>2,953,664</b> | <b>43,594,330</b>  |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

- (ii) Non-Traded Market Risk (continued)
- (b) Foreign Exchange Risk (continued)

| Bank<br>2020   | Malaysian<br>Ringgit<br>RM'000 | Hong Kong<br>Dollars<br>RM'000 | United States<br>Dollars<br>RM'000 | Others<br>RM'000 | Total<br>RM'000    |
|--|--------------------------------|--------------------------------|------------------------------------|------------------|--------------------|
| <b>ASSETS</b>  |                                |                                |                                    |                  |                    |
| Cash and balances with banks   | 9,125,882                      | 147,688                        | 1,871,350                          | 1,825,747        | 12,970,667         |
| Reverse repurchase agreements  | 200,146                        | –                              | –                                  | 2,687            | 202,833            |
| Financial assets at fair value through profit or loss                  | 1,556,110                      | –                              | –                                  | –                | 1,556,110          |
| Derivative financial assets  | 469,253                        | –                              | –                                  | –                | 469,253            |
| Financial investments at fair value through other comprehensive income | 33,021,225                     | –                              | 31,869                             | 475              | 33,053,569         |
| Financial investments at amortised cost                                | 18,779,235                     | –                              | 5,762                              | 60,264           | 18,845,261         |
| Loans and advances   | 265,653,872                    | 100,467                        | 1,013,084                          | 671,551          | 267,438,974        |
| Other assets   | 2,019,171                      | 347,787                        | 290,764                            | 510,070          | 3,167,792          |
| Statutory deposits with Central Banks                                  | 267,844                        | –                              | 29,158                             | 1,087            | 298,089            |
| Collective investments   | 5,923,401                      | –                              | –                                  | –                | 5,923,401          |
| Investment in subsidiary companies                                     | 3,064,125                      | 1,672,194                      | 538,226                            | 1,219,749        | 6,494,294          |
| Investment in associated companies                                     | 45,000                         | –                              | –                                  | –                | 45,000             |
| Right-of-use assets  | 1,281,392                      | –                              | 4,591                              | 3,678            | 1,289,661          |
| Property and equipment   | 757,990                        | –                              | 405                                | 11,811           | 770,206            |
| Intangible assets  | 695,393                        | –                              | –                                  | –                | 695,393            |
| <b>TOTAL ASSETS</b>  | <b>342,860,039</b>             | <b>2,268,136</b>               | <b>3,785,209</b>                   | <b>4,307,119</b> | <b>353,220,503</b> |
| <b>LIABILITIES</b>   |                                |                                |                                    |                  |                    |
| Deposits from customers  | 271,609,185                    | 9,629                          | 4,165,568                          | 2,294,331        | 278,078,713        |
| Deposits from banks  | 3,548,069                      | 325,006                        | 8,201,586                          | 1,101,674        | 13,176,335         |
| Obligations on securities sold under repurchase agreements             | 588,812                        | –                              | –                                  | 1,473            | 590,285            |
| Bills and acceptances payable  | 208,614                        | –                              | –                                  | 252              | 208,866            |
| Recourse obligations on loans sold to Cagamas                          | 4,500,003                      | –                              | –                                  | –                | 4,500,003          |
| Derivative financial liabilities                                       | 531,479                        | –                              | 48,892                             | –                | 580,371            |
| Debt securities issued and other borrowed funds                        | 7,899,201                      | –                              | 2,285,247                          | –                | 10,184,448         |
| Lease liabilities  | 1,335,359                      | –                              | 3,561                              | 4,020            | 1,342,940          |
| Other liabilities  | 3,021,987                      | –                              | 133,459                            | 743,080          | 3,898,526          |
| Provision for tax expense  | 102,927                        | –                              | 5,648                              | 952              | 109,527            |
| Deferred tax liabilities   | 610,701                        | –                              | –                                  | –                | 610,701            |
| <b>TOTAL LIABILITIES</b>   | <b>293,956,337</b>             | <b>334,635</b>                 | <b>14,843,961</b>                  | <b>4,145,782</b> | <b>313,280,715</b> |
| <b>On-Balance Sheet Open Position</b>                                  | <b>48,903,702</b>              | <b>1,933,501</b>               | <b>(11,058,752)</b>                | <b>161,337</b>   | <b>39,939,788</b>  |
| <b>Off-Balance Sheet Open Position</b>                                 | <b>(7,379,088)</b>             | <b>(2,026,583)</b>             | <b>7,544,720</b>                   | <b>1,860,951</b> | <b>–</b>           |
| <b>NET OPEN POSITION</b>   | <b>41,524,614</b>              | <b>(93,082)</b>                | <b>(3,514,032)</b>                 | <b>2,022,288</b> | <b>39,939,788</b>  |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

| Bank<br>2019   | Malaysian<br>Ringgit<br>RM'000 | Hong Kong<br>Dollars<br>RM'000 | United States<br>Dollars<br>RM'000 | Others<br>RM'000 | Total<br>RM'000    |
|--|--------------------------------|--------------------------------|------------------------------------|------------------|--------------------|
| <b>ASSETS</b>  |                                |                                |                                    |                  |                    |
| Cash and balances with banks   | 4,856,696                      | 141,928                        | 2,940,923                          | 545,738          | 8,485,285          |
| Reverse repurchase agreements  | –                              | –                              | –                                  | 8,208            | 8,208              |
| Financial assets at fair value through profit or loss                  | 3,868,383                      | –                              | –                                  | –                | 3,868,383          |
| Derivative financial assets  | 225,542                        | –                              | 6,712                              | –                | 232,254            |
| Financial investments at fair value through other comprehensive income | 25,963,649                     | –                              | 31,989                             | 459              | 25,996,097         |
| Financial investments at amortised cost                                | 20,579,544                     | –                              | 6,834                              | 34,078           | 20,620,456         |
| Loans and advances   | 254,369,388                    | 94,653                         | 1,085,573                          | 720,460          | 256,270,074        |
| Other assets   | 1,270,749                      | 382,112                        | 218,049                            | 329,982          | 2,200,892          |
| Statutory deposits with Central Banks                                  | 6,924,591                      | –                              | 26,991                             | 1,692            | 6,953,274          |
| Deferred tax assets  | 11,019                         | –                              | 182                                | 106              | 11,307             |
| Collective investments   | 5,723,435                      | –                              | –                                  | –                | 5,723,435          |
| Investment in subsidiary companies                                     | 3,064,125                      | 1,672,194                      | 538,226                            | 1,219,749        | 6,494,294          |
| Investment in associated companies                                     | 45,000                         | –                              | –                                  | –                | 45,000             |
| Right-of-use assets  | 1,317,256                      | –                              | 5,265                              | –                | 1,322,521          |
| Property and equipment   | 604,612                        | –                              | 554                                | 13,413           | 618,579            |
| Intangible assets  | 695,393                        | –                              | –                                  | –                | 695,393            |
| <b>TOTAL ASSETS</b>  | <b>329,519,382</b>             | <b>2,290,887</b>               | <b>4,861,298</b>                   | <b>2,873,885</b> | <b>339,545,452</b> |
| <b>LIABILITIES</b>   |                                |                                |                                    |                  |                    |
| Deposits from customers  | 261,664,763                    | 7,927                          | 4,242,507                          | 2,344,493        | 268,259,690        |
| Deposits from banks  | 4,038,692                      | 809,641                        | 6,242,178                          | 704,891          | 11,795,402         |
| Obligations on securities sold under repurchase agreements             | 638,131                        | –                              | –                                  | 1,023            | 639,154            |
| Bills and acceptances payable  | 233,667                        | –                              | 428                                | 314              | 234,409            |
| Recourse obligations on loans sold to Cagamas                          | 5,500,004                      | –                              | –                                  | –                | 5,500,004          |
| Derivative financial liabilities                                       | 309,488                        | –                              | 13,447                             | –                | 322,935            |
| Debt securities issued and other borrowed funds                        | 7,898,820                      | –                              | 2,324,394                          | –                | 10,223,214         |
| Lease liabilities  | 1,339,708                      | –                              | 4,929                              | –                | 1,344,637          |
| Other liabilities  | 3,021,706                      | 742                            | 101,265                            | 611,056          | 3,734,769          |
| Provision for tax expense  | 405,093                        | –                              | 5,958                              | 1,817            | 412,868            |
| <b>TOTAL LIABILITIES</b>   | <b>285,050,072</b>             | <b>818,310</b>                 | <b>12,935,106</b>                  | <b>3,663,594</b> | <b>302,467,082</b> |
| <b>On-Balance Sheet Open Position</b>                                  | <b>44,469,310</b>              | <b>1,472,577</b>               | <b>(8,073,808)</b>                 | <b>(789,709)</b> | <b>37,078,370</b>  |
| <b>Off-Balance Sheet Open Position</b>                                 | <b>(6,653,697)</b>             | <b>(1,630,957)</b>             | <b>5,523,070</b>                   | <b>2,761,584</b> | <b>–</b>           |
| <b>NET OPEN POSITION</b>   | <b>37,815,613</b>              | <b>(158,380)</b>               | <b>(2,550,738)</b>                 | <b>1,971,875</b> | <b>37,078,370</b>  |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

- (ii) Non-Traded Market Risk (continued)
- (b) Foreign Exchange Risk (continued)

(ii) Structural foreign exchange risk represents the Group's currency exposure in its net investments in overseas operations and capital funds/retained earnings of overseas branches. Where possible, the Group manages such risk through funding investments in the same functional currencies or hedging via forward contracts. In addition, as part of its risk management strategy, the Group has designated certain funding in United States Dollars to hedge part of its Hong Kong Dollars structural currency exposure due to the pegging of Hong Kong Dollars to United States Dollars. The structural currency exposures of the Group as at the reporting date are as follows:

| <b>Group</b>          | <b>Hedged<br/>RM'000</b> | <b>Unhedged<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-----------------------|--------------------------|----------------------------|-------------------------|
| <b>2020</b>           |                          |                            |                         |
| United States Dollars | 2,025,066                | 824,601                    | 2,849,667               |
| Hong Kong Dollars     | 2,896,978                | (288,565)                  | 2,608,413               |
| Other currencies      | 1,325,946                | 1,497,699                  | 2,823,645               |
|                       | <b>6,247,990</b>         | <b>2,033,735</b>           | <b>8,281,725</b>        |
| <b>2019</b>           |                          |                            |                         |
| United States Dollars | 2,113,432                | 647,066                    | 2,760,498               |
| Hong Kong Dollars     | 2,951,414                | (444,126)                  | 2,507,288               |
| Other currencies      | 1,300,547                | 1,373,091                  | 2,673,638               |
|                       | <b>6,365,393</b>         | <b>1,576,031</b>           | <b>7,941,424</b>        |

- (iii) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at each reporting date is summarised below:

| <b>Group</b>          | <b>Change in<br/>Currency Rates<br/>%</b> | <b>Revaluation Sensitivity</b> |                        |
|-----------------------|---|--------------------------------|------------------------|
|                       |   | <b>2020<br/>RM'000</b>         | <b>2019<br/>RM'000</b> |
| United States Dollars | +/- 1                                     | +/- 8,246                      | +/- 6,471              |
| Hong Kong Dollars     | +/- 1                                     | -/+ 2,886                      | -/+ 4,441              |
| Other currencies      | +/- 1                                     | +/- 14,977                     | +/- 13,731             |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Equity Risk

#### Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee.

Considering that other risk variables remain constant, the table below summarised the impact on the carrying amount of equity positions as at each reporting date should there be a change in equity market prices:

|              | Change<br>in Equity<br>Market Prices<br>% | Sensitivity<br>of Equity<br>RM'000 |
|--------------|---|------------------------------------|
| <b>Group</b> |   |                                    |
| <b>2020</b>  | +/- 20                                    | +/- 276                            |
| 2019         | +/- 20                                    | +/- 311                            |
| <b>Bank</b>  |   |                                    |
| <b>2020</b>  | +/- 20                                    | -                                  |
| 2019         | +/- 20                                    | -                                  |

### Liquidity and Funding Risk

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

#### Risk Governance

The ALCO supports the RMC in liquidity and funding risk management oversight. The ALCO reviews the Group's liquidity risk policies and guidelines, and implements necessary actions to ensure that the liquidity and funding risk is well managed and within the established liquidity risk appetite and thresholds.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach

The Group's liquidity and funding risk management is guided by the Group's Liquidity and Funding Risk Management Policy. The policy sets out the processes involved in identifying, assessing, measuring, controlling, mitigating and monitoring of the liquidity and funding risk. The policy also addresses the regulatory requirements on Basel III Liquidity standards, including the BNM's Basel III Liquidity Coverage Ratio and Basel III Net Stable Funding Ratio. Monitoring tools and liquidity/funding risk limits are established to manage liquidity and funding exposures within the Group, including maturity mismatch, concentration of funding, and significant foreign currencies position. Liquidity and funding positions are reported to the ALCO and RMC on a monthly basis.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are borrowed by/financed to the customers.

The Group's liquidity and funding positions consist of a well-diversified funding mix with significant retail deposit base and funding from wholesale markets. The Group's retail deposit base comprises demand and time deposits which have traditionally in aggregate provided stable sources of funding. The Group's strong reputation in financial and capital strength, wide branches network and sound infrastructure are core attributes to preserve depositors' confidence and ensure stable liquidity. The Group accesses the wholesale markets through the issuance of debt securities, certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

Contingency funding plans are in place to identify and monitor early warning signals of a liquidity event. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity event. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed on periodic basis or ad hoc if necessary by the various entities under the Group to detect any vulnerability in respective entities' cash flows under various stress scenarios. The outcome of stress test exercise will be utilised to strengthen the liquidity management within the Group.

#### (a) Maturity analysis of assets and liabilities based on remaining contractual maturity

The following tables show the maturity analysis of the carrying amounts of the Group's and of the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have significant amounts of "demand and savings deposits" of non-bank customers which are at call (included in the "Up to 7 days" time band) but which are historically a stable source of long-term funding for the Group and the Bank.

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as set out in Note 49 to the financial statements. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

| Group<br>2020  | Up to<br>7 Days<br>RM'000 | >7 Days -<br>1 Month<br>RM'000 | >1-3<br>Months<br>RM'000 | >3-6<br>Months<br>RM'000 | >6-12<br>Months<br>RM'000 | >1-3<br>Years<br>RM'000 | >3-5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|--|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| <b>ASSETS</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Cash and balances with banks                               | 14,010,881                | 2,870,971                      | 1,966,265                | 821,353                  | 28,662                    | -                       | -                       | -                     | 19,698,132         |
| Reverse repurchase agreements                              | 2,688                     | 200,145                        | -                        | -                        | -                         | -                       | -                       | -                     | 202,833            |
| Financial investments                                      | 205,345                   | 1,363,951                      | 1,978,917                | 2,759,635                | 6,839,113                 | 32,174,402              | 23,155,027              | 9,258,539             | 77,734,929         |
| Derivative financial assets                                | 24,574                    | 52,975                         | 90,754                   | 39,740                   | 21,481                    | 47,416                  | 10,070                  | -                     | 287,010            |
| Loans, advances and financing                              | 10,403,995                | 4,297,246                      | 7,983,641                | 9,195,626                | 16,410,361                | 58,859,095              | 48,630,597              | 187,022,220           | 342,802,781        |
| Other asset balances                                       | 981,860                   | 606                            | 218                      | 82                       | -                         | -                       | -                       | 9,548,416             | 10,531,182         |
| <b>TOTAL ASSETS</b>  | <b>25,629,343</b>         | <b>8,785,894</b>               | <b>12,019,795</b>        | <b>12,816,436</b>        | <b>23,299,617</b>         | <b>91,080,913</b>       | <b>71,795,694</b>       | <b>205,829,175</b>    | <b>451,256,867</b> |
| <b>LIABILITIES</b>   |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Deposits from customers                                    | 139,063,766               | 59,840,932                     | 59,303,485               | 66,193,998               | 41,230,618                | 232,592                 | 5,360                   | -                     | 365,870,751        |
| Deposits from banks  | 1,732,780                 | 2,894,843                      | 3,251,017                | 1,113,067                | 49,294                    | 54,764                  | 32,697                  | 1,613,766             | 10,742,228         |
| Obligations on securities sold under repurchase agreements | 335,950                   | 266,256                        | 119,198                  | 99,333                   | 93,371                    | -                       | -                       | -                     | 914,108            |
| Recourse obligations on loans sold to Cagamas              | -                         | -                              | -                        | -                        | -                         | 4,500,003               | -                       | -                     | 4,500,003          |
| Derivative financial liabilities                           | 59,091                    | 97,422                         | 149,310                  | 103,742                  | 13,311                    | 128,053                 | 23,225                  | 51,902                | 626,056            |
| Debt securities issued and other borrowed funds            | -                         | -                              | 999,985                  | -                        | 519,950                   | 7,362,691               | 3,389,728               | -                     | 12,272,354         |
| Lease liabilities  | -                         | 9,820                          | 19,594                   | 28,214                   | 56,244                    | 209,684                 | 191,082                 | 557,482               | 1,072,120          |
| Other liability balances                                   | 3,267,941                 | 452,505                        | 530,093                  | 585,831                  | 555,779                   | 474,214                 | 43                      | 966,211               | 6,832,617          |
| <b>TOTAL LIABILITIES</b>                                   | <b>144,459,528</b>        | <b>63,561,778</b>              | <b>64,372,682</b>        | <b>68,124,185</b>        | <b>42,518,567</b>         | <b>12,962,001</b>       | <b>3,642,135</b>        | <b>3,189,361</b>      | <b>402,830,237</b> |
| <b>EQUITY</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Equity attributable to equity holders of the Bank          | -                         | -                              | -                        | -                        | -                         | -                       | -                       | 47,248,271            | 47,248,271         |
| Non-controlling interests                                  | -                         | -                              | -                        | -                        | -                         | -                       | -                       | 1,178,359             | 1,178,359          |
| <b>TOTAL EQUITY</b>  | <b>-</b>                  | <b>-</b>                       | <b>-</b>                 | <b>-</b>                 | <b>-</b>                  | <b>-</b>                | <b>-</b>                | <b>48,426,630</b>     | <b>48,426,630</b>  |
| <b>NET MATURITY MISMATCH</b>                               | <b>(118,830,185)</b>      | <b>(54,775,884)</b>            | <b>(52,352,887)</b>      | <b>(55,307,749)</b>      | <b>(19,218,950)</b>       | <b>78,118,912</b>       | <b>68,153,559</b>       | <b>154,213,184</b>    | <b>-</b>           |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

| Group<br>2019  | Up to<br>7 Days<br>RM'000 | >7 Days -<br>1 Month<br>RM'000 | >1-3<br>Months<br>RM'000 | >3-6<br>Months<br>RM'000 | >6-12<br>Months<br>RM'000 | >1-3<br>Years<br>RM'000 | >3-5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|--|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| <b>ASSETS</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Cash and balances with banks                               | 10,293,135                | 1,039,876                      | 1,975,386                | 710,522                  | 56,780                    | -                       | -                       | -                     | 14,075,699         |
| Reverse repurchase agreements                              | 8,208                     | -                              | -                        | -                        | -                         | -                       | -                       | -                     | 8,208              |
| Financial investments                                      | 26,279                    | 1,050,528                      | 1,049,571                | 3,589,043                | 6,303,249                 | 26,374,782              | 20,769,955              | 12,838,519            | 72,001,926         |
| Derivative financial assets                                | 10,340                    | 23,260                         | 46,219                   | 16,908                   | 2,205                     | 46,394                  | 6,306                   | 698                   | 152,330            |
| Loans, advances and financing                              | 11,762,749                | 5,107,017                      | 8,304,126                | 9,553,569                | 17,234,039                | 55,637,558              | 43,915,559              | 176,961,877           | 328,476,494        |
| Other asset balances                                       | 840,161                   | 2,554                          | 862                      | 332                      | -                         | -                       | -                       | 17,272,109            | 18,116,018         |
| <b>TOTAL ASSETS</b>  | <b>22,940,872</b>         | <b>7,223,235</b>               | <b>11,376,164</b>        | <b>13,870,374</b>        | <b>23,596,273</b>         | <b>82,058,734</b>       | <b>64,691,820</b>       | <b>207,073,203</b>    | <b>432,830,675</b> |
| <b>LIABILITIES</b>   |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Deposits from customers                                    | 122,098,282               | 60,616,447                     | 66,242,106               | 64,243,064               | 39,964,384                | 173,083                 | 3,109                   | -                     | 353,340,475        |
| Deposits from banks  | 2,960,937                 | 2,108,140                      | 2,930,387                | 334,354                  | 66,273                    | 88,673                  | 5,154                   | 155                   | 8,494,073          |
| Obligations on securities sold under repurchase agreements | 460,091                   | 179,063                        | -                        | 50,227                   | 281,273                   | -                       | -                       | -                     | 970,654            |
| Recourse obligations on loans sold to Cagamas              | -                         | -                              | -                        | -                        | 1,000,002                 | 4,500,002               | -                       | -                     | 5,500,004          |
| Derivative financial liabilities                           | 36,960                    | 24,274                         | 92,903                   | 51,477                   | 7,342                     | 48,008                  | 64,419                  | 20,341                | 345,724            |
| Debt securities issued and other borrowed funds            | -                         | -                              | -                        | -                        | -                         | 6,918,501               | 4,509,284               | 889,665               | 12,317,450         |
| Lease liabilities  | -                         | 24,187                         | 20,021                   | 43,708                   | 71,639                    | 205,381                 | 183,616                 | 539,256               | 1,087,808          |
| Other liability balances                                   | 2,800,296                 | 601,724                        | 686,137                  | 757,635                  | 342,429                   | 1,454                   | 33                      | 838,575               | 6,028,283          |
| <b>TOTAL LIABILITIES</b>                                   | <b>128,356,566</b>        | <b>63,553,835</b>              | <b>69,971,554</b>        | <b>65,480,465</b>        | <b>41,733,342</b>         | <b>11,935,102</b>       | <b>4,765,615</b>        | <b>2,287,992</b>      | <b>388,084,471</b> |
| <b>EQUITY</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Equity attributable to equity holders of the Bank          | -                         | -                              | -                        | -                        | -                         | -                       | -                       | 43,594,330            | 43,594,330         |
| Non-controlling interests                                  | -                         | -                              | -                        | -                        | -                         | -                       | -                       | 1,151,874             | 1,151,874          |
| <b>TOTAL EQUITY</b>  | <b>-</b>                  | <b>-</b>                       | <b>-</b>                 | <b>-</b>                 | <b>-</b>                  | <b>-</b>                | <b>-</b>                | <b>44,746,204</b>     | <b>44,746,204</b>  |
| <b>NET MATURITY MISMATCH</b>                               | <b>(105,415,694)</b>      | <b>(56,330,600)</b>            | <b>(58,595,390)</b>      | <b>(51,610,091)</b>      | <b>(18,137,069)</b>       | <b>70,123,632</b>       | <b>59,926,205</b>       | <b>160,039,007</b>    | <b>-</b>           |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

| Bank<br>2020   | Up to<br>7 Days<br>RM'000 | >7 Days -<br>1 Month<br>RM'000 | >1-3<br>Months<br>RM'000 | >3-6<br>Months<br>RM'000 | >6-12<br>Months<br>RM'000 | >1-3<br>Years<br>RM'000 | >3-5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|--|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| <b>ASSETS</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Cash and balances with banks                               | 9,642,132                 | 1,657,446                      | 1,101,116                | 569,973                  | -                         | -                       | -                       | -                     | 12,970,667         |
| Reverse repurchase agreements                              | 2,688                     | 200,145                        | -                        | -                        | -                         | -                       | -                       | -                     | 202,833            |
| Financial investments                                      | 205,345                   | 318,434                        | 545,020                  | 1,185,525                | 5,926,441                 | 25,517,655              | 15,466,782              | 4,289,738             | 53,454,940         |
| Derivative financial assets                                | 23,386                    | 47,402                         | 83,723                   | 39,740                   | 21,481                    | 61,050                  | 100,623                 | 91,848                | 469,253            |
| Loans and advances   | 7,673,675                 | 2,888,952                      | 6,094,491                | 6,878,604                | 12,700,945                | 47,527,919              | 37,419,877              | 146,254,511           | 267,438,974        |
| Other asset balances                                       | 1,125,548                 | 2,062                          | 1,487                    | 321                      | -                         | -                       | -                       | 17,554,418            | 18,683,836         |
| <b>TOTAL ASSETS</b>  | <b>18,672,774</b>         | <b>5,114,441</b>               | <b>7,825,837</b>         | <b>8,674,163</b>         | <b>18,648,867</b>         | <b>73,106,624</b>       | <b>52,987,282</b>       | <b>168,190,515</b>    | <b>353,220,503</b> |
| <b>LIABILITIES</b>   |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Deposits from customers                                    | 101,820,328               | 49,701,752                     | 38,985,777               | 53,133,208               | 34,317,332                | 115,979                 | 4,337                   | -                     | 278,078,713        |
| Deposits from banks  | 1,666,215                 | 3,581,032                      | 3,719,553                | 2,041,537                | 526,456                   | 48,408                  | 29,577                  | 1,563,557             | 13,176,335         |
| Obligations on securities sold under repurchase agreements | 335,950                   | 254,335                        | -                        | -                        | -                         | -                       | -                       | -                     | 590,285            |
| Recourse obligations on loans sold to Cagamas              | -                         | -                              | -                        | -                        | -                         | 4,500,003               | -                       | -                     | 4,500,003          |
| Derivative financial liabilities                           | 58,850                    | 96,466                         | 148,965                  | 103,742                  | 13,311                    | 128,053                 | 7,224                   | 23,760                | 580,371            |
| Debt securities issued and other borrowed funds            | -                         | -                              | 999,985                  | -                        | -                         | 6,294,735               | 2,889,728               | -                     | 10,184,448         |
| Lease liabilities  | -                         | 8,982                          | 17,985                   | 27,155                   | 54,968                    | 225,817                 | 234,563                 | 773,470               | 1,342,940          |
| Other liability balances                                   | 1,880,703                 | 378,600                        | 383,027                  | 472,672                  | 444,504                   | 336,209                 | 36                      | 931,869               | 4,827,620          |
| <b>TOTAL LIABILITIES</b>                                   | <b>105,762,046</b>        | <b>54,021,167</b>              | <b>44,255,292</b>        | <b>55,778,314</b>        | <b>35,356,571</b>         | <b>11,649,204</b>       | <b>3,165,465</b>        | <b>3,292,656</b>      | <b>313,280,715</b> |
| <b>EQUITY</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Equity attributable to equity holders of the Bank          | -                         | -                              | -                        | -                        | -                         | -                       | -                       | 39,939,788            | 39,939,788         |
| <b>TOTAL EQUITY</b>  | <b>-</b>                  | <b>-</b>                       | <b>-</b>                 | <b>-</b>                 | <b>-</b>                  | <b>-</b>                | <b>-</b>                | <b>39,939,788</b>     | <b>39,939,788</b>  |
| <b>NET MATURITY MISMATCH</b>                               | <b>(87,089,272)</b>       | <b>(48,906,726)</b>            | <b>(36,429,455)</b>      | <b>(47,104,151)</b>      | <b>(16,707,704)</b>       | <b>61,457,420</b>       | <b>49,821,817</b>       | <b>124,958,071</b>    | <b>-</b>           |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

| Bank<br>2019   | Up to<br>7 Days<br>RM'000 | >7 Days –<br>1 Month<br>RM'000 | >1-3<br>Months<br>RM'000 | >3-6<br>Months<br>RM'000 | >6-12<br>Months<br>RM'000 | >1-3<br>Years<br>RM'000 | >3-5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|--|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| <b>ASSETS</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Cash and balances with banks                               | 5,707,648                 | 735,004                        | 1,480,103                | 562,530                  | -                         | -                       | -                       | -                     | 8,485,285          |
| Reverse repurchase agreements                              | 8,208                     | -                              | -                        | -                        | -                         | -                       | -                       | -                     | 8,208              |
| Financial investments                                      | -                         | 100,392                        | 295,635                  | 1,107,718                | 4,866,044                 | 22,763,458              | 13,759,445              | 7,592,244             | 50,484,936         |
| Derivative financial assets                                | 7,825                     | 19,703                         | 44,302                   | 15,103                   | 2,205                     | 50,265                  | 6,306                   | 86,545                | 232,254            |
| Loans and advances   | 8,928,545                 | 3,286,314                      | 6,115,416                | 6,943,440                | 13,433,759                | 44,233,407              | 34,441,395              | 138,887,798           | 256,270,074        |
| Other asset balances                                       | 1,032,621                 | 4,273                          | 3,395                    | 1,244                    | -                         | -                       | -                       | 23,023,162            | 24,064,695         |
| <b>TOTAL ASSETS</b>  | <b>15,684,847</b>         | <b>4,145,686</b>               | <b>7,938,851</b>         | <b>8,630,035</b>         | <b>18,302,008</b>         | <b>67,047,130</b>       | <b>48,207,146</b>       | <b>169,589,749</b>    | <b>339,545,452</b> |
| <b>LIABILITIES</b>   |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Deposits from customers                                    | 87,228,146                | 47,775,155                     | 47,249,077               | 51,817,226               | 34,049,202                | 138,686                 | 2,198                   | -                     | 268,259,690        |
| Deposits from banks  | 3,319,670                 | 2,639,937                      | 4,367,980                | 1,176,150                | 207,611                   | 79,761                  | 4,138                   | 155                   | 11,795,402         |
| Obligations on securities sold under repurchase agreements | 460,091                   | 179,063                        | -                        | -                        | -                         | -                       | -                       | -                     | 639,154            |
| Recourse obligations on loans sold to Cagamas              | -                         | -                              | -                        | -                        | 1,000,002                 | 4,500,002               | -                       | -                     | 5,500,004          |
| Derivative financial liabilities                           | 36,768                    | 24,271                         | 92,426                   | 49,701                   | 7,342                     | 48,008                  | 64,419                  | -                     | 322,935            |
| Debt securities issued and other borrowed funds            | -                         | -                              | -                        | -                        | -                         | 5,324,264               | 4,009,285               | 889,665               | 10,223,214         |
| Lease liabilities  | -                         | 22,797                         | 17,289                   | 40,199                   | 66,848                    | 219,132                 | 221,235                 | 757,137               | 1,344,637          |
| Other liability balances                                   | 1,632,469                 | 489,819                        | 530,076                  | 617,649                  | 299,707                   | 1,542                   | 31                      | 810,753               | 4,382,046          |
| <b>TOTAL LIABILITIES</b>                                   | <b>92,677,144</b>         | <b>51,131,042</b>              | <b>52,256,848</b>        | <b>53,700,925</b>        | <b>35,630,712</b>         | <b>10,311,395</b>       | <b>4,301,306</b>        | <b>2,457,710</b>      | <b>302,467,082</b> |
| <b>EQUITY</b>  |                           |                                |                          |                          |                           |                         |                         |                       |                    |
| Equity attributable to equity holders of the Bank          | -                         | -                              | -                        | -                        | -                         | -                       | -                       | 37,078,370            | 37,078,370         |
| <b>TOTAL EQUITY</b>  | <b>-</b>                  | <b>-</b>                       | <b>-</b>                 | <b>-</b>                 | <b>-</b>                  | <b>-</b>                | <b>-</b>                | <b>37,078,370</b>     | <b>37,078,370</b>  |
| <b>NET MATURITY MISMATCH</b>                               | <b>(76,992,297)</b>       | <b>(46,985,356)</b>            | <b>(44,317,997)</b>      | <b>(45,070,890)</b>      | <b>(17,328,704)</b>       | <b>56,735,735</b>       | <b>43,905,840</b>       | <b>130,053,669</b>    | <b>-</b>           |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (b) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The interest/profit payments of subordinated notes/sukuk murabahah and additional Tier I capital securities are computed up to the first optional redemption date.

| Group<br>2020   | Up to<br>7 Days    | >7 Days –<br>1 Month | >1–3<br>Months    | >3–6<br>Months    | >6–12<br>Months   | >1–3<br>Years     | >3–5<br>Years    | >5<br>Years      | Total              |
|---|--------------------|----------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|
|   | RM'000             | RM'000               | RM'000            | RM'000            | RM'000            | RM'000            | RM'000           | RM'000           | RM'000             |
| Deposits from customers   | 139,274,800        | 60,222,044           | 59,874,952        | 67,129,723        | 42,185,870        | 240,976           | 5,856            | –                | 368,934,221        |
| Deposits from banks   | 1,734,001          | 2,898,841            | 3,258,493         | 1,118,162         | 50,070            | 55,401            | 33,743           | 1,676,938        | 10,825,649         |
| Obligations on securities sold under repurchase agreements            | 336,096            | 266,846              | 121,234           | 102,013           | 97,506            | –                 | –                | –                | 923,695            |
| Debt securities issued and other borrowed funds                       | –                  | 41,342               | 1,040,690         | 144,092           | 727,490           | 7,886,975         | 3,547,579        | –                | 13,388,168         |
| Lease liabilities   | –                  | 9,941                | 19,825            | 29,425            | 56,779            | 211,045           | 195,917          | 963,571          | 1,486,503          |
| Other liability balances  | 3,124,145          | 121,308              | 233,416           | 167,162           | 143,844           | 4,757,224         | 16,728           | 975,651          | 9,539,478          |
| <b>Total Liabilities</b>  | <b>144,469,042</b> | <b>63,560,322</b>    | <b>64,548,610</b> | <b>68,690,577</b> | <b>43,261,559</b> | <b>13,151,621</b> | <b>3,799,823</b> | <b>3,616,160</b> | <b>405,097,714</b> |
| Direct credit substitutes   | 66,438             | 28,977               | 68,720            | 175,242           | 396,443           | 175,579           | 2,852            | 416              | 914,667            |
| Transaction-related contingent items                                  | 339,406            | 57,890               | 113,126           | 133,795           | 373,247           | 499,056           | 147,082          | 5,010            | 1,668,612          |
| Short term self-liquidating trade-related contingencies               | 31,505             | 103,384              | 102,624           | 14,355            | 57,295            | 92,155            | –                | –                | 401,318            |
| Other commitments, such as formal standby facilities and credit lines | 10,493,542         | 1,137,107            | 2,790,321         | 3,319,139         | 8,761,845         | 26,540,657        | 726,071          | 3,871,329        | 57,640,011         |
| Unutilised credit card lines  | 8,161,401          | –                    | –                 | –                 | –                 | –                 | –                | –                | 8,161,401          |
| Forward asset purchases   | 42,424             | –                    | –                 | –                 | –                 | –                 | –                | –                | 42,424             |
| <b>Total Commitments and Contingencies</b>                            | <b>19,134,716</b>  | <b>1,327,358</b>     | <b>3,074,791</b>  | <b>3,642,531</b>  | <b>9,588,830</b>  | <b>27,307,447</b> | <b>876,005</b>   | <b>3,876,755</b> | <b>68,828,433</b>  |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

| Group<br>2019   | Up to<br>7 Days<br>RM'000 | >7 Days –<br>1 Month<br>RM'000 | >1-3<br>Months<br>RM'000 | >3-6<br>Months<br>RM'000 | >6-12<br>Months<br>RM'000 | >1-3<br>Years<br>RM'000 | >3-5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|---|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| Deposits from customers   | 122,431,079               | 61,109,367                     | 67,021,250               | 65,502,808               | 41,317,718                | 184,078                 | 3,580                   | –                     | 357,569,880        |
| Deposits from banks   | 2,966,249                 | 2,113,789                      | 2,947,473                | 338,817                  | 67,682                    | 92,501                  | 5,570                   | 174                   | 8,532,255          |
| Obligations on securities sold under repurchase agreements            | 461,305                   | 179,515                        | –                        | 51,759                   | 290,349                   | –                       | –                       | –                     | 982,928            |
| Debt securities issued and other borrowed funds                       | –                         | 42,612                         | 52,967                   | 158,092                  | 252,524                   | 7,714,337               | 4,853,680               | 910,414               | 13,984,626         |
| Lease liabilities   | –                         | 24,333                         | 20,306                   | 44,094                   | 73,023                    | 207,097                 | 185,871                 | 954,703               | 1,509,427          |
| Other liability balances  | 2,552,133                 | 34,457                         | 138,446                  | 110,100                  | 1,129,930                 | 4,896,626               | 69,838                  | 847,203               | 9,778,733          |
| <b>Total Liabilities</b>  | <b>128,410,766</b>        | <b>63,504,073</b>              | <b>70,180,442</b>        | <b>66,205,670</b>        | <b>43,131,226</b>         | <b>13,094,639</b>       | <b>5,118,539</b>        | <b>2,712,494</b>      | <b>392,357,849</b> |
| Direct credit substitutes   | 78,804                    | 24,501                         | 71,286                   | 166,438                  | 420,736                   | 185,262                 | 2,342                   | 300                   | 949,669            |
| Transaction-related contingent items                                  | 306,436                   | 86,889                         | 113,457                  | 165,422                  | 366,736                   | 552,472                 | 142,102                 | 11,957                | 1,745,471          |
| Short term self-liquidating trade-related contingencies               | 47,976                    | 107,388                        | 334,467                  | 72,654                   | 5,823                     | –                       | –                       | –                     | 568,308            |
| Other commitments, such as formal standby facilities and credit lines | 10,337,773                | 915,411                        | 1,980,084                | 2,788,156                | 8,331,871                 | 22,916,431              | 324,016                 | 4,128,197             | 51,721,939         |
| Unutilised credit card lines  | 7,584,924                 | –                              | –                        | –                        | 78,712                    | –                       | –                       | –                     | 7,663,636          |
| Forward asset purchases   | 65,652                    | –                              | –                        | –                        | –                         | –                       | –                       | –                     | 65,652             |
| <b>Total Commitments and Contingencies</b>                            | <b>18,421,565</b>         | <b>1,134,189</b>               | <b>2,499,294</b>         | <b>3,192,670</b>         | <b>9,203,878</b>          | <b>23,654,165</b>       | <b>468,460</b>          | <b>4,140,454</b>      | <b>62,714,675</b>  |



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

| Bank<br>2020  | Up to<br>7 Days    | >7 Days -<br>1 Month | >1-3<br>Months    | >3-6<br>Months    | >6-12<br>Months   | >1-3<br>Years     | >3-5<br>Years    | >5<br>Years      | Total              |
|---|--------------------|----------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|
|   | RM'000             | RM'000               | RM'000            | RM'000            | RM'000            | RM'000            | RM'000           | RM'000           | RM'000             |
| Deposits from customers   | 101,922,674        | 49,997,108           | 39,528,630        | 54,088,942        | 34,998,087        | 118,551           | 4,518            | -                | 280,658,510        |
| Deposits from banks   | 1,667,779          | 3,586,874            | 3,729,087         | 2,048,196         | 529,989           | 49,780            | 30,213           | 1,563,615        | 13,205,533         |
| Obligations on securities sold under repurchase agreements            | 336,096            | 254,718              | -                 | -                 | -                 | -                 | -                | -                | 590,814            |
| Debt securities issued and other borrowed funds                       | -                  | 29,490               | 1,027,754         | 132,993           | 171,820           | 6,755,565         | 3,028,777        | -                | 11,146,399         |
| Lease liabilities   | -                  | 8,982                | 17,985            | 27,155            | 54,971            | 225,857           | 235,869          | 1,343,992        | 1,914,811          |
| Other liability balances  | 1,854,524          | 117,378              | 211,901           | 164,369           | 139,033           | 4,739,176         | 4,492            | 933,148          | 8,164,021          |
| <b>Total Liabilities</b>  | <b>105,781,073</b> | <b>53,994,550</b>    | <b>44,515,357</b> | <b>56,461,655</b> | <b>35,893,900</b> | <b>11,888,929</b> | <b>3,303,869</b> | <b>3,840,755</b> | <b>315,680,088</b> |
| Direct credit substitutes   | 63,158             | 24,431               | 65,743            | 163,126           | 380,980           | 170,650           | 2,414            | 418              | 870,920            |
| Transaction-related contingent items                                  | 330,039            | 37,865               | 87,843            | 111,902           | 244,965           | 439,224           | 134,060          | 4,816            | 1,390,714          |
| Short term self-liquidating trade-related contingencies               | 22,110             | 47,603               | 28,512            | 4,947             | 12,909            | 91,959            | -                | -                | 208,040            |
| Other commitments, such as formal standby facilities and credit lines | 9,633,203          | 522,313              | 2,311,179         | 2,658,266         | 6,615,132         | 21,139,626        | 419,647          | 3,020,189        | 46,319,555         |
| Unutilised credit card lines  | 7,910,938          | -                    | -                 | -                 | -                 | -                 | -                | -                | 7,910,938          |
| Forward asset purchases   | 42,424             | -                    | -                 | -                 | -                 | -                 | -                | -                | 42,424             |
| <b>Total Commitments and Contingencies</b>                            | <b>18,001,872</b>  | <b>632,212</b>       | <b>2,493,277</b>  | <b>2,938,241</b>  | <b>7,253,986</b>  | <b>21,841,459</b> | <b>556,121</b>   | <b>3,025,423</b> | <b>56,742,591</b>  |

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity and Funding Risk (continued)

#### Risk Management Approach (continued)

- (b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

| Bank<br>2019  | Up to<br>7 Days<br>RM'000 | >7 Days –<br>1 Month<br>RM'000 | >1-3<br>Months<br>RM'000 | >3-6<br>Months<br>RM'000 | >6-12<br>Months<br>RM'000 | >1-3<br>Years<br>RM'000 | >3-5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|---|---------------------------|--------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|--------------------|
| Deposits from customers   | 87,330,199                | 48,184,782                     | 47,971,494               | 53,122,151               | 35,083,311                | 142,040                 | 2,351                   | -                     | 271,836,328        |
| Deposits from banks   | 3,322,835                 | 2,651,981                      | 4,399,042                | 1,196,238                | 211,805                   | 80,613                  | 4,183                   | 155                   | 11,866,852         |
| Obligations on securities sold under repurchase agreements            | 461,305                   | 179,515                        | -                        | -                        | -                         | -                       | -                       | -                     | 640,820            |
| Debt securities issued and other borrowed funds                       | -                         | 29,490                         | 37,883                   | 144,182                  | 213,058                   | 5,992,336               | 4,316,128               | 910,414               | 11,643,491         |
| Lease liabilities   | -                         | 22,797                         | 17,289                   | 40,200                   | 67,610                    | 219,277                 | 222,255                 | 1,343,558             | 1,932,986          |
| Other liability balances  | 1,567,084                 | 35,145                         | 137,192                  | 107,182                  | 1,128,410                 | 4,889,680               | 64,036                  | 810,753               | 8,739,482          |
| <b>Total Liabilities</b>  | <b>92,681,423</b>         | <b>51,103,710</b>              | <b>52,562,900</b>        | <b>54,609,953</b>        | <b>36,704,194</b>         | <b>11,323,946</b>       | <b>4,608,953</b>        | <b>3,064,880</b>      | <b>306,659,959</b> |
| Direct credit substitutes   | 76,131                    | 19,549                         | 68,138                   | 157,728                  | 407,650                   | 180,348                 | 2,273                   | 300                   | 912,117            |
| Transaction-related contingent items                                  | 297,557                   | 67,872                         | 83,745                   | 121,696                  | 244,794                   | 483,596                 | 131,137                 | 5,180                 | 1,435,577          |
| Short term self-liquidating trade-related contingencies               | 39,422                    | 39,889                         | 34,190                   | 3,376                    | 826                       | -                       | -                       | -                     | 117,703            |
| Other commitments, such as formal standby facilities and credit lines | 9,493,301                 | 516,337                        | 1,532,447                | 2,194,158                | 6,025,117                 | 18,548,953              | 268,573                 | 3,169,440             | 41,748,326         |
| Unutilised credit card lines  | 7,346,453                 | -                              | -                        | -                        | -                         | -                       | -                       | -                     | 7,346,453          |
| Forward asset purchases   | 44,405                    | -                              | -                        | -                        | -                         | -                       | -                       | -                     | 44,405             |
| <b>Total Commitments and Contingencies</b>                            | <b>17,297,269</b>         | <b>643,647</b>                 | <b>1,718,520</b>         | <b>2,476,958</b>         | <b>6,678,387</b>          | <b>19,212,897</b>       | <b>401,983</b>          | <b>3,174,920</b>      | <b>51,604,581</b>  |

### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

#### Risk Governance

The Group's operational risk management is guided by the Group's Operational Risk Management Policy which is designed to ensure that operational risks are consistently identified, assessed, mitigated/controlled, monitored and reported within the Group.

The Board, through RMC, maintains overall responsibility for risk oversight within the Group. The ORMC assists the RMC in operational risk management oversight. The ORMC is responsible for assessing the effectiveness of risk management policies and processes in relation to operational risk. The Operational Risk Management Working Group ("ORMWG") is established to support and assist the ORMC in its ongoing review of the operational risk management policies and procedures and ensuring effective implementation of the policies and procedures within the business and support units.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Operational Risk (continued)

#### Risk Governance (continued)

The various business and support units are responsible for the day-to-day management of operational risks within their lines of business and functions and ensure that their business activities are carried out within the established operational risk management policies, guidelines, procedures and limits.

To ensure effective management of operational risk, independent risk management and compliance functions provide support to the business and support units and conduct compliance checks on their implementation of risk management policies and tools to identify, assess, control and monitor operational risk.

The internal audit function provides independent assurance on the adequacy and effectiveness of operational risk management policies, processes and systems.

#### Risk Management Approach

The day-to-day management of operational risk exposures is through a system of risk management and internal controls to ensure that operational policies, guidelines and procedures are being adhered to at all levels throughout the Group. As events and business conditions evolve, the Group continues to strengthen and refine its operational risk management processes to ensure that the current and potential operational risk exposures are properly understood and managed.

##### (a) Strategy and Processes

The Group has put in place a disciplined evaluation process for the offering of new product and electronic banking ("e-banking") services. The Group's evaluation process is governed by the Group's Policy and Procedures on Risk Management Practices for New Products and the Group's Policy and Procedures on the Provision of Electronic Banking Services. Each new product or e-banking service introduced as well as variations to existing products or e-banking services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions independent of the risk taking unit that proposes the products or e-banking services. This is further augmented by the Group's Policy on Product Transparency and Disclosure which emphasises the importance of safeguarding customers' confidentiality and promoting their awareness and understanding of the products and services, and informed decision making.

The Group continues to direct group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to ensure compliance with statutory and regulatory requirements as well as internal policies and guidelines.

Comprehensive risk assessments are conducted on major operational risk issues/emerging risk events arising from changes in business and operating environment to facilitate pro-active development of appropriate risk response to emerging operational risk events which would affect the achievement of the Group's business objectives. Periodic reviews and enhancements to operational risk limits and assessment of the control effectiveness are also conducted in response to changes in internal and external factors so that the Group's operational risk exposures are managed within its risk appetite.

The Group has put in place the disaster recovery and business continuity plans which are regularly tested and updated that enable the Group to respond and continue to operate critical business functions across a broad spectrum of interruptions to the business, arising from internal or external events. Where appropriate, the Group mitigates risk of high impact loss events by insurance coverage.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Operational Risk (continued)

#### Risk Management Approach (continued)

##### (a) Strategy and Processes (continued)

The Group protects information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In addition, the Group continues to undertake initiatives to maintain 100% system availability and robust system performance in the Group's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

The Group manages its outsourcing arrangements through the Group's Policy and Procedures on Outsourcing Arrangements which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing arrangements are managed effectively.

##### (b) Tools and Methods for Risk Mitigation

To monitor and mitigate operational risk, the Group uses various tools and methods including:

- (i) Risk and control self-assessment – To assess the state of risk management and internal controls for continuous enhancements;
- (ii) Key risk indicators – To collect statistical data on an ongoing basis to facilitate early detection of operational risk issues and control deficiencies;
- (iii) Operational risk incident reporting and data collection – To analyse the causes of operational risk incidents and trends of operational risk data which are useful in assessing the Group's operational risk exposures and in strengthening the internal control environment; and
- (iv) Scenario Analysis – To identify and assess extreme but plausible operational risk events which can provide better understanding of the risks under extreme conditions and assess the need for additional risk management controls or mitigation solutions.

##### (c) Reporting

Reporting is one of the important processes in operational risk management. The Group's operational risk management processes are aimed to ensure that operational risk exposures are properly identified, escalated and managed on a timely manner.

Operational risk exposures for the key business and control units are reported through monthly operational risk management reports which provide analyses and action plans for each significant business operation. The key operational risk areas included in the operational risk management reports are premises controls and safety, losses due to fraud or control lapses, IT risk management, business continuity management, outsourcing arrangements, compliance review results as well as litigation against the Group. The operational risk management reports are tabled to the ORMWG, the ORMC and the RMC for deliberations.

### Shariah Non-compliance Risk

Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission ("SC") Malaysia, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic Bank Berhad ("PIBB"), the management of Shariah-based funds by Public Mutual Berhad ("PMU") and the Islamic capital market activities of Public Investment Bank Berhad.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Shariah Non-compliance Risk (continued)

#### Islamic Banking Operations

PIBB is governed under the IFSA which requires it to ensure that its operations, business, affairs and activities are managed in strict compliance with Shariah and in accordance with the advice and ruling issued by the BNM SAC. The BNM Shariah Governance Policy 2019 ("SGP") provides a comprehensive guidance to the Board, Shariah Committee, and Senior Management in discharging its duties in matters relating to Shariah and outlines the key Shariah functions. PIBB operationalises the SGP through its Shariah Governance Policy.

The Board is responsible in providing overall oversight on Shariah governance, structure and compliance of PIBB's operations. The Shariah Committee is responsible to provide advice to ensure PIBB's operations, business, affairs and activities are Shariah compliant. This includes advising the Board and Senior Management on Shariah matters, endorsing Shariah policies, products and relevant documents of Islamic banking operations, deliberating and affirming Shariah issues as well as endorsing rectification plans to address the Shariah issues. The Chief Executive Officer and Senior Management are responsible for the day-to-day management of PIBB to ensure it complies with Shariah requirements. In discharging its duties, the Shariah Committee is supported by the Shariah Division, which consists of the Shariah Advisory, Research & Secretariat functions which perform research on Shariah issues, provide day-to-day advice on Shariah matters, disseminate Shariah Committee's decisions and advices as well as providing administrative and secretarial functions to support the Shariah Committee.

The Shariah Risk Management function is responsible for the identification, measurement, monitoring and mitigation of SNC risks in the operations and business activities of PIBB. Any identified Shariah non-compliances are escalated to the Qualified Shariah Officer for further actions and to Shariah Committee for deliberation or decisions.

The Shariah Review and Compliance function is responsible for assessing, monitoring and reporting on PIBB's compliance with Shariah requirements. This is discharged through performing periodic reviews on the state of compliance with Shariah requirements in the operations and business activities of PIBB. Any identified non-compliances are escalated to both Shariah Committee and PIBB's Risk Management Committee on Compliance Function.

The Shariah Audit function is responsible to perform periodic internal audits to independently assess the quality and effectiveness of PIBB's internal controls, risk management systems, governance processes as well as the overall compliance of PIBB's operations and business activities with Shariah requirements. Any incidences of Shariah non-compliance are reported to both Shariah Committee and PIBB's Audit Committee.

Remedial actions including but not limited to the immediate termination of Shariah non-compliant products or services and the treatment of the consequential Shariah non-compliant income or activities are proposed for endorsement by Shariah Committee and the approval by the Board of PIBB prior to implementation.

For the financial year ended 2020, there were four (4) (2019: 7) SNC incidences of which, one relates to the use of incomplete/under construction properties as underlying assets for Bai' Bithaman Ajil ("BBA") House Financing-i ("HF-i") and BBA Term Financing-i ("TF-i"). The root causes for the SNC incident had been identified and corrective measures had been taken to prevent recurrence. The financing income amounting to RM26,064,000 is temporary derecognised until the appropriate actions are taken to rectify the SNC incident.

An amount of RM4,000 (2019: RM1,901,000) was identified as SNC income and a total of RM30,000 (2019: RM48,000) was identified as Gharamah and are not recognised as income. Both SNC income and Gharamah will be purified in accordance with the method as determined by Shariah Committee.

# Notes to the Financial Statements – 31 December 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Shariah Non-compliance Risk (continued)

#### Management of Shariah-Based Funds

SNC risk emanating from investments and operations of Shariah-based funds is managed through SNC risk management processes. An independent third party registered with the SC is appointed as the Shariah Adviser for the Shariah-based funds managed by PMU. The role of the Shariah Adviser is to review the funds' investments and to engage with the investment management team to ensure the investments and operations of the Shariah-based funds are in compliance with Shariah requirements.

The Compliance Division of PMU is responsible for assessing, monitoring and reporting on the company's compliance with the applicable Shariah rules and regulations in managing its Shariah-based funds. The Compliance Division conducts regular reviews and works closely with the Shariah Adviser to ensure all transactions under the Shariah-based funds comply with the Shariah requirements at all times.

Shariah-compliant securities which are reclassified to be SNC upon review of the securities by the SAC of SC or the Shariah Adviser will result in the SNC securities being disposed of from the respective funds. For the purpose of purification, any capital gain arising from the disposal of the SNC securities made at market price/valuation, at the time of the announcement/review day may be retained. However, gains derived from the disposal of the SNC securities after the announcement/review day at market price/valuation that is above the closing price/valuation on the announcement/review day is deposited into a separate account which is segregated from the funds' account.

The SNC income from the funds may be channelled to baitumal and/or charitable bodies as advised by the Shariah Adviser. The SAC of SC also allows SNC income from the funds, at its discretion, to be distributed to the investors. Should such income be distributed to investors, the Manager will inform investors that it is the investors' obligation to purify it in accordance to Shariah principles upon receiving it from the funds.

During the financial year, SNC income of RM393,000 (2019: RM1,284,000) under the Shariah-based funds arising from the disposal of SNC securities was channelled to charitable bodies and distributed to investors as advised by the Shariah Adviser.

#### Islamic Capital Market Activities

SNC risk emanating from Islamic capital market activities is managed through the appointment of an external independent Shariah Adviser who is registered with the SAC of SC in Malaysia. The roles of the Shariah Adviser as provided under the guidelines issued by the SC include:

- (a) advising on all aspects of Islamic stockbroking matters;
- (b) advising on all aspects of Sukuk issuance in accordance with Shariah principles;
- (c) providing Shariah expertise and guidance on all matters, particularly in documentation, structuring and ensure compliance with relevant SC's regulations;
- (d) ensuring that the applicable Shariah rulings, principles and concepts endorsed by the SAC of SC are complied with; and
- (e) issuance of a Shariah Pronouncement in relation to the Islamic capital market products.

The Securities Trading Division works closely with the Shariah Adviser to ensure all Islamic capital market transactions comply with the Shariah requirements under the relevant guidelines or best practices issued by Bursa Malaysia and SC.

The Debt Capital Markets ("DCM") Division is responsible for assessing and monitoring on the issuer's compliance with the applicable Shariah rules and regulations in its Islamic capital market activities. The DCM Division works closely with the Shariah Adviser to ensure all Islamic capital market transactions comply with the Shariah requirements under the relevant guidelines issued by the SC and BNM, where applicable.



## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Shariah Non-compliance Risk (continued)

#### Islamic Capital Market Activities (continued)

Ongoing independent reviews on compliance with Shariah requirements under the relevant guidelines and best practices issued by Bursa Malaysia and SC are undertaken by Compliance Division and Internal Audit Division. Shariah non-compliances noted during compliance reviews and the issues raised by internal auditors pursuant to their audit are submitted to the Shariah Adviser for review, advice and guidance.

For the financial year ended 2020, RM80 (2019: Nil) was identified as SNC income and is not recognised as income. The SNC income will be purified in accordance with the method as determined by the Shariah Adviser.

## 46. FAIR VALUE MEASUREMENTS

### (a) Determination of fair value and the fair value hierarchy

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. For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

The Group and the Bank classify financial instruments and non-financial assets which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 – Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 – Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 – Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

The Group's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements, including Level 3 fair values, reports directly to the Chief Financial Officer. Independent verification on financial instruments is performed by Treasury Middle Office. For investment properties, the valuation is determined with reference to quotations of market value provided by independent professional valuers.

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Financial instruments and non-financial assets carried at fair value

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

| Group<br>2020  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>  |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss                  |                   |                   |                   |                 |
| – Government securities and treasury bills                             | –                 | 904,395           | –                 | 904,395         |
| – Non-money market instruments   | –                 | 200,339           | 478,772           | 679,111         |
|  | –                 | 1,104,734         | 478,772           | 1,583,506       |
| Financial investments at fair value through other comprehensive income |                   |                   |                   |                 |
| – Government securities and treasury bills                             | –                 | 41,557,647        | –                 | 41,557,647      |
| – Money market instruments   | –                 | 938,442           | –                 | 938,442         |
| – Non-money market instruments   | 1,382             | 5,670,907         | 379,025           | 6,051,314       |
|  | 1,382             | 48,166,996        | 379,025           | 48,547,403      |
| Derivative financial assets  | –                 | 287,010           | –                 | 287,010         |
| Total financial assets measured at fair value                          | 1,382             | 49,558,740        | 857,797           | 50,417,919      |
| <b>Non-financial assets</b>  |                   |                   |                   |                 |
| Investment properties  | –                 | –                 | 712,885           | 712,885         |
| <b>Financial liabilities</b>   |                   |                   |                   |                 |
| Derivative financial liabilities                                       | –                 | 626,056           | –                 | 626,056         |
| Total financial liabilities measured at fair value                     | –                 | 626,056           | –                 | 626,056         |



## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

| Group<br>2019  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>  |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss                  |                   |                   |                   |                 |
| – Government securities and treasury bills                             | –                 | 3,480,322         | –                 | 3,480,322       |
| – Money market instruments   | –                 | 249,541           | –                 | 249,541         |
| – Non-money market instruments   | –                 | 34,974            | 445,428           | 480,402         |
|  | –                 | 3,764,837         | 445,428           | 4,210,265       |
| Financial investments at fair value through other comprehensive income |                   |                   |                   |                 |
| – Government securities and treasury bills                             | –                 | 33,950,350        | –                 | 33,950,350      |
| – Money market instruments   | –                 | 426,813           | –                 | 426,813         |
| – Non-money market instruments   | 1,556             | 5,423,236         | 351,538           | 5,776,330       |
|  | 1,556             | 39,800,399        | 351,538           | 40,153,493      |
| Derivative financial assets  | –                 | 152,330           | –                 | 152,330         |
| Total financial assets measured at fair value                          | 1,556             | 43,717,566        | 796,966           | 44,516,088      |
| <b>Non-financial assets</b>  |                   |                   |                   |                 |
| Investment properties  | –                 | –                 | 753,095           | 753,095         |
| <b>Financial liabilities</b>   |                   |                   |                   |                 |
| Derivative financial liabilities                                       | –                 | 345,724           | –                 | 345,724         |
| Total financial liabilities measured at fair value                     | –                 | 345,724           | –                 | 345,724         |

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

| <b>Bank<br/>2020</b>   | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Financial assets</b>  |                           |                           |                           |                         |
| Financial assets at fair value through profit or loss                  |                           |                           |                           |                         |
| – Government securities and treasury bills                             | –                         | 904,395                   | –                         | 904,395                 |
| – Non-money market instruments   | –                         | 200,339                   | 451,376                   | 651,715                 |
|  | –                         | 1,104,734                 | 451,376                   | 1,556,110               |
| Financial investments at fair value through other comprehensive income |                           |                           |                           |                         |
| – Government securities and treasury bills                             | –                         | 30,531,442                | –                         | 30,531,442              |
| – Money market instruments   | –                         | 938,442                   | –                         | 938,442                 |
| – Non-money market instruments   | –                         | 1,211,211                 | 372,474                   | 1,583,685               |
|  | –                         | 32,681,095                | 372,474                   | 33,053,569              |
| Derivative financial assets  | –                         | 469,253                   | –                         | 469,253                 |
| Total financial assets measured at fair value                          | –                         | 34,255,082                | 823,850                   | 35,078,932              |
| <b>Financial liabilities</b>   |                           |                           |                           |                         |
| Derivative financial liabilities                                       | –                         | 580,371                   | –                         | 580,371                 |
| Total financial liabilities measured at fair value                     | –                         | 580,371                   | –                         | 580,371                 |



## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

| Bank<br>2019   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>  |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss                  |                   |                   |                   |                 |
| – Government securities and treasury bills                             | –                 | 3,448,443         | –                 | 3,448,443       |
| – Non-money market instruments   | –                 | –                 | 419,940           | 419,940         |
|  | –                 | 3,448,443         | 419,940           | 3,868,383       |
| Financial investments at fair value through other comprehensive income |                   |                   |                   |                 |
| – Government securities and treasury bills                             | –                 | 23,296,864        | –                 | 23,296,864      |
| – Money market instruments   | –                 | 426,813           | –                 | 426,813         |
| – Non-money market instruments   | –                 | 1,927,307         | 345,113           | 2,272,420       |
|  | –                 | 25,650,984        | 345,113           | 25,996,097      |
| Derivative financial assets  | –                 | 232,254           | –                 | 232,254         |
| Total financial assets measured at fair value                          | –                 | 29,331,681        | 765,053           | 30,096,734      |
| <b>Financial liabilities</b>   |                   |                   |                   |                 |
| Derivative financial liabilities                                       | –                 | 322,935           | –                 | 322,935         |
| Total financial liabilities measured at fair value                     | –                 | 322,935           | –                 | 322,935         |

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2019 – None).

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Financial instruments and non-financial assets carried at fair value (continued)

**Reconciliation of movements in Level 3 financial instruments:**

| Group                                    | Unquoted Equity Securities          |   |               |
|--|-------------------------------------|---|---------------|
|  | Financial Investments at Fair Value | Assets at Fair Value Through Other Comprehensive Profit or Loss | Income RM'000 |
| At 1 January 2020                        | 445,428                             | 351,538   |               |
| Recognised in profit or loss             |                                     |   |               |
| – unrealised revaluation gain            | 33,344                              | –   |               |
| Recognised in other comprehensive income |                                     |   |               |
| – unrealised revaluation gain            | –                                   | 28,150  |               |
| Exchange differences                     | –                                   | (663)   |               |
| At 31 December 2020                      | 478,772                             | 379,025   |               |
| At 1 January 2019                        | 423,949                             | 344,996   |               |
| Recognised in profit or loss             |                                     |   |               |
| – unrealised revaluation gain            | 21,479                              | –   |               |
| Recognised in other comprehensive income |                                     |   |               |
| – unrealised revaluation gain            | –                                   | 6,993   |               |
| – realised gain on disposal              | –                                   | 5   |               |
| Disposal                                 | –                                   | (383)   |               |
| Exchange differences                     | –                                   | (73)  |               |
| At 31 December 2019                      | 445,428                             | 351,538   |               |



## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Financial instruments and non-financial assets carried at fair value (continued)

#### Reconciliation of movements in Level 3 financial instruments (continued):

| Bank                                     | Unquoted Equity Securities   |               | Financial Investments at Fair Value |
|--|--|---------------|-------------------------------------|
|  | Assets at Fair Value Through Other Comprehensive Profit or Loss RM'000 | Income RM'000 |                                     |
| At 1 January 2020                        | 419,940  | 345,113       |                                     |
| Recognised in profit or loss             |  |               |                                     |
| – unrealised revaluation gain            | 31,436   | –             |                                     |
| Recognised in other comprehensive income |  |               |                                     |
| – unrealised revaluation gain            | –  | 27,971        |                                     |
| Exchange differences                     | –  | (610)         |                                     |
| At 31 December 2020                      | 451,376  | 372,474       |                                     |
| At 1 January 2019                        | 399,690  | 338,498       |                                     |
| Recognised in profit or loss             |  |               |                                     |
| – unrealised revaluation gain            | 20,250   | –             |                                     |
| Recognised in other comprehensive income |  |               |                                     |
| – unrealised revaluation gain            | –  | 7,048         |                                     |
| – realised gain on disposal              | –  | 5             |                                     |
| Disposal                                 | –  | (383)         |                                     |
| Exchange differences                     | –  | (55)          |                                     |
| At 31 December 2019                      | 419,940  | 345,113       |                                     |

The fair values of unquoted equity securities which are held mainly for socio-economic purpose are determined based on net assets or earnings of the companies.

All investment properties of the Group carried at fair values were classified under Level 3. A reconciliation of movements in Level 3 is disclosed in Note 17.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist.

The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. The price per square meter of the properties adopted, which were significant inputs, ranged from RM16,000 to RM263,000 (2019: RM17,000 to RM305,000) with weighted average of RM98,000 (2019: RM110,000). A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities:

| Group   | 2020                   |                    | 2019                   |                   |
|---|------------------------|--------------------|------------------------|-------------------|
|   | Carrying Amount RM'000 | Fair Value RM'000  | Carrying Amount RM'000 | Fair Value RM'000 |
| <b>Financial assets</b>                         |                        |                    |                        |                   |
| Financial investments at amortised cost         |                        |                    |                        |                   |
| – Government securities and treasury bills      | <b>11,387,230</b>      | <b>11,726,326</b>  | 10,464,222             | 10,650,322        |
| – Money market instruments                      | <b>1,832,541</b>       | <b>1,833,174</b>   | 1,162,883              | 1,163,329         |
| – Non-money market instruments                  | <b>14,384,249</b>      | <b>14,953,086</b>  | 16,011,063             | 16,360,930        |
| Loans, advances and financing                   |                        |                    |                        |                   |
| – Retail loans/financing                        |                        |                    |                        |                   |
| – housing loans/financing                       | <b>131,200,196</b>     | <b>131,207,110</b> | 121,354,147            | 121,368,679       |
| – hire purchase                                 | <b>53,891,520</b>      | <b>54,213,104</b>  | 50,934,622             | 50,499,431        |
| – credit cards                                  | <b>1,960,351</b>       | <b>1,960,351</b>   | 2,121,347              | 2,121,347         |
| – other loans/financing                         | <b>109,918,273</b>     | <b>110,076,870</b> | 107,472,410            | 107,493,821       |
| – Corporate loans/financing                     | <b>45,832,441</b>      | <b>46,008,510</b>  | 46,593,968             | 46,663,111        |
| <b>Financial liabilities</b>                    |                        |                    |                        |                   |
| Recourse obligations on loans sold to Cagamas   | <b>4,500,003</b>       | <b>4,670,198</b>   | 5,500,004              | 5,612,343         |
| Debt securities issued and other borrowed funds | <b>12,272,354</b>      | <b>12,610,400</b>  | 12,317,450             | 12,553,884        |



## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value (continued)

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

| Bank  | 2020                         |                         | 2019                         |                         |
|---|------------------------------|-------------------------|------------------------------|-------------------------|
|   | Carrying<br>Amount<br>RM'000 | Fair<br>Value<br>RM'000 | Carrying<br>Amount<br>RM'000 | Fair<br>Value<br>RM'000 |
| <b>Financial assets</b>                         |                              |                         |                              |                         |
| Financial investments at amortised cost         |                              |                         |                              |                         |
| – Government securities and treasury bills      | <b>5,007,372</b>             | <b>5,208,936</b>        | 5,087,272                    | 5,212,434               |
| – Money market instruments                      | <b>1,059,962</b>             | <b>1,076,746</b>        | 1,309,919                    | 1,311,400               |
| – Non-money market instruments                  | <b>12,777,927</b>            | <b>13,314,133</b>       | 14,223,265                   | 14,552,257              |
| Loans and advances                              |                              |                         |                              |                         |
| – Retail loans                                  |                              |                         |                              |                         |
| – housing loans                                 | <b>101,649,497</b>           | <b>101,649,755</b>      | 95,098,716                   | 95,099,233              |
| – hire purchase                                 | <b>42,864,173</b>            | <b>43,110,452</b>       | 40,290,172                   | 39,921,441              |
| – credit cards                                  | <b>1,919,571</b>             | <b>1,919,571</b>        | 2,074,782                    | 2,074,782               |
| – other loans                                   | <b>83,583,961</b>            | <b>83,576,317</b>       | 81,827,173                   | 81,827,173              |
| – Corporate loans                               | <b>37,421,772</b>            | <b>37,508,679</b>       | 36,979,231                   | 37,003,960              |
| <b>Financial liabilities</b>                    |                              |                         |                              |                         |
| Recourse obligations on loans sold to Cagamas   | <b>4,500,003</b>             | <b>4,670,198</b>        | 5,500,004                    | 5,612,343               |
| Debt securities issued and other borrowed funds | <b>10,184,448</b>            | <b>10,483,454</b>       | 10,223,214                   | 10,434,044              |

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities:

| Group<br>2020                                   | Fair Value        |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>Financial assets</b>                         |                   |                   |                   |                 |
| Financial investments at amortised cost         |                   |                   |                   |                 |
| – Government securities and treasury bills      | –                 | 11,726,326        | –                 | 11,726,326      |
| – Money market instruments                      | –                 | 1,833,174         | –                 | 1,833,174       |
| – Non-money market instruments                  | –                 | 14,953,086        | –                 | 14,953,086      |
| Loans, advances and financing                   |                   |                   |                   |                 |
| – Retail loans/financing                        |                   |                   |                   |                 |
| – housing loans/financing                       | –                 | –                 | 131,207,110       | 131,207,110     |
| – hire purchase                                 | –                 | –                 | 54,213,104        | 54,213,104      |
| – credit cards                                  | –                 | –                 | 1,960,351         | 1,960,351       |
| – other loans/financing                         | –                 | –                 | 110,076,870       | 110,076,870     |
| – Corporate loans/financing                     | –                 | –                 | 46,008,510        | 46,008,510      |
| <b>Financial liabilities</b>                    |                   |                   |                   |                 |
| Recourse obligations on loans sold to Cagamas   | –                 | –                 | 4,670,198         | 4,670,198       |
| Debt securities issued and other borrowed funds | –                 | 12,610,400        | –                 | 12,610,400      |



## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

| Group<br>2019                                   | Fair Value        |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>Financial assets</b>                         |                   |                   |                   |                 |
| Financial investments at amortised cost         |                   |                   |                   |                 |
| – Government securities and treasury bills      | –                 | 10,650,322        | –                 | 10,650,322      |
| – Money market instruments                      | –                 | 1,163,329         | –                 | 1,163,329       |
| – Non-money market instruments                  | –                 | 16,360,930        | –                 | 16,360,930      |
| Loans, advances and financing                   |                   |                   |                   |                 |
| – Retail loans/financing                        |                   |                   |                   |                 |
| – housing loans/financing                       | –                 | –                 | 121,368,679       | 121,368,679     |
| – hire purchase                                 | –                 | –                 | 50,499,431        | 50,499,431      |
| – credit cards                                  | –                 | –                 | 2,121,347         | 2,121,347       |
| – other loans/financing                         | –                 | –                 | 107,493,821       | 107,493,821     |
| – Corporate loans/financing                     | –                 | –                 | 46,663,111        | 46,663,111      |
| <b>Financial liabilities</b>                    |                   |                   |                   |                 |
| Recourse obligations on loans sold to Cagamas   | –                 | –                 | 5,612,343         | 5,612,343       |
| Debt securities issued and other borrowed funds | –                 | 12,553,884        | –                 | 12,553,884      |

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

| Bank<br>2020                                    | Fair Value        |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>Financial assets</b>                         |                   |                   |                   |                 |
| Financial investments at amortised cost         |                   |                   |                   |                 |
| – Government securities and treasury bills      | –                 | 5,208,936         | –                 | 5,208,936       |
| – Money market instruments                      | –                 | 1,076,746         | –                 | 1,076,746       |
| – Non-money market instruments                  | –                 | 13,314,133        | –                 | 13,314,133      |
| Loans and advances                              |                   |                   |                   |                 |
| – Retail loans                                  |                   |                   |                   |                 |
| – housing loans                                 | –                 | –                 | 101,649,755       | 101,649,755     |
| – hire purchase                                 | –                 | –                 | 43,110,452        | 43,110,452      |
| – credit cards                                  | –                 | –                 | 1,919,571         | 1,919,571       |
| – other loans                                   | –                 | –                 | 83,576,317        | 83,576,317      |
| – Corporate loans                               | –                 | –                 | 37,508,679        | 37,508,679      |
| <b>Financial liabilities</b>                    |                   |                   |                   |                 |
| Recourse obligations on loans sold to Cagamas   | –                 | –                 | 4,670,198         | 4,670,198       |
| Debt securities issued and other borrowed funds | –                 | 10,483,454        | –                 | 10,483,454      |



## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

| Bank<br>2019                                    | Fair Value        |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
| <b>Financial assets</b>                         |                   |                   |                   |                 |
| Financial investments at amortised cost         |                   |                   |                   |                 |
| – Government securities and treasury bills      | –                 | 5,212,434         | –                 | 5,212,434       |
| – Money market instruments                      | –                 | 1,311,400         | –                 | 1,311,400       |
| – Non-money market instruments                  | –                 | 14,552,257        | –                 | 14,552,257      |
| Loans and advances                              |                   |                   |                   |                 |
| – Retail loans                                  |                   |                   |                   |                 |
| – housing loans                                 | –                 | –                 | 95,099,233        | 95,099,233      |
| – hire purchase                                 | –                 | –                 | 39,921,441        | 39,921,441      |
| – credit cards                                  | –                 | –                 | 2,074,782         | 2,074,782       |
| – other loans                                   | –                 | –                 | 81,827,173        | 81,827,173      |
| – Corporate loans                               | –                 | –                 | 37,003,960        | 37,003,960      |
| <b>Financial liabilities</b>                    |                   |                   |                   |                 |
| Recourse obligations on loans sold to Cagamas   | –                 | –                 | 5,612,343         | 5,612,343       |
| Debt securities issued and other borrowed funds | –                 | 10,434,044        | –                 | 10,434,044      |

# Notes to the Financial Statements – 31 December 2020

## 46. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Fair values of financial instruments not carried at fair value (continued)

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

- (a) *Financial investments at amortised cost* – The fair values of financial investments at amortised cost are estimated based on quoted bid prices.
- (b) *Loans, advances and financing* – The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity.

The fair values of impaired loans/financing are represented by their carrying amounts, net of any expected credit losses, being the expected recoverable amount.

- (c) *Recourse obligations on loans sold to Cagamas* – The fair values of recourse obligations on loans sold to Cagamas with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.
- (d) *Debt securities issued and other borrowed funds* – The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings. The fair values of debt securities issued are estimated based on quoted ask prices.

## 47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a 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.

Derivatives, reverse repurchase agreements and obligations on securities sold under repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and
- (ii) cash and securities that are received from or pledged with counterparties.



## 47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

| Group<br>2020  | Gross Amount<br>Recognised<br>as Financial<br>Assets/<br>Liabilities<br>RM'000 | Gross Amount<br>Offset in the<br>Statement of<br>Financial<br>Position<br>RM'000 | Amount<br>Presented in<br>the Statement<br>of Financial<br>Position<br>RM'000 | Amount Not Set-off in the<br>Statement of Financial Position |  |                      |
|--|--|--|---|--|--|----------------------|
|  |  |  |   | Values of the<br>Financial<br>Instruments*<br>RM'000         | Cash<br>Collateral<br>Received/<br>Pledged<br>RM'000 | Net Amount<br>RM'000 |
| <b>Financial assets</b>                                    |  |  |   |  |  |                      |
| Derivative financial assets                                |  |  |   |  |  |                      |
| – Foreign exchange contracts                               | 284,579  | –  | 284,579   | (131,889)  | (74,695)   | 77,995               |
| – Interest/profit rate related contracts                   | 2,428  | –  | 2,428   | (2,428)  | –  | –                    |
| – Precious metal contracts                                 | 3  | –  | 3   | –  | –  | 3                    |
|  | 287,010  | –  | 287,010   | (134,317)  | (74,695)   | 77,998               |
| Reverse repurchase agreements                              | 202,833  | –  | 202,833   | (202,833)  | –  | –                    |
| Other assets:  |  |  |   |  |  |                      |
| – Outstanding contracts on clients' accounts               | 577,198  | (265,539)  | 311,659   | –  | –  | 311,659              |
| – Other receivables, deposits and prepayments              | 2,075,768  | (71,860)   | 2,003,908   | (5,332)  | (11,464)   | 1,987,112            |
|  | 3,142,809  | (337,399)  | 2,805,410   | (342,482)  | (86,159)   | 2,376,769            |
| <b>Financial liabilities</b>                               |  |  |   |  |  |                      |
| Derivative financial liabilities                           |  |  |   |  |  |                      |
| – Foreign exchange contracts                               | 477,772  | –  | 477,772   | (84,500)   | (251,647)  | 141,625              |
| – Interest/profit rate related contracts                   | 148,284  | –  | 148,284   | (49,817)   | (47,157)   | 51,310               |
|  | 626,056  | –  | 626,056   | (134,317)  | (298,804)  | 192,935              |
| Obligations on securities sold under repurchase agreements | 914,108  | –  | 914,108   | (914,108)  | –  | –                    |
| Other liabilities:   |  |  |   |  |  |                      |
| – Outstanding contracts on clients' accounts               | 525,838  | (265,539)  | 260,299   | –  | –  | 260,299              |
| – Other payables and accruals                              | 3,049,742  | (71,860)   | 2,977,882   | –  | –  | 2,977,882            |
|  | 5,115,744  | (337,399)  | 4,778,345   | (1,048,425)  | (298,804)  | 3,431,116            |

# Notes to the Financial Statements – 31 December 2020

## 47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

| Group<br>2019  | Gross Amount<br>Recognised<br>as Financial<br>Assets/<br>Liabilities<br>RM'000 | Gross Amount<br>Offset in the<br>Statement of<br>Financial<br>Position<br>RM'000 | Amount<br>Presented in<br>the Statement<br>of Financial<br>Position<br>RM'000 | Amount Not Set-off in the<br>Statement of Financial Position |  |                      |
|--|--|--|---|--|--|----------------------|
|  |  |  |   | Values of the<br>Financial<br>Instruments*<br>RM'000         | Cash<br>Collateral<br>Received/<br>Pledged<br>RM'000 | Net Amount<br>RM'000 |
| <b>Financial assets</b>                                    |  |  |   |  |  |                      |
| Derivative financial assets                                |  |  |   |  |  |                      |
| – Foreign exchange contracts                               | 144,528  | –  | 144,528   | (62,510)   | (39,324)   | 42,694               |
| – Interest/profit rate related contracts                   | 7,802  | –  | 7,802   | (3,679)  | (3,730)  | 393                  |
|  | 152,330  | –  | 152,330   | (66,189)   | (43,054)   | 43,087               |
| Reverse repurchase agreements                              | 8,208  | –  | 8,208   | (8,208)  | –  | –                    |
| Other assets:  |  |  |   |  |  |                      |
| – Outstanding contracts on clients' accounts               | 331,813  | (117,157)  | 214,656   | –  | –  | 214,656              |
| – Other receivables, deposits and prepayments              | 1,109,368  | (103,735)  | 1,005,633   | (3,263)  | (4,087)  | 998,283              |
|  | 1,601,719  | (220,892)  | 1,380,827   | (77,660)   | (47,141)   | 1,256,026            |
| <b>Financial liabilities</b>                               |  |  |   |  |  |                      |
| Derivative financial liabilities                           |  |  |   |  |  |                      |
| – Foreign exchange contracts                               | 298,058  | –  | 298,058   | (53,624)   | (122,491)  | 121,943              |
| – Interest/profit rate related contracts                   | 47,665   | –  | 47,665  | (12,565)   | (14,759)   | 20,341               |
| – Precious metal contracts                                 | 1  | –  | 1   | –  | –  | 1                    |
|  | 345,724  | –  | 345,724   | (66,189)   | (137,250)  | 142,285              |
| Obligations on securities sold under repurchase agreements | 970,654  | –  | 970,654   | (970,654)  | –  | –                    |
| Other liabilities:   |  |  |   |  |  |                      |
| – Outstanding contracts on clients' accounts               | 323,422  | (117,157)  | 206,265   | –  | –  | 206,265              |
| – Other payables and accruals                              | 2,575,663  | (103,735)  | 2,471,928   | –  | –  | 2,471,928            |
|  | 4,215,463  | (220,892)  | 3,994,571   | (1,036,843)  | (137,250)  | 2,820,478            |



## 47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

| Bank<br>2020  | Gross Amount<br>Recognised<br>as Financial<br>Assets/<br>Liabilities<br>RM'000 | Gross Amount<br>Offset in the<br>Statement of<br>Financial<br>Position<br>RM'000 | Amount<br>Presented in<br>the Statement<br>of Financial<br>Position<br>RM'000 | Amount Not Set-off in the<br>Statement of Financial Position |  |                      |
|---|--|--|---|--|--|----------------------|
|   |  |  |   | Values of the<br>Financial<br>Instruments*<br>RM'000         | Cash<br>Collateral<br>Received/<br>Pledged<br>RM'000 | Net Amount<br>RM'000 |
| <b>Financial assets</b>                                       |  |  |   |  |  |                      |
| Derivative financial assets                                   |  |  |   |  |  |                      |
| – Foreign exchange contracts                                  | 270,787  | –  | 270,787   | (131,888)  | (74,695)   | 64,204               |
| – Interest rate related contracts                             | 198,463  | –  | 198,463   | (2,429)  | –  | 196,034              |
| – Precious metal contracts                                    | 3  | –  | 3   | –  | –  | 3                    |
|   | 469,253  | –  | 469,253   | (134,317)  | (74,695)   | 260,241              |
| Reverse repurchase agreements                                 | 202,833  | –  | 202,833   | (202,833)  | –  | –                    |
|   | 672,086  | –  | 672,086   | (337,150)  | (74,695)   | 260,241              |
| <b>Financial liabilities</b>                                  |  |  |   |  |  |                      |
| Derivative financial liabilities                              |  |  |   |  |  |                      |
| – Foreign exchange contracts                                  | 476,382  | –  | 476,382   | (84,500)   | (251,647)  | 140,235              |
| – Interest rate related contracts                             | 103,989  | –  | 103,989   | (49,817)   | (47,157)   | 7,015                |
|   | 580,371  | –  | 580,371   | (134,317)  | (298,804)  | 147,250              |
| Obligations on securities sold<br>under repurchase agreements | 590,285  | –  | 590,285   | (590,285)  | –  | –                    |
|   | 1,170,656  | –  | 1,170,656   | (724,602)  | (298,804)  | 147,250              |

# Notes to the Financial Statements – 31 December 2020

## 47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

| Bank<br>2019  | Gross Amount<br>Recognised<br>as Financial<br>Assets/<br>Liabilities<br>RM'000 | Gross Amount<br>Offset in the<br>Statement of<br>Financial<br>Position<br>RM'000 | Amount<br>Presented in<br>the Statement<br>of Financial<br>Position<br>RM'000 | Amount Not Set-off in the<br>Statement of Financial Position |  |                      |
|---|--|--|---|--|--|----------------------|
|   |  |  |   | Values of the<br>Financial<br>Instruments*<br>RM'000         | Cash<br>Collateral<br>Received/<br>Pledged<br>RM'000 | Net Amount<br>RM'000 |
|   |  |  |   |  |  |                      |
| <b>Financial assets</b>                                       |  |  |   |  |  |                      |
| Derivative financial assets                                   |  |  |   |  |  |                      |
| – Foreign exchange contracts                                  | 134,715  | –  | 134,715   | (62,510)   | (39,324)   | 32,881               |
| – Interest rate related contracts                             | 97,539   | –  | 97,539  | (3,679)  | (3,730)  | 90,130               |
|   | 232,254  | –  | 232,254   | (66,189)   | (43,054)   | 123,011              |
| Reverse repurchase agreements                                 | 8,208  | –  | 8,208   | (8,208)  | –  | –                    |
|   | 240,462  | –  | 240,462   | (74,397)   | (43,054)   | 123,011              |
| <b>Financial liabilities</b>                                  |  |  |   |  |  |                      |
| Derivative financial liabilities                              |  |  |   |  |  |                      |
| – Foreign exchange contracts                                  | 295,610  | –  | 295,610   | (53,624)   | (122,491)  | 119,495              |
| – Interest rate related contracts                             | 27,324   | –  | 27,324  | (12,565)   | (14,759)   | –                    |
| – Precious metal contracts                                    | 1  | –  | 1   | –  | –  | 1                    |
|   | 322,935  | –  | 322,935   | (66,189)   | (137,250)  | 119,496              |
| Obligations on securities sold<br>under repurchase agreements | 639,154  | –  | 639,154   | (639,154)  | –  | –                    |
|   | 962,089  | –  | 962,089   | (705,343)  | (137,250)  | 119,496              |

\* Include securities accepted as collateral.



#### 48. CAPITAL AND OTHER COMMITMENTS

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| Authorised and contracted for:             |                |                |                |                |
| – Land and buildings                       | <b>1,262</b>   | 1,293          | –              | –              |
| – Renovations                              | <b>8,346</b>   | 1,824          | <b>8,346</b>   | –              |
| – Office equipment, furniture and fittings | <b>9,082</b>   | 3,987          | <b>4,061</b>   | 1,445          |
| – Computer equipment and software          | <b>21,323</b>  | 32,742         | <b>20,560</b>  | 20,691         |
| – Service maintenance                      | <b>459</b>     | –              | –              | –              |
|  | <b>40,472</b>  | 39,846         | <b>32,967</b>  | 22,136         |
| Authorised but not contracted for:         |                |                |                |                |
| – Land and buildings                       | <b>19,481</b>  | 19,481         | –              | –              |
| – Renovations                              | <b>6,167</b>   | 5,315          | <b>60</b>      | 1,390          |
| – Office equipment, furniture and fittings | <b>1,141</b>   | 990            | <b>460</b>     | 296            |
| – Computer equipment and software          | <b>32,579</b>  | 17,424         | –              | –              |
|  | <b>59,368</b>  | 43,210         | <b>520</b>     | 1,686          |
|  | <b>99,840</b>  | 83,056         | <b>33,487</b>  | 23,822         |

# Notes to the Financial Statements – 31 December 2020

## 49. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The notional amounts of the commitments and contingencies of the Group and of the Bank are as follows:

|  | Group              |                | Bank              |                |
|--|--------------------|----------------|-------------------|----------------|
|  | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>Contingent liabilities</b>  |                    |                |                   |                |
| Direct credit substitutes  | <b>914,667</b>     | 949,669        | <b>870,920</b>    | 912,117        |
| Transaction-related contingent items   | <b>1,668,612</b>   | 1,745,471      | <b>1,390,714</b>  | 1,435,577      |
| Short term self-liquidating trade-related contingencies  | <b>401,318</b>     | 568,308        | <b>208,040</b>    | 117,703        |
|  | <b>2,984,597</b>   | 3,263,448      | <b>2,469,674</b>  | 2,465,397      |
| <b>Commitments</b>   |                    |                |                   |                |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                    |                |                   |                |
| – exceeding one year   | <b>31,342,568</b>  | 26,968,879     | <b>24,724,600</b> | 21,583,171     |
| – not exceeding one year   | <b>26,297,443</b>  | 24,753,060     | <b>21,594,955</b> | 20,165,155     |
| Unutilised credit card lines   | <b>8,161,401</b>   | 7,663,636      | <b>7,910,938</b>  | 7,346,453      |
| Forward asset purchases  | <b>42,424</b>      | 65,652         | <b>42,424</b>     | 44,405         |
|  | <b>65,843,836</b>  | 59,451,227     | <b>54,272,917</b> | 49,139,184     |
| <b>Derivative financial instruments</b>  |                    |                |                   |                |
| Foreign exchange related contracts:  |                    |                |                   |                |
| – up to one year   | <b>28,020,406</b>  | 22,157,757     | <b>26,902,244</b> | 21,117,858     |
| – more than one year to five years   | <b>2,978,728</b>   | 3,446,350      | <b>2,978,728</b>  | 3,446,350      |
| Interest/profit rate related contracts:  |                    |                |                   |                |
| – up to one year   | <b>1,507,160</b>   | 930,000        | <b>1,426,800</b>  | 1,060,000      |
| – more than one year to five years   | <b>4,718,304</b>   | 4,494,515      | <b>6,185,260</b>  | 4,912,645      |
| – more than five years   | <b>880,810</b>     | 571,631        | <b>1,700,000</b>  | 2,150,000      |
| Commodity related contracts:   |                    |                |                   |                |
| – up to one year   | <b>606</b>         | 120            | <b>606</b>        | 120            |
|  | <b>38,106,014</b>  | 31,600,373     | <b>39,193,638</b> | 32,686,973     |
|  | <b>106,934,447</b> | 94,315,048     | <b>95,936,229</b> | 84,291,554     |

Disclosure of the credit equivalent amount and risk-weighted asset of the commitments and contingencies above, as required by BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), is presented in the Pillar 3 disclosures section of the Annual Report.



## 50. CAPITAL ADEQUACY

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

|  | Group          |         | Bank           |         |
|--|----------------|---------|----------------|---------|
|  | 2020           | 2019    | 2020           | 2019    |
| <u>Before deducting interim dividends*</u>   |                |         |                |         |
| Common Equity Tier I ("CET I") capital ratio | <b>14.815%</b> | 14.019% | <b>13.702%</b> | 12.808% |
| Tier I capital ratio                         | <b>14.869%</b> | 14.076% | <b>13.745%</b> | 12.853% |
| Total capital ratio                          | <b>18.011%</b> | 17.317% | <b>17.053%</b> | 16.243% |
| <u>After deducting interim dividends*</u>    |                |         |                |         |
| CET I capital ratio                          | <b>13.951%</b> | 13.460% | <b>12.611%</b> | 12.108% |
| Tier I capital ratio                         | <b>14.005%</b> | 13.517% | <b>12.654%</b> | 12.153% |
| Total capital ratio                          | <b>17.147%</b> | 16.758% | <b>15.962%</b> | 15.543% |

\* Refer to interim dividends declared subsequent to the financial year end.

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of total capital and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

The total risk-weighted assets of the Group and of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk;
- (iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a CCB of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group's and the Bank's CCyB, unless specified otherwise by BNM.

The Group's and the Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of their private sector credit exposures outside Malaysia are insignificant due to their immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic. However, BNM expects the Group and the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at the reporting date, the Group and the Bank continued to maintain a CCB of 2.5%.

# Notes to the Financial Statements – 31 December 2020

## 50. CAPITAL ADEQUACY (CONTINUED)

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

As allowed under the BNM's Capital Adequacy Frameworks on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Group and the Bank have not applied the said transitional arrangements.

- (b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows:

|   | Group              |                | Bank               |                |
|---|--------------------|----------------|--------------------|----------------|
|   | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| <u>CET I/Tier I Capital:</u>  |                    |                |                    |                |
| Share capital   | <b>9,417,653</b>   | 9,417,653      | <b>9,417,653</b>   | 9,417,653      |
| Other reserves  | <b>1,518,824</b>   | 1,273,513      | <b>793,110</b>     | 671,090        |
| Retained profits  | <b>34,290,480</b>  | 30,245,351     | <b>28,373,510</b>  | 25,267,007     |
| Qualifying non-controlling interests  | <b>682,379</b>     | 696,901        | –                  | –              |
| Less: Goodwill and other intangible assets  | <b>(2,417,727)</b> | (2,443,039)    | <b>(695,393)</b>   | (695,393)      |
| Less: Deferred tax assets, net  | <b>(81,637)</b>    | (83,484)       | –                  | (11,307)       |
| Less: Defined benefit pension fund assets   | <b>(2,748)</b>     | (48,430)       | <b>(2,059)</b>     | (47,736)       |
| Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital | <b>(105,998)</b>   | (99,419)       | <b>(6,183,241)</b> | (6,183,241)    |
| Total CET I Capital   | <b>43,301,226</b>  | 38,959,046     | <b>31,703,580</b>  | 28,418,073     |
| Additional Tier I capital securities  | <b>99,702</b>      | 99,582         | <b>99,702</b>      | 99,582         |
| Qualifying CET I and additional Tier I capital instruments held by third parties                                | <b>57,785</b>      | 58,619         | –                  | –              |
| Total Tier I Capital  | <b>43,458,713</b>  | 39,117,247     | <b>31,803,282</b>  | 28,517,655     |
| <u>Tier II Capital:</u>   |                    |                |                    |                |
| Stage 1 and Stage 2 expected credit loss allowances   | <b>2,664,293</b>   | 1,685,918      | <b>1,966,983</b>   | 1,256,999      |
| Qualifying regulatory reserves  | <b>670,140</b>     | 1,465,493      | <b>686,899</b>     | 1,265,234      |
| Subordinated notes  | <b>4,999,992</b>   | 4,999,986      | <b>4,999,992</b>   | 4,999,986      |
| Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties                    | <b>718,503</b>     | 716,141        | –                  | –              |
| Others  | <b>130,972</b>     | 139,117        | –                  | –              |
| Total Tier II Capital   | <b>9,183,900</b>   | 9,006,655      | <b>7,653,874</b>   | 7,522,219      |
| Total Capital   | <b>52,642,613</b>  | 48,123,902     | <b>39,457,156</b>  | 36,039,874     |

In arriving at the total capital of the Group and of the Bank above, the interim dividends declared subsequent to the financial year end were not deducted.



## 50. CAPITAL ADEQUACY (CONTINUED)

- (c) The breakdown of risk-weighted assets by each major risk category of the Group and of the Bank is as follows:

|                     | Group              |                | Bank               |                |
|---------------------|--------------------|----------------|--------------------|----------------|
|                     | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| Credit risk         | <b>266,754,650</b> | 252,112,870    | <b>212,310,530</b> | 201,778,618    |
| Market risk         | <b>4,719,681</b>   | 5,040,545      | <b>4,741,815</b>   | 5,473,692      |
| Operational risk    | <b>20,141,735</b>  | 20,139,900     | <b>13,689,994</b>  | 14,036,638     |
| Large exposure risk | <b>668,423</b>     | 612,893        | <b>641,027</b>     | 587,405        |
|                     | <b>292,284,489</b> | 277,906,208    | <b>231,383,366</b> | 221,876,353    |

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures section of the Annual Report.

- (d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

|                                      | Public<br>Islamic<br>Bank<br>Berhad <sup>1</sup> | Public<br>Investment<br>Bank<br>Berhad <sup>2</sup> | Public<br>Bank<br>(L) Ltd <sup>3</sup> | Public<br>Bank<br>(Hong Kong)<br>Limited <sup>4</sup> | Public<br>Finance<br>Limited <sup>4</sup> | Cambodian<br>Public<br>Bank Plc <sup>5</sup> | Public<br>Bank<br>Vietnam<br>Limited <sup>6</sup> |
|--------------------------------------|--|---|--|---|---|--|---|
| <b>2020</b>                          |  |   |  |   |   |  |   |
| Before deducting interim dividends*: |  |   |  |   |   |  |   |
| CET I capital ratio                  | 12.552%  | 49.642%   | 27.913%                                | 19.590%   | 25.675%                                   | N/A  | N/A   |
| Tier I capital ratio                 | 12.552%  | 49.642%   | 27.913%                                | 19.590%   | 25.675%                                   | N/A  | N/A   |
| Total capital ratio                  | 16.127%  | 50.101%   | 27.931%                                | 20.347%   | 26.703%                                   | 19.808%                                      | 36.233%   |
| After deducting interim dividends*:  |  |   |  |   |   |  |   |
| CET I capital ratio                  | 12.552%  | 41.315%   | 27.913%                                | 19.568%   | 23.684%                                   | N/A  | N/A   |
| Tier I capital ratio                 | 12.552%  | 41.315%   | 27.913%                                | 19.568%   | 23.684%                                   | N/A  | N/A   |
| Total capital ratio                  | 16.127%  | 41.773%   | 27.931%                                | 20.325%   | 24.712%                                   | 19.808%                                      | 36.233%   |
| <b>2019</b>                          |  |   |  |   |   |  |   |
| Before deducting interim dividends*: |  |   |  |   |   |  |   |
| CET I capital ratio                  | 12.362%  | 53.270%   | 18.741%                                | 18.335%   | 22.348%                                   | N/A  | N/A   |
| Tier I capital ratio                 | 12.362%  | 53.270%   | 18.741%                                | 18.335%   | 22.348%                                   | N/A  | N/A   |
| Total capital ratio                  | 16.192%  | 53.794%   | 18.748%                                | 19.596%   | 23.411%                                   | 19.163%                                      | 43.588%   |
| After deducting interim dividends*:  |  |   |  |   |   |  |   |
| CET I capital ratio                  | 12.362%  | 49.503%   | 18.741%                                | 18.295%   | 20.930%                                   | N/A  | N/A   |
| Tier I capital ratio                 | 12.362%  | 49.503%   | 18.741%                                | 18.295%   | 20.930%                                   | N/A  | N/A   |
| Total capital ratio                  | 16.192%  | 50.027%   | 18.748%                                | 19.556%   | 21.993%                                   | 19.163%                                      | 43.588%   |

\* Refer to interim dividends declared subsequent to the financial year end.

# Notes to the Financial Statements – 31 December 2020

## 50. CAPITAL ADEQUACY (CONTINUED)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

- 1 The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIBB is required to maintain a CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.
- 2 The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIVB is required to maintain a CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.
- 3 The risk-weighted assets of Public Bank (L) Ltd are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed according with the Banking Capital Adequacy Framework – Guidelines on Capital Components and Risk Weighted Assets issued by the Labuan Financial Services Authority. The minimum regulatory capital adequacy requirements for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.
- 4 These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Banking (Capital) Rules. These two subsidiaries are required to maintain a CCB of 2.5% and a CCyB of 1.0% (2019: 2.0%) as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong.
- 5 The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with National Bank of Cambodia Prakas B7-010-182 and B7-00-46 (amended by Prakas No. B7-04-206 and Prakas No. B7-07-135). This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.
- 6 The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. Effective from 1 January 2020, this ratio is computed in accordance with the State Bank of Vietnam ("SBV") Circular No.41/2016/TT-NHNN. This ratio is derived as PBVN's capital divided by its credit risk-weighted assets and capital charge for market risk and operational risk. The minimum regulatory capital adequacy ratio requirement is 8.0%. Prior to 1 January 2020, the ratio was computed in accordance with SBV Circular No.19/2017/TT-NHNN being amendment of and supplement to Circular No.36/2014/TT-NHNN on safety ratios, limits in operations of credit institutions, which was derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement was 9.0%.



## 51. CAPITAL MANAGEMENT

The Group actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders' value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The Group's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiary companies. In order to meet these objectives, the Group actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, adjustments to the amount of dividends distributed to shareholders and focus on growth in non-interest income and other less capital-intensive business activities. The Group's Internal Capital Adequacy Assessment Process ("ICAAP") assesses the Group's internal capital requirements beyond the minimum regulatory requirements to ensure its capital commensurates with the Group's risk profile, the complexity of the business activities undertaken and its risk appetite.

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and the Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of total capital are disclosed in Note 50 (a) and (b).

## 52. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive, geographical and regulatory environment in which it operates. For each operating segment, the Management Committee (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their performance.

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments:

### (i) Hire Purchase

Hire purchase operations focus on the provision of passenger vehicle financing to all levels of customers.

### (ii) Retail Operations

Retail operations focus on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal loans), credit cards, remittance services, deposit collection and investment products.

### (iii) Corporate Lending

The corporate lending operations cater to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

# Notes to the Financial Statements – 31 December 2020

## 52. SEGMENT INFORMATION (CONTINUED)

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments (continued):

### (iv) Treasury and Capital Market Operations

The treasury and capital market operations involve in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading.

### (v) Investment Banking

The investment banking operations cater to the business needs of large corporate customers through the provision of financial solutions and direct lending. The services offered include structured financing, corporate advisory services, merger and acquisition, stock-brokering and debt restructuring advisory services.

### (vi) Fund Management

The fund management operations consist of sale of trust units and the management of unit trust funds as conducted by the Bank's wholly-owned subsidiary company, Public Mutual Berhad.

### (vii) Others

Others refer mainly to non-core operations such as property holding.

### (viii) Head Office and Funding Center

Head office manages the investment of funds from shareholders' funds and capital securities, provides support services to the business segments within the Bank as well as serves as a funding center.

The Group's overseas business operations are organised according to the following geographical locations:

#### (i) Hong Kong SAR

This includes all business operations conducted by the Bank's subsidiary companies in Hong Kong SAR and the People's Republic of China, including retail and commercial banking and lending, wealth management services, stock-brokering and other related financial services.

#### (ii) Cambodia

This comprises all business operations conducted by the Bank's subsidiary companies in Cambodia, which includes mainly financing, deposit-taking, general insurance businesses and stock-brokering.

#### (iii) Other Countries

This refers to the Group's banking business operations in the Socialist Republic of Vietnam, Lao People's Democratic Republic and Sri Lanka.

There are no changes in the operating segments during the year.

### Measurement and Evaluation of Segment Performance

The Management Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loan and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income.

### Major Customers

There is no single customer which contributes revenue amount greater than 10% of the Group's revenues for the current financial year (2019 – none).

## 52. SEGMENT INFORMATION (CONTINUED)

By Business Segments:

| Domestic Operating Segments   |           |                      |                   |                   |                   |                    |                         |           |                   | Overseas Operating Segments → |           |           |                 |             |                           |        |                           |           |                   |        |
|---|-----------|----------------------|-------------------|-------------------|-------------------|--------------------|-------------------------|-----------|-------------------|-------------------------------|-----------|-----------|-----------------|-------------|---------------------------|--------|---------------------------|-----------|-------------------|--------|
|   |           | Treasury and Capital |                   |                   |                   |                    | Head Office and Funding |           |                   | Hong Kong SAR                 |           |           | Other Countries |             | Total Overseas Operations |        | Inter-segment Elimination |           | Total Group Total |        |
|   |           | Hire Purchase        | Retail Operations | Corporate Lending | Market Operations | Investment Banking | Management              | Others    | Center Operations | Domestic Operations           | SAR       | Cambodia  | Countries       | Operations  | RM'000                    | RM'000 | RM'000                    | RM'000    | RM'000            | RM'000 |
| 2020  |           | RM'000               | RM'000            | RM'000            | RM'000            | RM'000             | RM'000                  | RM'000    | RM'000            | RM'000                        | RM'000    | RM'000    | RM'000          | RM'000      | RM'000                    | RM'000 | RM'000                    | RM'000    | RM'000            |        |
| External revenue  | 2,473,446 | 9,546,567            | 1,711,987         | 1,119,217         | 278,736           | 1,517,156          | 54,818                  | 1,753,387 | 18,490,324        | 1,030,470                     | 462,160   | 350,980   | 1,843,510       | -           | 20,303,934                | -      | -                         | -         |                   |        |
| Revenue from other segments   | 2,411     | 2,246,445            | 29,664            | 1,821,313         | 888               | 46,321             | 983                     | 562,190   | 4,710,96          | -                             | 38,170    | 13,187    | 51,357          | (4,761,553) | -                         | -      | -                         | -         | -                 |        |
| Total revenue   | 2,475,857 | 11,783,012           | 1,741,661         | 2,940,530         | 279,625           | 1,563,477          | 55,781                  | 2,201,587 | 23,170,520        | 1,030,470                     | 500,330   | 364,167   | 1,894,967       | (4,761,553) | 20,303,934                | -      | -                         | -         | -                 |        |
| Net interest income/(expense) and Islamic banking income  | 615,719   | 5,487,169            | 623,971           | 209,460           | 32,630            | 5,472              | (16,775)                | 340,886   | 7,288,731         | 665,877                       | 331,252   | 195,348   | 1,192,472       | (34)        | 8,491,168                 | -      | -                         | -         | -                 |        |
| Other income  | 2,259     | 740,248              | 26,793            | 407,882           | 132,953           | 972,432            | 7,610                   | 330,889   | 2,621,056         | 150,452                       | 71,613    | 19,761    | 241,826         | (41,671)    | 2,821,211                 | -      | -                         | -         | -                 |        |
| Net income/(expense)  | 617,978   | 6,227,417            | 650,754           | 617,352           | 165,783           | 977,904            | (9,155)                 | 671,754   | 9,919,787         | 816,329                       | 402,855   | 215,104   | 1,434,298       | (41,705)    | 11,312,380                | -      | -                         | -         | -                 |        |
| Other operating expenses of which:  | (254,386) | (1,988,221)          | (18,412)          | (49,208)          | (49,662)          | (283,116)          | (25,248)                | (609,781) | (3,258,117)       | (456,701)                     | (119,904) | (116,448) | (693,053)       | 41,705      | (3,909,465)               | -      | -                         | -         | -                 |        |
| Depreciation (Allowance)/Writeback of allowance for impairment on loans, advances and financing | (2,206)   | (89,464)             | (885)             | (2,933)           | (3,028)           | (24,912)           | (6,777)                 | (137,887) | (268,02)          | (56,920)                      | (23,227)  | (16,70)   | (96,317)        | -           | (364,419)                 | -      | -                         | -         | -                 |        |
| Allowance for impairment on other assets  | -         | (8,586)              | (170,650)         | -                 | 853               | -                  | -                       | -         | (99,099)          | (100,099)                     | (22,876)  | 7,669     | (115,297)       | -           | (1,106,296)               | -      | -                         | -         | -                 |        |
| Profit/(Loss) by segments   | 106,478   | 3,666,439            | 461,702           | 567,820           | 116,934           | 714,788            | (64,413)                | 58,728    | 5,658,476         | 259,390                       | 259,943   | 105,142   | 824,475         | -           | 6,282,951                 | -      | -                         | -         | -                 |        |
| Reconciliation of segment profits to consolidated profits:                                      |           |                      |                   |                   |                   |                    |                         |           |                   |                               |           |           |                 |             |                           |        |                           |           |                   |        |
| Share of profit after tax of equity accounted associated companies                              |           |                      |                   |                   |                   |                    |                         |           |                   |                               |           |           |                 |             |                           |        |                           |           |                   |        |
| Profit before tax expense and Zakat   |           |                      |                   |                   |                   |                    |                         |           |                   |                               |           |           |                 |             |                           |        |                           |           |                   |        |
| Cost-to-income ratio  | 41.2%     | 31.9%                | 28%               | 8.0%              | 30.0%             | 26.9%              | -275.5%                 | 90.8%     | 32.8%             | 55.9%                         | 29.8%     | 54.1%     | 48.3%           | 34.6%       | -                         | -      | -                         | -         | -                 |        |
|   |           |                      |                   |                   |                   |                    |                         |           |                   |                               |           |           |                 |             |                           |        | 2,112                     | -         | -                 |        |
|   |           |                      |                   |                   |                   |                    |                         |           |                   |                               |           |           |                 |             |                           |        |                           | 6,285,063 | -                 | -      |



## 52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

| 2020 (continued)                    | Domestic Operating Segments |                   |                   |                   |           |                               |         |            |             |            | Overseas Operating Segments    |           |            |               |             |        |                 |        |        |                           |                   |
|-------------------------------------|-----------------------------|-------------------|-------------------|-------------------|-----------|-------------------------------|---------|------------|-------------|------------|--------------------------------|-----------|------------|---------------|-------------|--------|-----------------|--------|--------|---------------------------|-------------------|
|                                     | Treasury and Capital        |                   |                   |                   |           | Investment Banking Management |         |            |             |            | Head Office and Funding Center |           |            | Hong Kong SAR |             |        | Other Countries |        |        | Total segment Elimination | Inter-Group Total |
|                                     | Hire Purchase               | Retail Operations | Corporate Lending | Market Operations | Fund      | Others                        | RW'000  | RW'000     | RW'000      | RW'000     | RW'000                         | RW'000    | RW'000     | RW'000        | RW'000      | RW'000 | RW'000          | RW'000 | RW'000 | RW'000                    |                   |
| Gross loans, advances and financing | 52,362,644                  | 228,073,772       | 42,799,341        | -                 | 374,274   | 116,158                       | 1,430   | -          | 323,728,119 | 13,607,461 | 4,606,971                      | 3,708,676 | 21,923,108 | -             | 345,651,227 | -      | -               | -      | -      |                           |                   |
| Loan growth                         | 6.6%                        | 6.0%              | 1.0%              | -                 | 7.1%      | 11.2%                         | -7.5%   | -          | 5.4%        | -10.3%     | -2.4%                          | 8.5%      | -5.9%      | -             | -           | -      | -               | -      | -      | 4.6%                      |                   |
| Impaired loans and financing        | 159,751                     | 773,916           | 62,946            | -                 | -         | 249                           | -       | -          | 995,962     | 120,136    | 28,801                         | 106,319   | 255,256    | -             | 1,251,218   | -      | -               | -      | -      | -                         |                   |
| Impaired loan-financing ratio       | 0.3%                        | 0.3%              | 0.1%              | -                 | -         | 0.2%                          | -       | -          | 0.3%        | 0.9%       | 0.6%                           | 2.9%      | 1.2%       | -             | -           | -      | -               | -      | -      | 0.4%                      |                   |
| Deposits from customers             | -                           | 275,328,254       | 217,042           | 60,888,551        | 1,023,910 | -                             | -       | -          | 337,457,737 | 17,718,882 | 7,551,157                      | 3,143,175 | 28,413,014 | -             | 365,870,751 | -      | -               | -      | -      | -                         |                   |
| Deposit growth                      | -                           | 6.1%              | 9.9%              | -6.0%             | 37.1%     | -                             | -       | -          | -           | 3.8%       | -0.6%                          | -3.0%     | 24.3%      | 1.0%          | -           | -      | -               | -      | -      | 3.5%                      |                   |
| Addition to non-current assets      | 1,287                       | 69,776            | 207               | 14,794            | 34,554    | 6,335                         | 1,875   | 304,103    | 432,931     | 55,832     | 16,513                         | 24,563    | 96,908     | -             | 529,839     | -      | -               | -      | -      | -                         |                   |
| Segment assets                      | 51,993,465                  | 283,652,950       | 42,127,775        | 74,104,886        | 2,143,660 | 662,829                       | 884,339 | 52,897,113 | 508,496,897 | 22,095,746 | 10,862,572                     | 6,470,493 | 39,428,811 | (100,877,933) | 447,047,775 | -      | -               | -      | -      | -                         | -                 |

Reconciliation of segment assets to consolidated assets:

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Investment in associated companies | 78,405      | 16          |
| Unallocated assets                 | 1,712,944   | -           |
| Intangible assets                  | 775,488     | 1,842,234   |
| Total assets                       | 511,063,739 | 2,417,727   |
|                                    |             | 41,071,061  |
|                                    |             | 451,256,867 |

## 52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

| Domestic Operating Segments  |           |                           |                   |                   |                   |                       |                   |           |                     | Overseas Operating Segments |           |                 |                     |               |             |
|--|-----------|---------------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|-----------|---------------------|-----------------------------|-----------|-----------------|---------------------|---------------|-------------|
|  |           | Head Treasury and Capital |                   |                   |                   |                       | Office and Center |           |                     |                             |           | Total           |                     | Inter-segment |             |
|  |           | Hire Purchase             | Retail Operations | Corporate Lending | Market Operations | Investment Management | Fund              | Others    | Domestic Operations | Hong Kong SAR               | Cambodia  | Other Countries | Overseas Operations | Elimination   | Total Group |
| 2019   | RM'000    | RM'000                    | RM'000            | RM'000            | RM'000            | RM'000                | RM'000            | RM'000    | RM'000              | RM'000                      | RM'000    | RM'000          | RM'000              | RM'000        | RM'000      |
| External revenue   | 2,538,073 | 11,181,421                | 2,002,850         | 1,421,071         | 149,867           | 1,327,445             | 70,752            | 1,821,056 | 20,512,355          | 1,162,735                   | 449,054   | 330,470         | 1,942,99            | -             | 22,454,734  |
| Revenue from other segments  | 5,705     | 1,530,090                 | 43,437            | 2,181,225         | 1,094             | 48,522                | 1,851             | 635,781   | 4,447,705           | -                           | 60,821    | 27,423          | 88,244              | (4,535,949)   | -           |
| Total revenue  | 2,543,778 | 12,711,511                | 2,046,287         | 3,692,296         | 150,961           | 1,375,967             | 72,603            | 2,456,837 | 24,960,240          | 1,162,735                   | 509,875   | 357,833         | 2,030,443           | (4,535,949)   | 22,454,734  |
| Net interest income (expense) and Islamic banking income                           | 656,039   | 4,983,363                 | 558,176           | 19,004            | 25,611            | 8,761                 | (23,257)          | 1,197,825 | 7,425,522           | 718,993                     | 365,604   | 191,138         | 1,275,825           | -             | 8,701,347   |
| Other income   | 3,029     | 703,212                   | 49,094            | 345,404           | 59,208            | 879,120               | 71,165            | 98,497    | 2,209,029           | 155,477                     | 55,127    | 20,805          | 231,409             | (39,534)      | 2,400,904   |
| Net income   | 659,068   | 5,686,575                 | 607,270           | 364,408           | 84,819            | 888,181               | 47,908            | 1,296,322 | 9,634,551           | 874,470                     | 420,821   | 211,943         | 1,507,234           | (39,534)      | 11,102,251  |
| Other operating expenses of which:   | (255,573) | (1,975,528)               | (17,697)          | (45,721)          | (43,258)          | (241,380)             | (25,344)          | (573,225) | (3,177,726)         | (460,867)                   | (119,042) | (101,081)       | (681,000)           | 39,534        | (3,819,192) |
| Depreciation   | (2,318)   | (87,950)                  | (773)             | (1,886)           | (3,052)           | (23,789)              | (6,354)           | (140,202) | (266,334)           | (53,705)                    | (22,655)  | (9,478)         | (85,838)            | -             | (352,172)   |
| (Allowance)/Writeback of allowance for impairment on loans, advances and financing | (4,391)   | 11,981                    | (74,098)          | -                 | (2,008)           | (13)                  | -                 | -         | (68,529)            | (117,390)                   | 48,706    | (17,253)        | (85,931)            | -             | (154,466)   |
| Writeback of allowance/(allowance) for impairment on other assets                  | -         | 4,013                     | -                 | 577               | 48                | -                     | -                 | (1,101)   | 3,537               | (13)                        | (1,676)   | 327             | (1,362)             | -             | 2,175       |
| Profit by segments   | 399,104   | 3,727,041                 | 515,475           | 319,264           | 39,601            | 646,788               | 22,564            | 721,986   | 6,391,833           | 296,200                     | 348,809   | 93,926          | 738,935             | -             | 7,130,768   |
| Reconciliation of segment profits to consolidated profits:                         |           |                           |                   |                   |                   |                       |                   |           |                     |                             |           |                 |                     |               |             |
| Share of profit after tax of equity accounted associated companies                 |           |                           |                   |                   |                   |                       |                   |           |                     |                             |           |                 |                     | -             | 3,376       |
| Profit before tax expense and zakat  |           |                           |                   |                   |                   |                       |                   |           |                     |                             |           |                 |                     | 738,935       | 7,134,144   |
| Cost-to-income ratio   | 38.8%     | 34.7%                     | 2.9%              | 12.5%             | 51.0%             | 27.2%                 | 52.9%             | 44.2%     | 33.0%               | 52.7%                       | 28.3%     | 47.7%           | 45.2%               | 34.4%         |             |



## 52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

| 2019 (continued)                    | Domestic Operating Segments |                   |                   |                    |                 |                               |                     |            |             |                 | Overseas Operating Segments    |             |             |            |             |             |        |                           |  |             |  |
|-------------------------------------|-----------------------------|-------------------|-------------------|--------------------|-----------------|-------------------------------|---------------------|------------|-------------|-----------------|--------------------------------|-------------|-------------|------------|-------------|-------------|--------|---------------------------|--|-------------|--|
|                                     | Treasury and Capital        |                   |                   |                    |                 | Investment Banking Management |                     |            |             |                 | Head Office and Funding Center |             |             | Total      |             | Total       |        | Inter-segment Elimination |  | Group Total |  |
|                                     | Hire Purchase               | Retail Operations | Corporate Lending | Banking Operations | Fund Management | Others                        | Domestic Operations | SAR        | Cambodia    | Other Countries | Overseas Operations            | Group Total | RM'000      | RM'000     | RM'000      | RM'000      | RM'000 | RM'000                    |  |             |  |
| Gross loans, advances and financing | 49,122,692                  | 215,229,173       | 42,356,727        | -                  | 349,499         | 104,438                       | 1,546               | -          | 307,164,075 | 15,164,688      | 4,720,804                      | 341,8874    | 23,304,366  | -          | 330,468,441 | -           | -      |                           |  |             |  |
| Loan growth                         | 23%                         | 5.2%              | 3.4%              | -                  | -6.8%           | 5.5%                          | -7.0%               | -          | -           | -4.5%           | -4.5%                          | 8.4%        | 14.4%       | 0.3%       | -           | -           | -      | 4.1%                      |  |             |  |
| Impaired loans and financing        | 232,976                     | 1,028,251         | 47,050            | -                  | 1,772           | 270                           | -                   | -          | 1,310,329   | 103,643         | 45,233                         | 145,714     | 294,590     | -          | 1,604,919   | -           | -      |                           |  |             |  |
| Impaired loan:funding ratio         | 0.3%                        | 0.5%              | 0.1%              | -                  | 0.5%            | 0.3%                          | -                   | -          | -           | 0.4%            | 0.7%                           | 1.0%        | 4.3%        | 1.3%       | -           | -           | -      | 0.5%                      |  |             |  |
| Deposits from customers             | -                           | 250,493,622       | 197,410           | 64,771,188         | 746,083         | -                             | -                   | -          | 325,198,933 | 17,828,864      | 7,784,335                      | 25,266,13   | 281,141,642 | -          | 353,340,475 | -           | -      |                           |  |             |  |
| Deposit growth                      | -                           | 4.7%              | -40.1%            | 5.6%               | -26.0%          | -                             | -                   | -          | -           | 4.7%            | -4.3%                          | 0.9%        | 13.3%       | -1.5%      | -           | -           | -      | 4.2%                      |  |             |  |
| Addition to non-current assets      | 3,720                       | 87,061            | 283               | 388                | 288             | 12,940                        | 1,162               | 204,770    | 310,612     | 60,911          | 27,464                         | 23,066      | 113,441     | -          | -           | -           | -      | 424,053                   |  |             |  |
| Segment assets                      | 48,964,714                  | 267,629,253       | 41,846,191        | 76,600,791         | 1,876,239       | 531,436                       | 888,599             | 47,428,889 | 465,916,182 | 22,390,172      | 10,700,688                     | 6,271,852   | 39,362,862  | 96,292,450 | -           | 428,986,588 | -      | -                         |  |             |  |

Reconciliation of segment assets to consolidated assets:

|                                    |             |            |             |
|------------------------------------|-------------|------------|-------------|
| Investment in associated companies | 75,064      | 16         | 75,080      |
| Unallocated assets                 | 1,325,668   | -          | 1,325,988   |
| Intangible assets                  | 775,493     | 1,667,516  | 2,443,039   |
| Total assets                       | 488,092,707 | 41,030,424 | 432,830,675 |

# Notes to the Financial Statements – 31 December 2020



### 53. RATING STATEMENT

As at 31 December 2020, the Bank was accorded the following ratings:

| Agencies                           | Date accorded/Reaffirmed     | Ratings   |
|------------------------------------|------------------------------|---|
| RAM Rating Services Berhad         | 19 May 2020 (Reaffirmed)     | Long-Term Rating: AAA   |
|                                    | 19 May 2020 (Reaffirmed)     | Short-Term Rating: P1   |
|                                    | 19 May 2020 (Reaffirmed)     | Outlook: Stable   |
|                                    | 19 May 2020 (Reaffirmed)     | Senior Medium-Term Notes Programme: AAA/Stable  |
|                                    | 19 May 2020 (Reaffirmed)     | RM10 Billion Subordinated Medium-Term Notes Programme: AA1/Stable                     |
|                                    | 19 May 2020 (Reaffirmed)     | RM10 Billion Additional Tier-I Capital Securities Programme: AA3/Stable               |
| Moody's Investors Service          | 4 December 2020 (Reaffirmed) | Foreign Currency:<br>Long-Term Deposits Rating: A3<br>Short-Term Deposits Rating: P-2 |
|                                    | 4 December 2020 (Reaffirmed) | Local Currency:<br>Long-Term Deposits Rating: A3<br>Short-Term Deposits Rating: P-2   |
|                                    | 4 December 2020 (Reaffirmed) | Foreign Currency Outlook: Stable  |
|                                    | 4 December 2020 (Reaffirmed) | Local Currency Outlook: Stable  |
|                                    | 29 June 2020 (Reaffirmed)    | Foreign Currency:<br>Long-Term Rating: A-<br>Short-Term Rating: A-2                   |
|                                    | 29 June 2020 (Reaffirmed)    | Local Currency:<br>Long-Term Deposits Rating: A-<br>Short-Term Deposits Rating: A-2   |
| Standard & Poor's Ratings Services | 29 June 2020                 | Foreign Currency Outlook: Negative  |
|                                    | 29 June 2020                 | Local Currency Outlook: Negative  |

### 54. SIGNIFICANT EVENTS

There were no significant events other than as disclosed in Notes 2(i)(c), 22, 31 and 56 to the financial statements.

### 55. SUBSEQUENT EVENTS

Other than those as disclosed below, there were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements:

(a) COVID-19 Pandemic and its Impact

Developments surrounding the COVID-19 pandemic continue to be uncertain and fluid. This has increased the estimation uncertainty in the preparation of the financial statements and may result in the application of further judgment in the measurement of assets and liabilities, as disclosed in Note 2(i)(c) to the financial statements; and

(b) Bonus Issues

Subsequent to the approvals obtained from BNM and Bursa Malaysia Securities Berhad on 18 December 2020, and shareholders' approval via an Extraordinary General Meeting held on 12 January 2021 in relation to the proposed bonus issue of up to 15,528,553,388 bonus shares on the basis of 4 bonus shares for every 1 existing Public Bank Berhad share held on 27 January 2021 (Entitlement Date), the Bank had on 29 January 2021 announced the listing and quotation of 15,528,553,388 bonus shares, marking the completion of the bonus issue.

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS

The financial position as at 31 December 2020 and results for the financial year ended on this date under the Islamic banking business of the Group, which is conducted by the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad, are summarised as follows:

### Statement of Financial Position as at 31 December 2020

|  |      | Group             |                |
|--|------|-------------------|----------------|
|  | Note | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>ASSETS</b>  |      |                   |                |
| Cash and balances with banks   |      | <b>2,112,828</b>  | 3,139,455      |
| Financial assets at fair value through profit or loss                  |      | –                 | 249,541        |
| Derivative financial assets  |      | <b>1,317</b>      | –              |
| Financial investments at fair value through other comprehensive income |      | <b>9,717,771</b>  | 9,528,034      |
| Financial investments at amortised cost                                |      | <b>4,520,961</b>  | 3,743,715      |
| Financing and advances   | (a)  | <b>54,176,355</b> | 49,728,576     |
| Other assets   |      | <b>232,231</b>    | 71,437         |
| Statutory deposits with Bank Negara Malaysia                           |      | <b>168,200</b>    | 1,800,450      |
| Collective investments   |      | <b>565,504</b>    | 549,042        |
| Investment in an associated company                                    |      | <b>45,000</b>     | 45,000         |
| Right-of-use assets  |      | <b>17,137</b>     | 18,707         |
| Property and equipment   |      | <b>3,525</b>      | 4,005          |
| <b>Total Assets</b>  |      | <b>71,560,829</b> | 68,877,962     |
| <b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>                           |      |                   |                |
| Deposits from customers  | (b)  | <b>61,817,897</b> | 59,374,011     |
| Deposits from banks  |      | <b>2,067,854</b>  | 2,453,316      |
| Bills and acceptances payable  |      | <b>481</b>        | 377            |
| Derivative financial liabilities                                       |      | <b>196,035</b>    | 90,130         |
| Senior Sukuk Murabahah   |      | <b>519,950</b>    | 519,862        |
| Subordinated Sukuk Murabahah   |      | <b>1,000,000</b>  | 1,000,000      |
| Lease liabilities  |      | <b>18,227</b>     | 19,385         |
| Other liabilities  |      | <b>412,542</b>    | 396,753        |
| Provision for zakat and taxation                                       |      | <b>318</b>        | 19,888         |
| Deferred tax liabilities   |      | <b>104,135</b>    | 264            |
| <b>Total Liabilities</b>   |      | <b>66,137,439</b> | 63,873,986     |
| Islamic Banking Funds  |      | <b>5,423,390</b>  | 5,003,976      |
| <b>Total Liabilities and Islamic Banking Funds</b>                     |      | <b>71,560,829</b> | 68,877,962     |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                   |      | <b>11,946,719</b> | 10,168,972     |

The accompanying notes form an integral part of the financial statements



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### Statement of Profit or Loss for the year ended 31 December 2020

|   | Group              | 2020<br>RM'000 | 2019<br>RM'000 |
|---|--------------------|----------------|----------------|
| Income derived from investment of depositors' funds and others* | <b>2,404,696</b>   | 2,710,707      |                |
| Income derived from investment of Islamic Banking Funds*        | <b>208,186</b>     | 224,485        |                |
| Allowance for impairment on financing and advances              | <b>(204,733)</b>   | (41,756)       |                |
| Allowance for impairment on other assets                        | <b>(191)</b>       | (232)          |                |
| <b>Total distributable income</b>                               | <b>2,407,958</b>   | 2,893,204      |                |
| Income attributable to depositors and others                    | <b>(1,430,023)</b> | (1,787,697)    |                |
| <b>Total net income</b>   | <b>977,935</b>     | 1,105,507      |                |
| Personnel expenses  | <b>(21,630)</b>    | (21,243)       |                |
| Other overheads and expenditures                                | <b>(450,348)</b>   | (441,976)      |                |
| <b>Profit before zakat and taxation</b>                         | <b>505,957</b>     | 642,288        |                |
| Zakat   | <b>(1,206)</b>     | (300)          |                |
| Taxation  | <b>(117,146)</b>   | (149,834)      |                |
| <b>Profit for the year</b>                                      | <b>387,605</b>     | 492,154        |                |

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

|   | Group              | 2020<br>RM'000 | 2019<br>RM'000 |
|---|--------------------|----------------|----------------|
| Income derived from investment of depositors' funds and others*                                   | <b>2,404,696</b>   | 2,710,707      |                |
| Income derived from investment of Islamic Banking Funds*  | <b>208,186</b>     | 224,485        |                |
| Income attributable to depositors and others  | <b>(1,430,023)</b> | (1,787,697)    |                |
| Elimination of inter-company income and expenses  | <b>1,182,859</b>   | 1,147,495      |                |
|   | <b>128,534</b>     | 119,732        |                |
| Net income from Islamic banking business reported in the statement of profit or loss of the Group | <b>1,311,393</b>   | 1,267,227      |                |

\* Included day 1 net modification loss relating to COVID-19 relief measures of the Group of RM174,624,000 (Note 31) in the current financial year.

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### Statement of Comprehensive Income for the year ended 31 December 2020

|   | Group            | 2020<br>RM'000 | 2019<br>RM'000 |
|---|------------------|----------------|----------------|
| Profit for the year   | <b>387,605</b>   | 492,154        |                |
| <b>Other comprehensive income/(loss):</b>   |                  |                |                |
| Items that will not be reclassified to profit or loss:  |                  |                |                |
| Gain/(Loss) on remeasurements of defined benefit plans  | <b>578</b>       | (2,563)        |                |
| Items that may be reclassified to profit or loss:   |                  |                |                |
| Net change in revaluation of financial investments at fair value through other comprehensive income | <b>145,475</b>   | 98,501         |                |
| Net change in cash flow hedges  | <b>(104,199)</b> | (71,664)       |                |
|   | <b>41,276</b>    | 26,837         |                |
| Income tax effect   | <b>(10,045)</b>  | (5,826)        |                |
| Other comprehensive income for the year, net of tax   | <b>31,809</b>    | 18,448         |                |
| Total comprehensive income for the year   | <b>419,414</b>   | 510,602        |                |

The accompanying notes form an integral part of the financial statements



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### Statement of Changes in Islamic Banking Funds for the year ended 31 December 2020

| Group  | Non-distributable          |                                  |                               |                                   |  | Distributable    |                               |           | Total<br>RM'000 |
|--|----------------------------|----------------------------------|-------------------------------|-----------------------------------|--|------------------|-------------------------------|-----------|-----------------|
|  | Capital<br>Funds<br>RM'000 | Regulatory<br>Reserves<br>RM'000 | Hedging<br>Reserves<br>RM'000 | Revaluation<br>Reserves<br>RM'000 | Defined<br>Benefit<br>Reserves<br>RM'000 | Others<br>RM'000 | Retained<br>Profits<br>RM'000 |           |                 |
| At 1 January 2020                                    | 2,732,717                  | 309,431                          | (69,660)                      | 82,169                            | 4,258                                    | 172              | 1,944,889                     | 5,003,976 |                 |
| Profit for the year                                  | -                          | -                                | -                             | -                                 | -  | -                | 387,605                       | 387,605   |                 |
| Other comprehensive (loss)/<br>income for the year   | -                          | -                                | (79,191)                      | 110,561                           | 439                                      | -                | -                             | 31,809    |                 |
| Total comprehensive (loss)/<br>income for the year   | -                          | -                                | (79,191)                      | 110,561                           | 439                                      | -                | 387,605                       | 419,414   |                 |
| Transactions with owners/<br>other equity movements: |                            |                                  |                               |                                   |  |                  |                               |           |                 |
| Transfer from regulatory<br>reserves                 | -                          | (153,250)                        | -                             | -                                 | -  | -                | 153,250                       | -         |                 |
|  | -                          | (153,250)                        | -                             | -                                 | -  | -                | 153,250                       | -         |                 |
| At 31 December 2020                                  | 2,732,717                  | 156,181                          | (148,851)                     | 192,730                           | 4,697                                    | 172              | 2,485,744                     | 5,423,390 |                 |
| At 1 January 2019                                    | 2,732,717                  | 259,285                          | (15,195)                      | 7,308                             | 6,206                                    | 172              | 1,549,124                     | 4,539,617 |                 |
| Profit for the year                                  | -                          | -                                | -                             | -                                 | -  | -                | 492,154                       | 492,154   |                 |
| Other comprehensive (loss)/<br>income for the year   | -                          | -                                | (54,465)                      | 74,861                            | (1,948)                                  | -                | -                             | 18,448    |                 |
| Total comprehensive (loss)/<br>income for the year   | -                          | -                                | (54,465)                      | 74,861                            | (1,948)                                  | -                | 492,154                       | 510,602   |                 |
| Transactions with owners/<br>other equity movements: |                            |                                  |                               |                                   |  |                  |                               |           |                 |
| Transfer to regulatory reserves                      | -                          | 50,146                           | -                             | -                                 | -  | -                | (50,146)                      | -         |                 |
| Dividends paid                                       | -                          | -                                | -                             | -                                 | -  | -                | (46,243)                      | (46,243)  |                 |
|  | -                          | 50,146                           | -                             | -                                 | -  | -                | (96,389)                      | (46,243)  |                 |
| At 31 December 2019                                  | 2,732,717                  | 309,431                          | (69,660)                      | 82,169                            | 4,258                                    | 172              | 1,944,889                     | 5,003,976 |                 |

The accompanying notes form an integral part of the financial statements

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances

(i) Net financing and advances analysed by type and Shariah contracts are as follows:

|   | Bai'<br>Bithaman<br>Ajil<br>RM'000 | Ijarah<br>Thumma<br>Al-Bai'<br>RM'000 | Bai' Inah<br>RM'000 | Musharakah<br>Mutanaqisah<br>RM'000 | Murabahah<br>RM'000 | Others<br>RM'000 | Total<br>Financing<br>and<br>Advances<br>RM'000 |
|---|------------------------------------|---------------------------------------|---------------------|-------------------------------------|---------------------|------------------|---|
| 31 December 2020                                    |                                    |                                       |                     |                                     |                     |                  |   |
| <b>At amortised cost</b>                            |                                    |                                       |                     |                                     |                     |                  |   |
| Cash line   | 1,515,623                          | -                                     | -                   | -                                   | -                   | -                | 1,515,623                                       |
| Term financing                                      |                                    |                                       |                     |                                     |                     |                  |   |
| – House financing                                   | 5,470,603                          | -                                     | -                   | 18,168,232                          | -                   | -                | 23,638,835                                      |
| – Syndicated financing                              | 1,341,516                          | -                                     | -                   | -                                   | -                   | -                | 1,341,516                                       |
| – Hire purchase receivables                         | -                                  | 8,798,205                             | -                   | -                                   | -                   | -                | 8,798,205                                       |
| – Other term financing                              | 4,680,794                          | -                                     | 1,702,074           | 12,205,232                          | -                   | 211,199          | 18,799,299                                      |
| Credit card receivables                             | -                                  | -                                     | -                   | -                                   | -                   | 34,699           | 34,699  |
| Bills receivables                                   | -                                  | -                                     | -                   | -                                   | 1,114               | -                | 1,114   |
| Trust receipts                                      | -                                  | -                                     | -                   | -                                   | 4,155               | -                | 4,155   |
| Claims on customers under acceptance credits        | -                                  | -                                     | -                   | -                                   | 162,079             | -                | 162,079   |
| Revolving credits                                   | 248,884                            | -                                     | -                   | -                                   | -                   | -                | 248,884   |
| Staff financing                                     | -                                  | 11,002                                | -                   | 94,943                              | -                   | -                | 105,945   |
| Gross financing and advances                        | 13,257,420                         | 8,809,207                             | 1,702,074           | 30,468,407                          | 167,348             | 245,898          | 54,650,354                                      |
| Allowance for impairment on financing and advances: |                                    |                                       |                     |                                     |                     |                  |   |
| – Expected credit losses                            |                                    |                                       |                     |                                     |                     |                  | (473,999)                                       |
| – Stage 1: 12-Month ECL                             |                                    |                                       |                     |                                     |                     |                  | (249,018)                                       |
| – Stage 2: Lifetime ECL not credit-impaired         |                                    |                                       |                     |                                     |                     |                  | (175,333)                                       |
| – Stage 3: Lifetime ECL credit-impaired             |                                    |                                       |                     |                                     |                     |                  | (49,648)  |
| Net financing and advances                          |                                    |                                       |                     |                                     |                     |                  | 54,176,355                                      |



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (i) Net financing and advances analysed by type and Shariah contracts are as follows (continued):

|   | Bai' Bithaman<br>Ajil<br>RM'000 | Ijarah Thumma<br>Al-Bai'<br>RM'000 | Musharakah<br>Bai' Inah<br>RM'000 | Musharakah<br>Mutanaqisah<br>RM'000 | Murabahah<br>RM'000 | Others<br>RM'000 | Total<br>Financing<br>and<br>Advances<br>RM'000 |
|---|---------------------------------|------------------------------------|-----------------------------------|-------------------------------------|---------------------|------------------|---|
| 31 December 2019                                    |                                 |                                    |                                   |                                     |                     |                  |   |
| <b>At amortised cost</b>                            |                                 |                                    |                                   |                                     |                     |                  |   |
| Cash line   | 1,732,493                       | –                                  | –                                 | –                                   | –                   | –                | 1,732,493                                       |
| Term financing                                      |                                 |                                    |                                   |                                     |                     |                  |   |
| – House financing                                   | 5,105,404                       | –                                  | –                                 | 15,488,932                          | –                   | –                | 20,594,336                                      |
| – Syndicated financing                              | 1,266,197                       | –                                  | –                                 | –                                   | –                   | –                | 1,266,197                                       |
| – Hire purchase receivables                         | –                               | 8,310,016                          | –                                 | –                                   | –                   | –                | 8,310,016                                       |
| – Other term financing                              | 4,941,919                       | –                                  | 1,550,596                         | 10,923,096                          | –                   | 208,138          | 17,623,749                                      |
| Credit card receivables                             | –                               | –                                  | –                                 | –                                   | –                   | 30,375           | 30,375  |
| Bills receivables                                   | –                               | –                                  | –                                 | –                                   | 2,110               | –                | 2,110   |
| Trust receipts                                      | –                               | –                                  | –                                 | –                                   | 3,415               | –                | 3,415   |
| Claims on customers under acceptance credits        | –                               | –                                  | –                                 | –                                   | 195,437             | –                | 195,437   |
| Revolving credits                                   | 181,477                         | –                                  | –                                 | –                                   | –                   | –                | 181,477   |
| Staff financing                                     | –                               | 8,870                              | –                                 | 85,664                              | –                   | –                | 94,534  |
| Gross financing and advances                        | 13,227,490                      | 8,318,886                          | 1,550,596                         | 26,497,692                          | 200,962             | 238,513          | 50,034,139                                      |
| Allowance for impairment on financing and advances: |                                 |                                    |                                   |                                     |                     |                  |   |
| – Expected credit losses                            |                                 |                                    |                                   |                                     |                     | (305,563)        |   |
| – Stage 1: 12-Month ECL                             |                                 |                                    |                                   |                                     |                     | (129,065)        |   |
| – Stage 2: Lifetime ECL not credit-impaired         |                                 |                                    |                                   |                                     |                     | (90,576)         |   |
| – Stage 3: Lifetime ECL credit-impaired             |                                 |                                    |                                   |                                     |                     | (85,922)         |   |
| Net financing and advances                          |                                 |                                    |                                   |                                     |                     |                  | 49,728,576                                      |

All the Group's Islamic banking financing and advances are located in Malaysia.

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (ii) The maturity structure of gross financing and advances by residual contractual maturity is as follows:

|                                     | Group             |                |
|-------------------------------------|-------------------|----------------|
|                                     | 2020<br>RM'000    | 2019<br>RM'000 |
| Maturity within one year            | 2,705,318         | 2,883,519      |
| More than one year to three years   | 2,847,751         | 3,000,768      |
| More than three years to five years | 5,234,002         | 4,444,876      |
| More than five years                | 43,863,283        | 39,704,976     |
|                                     | <b>54,650,354</b> | 50,034,139     |

- (iii) Gross financing and advances presented by class of financial instruments are as follows:

|                     | Group             |                |
|---------------------|-------------------|----------------|
|                     | 2020<br>RM'000    | 2019<br>RM'000 |
| Retail financing*   |                   |                |
| – House financing   | 23,638,835        | 20,594,336     |
| – Hire purchase     | 8,798,205         | 8,310,016      |
| – Credit cards      | 34,699            | 30,375         |
| – Other financing^  | 17,188,431        | 15,975,442     |
| Corporate financing |                   |                |
|                     | 49,660,170        | 44,910,169     |
|                     | 4,990,184         | 5,123,970      |
|                     | <b>54,650,354</b> | 50,034,139     |

\* Included in retail financing are financing granted to individual customers and mid-market commercial enterprises.

^ Included in other financing are other term financing, trade financing, cash line and revolving credit.

- (iv) Gross financing and advances analysed by type of customer are as follows:

|  | Group             |                |
|--|-------------------|----------------|
|  | 2020<br>RM'000    | 2019<br>RM'000 |
| Other domestic non-bank financial institutions | 1,288,555         | 1,587,879      |
| Domestic business enterprises                  |                   |                |
| – Small and medium enterprises                 | 9,580,323         | 9,253,552      |
| – Others                                       | 3,182,038         | 2,651,101      |
| Government and statutory bodies                | 1,002,236         | 1,005,773      |
| Individuals                                    | 39,376,764        | 35,326,968     |
| Other domestic entities                        | 5,592             | 4,991          |
| Foreign entities                               | 214,846           | 203,875        |
|  | <b>54,650,354</b> | 50,034,139     |



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (v) Gross financing and advances analysed by rate of return sensitivity are as follows:

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2020<br>RM'000 | 2019<br>RM'000 |
| Fixed rate                           |                |                |
| – House financing                    | 241,969        | 273,262        |
| – Hire purchase receivables          | 8,797,731      | 8,309,305      |
| – Other fixed rate financing         | 3,207,286      | 3,125,661      |
| Variable rate                        |                |                |
| – Base rate/Base financing rate plus | 38,315,464     | 34,120,141     |
| – Cost plus                          | 4,087,904      | 4,205,770      |
|                                      | 54,650,354     | 50,034,139     |

- (vi) Gross financing and advances analysed by economic purpose are as follows:

|  | Group                    |                          |
|--|--------------------------|--------------------------|
|  | 2020<br>RM'000           | 2019<br>RM'000           |
| Purchase of transport vehicles                         | 8,809,205                | 8,318,886                |
| Purchase of landed properties                          | 36,166,126               | 32,255,720               |
| (of which: – residential<br>– non-residential)         | 24,238,949<br>11,927,177 | 21,138,886<br>11,116,834 |
| Purchase of fixed assets (excluding landed properties) | 382                      | –                        |
| Personal use   | 3,003,698                | 2,891,612                |
| Credit card  | 34,699                   | 30,375                   |
| Purchase of consumer durables                          | 695                      | 700                      |
| Construction   | 777,160                  | 510,885                  |
| Working capital  | 5,719,179                | 5,882,984                |
| Other purpose  | 139,210                  | 142,977                  |
|  | 54,650,354               | 50,034,139               |

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

(vii) Gross financing and advances analysed by sector are as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| Agriculture, hunting, forestry and fishing        | 889,124        | 910,538        |
| Mining and quarrying                              | 149,280        | 169,036        |
| Manufacturing                                     | 1,508,088      | 1,448,787      |
| Electricity, gas and water                        | 5,174          | 4,791          |
| Construction                                      | 2,408,706      | 1,972,635      |
| Wholesale & retail trade and restaurants & hotels | 2,960,882      | 2,678,149      |
| Transport, storage and communication              | 473,145        | 397,533        |
| Finance, insurance and business services          | 1,773,243      | 2,055,679      |
| Real estate                                       | 3,646,447      | 3,628,663      |
| Community, social and personal services           | 1,354,561      | 1,345,141      |
| Households  | 39,481,702     | 35,423,184     |
| Others  | 2              | 3              |
|   | 54,650,354     | 50,034,139     |

(viii) Movements in credit-impaired ("impaired") financing and advances are as follows:

|  | Group          |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| At 1 January   | 275,050        | 277,731        |
| Impaired during the year   | 190,044        | 673,499        |
| Reclassified as non-impaired during the year                               | (191,093)      | (533,038)      |
| Recoveries   | (39,279)       | (56,730)       |
| Amount written off   | (60,617)       | (76,223)       |
| Financing converted to foreclosed properties                               | (4,684)        | (10,189)       |
| At 31 December   | 169,421        | 275,050        |
| Gross impaired financing and advances as % of gross financing and advances | 0.31%          | 0.55%          |



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (ix) Impaired financing and advances analysed by economic purpose are as follows:

|  | Group                          |                   |
|--|--------------------------------|-------------------|
|  | 2020<br>RM'000                 | 2019<br>RM'000    |
| Purchase of transport vehicles                 | <b>38,903</b>                  | 72,786            |
| Purchase of landed properties                  | <b>111,636</b>                 | 170,061           |
| (of which: – residential<br>– non-residential) | <b>86,075</b><br><b>25,561</b> | 146,493<br>23,568 |
| Personal use                                   | <b>14,229</b>                  | 26,291            |
| Credit card                                    | <b>120</b>                     | 262               |
| Working capital                                | <b>4,513</b>                   | 5,628             |
| Other purpose                                  | <b>20</b>                      | 22                |
|  | <b>169,421</b>                 | 275,050           |

- (x) Impaired financing and advances analysed by sector are as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2020<br>RM'000 | 2019<br>RM'000 |
| Agriculture, hunting, forestry and fishing        | <b>55</b>      | 50             |
| Mining and quarrying                              | <b>231</b>     | 2              |
| Manufacturing                                     | <b>606</b>     | 1,032          |
| Construction                                      | <b>8,377</b>   | 8,924          |
| Wholesale & retail trade and restaurants & hotels | <b>4,505</b>   | 7,337          |
| Transport, storage and communication              | <b>134</b>     | 1,393          |
| Finance, insurance and business services          | <b>6,855</b>   | 3,107          |
| Real estate                                       | <b>1,670</b>   | 75             |
| Community, social and personal services           | <b>1,555</b>   | 1,578          |
| Households  | <b>145,433</b> | 251,552        |
|   | <b>169,421</b> | 275,050        |

All the Group's Islamic banking impaired financing and advances are located in Malaysia.

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

| 2020  | Retail Financing             |                            |                           |                              |                                  | Total<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------|
|   | House<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Financing<br>RM'000 | Corporate<br>Financing<br>RM'000 |                 |
| <b>Stage 1: 12-Month ECL</b>  |                              |                            |                           |                              |                                  |                 |
| At 1 January 2020   | 17,019                       | 40,091                     | 319                       | 55,571                       | 16,065                           | 129,065         |
| Changes due to financing and advances recognised as at 1 January 2020 | 9,541                        | 12,390                     | 49                        | 11,328                       | (425)                            | 32,883          |
| – Transfer to Stage 1: 12-Month ECL                                   | 9,880                        | 14,479                     | 64                        | 12,805                       | –                                | 37,228          |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired               | (331)                        | (2,030)                    | (14)                      | (1,453)                      | (425)                            | (4,253)         |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                   | (8)                          | (59)                       | (1)                       | (24)                         | –                                | (92)            |
| New financing and advances originated                                 | 2,620                        | 5,792                      | 104                       | 5,459                        | 1,051                            | 15,026          |
| Net remeasurement due to changes in credit risk                       | (6,717)                      | (2,685)                    | (13)                      | 35,790                       | 28,374                           | 54,749          |
| Financing and advances derecognised (other than write-off)            | (339)                        | (2,596)                    | (93)                      | (1,871)                      | (1,457)                          | (6,356)         |
| Modifications to contractual cash flows of financing and advances     | (2,166)                      | (63)                       | (18)                      | (5,224)                      | 72                               | (7,399)         |
| Changes in models/risk parameters                                     | 2,421                        | 20,408                     | 112                       | 5,619                        | 2,490                            | 31,050          |
| At 31 December 2020   | 22,379                       | 73,337                     | 460                       | 106,672                      | 46,170                           | 249,018         |



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| 2020  | Retail Financing             |                            |                           |                              |                                  | Total<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------|
|   | House<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Financing<br>RM'000 | Corporate<br>Financing<br>RM'000 |                 |
| <b>Stage 2: Lifetime ECL not credit-impaired</b>                      |                              |                            |                           |                              |                                  |                 |
| At 1 January 2020   | 13,185                       | 25,055                     | 57                        | 50,930                       | 1,349                            | 90,576          |
| Changes due to financing and advances recognised as at 1 January 2020 | (586)                        | (8,585)                    | 26                        | (6,196)                      | 166                              | (15,175)        |
| – Transfer to Stage 1: 12-Month ECL                                   | (7,673)                      | (12,162)                   | (18)                      | (10,637)                     | –                                | (30,490)        |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired               | 7,279                        | 4,139                      | 45                        | 4,943                        | 425                              | 16,831          |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                   | (192)                        | (562)                      | (1)                       | (502)                        | (259)                            | (1,516)         |
| New financing and advances originated                                 | 854                          | 1,477                      | 14                        | 4,508                        | 27                               | 6,880           |
| Net remeasurement due to changes in credit risk                       | 109                          | 20,819                     | 17                        | (1,440)                      | 10,314                           | 29,819          |
| Financing and advances derecognised (other than write-off)            | (359)                        | (687)                      | (39)                      | (2,252)                      | (24)                             | (3,361)         |
| Modifications to contractual cash flows of financing and advances     | 6,979                        | 83                         | (2)                       | 32,956                       | –                                | 40,016          |
| Changes in models/risk parameters                                     | 579                          | 1,988                      | 20                        | 19,871                       | 4,120                            | 26,578          |
| At 31 December 2020   | 20,761                       | 40,150                     | 93                        | 98,377                       | 15,952                           | 175,333         |

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| 2020  | Retail Financing             |                            |                           |                              |                                  | Total<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------|
|   | House<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Financing<br>RM'000 | Corporate<br>Financing<br>RM'000 |                 |
| <b>Stage 3: Lifetime ECL credit-impaired</b>                          |                              |                            |                           |                              |                                  |                 |
| At 1 January 2020   | 19,216                       | 42,471                     | 215                       | 24,020                       | –                                | 85,922          |
| Changes due to financing and advances recognised as at 1 January 2020 | (8,955)                      | (3,805)                    | (75)                      | (5,132)                      | 259                              | (17,708)        |
| – Transfer to Stage 1: 12-Month ECL                                   | (2,207)                      | (2,317)                    | (46)                      | (2,168)                      | –                                | (6,738)         |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired               | (6,948)                      | (2,109)                    | (31)                      | (3,490)                      | –                                | (12,578)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                   | 200                          | 621                        | 2                         | 526                          | 259                              | 1,608           |
| New financing and advances originated*                                | 54                           | 109                        | –                         | –                            | –                                | 163             |
| Net remeasurement due to changes in credit risk                       | 10,527                       | 24,664                     | 189                       | 10,423                       | (259)                            | 45,544          |
| Financing and advances derecognised (other than write-off)            | (447)                        | (3,562)                    | (54)                      | (882)                        | –                                | (4,945)         |
| Modifications to contractual cash flows of financing and advances     | 538                          | 373                        | 36                        | 124                          | –                                | 1,071           |
| Changes in models/risk parameters                                     | 12                           | 188                        | –                         | 18                           | –                                | 218             |
| Amount written off  | (10,151)                     | (33,928)                   | (215)                     | (16,323)                     | –                                | (60,617)        |
| At 31 December 2020   | 10,794                       | 26,510                     | 96                        | 12,248                       | –                                | 49,648          |
| Total ECL as at 31 December 2020                                      | 53,934                       | 139,997                    | 649                       | 217,297                      | 62,122                           | 473,999         |

\* New financing and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| 2019  | Retail Financing             |                            |                           |                              |                                  | Total<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------|
|   | House<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Financing<br>RM'000 | Corporate<br>Financing<br>RM'000 |                 |
| <b>Stage 1: 12-Month ECL</b>  |                              |                            |                           |                              |                                  |                 |
| At 1 January 2019   | 17,026                       | 56,460                     | 286                       | 55,302                       | 15,068                           | 144,142         |
| Changes due to financing and advances recognised as at 1 January 2019 | 9,662                        | 8,985                      | 63                        | 7,228                        | 374                              | 26,312          |
| – Transfer to Stage 1: 12-Month ECL                                   | 10,218                       | 13,061                     | 74                        | 9,321                        | 403                              | 33,077          |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired               | (509)                        | (3,924)                    | (10)                      | (2,022)                      | (29)                             | (6,494)         |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                   | (47)                         | (152)                      | (1)                       | (71)                         | –                                | (271)           |
| New financing and advances originated                                 | 2,463                        | 2,236                      | 78                        | 4,605                        | 4,191                            | 13,573          |
| Net remeasurement due to changes in credit risk                       | (8,916)                      | (16,578)                   | 22                        | (10,256)                     | (13)                             | (35,741)        |
| Financing and advances derecognised (other than write-off)            | (341)                        | (2,496)                    | (8)                       | (1,795)                      | (2,515)                          | (7,155)         |
| Modifications to contractual cash flows of financing and advances     | –                            | (1)                        | (43)                      | (413)                        | –                                | (457)           |
| Changes in models/risk parameters                                     | (2,875)                      | (8,515)                    | (79)                      | 900                          | (1,040)                          | (11,609)        |
| At 31 December 2019   | 17,019                       | 40,091                     | 319                       | 55,571                       | 16,065                           | 129,065         |

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| 2019  | Retail Financing             |                            |                           |                              |                                  | Total<br>RM'000 |
|---|------------------------------|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------|
|   | House<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Financing<br>RM'000 | Corporate<br>Financing<br>RM'000 |                 |
| <b>Stage 2: Lifetime ECL not credit-impaired</b>                      |                              |                            |                           |                              |                                  |                 |
| At 1 January 2019   | 17,534                       | 31,471                     | 55                        | 27,605                       | 849                              | 77,514          |
| Changes due to financing and advances recognised as at 1 January 2019 | (3,859)                      | (3,820)                    | 47                        | (295)                        | (374)                            | (8,301)         |
| – Transfer to Stage 1: 12-Month ECL                                   | (8,441)                      | (10,461)                   | (24)                      | (6,799)                      | (403)                            | (26,128)        |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired               | 5,627                        | 8,026                      | 78                        | 6,908                        | 29                               | 20,668          |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                   | (1,045)                      | (1,385)                    | (7)                       | (404)                        | –                                | (2,841)         |
| New financing and advances originated                                 | 719                          | 646                        | 10                        | 3,702                        | 373                              | 5,450           |
| Net remeasurement due to changes in credit risk                       | 1,853                        | (3,705)                    | 47                        | 10,207                       | (508)                            | 7,894           |
| Financing and advances derecognised (other than write-off)            | (716)                        | (1,127)                    | (28)                      | (375)                        | (1)                              | (2,247)         |
| Modifications to contractual cash flows of financing and advances     | 24                           | (7)                        | (61)                      | 7                            | –                                | (37)            |
| Changes in models/risk parameters                                     | (2,370)                      | 1,597                      | (13)                      | 10,079                       | 1,010                            | 10,303          |
| At 31 December 2019   | 13,185                       | 25,055                     | 57                        | 50,930                       | 1,349                            | 90,576          |



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (a) Financing and Advances (continued)

- (xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

| 2019   | Retail Financing             |                            |                           |                              |                                  | Total<br>RM'000 |
|--|------------------------------|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------|
|  | House<br>Financing<br>RM'000 | Hire<br>Purchase<br>RM'000 | Credit<br>Cards<br>RM'000 | Other<br>Financing<br>RM'000 | Corporate<br>Financing<br>RM'000 |                 |
| <b>Stage 3: Lifetime ECL credit-impaired</b>                                 |                              |                            |                           |                              |                                  |                 |
| At 1 January 2019  | 15,938                       | 48,723                     | 221                       | 27,230                       | –                                | 92,112          |
| Changes due to financing and advances recognised as at 1 January 2019        | (5,803)                      | (5,165)                    | (110)                     | (6,933)                      | –                                | (18,011)        |
| – Transfer to Stage 1: 12-Month ECL  | (1,777)                      | (2,600)                    | (50)                      | (2,522)                      | –                                | (6,949)         |
| – Transfer to Stage 2: Lifetime ECL not credit-impaired                      | (5,118)                      | (4,102)                    | (68)                      | (4,886)                      | –                                | (14,174)        |
| – Transfer to Stage 3: Lifetime ECL credit-impaired                          | 1,092                        | 1,537                      | 8                         | 475                          | –                                | 3,112           |
| New financing and advances originated*                                       | 304                          | 154                        | 27                        | 75                           | –                                | 560             |
| Net remeasurement due to changes in credit risk                              | 18,962                       | 51,228                     | 318                       | 23,401                       | –                                | 93,909          |
| Financing and advances derecognised (other than write-off)                   | (1,001)                      | (6,088)                    | (52)                      | (794)                        | –                                | (7,935)         |
| Modifications to contractual cash flows of financing and advances            | 53                           | 63                         | 57                        | 580                          | –                                | 753             |
| Changes in models/risk parameters  | 79                           | 1,003                      | (9)                       | (161)                        | –                                | 912             |
| Amount transferred to allowance for impairment loss on foreclosed properties | –                            | –                          | –                         | (155)                        | –                                | (155)           |
| Amount written off   | (9,316)                      | (47,447)                   | (237)                     | (19,223)                     | –                                | (76,223)        |
| At 31 December 2019  | 19,216                       | 42,471                     | 215                       | 24,020                       | –                                | 85,922          |
| Total ECL as at 31 December 2019   | 49,420                       | 107,617                    | 591                       | 130,521                      | 17,414                           | 305,563         |

\* New financing and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

# Notes to the Financial Statements – 31 December 2020

## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (b) Deposits From Customers

(i) By type of deposit and contract:

|                                       | Group             |                |
|---------------------------------------|-------------------|----------------|
|                                       | 2020<br>RM'000    | 2019<br>RM'000 |
| <b>At amortised cost</b>              |                   |                |
| Savings deposit                       |                   |                |
| – Qard                                | <b>8,561,432</b>  | 6,716,978      |
| Demand deposit                        |                   |                |
| – Qard                                | <b>5,815,770</b>  | 4,816,878      |
| Term deposit                          |                   |                |
| – Negotiable Islamic Debt Certificate |                   |                |
| – Bai' Bithaman Ajil                  | –                 | 22,959         |
| – Commodity Murabahah                 | <b>40,003,712</b> | 41,363,757     |
| – Special term deposit account        |                   |                |
| – Qard                                | –                 | 6,453,439      |
| – Commodity Murabahah                 | <b>7,436,983</b>  | –              |
|                                       | <b>7,436,983</b>  | 6,453,439      |
|                                       | <b>61,817,897</b> | 59,374,011     |

Included in deposits from customers are deposits of RM383,204,000 (2019 – RM368,930,000) held as collateral for financing and advances.



## 56. ISLAMIC BANKING BUSINESS (CONTINUED)

### (b) Deposits From Customers (continued)

(ii) By type of customers:

|  | Group          |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Federal and state governments              | 4,067,101      | 2,348,406      |
| Local government and statutory authorities | 676,356        | 879,729        |
| Business enterprises                       | 10,877,438     | 9,791,744      |
| Individuals                                | 23,989,087     | 23,466,357     |
| Foreign customers                          | 615,937        | 601,272        |
| Others                                     | 21,591,978     | 22,286,503     |
|  | 61,817,897     | 59,374,011     |

(iii) The maturity structure of term deposits is as follows:

|                                     | Group          |                |
|-------------------------------------|----------------|----------------|
|                                     | 2020<br>RM'000 | 2019<br>RM'000 |
| Due within six months               | 40,950,133     | 41,567,949     |
| More than six months to one year    | 6,488,683      | 6,270,511      |
| More than one year to three years   | 881            | 883            |
| More than three years to five years | 998            | 812            |
|                                     | 47,440,695     | 47,840,155     |

# Appendix

## DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report:

| Name of Subsidiary Company                  | Name of Director   | Name of Subsidiary Company           | Name of Director   |
|---|--|--------------------------------------|--|
| Public Islamic Bank Berhad                  | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Dato' Mohammed Najeeb bin Abdullah<br>Tan Sri Dato' Sri Tay Ah Lek<br>Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid<br>Mr Vasantha Kumar Tharmalingam<br>Datin Dr. Rusnah binti Muhamad<br>Mr Lam Song Shen<br>Dato' Haji Kamil Khalid bin Dato' Mushir Ariff<br>(appointed on 1 November 2020) | Public Holdings Sdn. Bhd.            | Mr Quah Poh Keat<br>Ms Chang Siew Yen<br>(appointed on 15 December 2020)<br>Mr Cheong Kien Meng<br>(resigned on 31 December 2020)  |
| Public Investment Bank Berhad               | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Mr Lim Chao Li<br>Tan Sri Dato' Sri Tay Ah Lek<br>Dato' Dr. Thillainathan A/L Ramasamy<br>En. Abdul Karim bin Md Lassim   | Public Nominees (Tempatan) Sdn. Bhd. | Dato' Chang Kat Kiam<br>Mr Chan Kok Kwai<br>Mr Raymond Paul Lai Fook Sung<br>Mr Goh Kah Poh  |
| Public Invest Nominees (Tempatan) Sdn. Bhd. | Mr Lee Yo-Hunn<br>Mr Lim Jit Seng<br>Ms Lim Geok Lian  | Public Nominees (Asing) Sdn. Bhd.    | Dato' Chang Kat Kiam<br>Mr Chan Kok Kwai<br>Mr Raymond Paul Lai Fook Sung<br>Mr Goh Kah Poh  |
| Public Invest Nominees (Asing) Sdn. Bhd.    | Mr Lee Yo-Hunn<br>Mr Lim Jit Seng<br>Ms Lim Geok Lian  | Public Bank (L) Ltd.                 | Ms Chan Chew Fung<br>Mr Tang Wing Chew<br>Mr Lai Wan   |
| Public Consolidated Holdings Sdn. Bhd.      | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Mr Quah Poh Keat<br>Ms Yik Sook Ling<br>(appointed on 1 January 2021)<br>Dato' Chia Lee Kee<br>(resigned on 31 December 2020)   | PB Trust (L) Ltd.                    | Ms Chang Siew Yen<br>Ms Yik Sook Ling  |
| Public Mutual Berhad                        | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Tan Sri Dato' Sri Tay Ah Lek<br>Dato' (Dr.) Haji Mohamed Ishak bin Haji Mohamed Ariff<br>Mr Quah Poh Keat<br>Dato' Mohammed Najeeb bin Abdullah<br>Dato' Mohd Hanif bin Sher Mohamed<br>Ms Yeoh Kim Hong  | PB Trustee Services Berhad           | Dato' Mohammed Najeeb bin Abdullah<br>Ms Chang Siew Yen<br>Ms Yik Sook Ling  |
|   |  | PB Venture Capital Sdn. Bhd.         | Mr Quah Poh Keat<br>Ms Yik Sook Ling<br>(appointed on 15 December 2020)<br>Dato' Chia Lee Kee<br>(resigned on 31 December 2020)  |
|   |  | Public Leasing & Factoring Sdn. Bhd. | Mr Chan Kok Kwai<br>Mr Wong Man Hoe  |
|   |  | PB International Factors Sdn. Bhd.   | Mr Chan Kok Kwai<br>Mr Wong Man Hoe  |
|   |  | Cambodian Public Bank Plc            | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Dato' Mohammed Najeeb bin Abdullah<br>Dato' Chang Kat Kiam<br>Mr Quah Poh Keat<br>Dr. Ghanty Sam Abdoullah<br>Datuk Phan Ying Tong<br>(resigned on 9 December 2020) |



## DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK (CONTINUED)

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report (continued):

| Name of Subsidiary Company        | Name of Director  | Name of Subsidiary Company           | Name of Director   |
|-----------------------------------|---|--------------------------------------|--|
| Campu Securities Plc              | Mr Quah Poh Keat<br>Dato' Chang Kat Kiam<br>Datuk Phan Ying Tong<br>(resigned on 9 December 2020)   | Public Financial Limited             | Ms Chiu Chik Shang<br>Mr Chong Yam Kiang<br>(appointed on 1 January 2020)<br>Mr Lee Huat Oon<br>(resigned on 1 January 2020)   |
| Campu Lonpac Insurance Plc        | Mr Tan Kok Guan<br>Dato' Chang Kat Kiam<br>Mr Quah Poh Keat<br>Dr. Ghanty Sam Abdoullah<br>Dato' Mohammed Najeeb bin Abdullah   | Public Securities Limited            | Ms Chiu Chik Shang<br>Mr Chong Yam Kiang<br>(appointed on 1 January 2020)<br>Mr Lee Huat Oon<br>(resigned on 1 January 2020)   |
| Public Financial Holdings Limited | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Mr Lai Wan<br>Mr Quah Poh Keat<br>Mr Lee Chin Guan<br>Mr Tang Wing Chew<br>Dato' Chang Kat Kiam<br>Mr Tan Yoke Kong<br>Mr Chong Yam Kiang<br>Mr Lee Huat Oon<br>(resigned on 1 January 2020) | Public Securities (Nominees) Limited | Ms Chiu Chik Shang<br>Mr Chong Yam Kiang<br>(appointed on 1 January 2020)<br>Mr Lee Huat Oon<br>(resigned on 1 January 2020)   |
| Public Bank (Hong Kong) Limited   | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Mr Lai Wan<br>Tan Sri Dato' Sri Tay Ah Lek<br>Mr Quah Poh Keat<br>Mr Lee Chin Guan<br>Mr Tang Wing Chew<br>Dato' Chang Kat Kiam<br>Mr Tan Yoke Kong<br>Mr Chong Yam Kiang                    | Public Financial Securities Limited  | Mr Tan Yoke Kong<br>Ms Chau Man Ching, Gladys  |
| Public Finance Limited            | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Mr Tang Wing Chew<br>Mr Quah Poh Keat<br>Mr Lee Chin Guan<br>Mr Lai Wan<br>Dato' Chang Kat Kiam<br>Mr Chong Yam Kiang<br>Mr Lee Huat Oon<br>(resigned on 1 January 2020)                     | Public Bank (Nominees) Limited       | Mr Tan Yoke Kong<br>Ms Chan Sau Kuen<br>Mr Chong Yam Kiang   |
|                                   |   | Public Futures Limited               | Mr Tan Yoke Kong<br>Ms Chiu Chik Shang   |
|                                   |   | Winton (B.V.I.) Limited              | Mr Ng Chee Khuen<br>Mr Chong Yam Kiang   |
|                                   |   | Winton Financial Limited             | Mr Ng Chee Khuen<br>Mr Chong Yam Kiang   |
|                                   |   | Winton Motors, Limited               | Mr Ng Chee Khuen<br>Mr Chong Yam Kiang   |
|                                   |   | Public Bank Vietnam Limited          | Tan Sri Dato' Sri Dr. Teh Hong Piow<br>Dato' Chang Kat Kiam<br>Mr Quah Poh Keat<br>Mr Chee Keng Eng<br>Mr Lee Chin Guan<br>Datuk Phan Ying Tong<br>(resigned on 9 December 2020) |

# Pillar 3 Disclosure as at 31 December 2020

## OVERVIEW

The Pillar 3 Disclosure is required under the Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

- (a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume;
- (b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors (“the Board”) and senior management on internal controls and corporate governance practices, to ensure that banking institutions maintain adequate capital levels consistent with their risk profile and business plan at all times; and
- (c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Public Bank Group (“the Group”) adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM’s RWCAF. Under the Standardised Approach, the Group applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Group’s average gross income for a fixed number of quarterly periods.

The Group’s Pillar 3 Disclosure is governed by the Group’s Disclosure Policy on Basel II RWCAF/Capital Adequacy Framework for Islamic Banks - Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by Public Bank Berhad (“the Bank”)’s Managing Director/Chief Executive Officer. Under the BNM’s RWCAF, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank’s website, [www.publicbankgroup.com](http://www.publicbankgroup.com)



## MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Group's principal business activity is commercial banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Group's and the Bank's risk-weighted assets.

|                     | 2020                        | 2019                                     |                             |  |
|---------------------|-----------------------------|--|-----------------------------|--|
|                     | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 | Risk-Weighted Assets RM'000 | Minimum Capital Requirement at 8% RM'000 |
| <b>Group</b>        |                             |  |                             |  |
| Credit Risk         | <b>266,754,650</b>          | <b>21,340,372</b>                        | 252,112,870                 | 20,169,030                               |
| Market Risk         | <b>4,719,681</b>            | <b>377,574</b>                           | 5,040,545                   | 403,244                                  |
| Operational Risk    | <b>20,141,735</b>           | <b>1,611,339</b>                         | 20,139,900                  | 1,611,192                                |
| Large Exposure Risk | <b>668,423</b>              | <b>53,474</b>                            | 612,893                     | 49,031                                   |
| <b>Total</b>        | <b>292,284,489</b>          | <b>23,382,759</b>                        | 277,906,208                 | 22,232,497                               |
| <b>Bank</b>         |                             |  |                             |  |
| Credit Risk         | <b>212,310,530</b>          | <b>16,984,842</b>                        | 201,778,618                 | 16,142,289                               |
| Market Risk         | <b>4,741,815</b>            | <b>379,345</b>                           | 5,473,692                   | 437,895                                  |
| Operational Risk    | <b>13,689,994</b>           | <b>1,095,200</b>                         | 14,036,638                  | 1,122,931                                |
| Large Exposure Risk | <b>641,027</b>              | <b>51,282</b>                            | 587,405                     | 46,992                                   |
| <b>Total</b>        | <b>231,383,366</b>          | <b>18,510,669</b>                        | 221,876,353                 | 17,750,107                               |

# Pillar 3

## Disclosure as at 31 December 2020

### 1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank and its subsidiary and associated companies. The Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 15 and 16 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(ii)(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its insurance associated company, which is equity-accounted in the financial accounting consolidation and the investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There were no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group during the financial year.

All information in the ensuing sections is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as required under the RWCAF.

### 2. CAPITAL MANAGEMENT

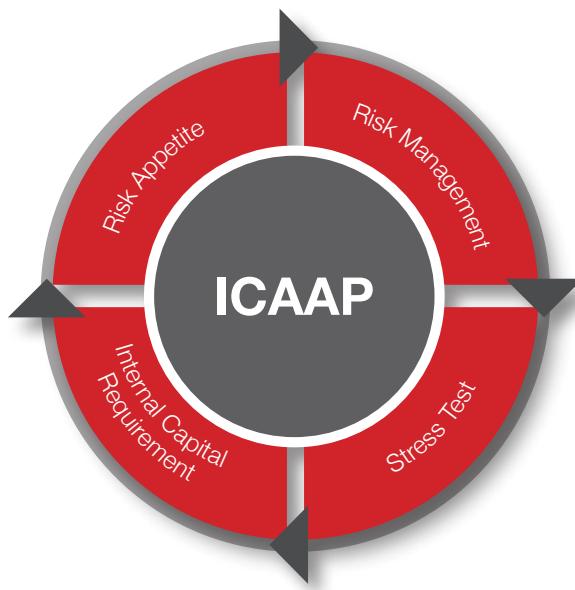
The objective of the Group's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Group's total capital, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business plans
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

The Group achieves this through its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Group to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

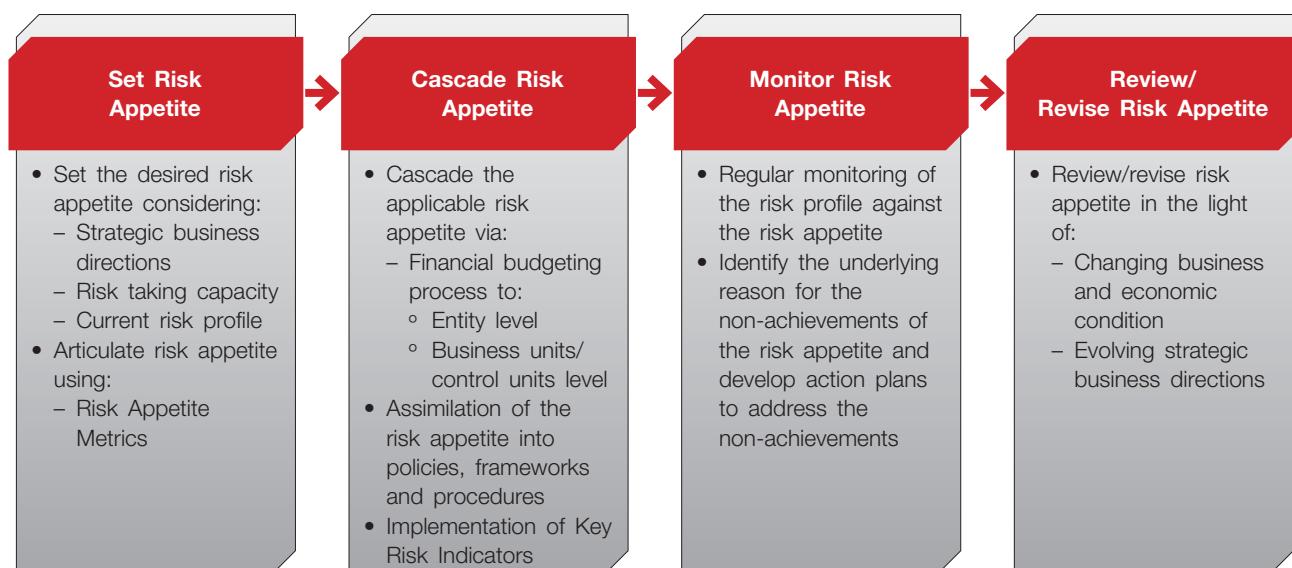
## 2. CAPITAL MANAGEMENT (CONTINUED)

The key elements of the Group's ICAAP are as follows:



### (a) Risk Appetite

The Group's Risk Appetite expresses the level of risk which the Group is willing to assume within the Group's capacity in order to achieve the Group's objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Group's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Group. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the Group's strategic directions, business and regulatory environment and stakeholders' requirements. The setting, cascading, monitoring and the review/revision of the Risk Appetite is set out in the Group's Risk Appetite Framework and is as follows:



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## Disclosure as at 31 December 2020

### 2. CAPITAL MANAGEMENT (CONTINUED)

#### (b) Risk Management

The Group's Risk Management Framework sets out the principles applied in managing the material risks that the Group is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control, monitoring and reporting of all applicable and material risks and this includes the continuous identification of emerging risks followed by the assessment of the risks on the Group's business and capital positions. The Group's risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite.

The key principles and components of the Group's Risk Management Framework are further discussed in item 3 of the Pillar 3 Disclosure.

In addition, an annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

- (i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);
- (ii) Risks not fully captured under Pillar 1 (e.g. model risk and residual credit risk); and
- (iii) Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

#### Compile a Comprehensive List of Risks

To obtain a comprehensive list of risks inherent to banking business guided by the guidelines issued by:

- BNM or respective Regulators
- Basel Committee and Banking Committees



#### Identify Risks that are Applicable to the Group

From the comprehensive list of risks, identify the risks that are applicable to the Group/respective entities taking into consideration the current risk taking activities of the Group/respective entities



#### Assess the Applicable Risks

For risks that are identified to be applicable to the Group/respective entities, ensure the risk assessments are supported by the following:

- consistent and robust risk assessment approaches
- quality data used for risk measurement
- sound techniques and methodologies that commensurate with the banking institution's size, nature of business and complexity of activities

All assessments of risks incorporate both quantitative and/or qualitative assessment.

#### Qualitative Approach

Risks which may not be easily quantified due to lack of commonly accepted risk measurement techniques.

The focus for such non-quantifiable risks would then be the risk processes put in place to manage these risks including the following:

- Adequate governance process
- Adequate system, procedure and internal controls
- Effective risk mitigation strategies
- Regular monitoring and reporting

#### Quantitative Approach

Risks which can be quantified based on best practices methodologies which are prescribed by regulators or internal methodologies, capital will be set aside for the amount of quantified risks.

Apart from this, the quantified liquidity risk will be managed through the holdings of high quality liquid assets or identification of alternative funds.



## 2. CAPITAL MANAGEMENT (CONTINUED)

### (c) Stress Test

The Group's stress testing process is guided by the Group's Stress Test Policy ("Stress Test Policy"). The objectives of the Stress Test Policy are as follows:

- (i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;
- (ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and effective, taking into account the nature, risk profile and complexity of the Group's business as well as the environment in which it operates;
- (iii) To ensure all material risks are captured in the stress test including emerging risks;
- (iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise; and
- (v) To ensure the adverse unexpected outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

The key focus of the stress test is to identify the potential adverse impact on the Group's capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are reviewed and deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Group's Internal Capital Targets.

### (d) Internal Capital Requirement

The Group's internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Group's strategic directions and business plans. In formulating the Group's capital plans, the Group considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Group's capital plans are reviewed regularly by the Board against the Group's Internal Capital Targets.

## 3. RISK MANAGEMENT FRAMEWORK

The key principles and components of the Group's Risk Management Framework are as follows:

- (a) Risk Governance Structure;
- (b) Risk Appetite;
- (c) Risk Management Culture; and
- (d) Risk Management and Internal Controls.

# Pillar 3

## Disclosure as at 31 December 2020

### 3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

#### (a) Risk Governance Structure

The Group's risk governance structure sets out the roles and responsibilities of the parties involved in the Group's risk management and internal control system as follows:

|  |   |  |   |
|--|---|--|---|
| <b>ESTABLISH RISK APPETITE &amp; POLICY</b>                | <ol style="list-style-type: none"> <li><b>1. Board of Directors</b></li> <li><b>2. Risk Management Committee</b></li> <li><b>3. Credit Risk Management Committee</b></li> <li><b>4. Shariah Committee</b></li> </ol>  |  |   |
| <b>ENSURE IMPLEMENTATION OF RISK AND COMPLIANCE POLICY</b> | <ol style="list-style-type: none"> <li><b>5. Dedicated Risk Committees</b> <ul style="list-style-type: none"> <li>Assets &amp; Liabilities Management Committee</li> <li>Operational Risk Management Committee</li> <li>Internal Capital Adequacy Assessment Process Working Group</li> </ul> </li> <li><b>6. Credit Committee</b></li> <li><b>7. Risk Management and Control Functions</b> <ul style="list-style-type: none"> <li>Risk Management Function</li> <li>Compliance Function</li> <li>Shariah Compliance Function</li> </ul> </li> </ol>  | <b>10. COMPLIANCE COMMITTEE</b><br><small>(supported by Compliance Function)</small> | <b>11. AUDIT COMMITTEE</b><br><small>(supported by Internal Audit Function)</small> |
| <b>IMPLEMENT AND COMPLY WITH RISK POLICY</b>               | <ol style="list-style-type: none"> <li><b>8. Support Functions</b> <ul style="list-style-type: none"> <li>Human Resource</li> <li>Information Technology</li> <li>Finance</li> <li>Banking Operations</li> <li>Credit Control, Administration &amp; Supervision</li> <li>Property</li> <li>Security</li> </ul> </li> <li><b>9. Business Functions</b> <ul style="list-style-type: none"> <li>Corporate Lending</li> <li>Investment Banking</li> <li>Islamic Banking</li> <li>Retail Banking and Financing Operations</li> <li>Share Broking</li> <li>Fund Management</li> <li>Treasury and Capital Market Operations</li> </ul> </li> </ol> |  |   |



### 3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

#### (a) Risk Governance Structure (continued)

##### **Board of Directors**

The Board has overall responsibility for the Group's risk management and internal control system. For this purpose, the Board:

- (i) Ensures that the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities;
- (ii) Responsible for the overall oversight on the soundness of the risk management processes and internal controls;
- (iii) Responsible for the remuneration of the senior management and that the remuneration is aligned with prudent risk taking; and
- (iv) Provides direction and guidance to the senior management on action plans to be taken to address the material risks identified.

##### **Risk Management Committee**

The RMC assists the Board to oversee the management of all material risks including inter-alia reviewing risk management frameworks and policies, reviewing risk management limits, risk exposures and portfolio composition and ensuring risk infrastructure, resources and systems are put in place for effective risk management oversight.

##### **Credit Risk Management Committee**

The Credit Risk Management Committee assists the Board in discharging its oversight role over the management of credit risk including inter-alia in ensuring the risk infrastructures and systems are able to manage and control the risk taking activities within the risk appetite and credit risk strategy.

##### **Compliance Committee**

The Compliance Committee maintains overall responsibility to oversee the design and implementation of sound compliance management system in assessing the compliance profile, and evaluating the effectiveness of the overall management of compliance risks. The Compliance Committee also deliberates on compliance issues identified regularly to ensure such issues are resolved effectively, and ensures appropriate infrastructure, resources, processes and systems are in place for compliance risk management.

##### **Audit Committee**

The Audit Committee assists the Board to evaluate and assess the adequacy and effectiveness of the risk management systems, internal controls and governance processes. In performing this role, the Audit Committee reviews the internal control issues, the root causes and impacts identified by internal and external auditors as well as regulatory authorities during their periodic audits. The Audit Committee also reviews and ensures that Management has taken appropriate and adequate remedial actions in a timely manner to address and resolve control weaknesses, non-compliance with laws, regulatory requirements, policies and other operational lapses highlighted by the internal and external auditors as well as regulatory authorities. In addition, the Audit Committee reviews the performance and effectiveness of the Internal Audit function, with particular emphasis on the achievement of its key performance indicators, audit methodology applied, adequacy of audit scope and coverage, adequacy of resources, and knowledge as well as competency of the internal audit personnel.

# Pillar 3

## Disclosure as at 31 December 2020

### 3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

#### (a) Risk Governance Structure (continued)

##### **Shariah Committee**

The Shariah Committee ("SC") is responsible to provide advice to ensure Public Islamic's operations, business, affairs and activities are Shariah compliant. This includes advising the Board and Management on Shariah matters, endorsing Shariah policies, products and services and the relevant documentation in relation to Islamic banking operations, as well as deliberating and affirming Shariah non-compliance findings and endorsing rectification measures to address any Shariah non-compliance event.

##### **Dedicated Risk Committees**

The dedicated risk committees assist the RMC in the management of all material risk. These committees are responsible for the effective implementation of the risk management strategies and policies as approved by the Board or by the RMC. The key responsibilities of the dedicated risk committees are as follows:

- (i) Ensuring all relevant and material risks associated with the Group have been identified and assessed and are operating within the Group's risk appetite;
- (ii) Implementing, assessing and monitoring the risk management and internal control system in accordance with the Group's risk management strategies and overall risk appetite; and
- (iii) Identifying changes in the operating environment which may give rise to risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board.

#### (b) Risk Appetite

The Group's risk appetite defines the amount and the types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also sets out the level of risk tolerance and limits to govern, manage and control the Group's risk taking activities. The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.

#### (c) Risk Management Culture

The culture of managing risk is embedded into the day-to-day operations and decision-making process through the following:

- (i) Strong corporate governance;
- (ii) Organisational structure with clearly defined roles and responsibilities;
- (iii) Effective communication;
- (iv) Commitment to compliance with laws, regulations and internal controls;
- (v) Integrity in fiduciary responsibilities;
- (vi) Clear policies, procedures and guidelines; and
- (vii) Continuous training.

### 3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

#### (d) Risk Management and Internal Controls

The Group's risk management and internal control system provide reasonable assurance on the adequacy and effectiveness of the risk management approach in identifying, measuring, continuous monitoring and reporting of all the relevant and material risks on a group and entity-wide basis, including new and emerging risks.

The key elements of risk management and internal controls are as follows:



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## Disclosure as at 31 December 2020

### 4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

The following tables present the capital adequacy ratios and the capital structure of the Group and of the Bank.

#### (a) Capital Adequacy Ratios of the Group and of the Bank

|  | Group          |         | Bank           |         |
|--|----------------|---------|----------------|---------|
|  | 2020           | 2019    | 2020           | 2019    |
| <b>Before deducting interim dividends*:</b>  |                |         |                |         |
| Common Equity Tier I ("CET I") capital ratio | <b>14.815%</b> | 14.019% | <b>13.702%</b> | 12.808% |
| Tier I capital ratio                         | <b>14.869%</b> | 14.076% | <b>13.745%</b> | 12.853% |
| Total capital ratio                          | <b>18.011%</b> | 17.317% | <b>17.053%</b> | 16.243% |
| <b>After deducting interim dividends*:</b>   |                |         |                |         |
| CET I capital ratio                          | <b>13.951%</b> | 13.460% | <b>12.611%</b> | 12.108% |
| Tier I capital ratio                         | <b>14.005%</b> | 13.517% | <b>12.654%</b> | 12.153% |
| Total capital ratio                          | <b>17.147%</b> | 16.758% | <b>15.962%</b> | 15.543% |

\* Refer to interim dividends declared subsequent to the financial year end.

The capital adequacy ratios of the banking subsidiary companies of the Bank are set out in Note 50(d) to the financial statements.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II – Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdictions outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group's and the Bank's CCyB, unless specified otherwise by BNM.

The Group's and the Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of their private sector credit exposures outside Malaysia are insignificant due to their immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic. However, BNM expects the Group and the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at the reporting date, the Group and the Bank continued to maintain CCB of 2.5%.

As allowed under the BNM's Capital Adequacy Frameworks on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Group and the Bank have not applied the said transitional arrangements.



#### 4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

##### (b) Capital Structure

|   | Group              |                | Bank               |                |
|---|--------------------|----------------|--------------------|----------------|
|   | 2020<br>RM'000     | 2019<br>RM'000 | 2020<br>RM'000     | 2019<br>RM'000 |
| <b>CET I/Tier I capital</b>   |                    |                |                    |                |
| Share capital   | <b>9,417,653</b>   | 9,417,653      | <b>9,417,653</b>   | 9,417,653      |
| Other reserves  | <b>1,518,824</b>   | 1,273,513      | <b>793,110</b>     | 671,090        |
| Retained profits  | <b>34,290,480</b>  | 30,245,351     | <b>28,373,510</b>  | 25,267,007     |
| Qualifying non-controlling interests  | <b>682,379</b>     | 696,901        | –                  | –              |
| Less: Goodwill and other intangible assets  | <b>(2,417,727)</b> | (2,443,039)    | <b>(695,393)</b>   | (695,393)      |
| Less: Deferred tax assets, net  | <b>(81,637)</b>    | (83,484)       | –                  | (11,307)       |
| Less: Defined benefit pension fund assets   | <b>(2,748)</b>     | (48,430)       | <b>(2,059)</b>     | (47,736)       |
| Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital | <b>(105,998)</b>   | (99,419)       | <b>(6,183,241)</b> | (6,183,241)    |
| Total CET I capital   | <b>43,301,226</b>  | 38,959,046     | <b>31,703,580</b>  | 28,418,073     |
| Additional Tier I capital securities  | <b>99,702</b>      | 99,582         | <b>99,702</b>      | 99,582         |
| Qualifying CET I and additional Tier I capital instruments held by third parties                                | <b>57,785</b>      | 58,619         | –                  | –              |
| Total Tier I capital  | <b>43,458,713</b>  | 39,117,247     | <b>31,803,282</b>  | 28,517,655     |
| <b>Tier II capital</b>  |                    |                |                    |                |
| Stage 1 and Stage 2 expected credit loss allowances   | <b>2,664,293</b>   | 1,685,918      | <b>1,966,983</b>   | 1,256,999      |
| Qualifying regulatory reserves  | <b>670,140</b>     | 1,465,493      | <b>686,899</b>     | 1,265,234      |
| Subordinated notes  | <b>4,999,992</b>   | 4,999,986      | <b>4,999,992</b>   | 4,999,986      |
| Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties                    | <b>718,503</b>     | 716,141        | –                  | –              |
| Others  | <b>130,972</b>     | 139,117        | –                  | –              |
| Total Tier II capital   | <b>9,183,900</b>   | 9,006,655      | <b>7,653,874</b>   | 7,522,219      |
| <b>Total capital</b>  | <b>52,642,613</b>  | 48,123,902     | <b>39,457,156</b>  | 36,039,874     |

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## Disclosure as at 31 December 2020

### 4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

#### (b) Capital Structure (continued)

The Group has issued various capital instruments which qualify as components of regulatory capital under the BNM's Capital Adequacy Framework (Capital Components), as summarised in the following table:

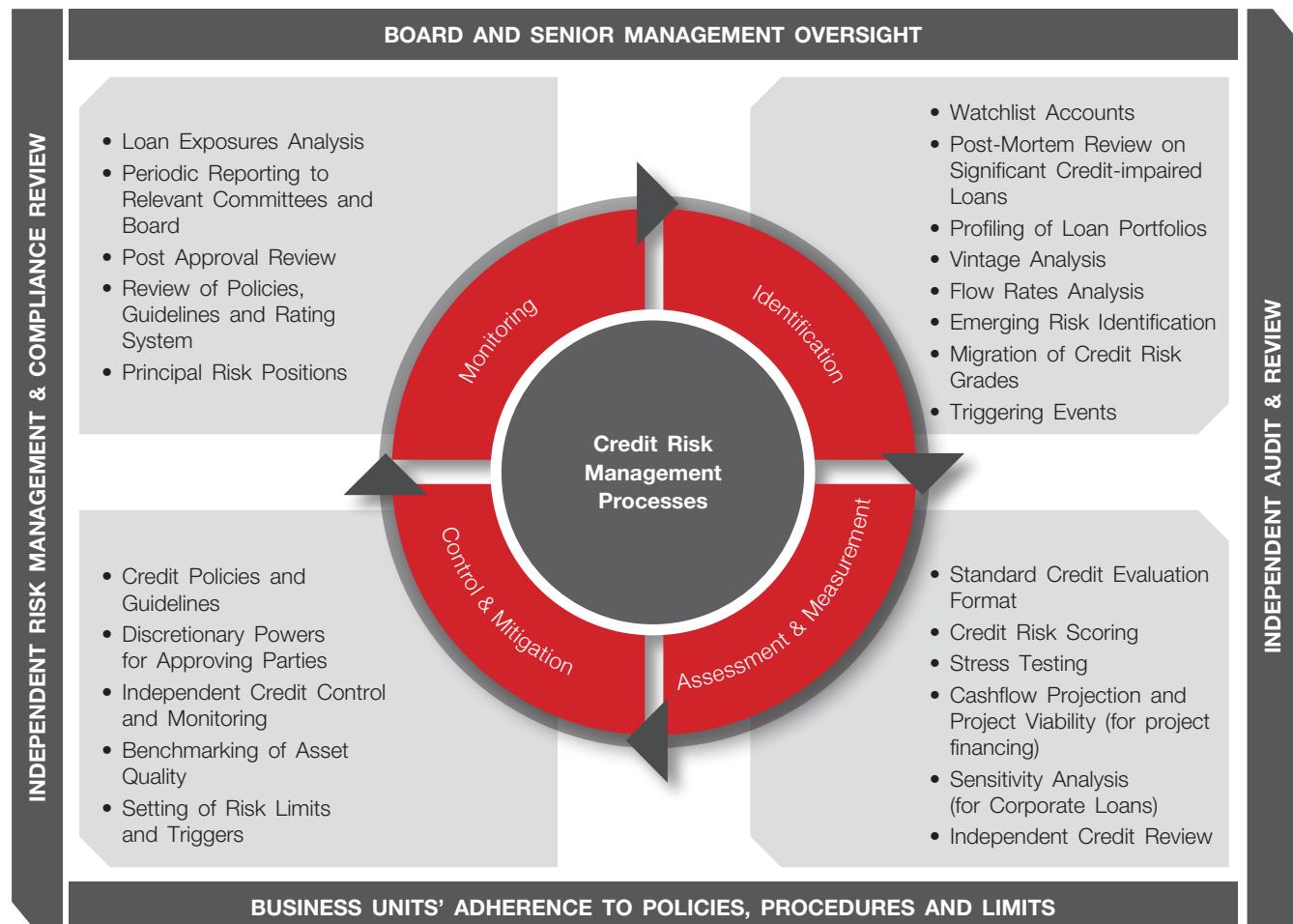
| Capital Instruments  | Capital Component | Main Features   |
|--|-------------------|---|
| <b>Issued by the Bank:</b>   |                   |   |
| (a) Basel III-Compliant Additional Tier I capital securities ("Basel III-ATICS")                 | Tier I Capital    | <ul style="list-style-type: none"> <li>Subordinated to all liabilities, including depositors and Subordinated Notes/Sukuk Murabahah</li> <li>Unsecured</li> <li>Perpetual, with optional redemption after 5 years. No step-up</li> <li>Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-ATICS may be subject to write-off</li> <li>The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-ATICS</li> </ul>       |
| (b) Basel III-Compliant Subordinated notes ("Basel III-Compliant Sub Notes")                     | Tier II Capital   | <ul style="list-style-type: none"> <li>Subordinated to all liabilities, including depositors, except to Basel III-ATICS</li> <li>Unsecured</li> <li>Optional redemption after 5 years. No step-up</li> <li>Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Notes may be subject to write-off</li> <li>The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-Compliant Sub Notes</li> </ul>       |
| <b>Issued by Public Islamic:</b>   |                   |   |
| (a) Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah") | Tier II Capital   | <ul style="list-style-type: none"> <li>Subordinated to all liabilities, including depositors, except to Basel III-ATICS</li> <li>Unsecured</li> <li>Optional redemption after 5 years. No step-up</li> <li>Upon occurrence of a Trigger Event at the Bank/Public Islamic as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off</li> <li>The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah</li> </ul> |

The details of the capital instruments are found in Note 25 to the financial statements.

## 5. CREDIT RISK

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

The following diagram presents the risk management processes over credit risk.



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 45 to the financial statements.

# Pillar 3

## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank.

| Group<br>Exposure Class  | Total<br>Exposures<br>before<br>Credit Risk<br>Mitigation<br>RM'000 | Total<br>Exposures<br>after<br>Credit Risk<br>Mitigation<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Minimum<br>Capital<br>Requirement<br>at 8%<br>RM'000 |
|--|---|--|---------------------------------------|--|
| <b>2020</b>  |   |  |                                       |  |
| <b>On-Balance Sheet Exposures</b>  |   |  |                                       |  |
| Sovereigns/Central Banks   | 63,973,370  | 63,773,224   | 1,765,830                             | 141,266  |
| Public Sector Entities   | 1,861,971   | 1,861,971  | 60,177                                | 4,814  |
| Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs") | 16,477,631  | 16,477,631   | 5,458,732                             | 436,699  |
| Insurance Companies, Securities Firms and Fund Managers  | 543,103   | 543,045  | 462,979                               | 37,038   |
| Corporates   | 91,155,289  | 88,015,763   | 69,105,373                            | 5,528,430  |
| Regulatory Retail  | 138,252,818   | 137,162,370  | 105,589,777                           | 8,447,182  |
| Residential Mortgages  | 127,906,725   | 127,670,406  | 57,691,945                            | 4,615,356  |
| Higher Risk Assets   | 77,818  | 77,780   | 116,670                               | 9,334  |
| Other Assets   | 7,515,345   | 7,515,345  | 4,505,665                             | 360,453  |
| Equity Exposures   | 822,877   | 822,877  | 822,877                               | 65,830   |
| Defaulted Exposures  | 1,080,657   | 1,078,851  | 1,373,339                             | 109,867  |
|  | 449,667,604   | 444,999,263  | 246,953,364                           | 19,756,269   |
| <b>Off-Balance Sheet Exposures</b>   |   |  |                                       |  |
| Credit-related Exposures   | 24,383,247  | 23,735,996   | 19,439,498                            | 1,555,160  |
| Derivative Financial Instruments   | 938,550   | 938,550  | 343,166                               | 27,453   |
| Other Treasury-related Exposures   | 42,424  | 42,424   | 6,413                                 | 513  |
| Defaulted Exposures  | 8,779   | 8,779  | 12,209                                | 977  |
|  | 25,373,000  | 24,725,749   | 19,801,286                            | 1,584,103  |
| <b>Total Credit Exposures</b>  | <b>475,040,604</b>  | <b>469,725,012</b>   | <b>266,754,650</b>                    | <b>21,340,372</b>                                    |



## 5. CREDIT RISK (CONTINUED)

### Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank. (continued)

| Group<br>Exposure Class                                    | Total<br>Exposures<br>before<br>Credit Risk<br>Mitigation<br>RM'000 | Total<br>Exposures<br>after<br>Credit Risk<br>Mitigation<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Minimum<br>Capital<br>Requirement<br>at 8%<br>RM'000 |
|--|---|--|---------------------------------------|--|
| <b>2019</b>  |   |  |                                       |  |
| <b>On-Balance Sheet Exposures</b>                          |   |  |                                       |  |
| Sovereigns/Central Banks                                   | 59,836,515  | 59,836,515   | 1,313,914                             | 105,113  |
| Public Sector Entities                                     | 1,709,913   | 1,709,913  | 30,712                                | 2,457  |
| Banks, DFIs and MDBs                                       | 12,404,531  | 12,404,531   | 4,385,345                             | 350,827  |
| Insurance Companies, Securities Firms and<br>Fund Managers | 567,296   | 567,236  | 567,236                               | 45,379   |
| Corporates   | 92,379,595  | 89,194,029   | 68,496,322                            | 5,479,706  |
| Regulatory Retail  | 132,937,578   | 131,841,201  | 101,664,887                           | 8,133,191  |
| Residential Mortgages                                      | 118,060,283   | 117,855,231  | 51,026,701                            | 4,082,136  |
| Higher Risk Assets   | 76,056  | 76,055   | 114,083                               | 9,127  |
| Other Assets   | 7,648,536   | 7,648,536  | 4,341,738                             | 347,339  |
| Equity Exposures   | 774,913   | 774,913  | 774,913                               | 61,993   |
| Defaulted Exposures  | 1,295,287   | 1,294,748  | 1,670,835                             | 133,667  |
|  | 427,690,503   | 423,202,908  | 234,386,686                           | 18,750,935   |
| <b>Off-Balance Sheet Exposures</b>                         |   |  |                                       |  |
| Credit-related Exposures                                   | 21,895,056  | 21,241,224   | 17,399,315                            | 1,391,945  |
| Derivative Financial Instruments                           | 787,361   | 787,361  | 311,299                               | 24,904   |
| Other Treasury-related Exposures                           | 65,652  | 65,652   | 4,669                                 | 374  |
| Defaulted Exposures  | 8,080   | 8,080  | 10,901                                | 872  |
|  | 22,756,149  | 22,102,317   | 17,726,184                            | 1,418,095  |
| <b>Total Credit Exposures</b>                              | <b>450,446,652</b>  | <b>445,305,225</b>   | <b>252,112,870</b>                    | <b>20,169,030</b>                                    |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank. (continued)

| Bank<br>Exposure Class                                  | Total<br>Exposures<br>before<br>Credit Risk<br>Mitigation<br>RM'000 | Total<br>Exposures<br>after<br>Credit Risk<br>Mitigation<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Minimum<br>Capital<br>Requirement<br>at 8%<br>RM'000 |
|---|---|--|---------------------------------------|--|
| <b>2020</b>   |   |  |                                       |  |
| <b>On-Balance Sheet Exposures</b>                       |   |  |                                       |  |
| Sovereigns/Central Banks                                | 42,886,612  | 42,686,467   | 125,518                               | 10,041   |
| Public Sector Entities                                  | 463,918   | 463,918  | 3,169                                 | 253  |
| Banks, DFIs and MDBs                                    | 8,979,340   | 8,979,340  | 3,005,594                             | 240,447  |
| Insurance Companies, Securities Firms and Fund Managers | 19,801  | 19,795   | 19,795                                | 1,584  |
| Corporates  | 75,173,738  | 72,406,475   | 56,221,796                            | 4,497,744  |
| Regulatory Retail                                       | 106,525,774   | 105,633,406  | 80,073,736                            | 6,405,899  |
| Residential Mortgages                                   | 99,375,010  | 99,183,094   | 44,140,522                            | 3,531,242  |
| Higher Risk Assets                                      | 65,850  | 65,832   | 98,749                                | 7,900  |
| Other Assets  | 6,301,878   | 6,301,878  | 4,747,241                             | 379,779  |
| Equity Exposures  | 6,717,506   | 6,717,506  | 6,717,506                             | 537,400  |
| Defaulted Exposures                                     | 816,323   | 814,606  | 1,050,908                             | 84,073   |
|   | 347,325,750   | 343,272,317  | 196,204,534                           | 15,696,362   |
| <b>Off-Balance Sheet Exposures</b>                      |   |  |                                       |  |
| Credit-related Exposures                                | 19,881,061  | 19,276,593   | 15,696,200                            | 1,255,696  |
| Derivative Financial Instruments                        | 1,218,406   | 1,218,406  | 394,923                               | 31,594   |
| Other Treasury-related Exposures                        | 42,424  | 42,424   | 6,412                                 | 513  |
| Defaulted Exposures                                     | 6,171   | 6,171  | 8,461                                 | 677  |
|   | 21,148,062  | 20,543,594   | 16,105,996                            | 1,288,480  |
| <b>Total Credit Exposures</b>                           | <b>368,473,812</b>  | <b>363,815,911</b>   | <b>212,310,530</b>                    | <b>16,984,842</b>                                    |



## 5. CREDIT RISK (CONTINUED)

### Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank. (continued)

| Bank<br>Exposure Class                                  | Total<br>Exposures<br>before<br>Credit Risk<br>Mitigation<br>RM'000 | Total<br>Exposures<br>after<br>Credit Risk<br>Mitigation<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 | Minimum<br>Capital<br>Requirement<br>at 8%<br>RM'000 |
|---|---|--|---------------------------------------|--|
| <b>2019</b>   |   |  |                                       |  |
| <b>On-Balance Sheet Exposures</b>                       |   |  |                                       |  |
| Sovereigns/Central Banks                                | 37,503,871  | 37,503,871   | 69,742                                | 5,579  |
| Public Sector Entities                                  | 457,980   | 457,980  | 2,865                                 | 229  |
| Banks, DFIs and MDBs                                    | 7,522,814   | 7,522,814  | 2,365,922                             | 189,274  |
| Insurance Companies, Securities Firms and Fund Managers | 11,872  | 11,863   | 11,863                                | 949  |
| Corporates  | 75,598,466  | 73,229,552   | 55,702,916                            | 4,456,233  |
| Regulatory Retail                                       | 102,449,301   | 101,555,104  | 77,039,676                            | 6,163,174  |
| Residential Mortgages                                   | 92,811,722  | 92,641,007   | 39,629,837                            | 3,170,387  |
| Higher Risk Assets                                      | 64,954  | 64,954   | 97,430                                | 7,794  |
| Other Assets  | 6,456,494   | 6,456,494  | 4,671,390                             | 373,711  |
| Equity Exposures  | 6,458,693   | 6,458,693  | 6,458,693                             | 516,696  |
| Defaulted Exposures                                     | 982,596   | 982,213  | 1,295,747                             | 103,660  |
|   | 330,318,763   | 326,884,545  | 187,346,081                           | 14,987,686   |
| <b>Off-Balance Sheet Exposures</b>                      |   |  |                                       |  |
| Credit-related Exposures                                | 17,957,421  | 17,344,628   | 14,073,826                            | 1,125,906  |
| Derivative Financial Instruments                        | 982,285   | 982,285  | 348,043                               | 27,843   |
| Other Treasury-related Exposures                        | 44,405  | 44,405   | 4,669                                 | 374  |
| Defaulted Exposures                                     | 4,481   | 4,481  | 5,999                                 | 480  |
|   | 18,988,592  | 18,375,799   | 14,432,537                            | 1,154,603  |
| <b>Total Credit Exposures</b>                           | <b>349,307,355</b>  | <b>345,260,344</b>   | <b>201,778,618</b>                    | <b>16,142,289</b>                                    |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

- (a) Industry analysis
- (b) Geographical analysis based on geographical location where the credit risk resides
- (c) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

##### (a) Industry Analysis

| Group  | Agriculture,<br>Manufacturing,<br>Construction<br>& Real<br>Estate |                                 |  |                                       |                   |                    |                                    |                   |                    | Motor<br>Vehicle<br>Financing<br>RM'000 | Other<br>Consumer<br>Loans<br>RM'000 | Total<br>RM'000 |
|--|--|---------------------------------|--|---------------------------------------|-------------------|--------------------|------------------------------------|-------------------|--------------------|---|--------------------------------------|-----------------|
|  | Government<br>and Central<br>Banks<br>RM'000                       | Financial<br>Services<br>RM'000 | Transport<br>&<br>Business<br>Services<br>RM'000 | Wholesale &<br>Retail Trade<br>RM'000 |                   |                    | Residential<br>Mortgages<br>RM'000 |                   |                    |   |                                      |                 |
| <b>2020</b>  |  |                                 |  |                                       |                   |                    |                                    |                   |                    |   |                                      |                 |
| <b>On-Balance Sheet<br/>Exposures</b>  |  |                                 |  |                                       |                   |                    |                                    |                   |                    |   |                                      |                 |
| Cash and balances<br>with banks  | 8,802,205  | 10,895,927                      | -  | -                                     | -                 | -                  | -                                  | -                 | -                  | -                                       | -                                    | 19,698,132      |
| Reverse repurchase<br>agreements   | 202,833  | -                               | -  | -                                     | -                 | -                  | -                                  | -                 | -                  | -                                       | -                                    | 202,833         |
| Financial assets at fair<br>value through profit<br>or loss*                     | 904,395  | 200,339                         | -  | -                                     | -                 | -                  | -                                  | -                 | -                  | -                                       | -                                    | 1,104,734       |
| Derivative financial<br>assets   | -  | 287,010                         | -  | -                                     | -                 | -                  | -                                  | -                 | -                  | -                                       | -                                    | 287,010         |
| Financial investments at<br>fair value through<br>other comprehensive<br>income* | 41,992,550   | 5,192,690                       | 162,053  | 632,232                               | 187,471           | -                  | -                                  | -                 | -                  | -                                       | -                                    | 48,166,996      |
| Financial investments at<br>amortised cost<br>(Gross)                            | 12,677,336   | 10,652,922                      | 1,202,526  | 1,430,335                             | 1,646,076         | -                  | -                                  | -                 | -                  | -                                       | -                                    | 27,609,195      |
| Gross loans, advances<br>and financing   | 1,018,166  | 14,125,885                      | 12,526,548                                       | 44,920,155                            | 44,742,906        | 139,028,229        | 45,003,439                         | 44,285,899        | 345,651,227        |   |                                      |                 |
| Statutory deposits with<br>Central Banks   | 1,134,924  | -                               | -  | -                                     | -                 | -                  | -                                  | -                 | -                  | -                                       | -                                    | 1,134,924       |
|  | 66,732,409   | 41,354,773                      | 13,891,127                                       | 46,982,722                            | 46,576,453        | 139,028,229        | 45,003,439                         | 44,285,899        | 443,855,051        |   |                                      |                 |
| <b>Commitments and<br/>Contingencies</b>   |  |                                 |  |                                       |                   |                    |                                    |                   |                    |   |                                      |                 |
| Contingent liabilities   | 1,994  | 86,367                          | 419,730  | 408,934                               | 689,575           | -                  | -                                  | 1,377,997         | 2,984,597          |   |                                      |                 |
| Commitments  | 524,559  | 3,321,205                       | 3,611,767  | 12,893,591                            | 10,225,945        | 18,424,278         | 21,661                             | 16,820,830        | 65,843,836         |   |                                      |                 |
|  | 526,553  | 3,407,572                       | 4,031,497  | 13,302,525                            | 10,915,520        | 18,424,278         | 21,661                             | 18,198,827        | 68,828,433         |   |                                      |                 |
| <b>Total Credit<br/>Exposures</b>  | <b>67,258,962</b>  | <b>44,762,345</b>               | <b>17,922,624</b>                                | <b>60,285,247</b>                     | <b>57,491,973</b> | <b>157,452,507</b> | <b>45,025,100</b>                  | <b>62,484,726</b> | <b>512,683,484</b> |   |                                      |                 |

\* Excluding equity securities which do not have any credit risk.



## 5. CREDIT RISK (CONTINUED)

### 5.1 Distribution of Credit Exposures (continued)

#### (a) Industry Analysis (continued)

| Group   | Agriculture,<br>Manufacturing,<br>Construction & Real Estate<br>Wholesale & Retail Trade |                           |                                      |                       |                       |                    |                   |                   | Motor Vehicle Financing RM'000 | Other Consumer Loans RM'000 | Total RM'000 |
|---|--|---------------------------|--------------------------------------|-----------------------|-----------------------|--------------------|-------------------|-------------------|--------------------------------|-----------------------------|--------------|
|   | Government and Central Banks RM'000  | Financial Services RM'000 | Transport & Business Services RM'000 |                       |                       |                    |                   |                   |                                |                             |              |
| <b>2019 On-Balance Sheet Exposures</b>                                  |  |                           |                                      |                       |                       |                    |                   |                   |                                |                             |              |
| Cash and balances with banks  | 5,096,678  | 8,979,021                 | -                                    | -                     | -                     | -                  | -                 | -                 | -                              | -                           | 14,075,699   |
| Reverse repurchase agreements   | 8,208  | -                         | -                                    | -                     | -                     | -                  | -                 | -                 | -                              | -                           | 8,208        |
| Financial assets at fair value through profit or loss*                  | 3,480,322  | 284,515                   | -                                    | -                     | -                     | -                  | -                 | -                 | -                              | -                           | 3,764,837    |
| Derivative financial assets   | -  | 152,330                   | -                                    | -                     | -                     | -                  | -                 | -                 | -                              | -                           | 152,330      |
| Financial investments at fair value through other comprehensive income* | 34,377,662   | 4,224,811                 | 324,591                              | 660,344               | 212,991               | -                  | -                 | -                 | -                              | -                           | 39,800,399   |
| Financial investments at amortised cost (Gross)                         | 11,753,724   | 11,071,528                | 1,383,470                            | 1,798,699             | 1,635,293             | -                  | -                 | -                 | -                              | -                           | 27,642,714   |
| Gross loans, advances and financing                                     | 1,020,101  | 13,519,318                | 12,136,869                           | 43,843,317            | 45,086,053            | 128,542,790        | 42,165,530        | 44,154,463        | 330,468,441                    |                             |              |
| Statutory deposits with Central Banks                                   | 10,044,185   | -                         | -                                    | -                     | -                     | -                  | -                 | -                 | -                              | -                           | 10,044,185   |
|   | 65,780,880   | 38,231,523                | 13,844,930                           | 46,302,360            | 46,934,337            | 128,542,790        | 42,165,530        | 44,154,463        | 425,956,813                    |                             |              |
| <b>Commitments and Contingencies</b>                                    |  |                           |                                      |                       |                       |                    |                   |                   |                                |                             |              |
| Contingent liabilities Commitments                                      | 2,016<br>557,059   | 138,823<br>1,703,589      | 434,156<br>3,779,416                 | 698,826<br>11,784,677 | 881,334<br>10,457,652 | -<br>16,197,137    | -<br>17,532       | -<br>14,954,165   | 1,108,293<br>59,451,227        | 3,263,448                   |              |
|   | 559,075  | 1,842,412                 | 4,213,572                            | 12,483,503            | 11,338,986            | 16,197,137         | 17,532            | 16,062,458        | 62,714,675                     |                             |              |
| <b>Total Credit Exposures</b>   | <b>66,339,955</b>  | <b>40,073,935</b>         | <b>18,058,502</b>                    | <b>58,785,863</b>     | <b>58,273,323</b>     | <b>144,739,927</b> | <b>42,183,062</b> | <b>60,216,921</b> | <b>488,671,488</b>             |                             |              |

\* Excluding equity securities which do not have any credit risk.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.1 Distribution of Credit Exposures (continued)

##### (b) Geographical Analysis

| Group   | Malaysia<br>RM'000 | Hong Kong &<br>China<br>RM'000 | Cambodia<br>RM'000 | Other<br>Countries<br>RM'000 | Total<br>RM'000    |
|---|--------------------|--------------------------------|--------------------|------------------------------|--------------------|
| <b>2020</b>   |                    |                                |                    |                              |                    |
| <b>On-Balance Sheet<br/>Exposures</b>                                   |                    |                                |                    |                              |                    |
| Cash and balances with banks  | 11,181,929         | 4,169,389                      | 1,808,186          | 2,538,628                    | 19,698,132         |
| Reverse repurchase agreements   | 200,145            | –                              | –                  | 2,688                        | 202,833            |
| Financial assets at fair value through profit or loss*                  | 1,104,734          | –                              | –                  | –                            | 1,104,734          |
| Derivative financial assets   | 138,564            | 55,041                         | –                  | 93,405                       | 287,010            |
| Financial investments at fair value through other comprehensive income* | 47,821,997         | –                              | –                  | 344,999                      | 48,166,996         |
| Financial investments at amortised cost (Gross)                         | 22,611,832         | 2,373,801                      | 1,390,630          | 1,232,932                    | 27,609,195         |
| Gross loans, advances and financing                                     | 323,238,019        | 13,607,461                     | 4,606,971          | 4,198,776                    | 345,651,227        |
| Statutory deposits with Central Banks                                   | 436,044            | 31,735                         | 591,237            | 75,908                       | 1,134,924          |
|   | 406,733,264        | 20,237,427                     | 8,397,024          | 8,487,336                    | 443,855,051        |
| <b>Commitments and Contingencies</b>                                    |                    |                                |                    |                              |                    |
| Contingent liabilities  | 2,468,791          | 166,413                        | 31,887             | 317,506                      | 2,984,597          |
| Commitments   | 62,753,927         | 1,273,938                      | 1,183,281          | 632,690                      | 65,843,836         |
|   | 65,222,718         | 1,440,351                      | 1,215,168          | 950,196                      | 68,828,433         |
| <b>Total Credit Exposures</b>   | <b>471,955,982</b> | <b>21,677,778</b>              | <b>9,612,192</b>   | <b>9,437,532</b>             | <b>512,683,484</b> |

\* Excluding equity securities which do not have any credit risk.



## 5. CREDIT RISK (CONTINUED)

### 5.1 Distribution of Credit Exposures (continued)

#### (b) Geographical Analysis (continued)

| Group   | Malaysia<br>RM'000 | Hong Kong &<br>China<br>RM'000 | Cambodia<br>RM'000 | Other Countries<br>RM'000 | Total<br>RM'000    |
|---|--------------------|--------------------------------|--------------------|---------------------------|--------------------|
| <b>2019</b>   |                    |                                |                    |                           |                    |
| <b>On-Balance Sheet<br/>Exposures</b>                                   |                    |                                |                    |                           |                    |
| Cash and balances with banks  | 7,043,362          | 3,311,934                      | 2,142,464          | 1,577,939                 | 14,075,699         |
| Reverse repurchase agreements   | –                  | –                              | –                  | 8,208                     | 8,208              |
| Financial assets at fair value through profit or loss*                  | 3,764,837          | –                              | –                  | –                         | 3,764,837          |
| Derivative financial assets   | 69,920             | 32,807                         | –                  | 49,603                    | 152,330            |
| Financial investments at fair value through other comprehensive income* | 39,497,323         | –                              | –                  | 303,076                   | 39,800,399         |
| Financial investments at amortised cost (Gross)                         | 23,448,580         | 2,049,263                      | 941,505            | 1,203,366                 | 27,642,714         |
| Gross loans, advances and financing                                     | 306,810,560        | 15,164,688                     | 4,720,804          | 3,772,389                 | 330,468,441        |
| Statutory deposits with Central Banks                                   | 8,763,996          | 59,455                         | 1,132,483          | 88,251                    | 10,044,185         |
|   | 389,398,578        | 20,618,147                     | 8,937,256          | 7,002,832                 | 425,956,813        |
| <b>Commitments and Contingencies</b>                                    |                    |                                |                    |                           |                    |
| Contingent liabilities  | 2,547,900          | 184,779                        | 20,000             | 510,769                   | 3,263,448          |
| Commitments   | 55,897,829         | 1,699,854                      | 1,264,933          | 588,611                   | 59,451,227         |
|   | 58,445,729         | 1,884,633                      | 1,284,933          | 1,099,380                 | 62,714,675         |
| <b>Total Credit Exposures</b>   | <b>447,844,307</b> | <b>22,502,780</b>              | <b>10,222,189</b>  | <b>8,102,212</b>          | <b>488,671,488</b> |

\* Excluding equity securities which do not have any credit risk.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.1 Distribution of Credit Exposures (continued)

##### (c) Maturity Analysis

| Group   | Up to<br>1 Year<br>RM'000 | >1 to 3<br>Years<br>RM'000 | >3 to 5<br>Years<br>RM'000 | >5<br>Years<br>RM'000 | Total<br>RM'000    |
|---|---------------------------|----------------------------|----------------------------|-----------------------|--------------------|
| <b>2020</b>   |                           |                            |                            |                       |                    |
| <b>On-Balance Sheet<br/>Exposures</b>                                   |                           |                            |                            |                       |                    |
| Cash and balances with banks  | <b>19,698,132</b>         | –                          | –                          | –                     | <b>19,698,132</b>  |
| Reverse repurchase agreements   | <b>202,833</b>            | –                          | –                          | –                     | <b>202,833</b>     |
| Financial assets at fair value through profit or loss*                  | <b>494,567</b>            | <b>610,167</b>             | –                          | –                     | <b>1,104,734</b>   |
| Derivative financial assets   | <b>229,524</b>            | <b>47,416</b>              | <b>10,070</b>              | –                     | <b>287,010</b>     |
| Financial investments at fair value through other comprehensive income* | <b>5,451,124</b>          | <b>18,245,284</b>          | <b>16,873,335</b>          | <b>7,597,253</b>      | <b>48,166,996</b>  |
| Financial investments at amortised cost (Gross)                         | <b>7,202,569</b>          | <b>13,321,305</b>          | <b>6,283,012</b>           | <b>802,309</b>        | <b>27,609,195</b>  |
| Gross loans, advances and financing                                     | <b>29,828,393</b>         | <b>27,587,328</b>          | <b>31,575,192</b>          | <b>256,660,314</b>    | <b>345,651,227</b> |
| Statutory deposits with Central Banks                                   | –                         | –                          | –                          | <b>1,134,924</b>      | <b>1,134,924</b>   |
| <b>Total On-Balance Sheet Exposures</b>                                 | <b>63,107,142</b>         | <b>59,811,500</b>          | <b>54,741,609</b>          | <b>266,194,800</b>    | <b>443,855,051</b> |

\* Excluding equity securities which do not have any credit risk.



## 5. CREDIT RISK (CONTINUED)

### 5.1 Distribution of Credit Exposures (continued)

#### (c) Maturity Analysis (continued)

| Group   | Up to 1 Year<br>RM'000 | >1 to 3 Years<br>RM'000 | >3 to 5 Years<br>RM'000 | >5 Years<br>RM'000 | Total<br>RM'000    |
|---|------------------------|-------------------------|-------------------------|--------------------|--------------------|
| <b>2019</b>   |                        |                         |                         |                    |                    |
| <b>On-Balance Sheet Exposures</b>                                       |                        |                         |                         |                    |                    |
| Cash and balances with banks  | 14,075,699             | –                       | –                       | –                  | 14,075,699         |
| Reverse repurchase agreements   | 8,208                  | –                       | –                       | –                  | 8,208              |
| Financial assets at fair value through profit or loss*                  | 2,605,819              | 968,792                 | 148,203                 | 42,023             | 3,764,837          |
| Derivative financial assets   | 98,932                 | 46,394                  | 6,306                   | 698                | 152,330            |
| Financial investments at fair value through other comprehensive income* | 2,845,271              | 14,085,052              | 12,983,365              | 9,886,711          | 39,800,399         |
| Financial investments at amortised cost (Gross)                         | 6,568,307              | 11,323,033              | 7,639,746               | 2,111,628          | 27,642,714         |
| Gross loans, advances and financing                                     | 30,074,737             | 28,380,117              | 33,530,946              | 238,482,641        | 330,468,441        |
| Statutory deposits with Central Banks                                   | –                      | –                       | –                       | 10,044,185         | 10,044,185         |
| <b>Total On-Balance Sheet Exposures</b>                                 | <b>56,276,973</b>      | <b>54,803,388</b>       | <b>54,308,566</b>       | <b>260,567,886</b> | <b>425,956,813</b> |

\* Excluding equity securities which do not have any credit risk.

Approximately 14% (2019: 13%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 74% (2019: 72%) of the Group's gross loans, advances and financing has residual maturity of more than five years. The longer maturity is from the housing loans/financing and hire purchase which made up 54% (2019: 52%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Group expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

##### (a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

- (i) Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;
- (ii) Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- (iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;
- (iv) Unutilised credit card lines; and
- (v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 5 of the Pillar 3 Disclosure.

##### (b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 45 to the financial statements.

##### Credit Ratings Downgrade

As at reporting date, there were no requirements to post additional collateral in the event of a one-notch downgrade in rating (2019: nil) as the ISDA/CSA agreements entered with the majority of the counterparties had removed the threshold limit for posting of additional collateral whereby any shortfalls in value, cash collateral were posted immediately. For ISDA/CSA with threshold limits, no collateral was required to be posted as the shortfalls were well within the threshold limits for one-notch downgrade.



## 5. CREDIT RISK (CONTINUED)

### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

#### (b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

##### Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts.

| Group  | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|--|-------------------------|--|---------------------------------|-----------------------------|
| <b>2020</b>  |                         |  |                                 |                             |
| <b>Contingent Liabilities</b>  |                         |  |                                 |                             |
| Direct credit substitutes  | 914,667                 |  | 914,667                         | 524,362                     |
| Transaction-related contingent items   | 1,668,612               |  | 834,306                         | 461,422                     |
| Short-term self-liquidating trade-related contingencies  | 401,318                 |  | 80,264                          | 73,257                      |
|  | 2,984,597               |  | 1,829,237                       | 1,059,041                   |
| <b>Commitments</b>   |                         |  |                                 |                             |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                         |  |                                 |                             |
| – exceeding one year   | 31,342,568              |  | 15,671,021                      | 12,872,586                  |
| – not exceeding one year   | 26,297,443              |  | 5,259,488                       | 4,295,870                   |
| Unutilised credit card lines   | 8,161,401               |  | 1,632,280                       | 1,224,210                   |
| Forward asset purchases  | 42,424                  |  | 42,424                          | 6,413                       |
|  | 65,843,836              |  | 22,605,213                      | 18,399,079                  |
| <b>Derivative Financial Instruments</b>  |                         |  |                                 |                             |
| Foreign exchange related contracts:  |                         |  |                                 |                             |
| – up to one year   | 28,020,406              | 229,521  | 528,239                         | 170,865                     |
| – more than one year to five years   | 2,978,728               | 55,058   | 255,466                         | 127,845                     |
| Interest/profit rate related contracts:  |                         |  |                                 |                             |
| – up to one year   | 1,507,160               | –  | 1,532                           | 533                         |
| – more than one year to five years   | 4,718,304               | 2,428  | 101,353                         | 30,088                      |
| – more than five years   | 880,810                 | –  | 51,951                          | 13,826                      |
| Commodity related contracts:   |                         |  |                                 |                             |
| – up to one year   | 606                     | 3  | 9                               | 9                           |
|  | 38,106,014              | 287,010  | 938,550                         | 343,166                     |
| <b>Total Off-Balance Sheet Exposures</b>   | <b>106,934,447</b>      | <b>287,010</b>                                     | <b>25,373,000</b>               | <b>19,801,286</b>           |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

##### (b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

###### Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

| Group  | Principal Amount<br>RM'000 | Positive Fair Value<br>of Derivative Contracts<br>RM'000 | Credit Equivalent<br>Amount<br>RM'000 | Risk-Weighted Assets<br>RM'000 |
|--|----------------------------|--|---------------------------------------|--------------------------------|
| <b>2019</b>  |                            |  |                                       |                                |
| <b>Contingent Liabilities</b>  |                            |  |                                       |                                |
| Direct credit substitutes  | 949,669                    |  | 949,669                               | 526,348                        |
| Transaction-related contingent items   | 1,745,471                  |  | 872,736                               | 496,559                        |
| Short-term self-liquidating trade-related contingencies  | 568,308                    |  | 113,662                               | 99,777                         |
|  | 3,263,448                  |  | 1,936,067                             | 1,122,684                      |
| <b>Commitments</b>   |                            |  |                                       |                                |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                            |  |                                       |                                |
| – exceeding one year   | 26,968,879                 |  | 13,483,731                            | 11,075,340                     |
| – not exceeding one year   | 24,753,060                 |  | 4,950,611                             | 4,062,646                      |
| Unutilised credit card lines   | 7,663,636                  |  | 1,532,727                             | 1,149,546                      |
| Forward asset purchases  | 65,652                     |  | 65,652                                | 4,669                          |
|  | 59,451,227                 |  | 20,032,721                            | 16,292,201                     |
| <b>Derivative Financial Instruments</b>  |                            |  |                                       |                                |
| Foreign exchange related contracts:  |                            |  |                                       |                                |
| – up to one year   | 22,157,757                 | 98,932   | 344,652                               | 97,933                         |
| – more than one year to five years   | 3,446,350                  | 45,596   | 324,949                               | 162,871                        |
| Interest/profit rate related contracts:  |                            |  |                                       |                                |
| – up to one year   | 930,000                    | –  | 600                                   | 119                            |
| – more than one year to five years   | 4,494,515                  | 7,104  | 82,081                                | 35,745                         |
| – more than five years   | 571,631                    | 698  | 35,078                                | 14,630                         |
| Commodity related contracts:   |                            |  |                                       |                                |
| – up to one year   | 120                        | –  | 1                                     | 1                              |
|  | 31,600,373                 | 152,330  | 787,361                               | 311,299                        |
| <b>Total Off-Balance Sheet Exposures</b>   | <b>94,315,048</b>          | <b>152,330</b>   | <b>22,756,149</b>                     | <b>17,726,184</b>              |



## 5. CREDIT RISK (CONTINUED)

### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

#### (b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

##### Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

| Bank   | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|--|-------------------------|--|---------------------------------|-----------------------------|
| <b>2020</b>  |                         |  |                                 |                             |
| <b>Bank (excluding Public Bank (L) Ltd.)</b>   |                         |  |                                 |                             |
| <b>Contingent Liabilities</b>  |                         |  |                                 |                             |
| Direct credit substitutes  | 870,920                 |  | 870,920                         | 492,804                     |
| Transaction-related contingent items   | 1,390,714               |  | 695,357                         | 361,844                     |
| Short-term self-liquidating trade-related contingencies  | 208,040                 |  | 41,608                          | 39,597                      |
|  | 2,469,674               |  | 1,607,885                       | 894,245                     |
| <b>Commitments</b>   |                         |  |                                 |                             |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                         |  |                                 |                             |
| – exceeding one year   | 24,724,600              |  | 12,362,104                      | 10,194,378                  |
| – not exceeding one year   | 21,594,955              |  | 4,318,990                       | 3,413,337                   |
| Unutilised credit card lines   | 7,910,938               |  | 1,582,188                       | 1,186,641                   |
| Forward asset purchases  | 42,424                  |  | 42,424                          | 6,412                       |
|  | 54,272,917              |  | 18,305,706                      | 14,800,768                  |
| <b>Derivative Financial Instruments</b>  |                         |  |                                 |                             |
| Foreign exchange related contracts:  |                         |  |                                 |                             |
| – up to one year   | 26,902,244              | 215,729  | 504,060                         | 161,815                     |
| – more than one year to five years   | 2,978,728               | 55,058   | 255,466                         | 127,845                     |
| Interest rate related contracts:   |                         |  |                                 |                             |
| – up to one year   | 1,426,800               | –  | 1,452                           | 494                         |
| – more than one year to five years   | 6,185,260               | 106,615  | 249,218                         | 56,864                      |
| – more than five years   | 1,700,000               | 91,848   | 187,348                         | 37,469                      |
| Commodity related contracts:   |                         |  |                                 |                             |
| – up to one year   | 606                     | 3  | 9                               | 9                           |
|  | 39,193,638              | 469,253  | 1,197,553                       | 384,496                     |
| <b>Total</b>   | <b>95,936,229</b>       | <b>469,253</b>                                     | <b>21,111,144</b>               | <b>16,079,509</b>           |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

##### (b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

###### Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

| Bank   | Principal<br>Amount<br>RM'000 | Positive<br>Fair Value<br>of Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount<br>RM'000 | Risk-<br>Weighted<br>Assets<br>RM'000 |
|--|-------------------------------|--|--|---------------------------------------|
| <b>2020</b>  |                               |  |  |                                       |
| <b>Public Bank (L) Ltd.</b>  |                               |  |  |                                       |
| <b>Contingent Liabilities</b>  |                               |  |  |                                       |
| Direct credit substitutes  | <b>6,027</b>                  |  | <b>6,027</b>                             | <b>6,027</b>                          |
| <b>Commitments</b>   |                               |  |  |                                       |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                               |  |  |                                       |
| – not exceeding one year   | <b>50,184</b>                 |  | <b>10,038</b>                            | <b>10,033</b>                         |
| <b>Derivative Financial Instruments</b>  |                               |  |  |                                       |
| Interest rate related contracts:   |                               |  |  |                                       |
| – up to one year   | 80,360                        | –  | 80                                       | 40                                    |
| – more than one year to five years   | 233,044                       | –  | 9,322                                    | 4,661                                 |
| – more than five years   | 180,810                       | –  | 11,451                                   | 5,726                                 |
|  | <b>494,214</b>                | –  | <b>20,853</b>                            | <b>10,427</b>                         |
| <b>Total</b>   | <b>550,425</b>                | –  | <b>36,918</b>                            | <b>26,487</b>                         |
| <b>Total Off-Balance Sheet Exposures<br/>of the Bank and Public Bank (L) Ltd.</b>                    | <b>96,486,654</b>             | <b>469,253</b>   | <b>21,148,062</b>                        | <b>16,105,996</b>                     |



## 5. CREDIT RISK (CONTINUED)

### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

#### (b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

##### Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

| Bank   | Principal Amount RM'000 | Positive Fair Value of Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk-Weighted Assets RM'000 |
|--|-------------------------|--|---------------------------------|-----------------------------|
| <b>2019</b>  |                         |  |                                 |                             |
| <b>Bank (excluding Public Bank (L) Ltd.)</b>   |                         |  |                                 |                             |
| <b>Contingent Liabilities</b>  |                         |  |                                 |                             |
| Direct credit substitutes  | 912,117                 |  | 912,117                         | 499,754                     |
| Transaction-related contingent items   | 1,435,577               |  | 717,789                         | 378,051                     |
| Short-term self-liquidating trade-related contingencies  | 117,703                 |  | 23,541                          | 19,466                      |
|  | 2,465,397               |  | 1,653,447                       | 897,271                     |
| <b>Commitments</b>   |                         |  |                                 |                             |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                         |  |                                 |                             |
| – exceeding one year   | 21,583,171              |  | 10,791,108                      | 8,880,729                   |
| – not exceeding one year   | 20,165,155              |  | 4,033,031                       | 3,185,035                   |
| Unutilised credit card lines   | 7,346,453               |  | 1,469,291                       | 1,101,968                   |
| Forward asset purchases  | 44,405                  |  | 44,405                          | 4,669                       |
|  | 49,139,184              |  | 16,337,835                      | 13,172,401                  |
| <b>Derivative Financial Instruments</b>  |                         |  |                                 |                             |
| Foreign exchange related contracts:  |                         |  |                                 |                             |
| – up to one year   | 21,117,858              | 89,119   | 324,446                         | 91,651                      |
| – more than one year to five years   | 3,446,350               | 45,596   | 324,949                         | 162,871                     |
| Interest rate related contracts:   |                         |  |                                 |                             |
| – up to one year   | 1,060,000               | 19   | 619                             | 123                         |
| – more than one year to five years   | 4,912,645               | 10,975   | 95,135                          | 37,993                      |
| – more than five years   | 2,150,000               | 86,545   | 210,545                         | 42,109                      |
| Commodity related contracts:   |                         |  |                                 |                             |
| – up to one year   | 120                     | –  | 1                               | 1                           |
|  | 32,686,973              | 232,254  | 955,695                         | 334,748                     |
| <b>Total</b>   | <b>84,291,554</b>       | <b>232,254</b>                                     | <b>18,946,977</b>               | <b>14,404,420</b>           |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

##### (b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

###### Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts. (continued)

| Bank   | Principal Amount<br>RM'000 | Positive Fair Value<br>of Derivative Contracts<br>RM'000 | Credit Equivalent Amount<br>RM'000 | Risk-Weighted Assets<br>RM'000 |
|--|----------------------------|--|------------------------------------|--------------------------------|
| <b>2019</b>  |                            |  |                                    |                                |
| <b>Public Bank (L) Ltd.</b>  |                            |  |                                    |                                |
| <b>Contingent Liabilities</b>  |                            |  |                                    |                                |
| Direct credit substitutes  | 2,047                      |  | 2,047                              | 2,047                          |
| <b>Commitments</b>   |                            |  |                                    |                                |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: |                            |  |                                    |                                |
| – not exceeding one year   | 64,889                     |  | 12,978                             | 12,775                         |
| <b>Derivative Financial Instruments</b>  |                            |  |                                    |                                |
| Interest rate related contracts:   |                            |  |                                    |                                |
| – more than one year to five years   | 81,870                     | 393  | 1,210                              | 605                            |
| – more than five years   | 421,631                    | –  | 25,380                             | 12,690                         |
|  | 503,501                    | 393  | 26,590                             | 13,295                         |
| <b>Total</b>   | 570,437                    | 393  | 41,615                             | 28,117                         |
| <b>Total Off-Balance Sheet Exposures<br/>of the Bank and Public Bank (L) Ltd.</b>                    | 84,861,991                 | 232,647  | 18,988,592                         | 14,432,537                     |



## 5. CREDIT RISK (CONTINUED)

### 5.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

- (a) for residential mortgages – charges over residential properties;
- (b) for commercial property loans/financing – charges over the properties being financed;
- (c) for motor vehicle financing – ownership claims over the vehicles financed;
- (d) for share margin financing – pledges over securities from listed exchange; and
- (e) for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be insured at all times against major risks, for instance, against fire, with the respective banking entities as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as, death and permanent disability.

The Group also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures. In addition, the Group enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.3 Credit Risk Mitigation (continued)

##### Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

| Group<br>Exposure Class                                 | Total<br>Exposures<br>before<br>Credit Risk<br>Mitigation<br>RM'000 | Total<br>Exposures<br>Covered by<br>Guarantees<br>RM'000 | Total<br>Exposures<br>Covered by<br>Eligible<br>Financial<br>Collateral<br>RM'000 | Total<br>Exposures<br>Covered by<br>Other<br>Eligible<br>Collateral<br>RM'000 |
|---|---|--|---|---|
| <b>2020</b>   |   |  |   |   |
| <b>On-Balance Sheet Exposures</b>                       |   |  |   |   |
| Sovereigns/Central Banks                                | 63,973,370  | —  | 200,146   | —   |
| Public Sector Entities                                  | 1,861,971   | 1,561,084  | —   | —   |
| Banks, DFIs and MDBs                                    | 16,477,631  | 380,296  | —   | —   |
| Insurance Companies, Securities Firms and Fund Managers | 543,103   | —  | 58  | —   |
| Corporates  | 91,155,289  | 11,090,667   | 3,139,526   | —   |
| Regulatory Retail                                       | 138,252,818   | 201,689  | 1,090,448   | —   |
| Residential Mortgages                                   | 127,906,725   | —  | 236,319   | —   |
| Higher Risk Assets                                      | 77,818  | —  | 38  | —   |
| Other Assets  | 7,515,345   | —  | —   | —   |
| Equity Exposures  | 822,877   | —  | —   | —   |
| Defaulted Exposures                                     | 1,080,657   | —  | 1,806   | —   |
|   | 449,667,604   | 13,233,736   | 4,668,341   | —   |
| <b>Off-Balance Sheet Exposures</b>                      |   |  |   |   |
| Credit-related Exposures                                | 24,383,247  | 66,668   | 647,251   | —   |
| Derivative Financial Instruments                        | 938,550   | —  | —   | —   |
| Other Treasury-related Exposures                        | 42,424  | —  | —   | —   |
| Defaulted Exposures                                     | 8,779   | —  | —   | —   |
|   | 25,373,000  | 66,668   | 647,251   | —   |
| <b>Total Credit Exposures</b>                           | <b>475,040,604</b>  | <b>13,300,404</b>  | <b>5,315,592</b>  | <b>—</b>  |



## 5. CREDIT RISK (CONTINUED)

### 5.3 Credit Risk Mitigation (continued)

#### Credit Risk Mitigation Analysis (continued)

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral. (continued)

| Group<br>Exposure Class                                 | Total<br>Exposures<br>before<br>Credit Risk<br>Mitigation<br>RM'000 | Total<br>Exposures<br>Covered by<br>Guarantees<br>RM'000 | Total<br>Exposures<br>Covered by<br>Eligible<br>Financial<br>Collateral<br>RM'000 | Total<br>Exposures<br>Covered by<br>Other<br>Eligible<br>Collateral<br>RM'000 |
|---|---|--|---|---|
| <b>2019</b>   |   |  |   |   |
| <b>On-Balance Sheet Exposures</b>                       |   |  |   |   |
| Sovereigns/Central Banks                                | 59,836,515  | —  | —   | —   |
| Public Sector Entities                                  | 1,709,913   | 1,556,354  | —   | —   |
| Banks, DFIs and MDBs                                    | 12,404,531  | 374,832  | —   | —   |
| Insurance Companies, Securities Firms and Fund Managers | 567,296   | —  | 60  | —   |
| Corporates  | 92,379,595  | 11,217,476   | 3,185,566   | —   |
| Regulatory Retail                                       | 132,937,578   | —  | 1,096,377   | —   |
| Residential Mortgages                                   | 118,060,283   | —  | 205,052   | —   |
| Higher Risk Assets                                      | 76,056  | —  | 1   | —   |
| Other Assets  | 7,648,536   | —  | —   | —   |
| Equity Exposures  | 774,913   | —  | —   | —   |
| Defaulted Exposures                                     | 1,295,287   | —  | 539   | —   |
|   | 427,690,503   | 13,148,662   | 4,487,595   | —   |
| <b>Off-Balance Sheet Exposures</b>                      |   |  |   |   |
| Credit-related Exposures                                | 21,895,056  | 112,704  | 653,832   | —   |
| Derivative Financial Instruments                        | 787,361   | —  | —   | —   |
| Other Treasury-related Exposures                        | 65,652  | —  | —   | —   |
| Defaulted Exposures                                     | 8,080   | —  | —   | —   |
|   | 22,756,149  | 112,704  | 653,832   | —   |
| <b>Total Credit Exposures</b>                           | <b>450,446,652</b>  | <b>13,261,366</b>  | <b>5,141,427</b>  | <b>—</b>  |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM in the RWCAF:

- (a) Standard & Poor's ("S&P")
- (b) Moody's Investors Service ("Moody's")
- (c) Fitch Ratings ("Fitch")
- (d) RAM Rating Services Berhad ("RAM")
- (e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and Central Banks
- (b) Banking Institutions
- (c) Corporates

#### Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

| Rating Category | S & P          | Moody's        | Fitch          | RAM          | MARC         |
|-----------------|----------------|----------------|----------------|--------------|--------------|
| 1               | AAA to AA-     | Aaa to Aa3     | AAA to AA-     | AAA to AA3   | AAA to AA-   |
| 2               | A+ to A-       | A1 to A3       | A+ to A-       | A1 to A3     | A+ to A-     |
| 3               | BBB+ to BBB-   | Baa1 to Baa3   | BBB+ to BBB-   | BBB1 to BBB3 | BBB+ to BBB- |
| 4               | BB+ to BB-     | Ba1 to Ba3     | BB+ to BB-     | BB1 to BB3   | BB+ to BB-   |
| 5               | B+ to B-       | B1 to B3       | B+ to B-       | B1 to B3     | B+ to B-     |
| 6               | CCC+ and below | Caa1 and below | CCC+ and below | C1 and below | C+ and below |



## 5. CREDIT RISK (CONTINUED)

### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

#### Unrated and Rated Counterparties (continued)

The Group uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

| Rating Category | Risk Weights Based on Credit Rating of the Counterparty Exposure Class |            |  | Banking Institutions |
|-----------------|--|------------|--|----------------------|
|                 | Sovereigns and Central Banks   | Corporates | For Exposure Greater Than Six Months Original Maturity |                      |
|                 |  |            |  |                      |
| 1               | 0%   | 20%        | 20%  | 20%                  |
| 2               | 20%  | 50%        | 50%  | 20%                  |
| 3               | 50%  | 100%       | 50%  | 20%                  |
| 4               | 100%   | 100%       | 100%   | 50%                  |
| 5               | 100%   | 150%       | 100%   | 50%                  |
| 6               | 150%   | 150%       | 150%   | 150%                 |

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

##### Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories.

| Group<br>Exposure Class   | Rating Categories |                   |                  |                |                  |               |                    | Total<br>RM'000         |  |
|---|-------------------|-------------------|------------------|----------------|------------------|---------------|--------------------|-------------------------|--|
|   | 1<br>RM'000       | 2<br>RM'000       | 3<br>RM'000      | 4<br>RM'000    | 5<br>RM'000      | 6<br>RM'000   | Unrated<br>RM'000  |                         |  |
| <b>2020</b>   |                   |                   |                  |                |                  |               |                    |                         |  |
| <b>On-Balance Sheet Exposures</b>   |                   |                   |                  |                |                  |               |                    |                         |  |
| (a) Rated Exposures   |                   |                   |                  |                |                  |               |                    |                         |  |
| (i) Exposures risk-weighted using ratings of Corporates   |                   |                   |                  |                |                  |               |                    |                         |  |
| – Corporates  | 15,087,741        | 874,813           | 144,837          | –              | –                | –             |                    | 16,107,391              |  |
| – Regulatory Retail   | 49,504            | –                 | –                | –              | –                | –             |                    | 49,504                  |  |
|   | <b>15,137,245</b> | <b>874,813</b>    | <b>144,837</b>   | <b>–</b>       | <b>–</b>         | <b>–</b>      |                    | <b>16,156,895</b>       |  |
| (ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup>               |                   |                   |                  |                |                  |               |                    |                         |  |
| – Sovereigns and Central Banks  | 1,029,376         | 60,037,565        | –                | 252,038        | 2,554,785        | 99,606        |                    | 63,973,370              |  |
| – Public Sector Entities  | –                 | 1,844,746         | –                | –              | –                | –             |                    | 1,844,746               |  |
| – Banks, DFIs and MDBs  | –                 | 380,297           | –                | –              | –                | –             |                    | 380,297                 |  |
| – Corporates  | –                 | 5,922,092         | –                | –              | –                | –             |                    | 5,922,092               |  |
| – Regulatory Retail   | –                 | 147,049           | –                | –              | –                | –             |                    | 147,049                 |  |
|   | <b>1,029,376</b>  | <b>68,331,749</b> | <b>–</b>         | <b>252,038</b> | <b>2,554,785</b> | <b>99,606</b> |                    | <b>72,267,554</b>       |  |
| (iii) Exposures risk-weighted using ratings of Banking Institutions                                   |                   |                   |                  |                |                  |               |                    |                         |  |
| – Banks, DFIs and MDBs  | 7,597,625         | 4,579,970         | 929,232          | 547,569        | 216,676          | –             |                    | 13,871,072              |  |
| – Corporates  | 719,820           | 205,427           | –                | –              | –                | –             |                    | 925,247                 |  |
|   | <b>8,317,445</b>  | <b>4,785,397</b>  | <b>929,232</b>   | <b>547,569</b> | <b>216,676</b>   | <b>–</b>      |                    | <b>14,796,319</b>       |  |
| (iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers |                   |                   |                  |                |                  |               |                    |                         |  |
| – Insurance Companies, Securities Firms and Fund Managers   | 100,083           | –                 | –                | –              | –                | –             |                    | 100,083                 |  |
| Total Rated Exposures   | <b>24,584,149</b> | <b>73,991,959</b> | <b>1,074,069</b> | <b>799,607</b> | <b>2,771,461</b> | <b>99,606</b> |                    | <b>103,320,851</b>      |  |
| (b) Total Unrated Exposures   |                   |                   |                  |                |                  |               |                    | 346,346,753 346,346,753 |  |
|   | <b>24,584,149</b> | <b>73,991,959</b> | <b>1,074,069</b> | <b>799,607</b> | <b>2,771,461</b> | <b>99,606</b> | <b>346,346,753</b> | <b>449,667,604</b>      |  |

# Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.



## 5. CREDIT RISK (CONTINUED)

### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

#### Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories. (continued)

| Group<br>Exposure Class   | Rating Categories |                   |                  |                |                  |               | Unrated<br>RM'000  | Total<br>RM'000    |  |  |
|---|-------------------|-------------------|------------------|----------------|------------------|---------------|--------------------|--------------------|--|--|
|   | 1<br>RM'000       | 2<br>RM'000       | 3<br>RM'000      | 4<br>RM'000    | 5<br>RM'000      | 6<br>RM'000   |                    |                    |  |  |
| <b>2020</b>   |                   |                   |                  |                |                  |               |                    |                    |  |  |
| <b>Off-Balance Sheet Exposures</b>  |                   |                   |                  |                |                  |               |                    |                    |  |  |
| (a) Rated Exposures   |                   |                   |                  |                |                  |               |                    |                    |  |  |
| (i) Exposures risk-weighted using ratings of Corporates                                 |                   |                   |                  |                |                  |               |                    |                    |  |  |
| – Corporates  | 132,734           | –                 | 9,908            | –              | –                | –             |                    | 142,642            |  |  |
| – Regulatory Retail   | 20                | –                 | –                | –              | –                | –             |                    | 20                 |  |  |
|   | 132,754           | –                 | 9,908            | –              | –                | –             |                    | 142,662            |  |  |
| (ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup> |                   |                   |                  |                |                  |               |                    |                    |  |  |
| – Sovereigns and Central Banks  | –                 | 22,415            | –                | –              | –                | –             |                    | 22,415             |  |  |
| (iii) Exposures risk-weighted using ratings of Banking Institutions                     |                   |                   |                  |                |                  |               |                    |                    |  |  |
| – Banks, DFIs and MDBs  | 309,122           | 102,862           | 94,414           | 4,572          | 57               | –             |                    | 511,027            |  |  |
| – Corporates  | 4,566             | 863               | –                | –              | –                | –             |                    | 5,429              |  |  |
|   | 313,688           | 103,725           | 94,414           | 4,572          | 57               | –             |                    | 516,456            |  |  |
| Total Rated Exposures   | 446,442           | 126,140           | 104,322          | 4,572          | 57               | –             |                    | 681,533            |  |  |
| (b) Total Unrated Exposures   |                   |                   |                  |                |                  |               | 24,691,467         | 24,691,467         |  |  |
|   | 446,442           | 126,140           | 104,322          | 4,572          | 57               | –             | 24,691,467         | 25,373,000         |  |  |
| <b>Total Credit Exposures before Credit Risk Mitigation</b>                             | <b>25,030,591</b> | <b>74,118,099</b> | <b>1,178,391</b> | <b>804,179</b> | <b>2,771,518</b> | <b>99,606</b> | <b>371,038,220</b> | <b>475,040,604</b> |  |  |

<sup>#</sup> Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

##### Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories. (continued)

| Group<br>Exposure Class   | Rating Categories |             |             |             |             |             |                   | Total<br>RM'000 |  |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|-------------------|-----------------|--|
|   | 1<br>RM'000       | 2<br>RM'000 | 3<br>RM'000 | 4<br>RM'000 | 5<br>RM'000 | 6<br>RM'000 | Unrated<br>RM'000 |                 |  |
| <b>2019</b>   |                   |             |             |             |             |             |                   |                 |  |
| <b>On-Balance Sheet Exposures</b>   |                   |             |             |             |             |             |                   |                 |  |
| (a) Rated Exposures   |                   |             |             |             |             |             |                   |                 |  |
| (i) Exposures risk-weighted using ratings of Corporates                                 |                   |             |             |             |             |             |                   |                 |  |
| - Corporates  | 16,786,938        | 525,746     | 138,557     | -           | -           | -           |                   | 17,451,241      |  |
| (ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup> |                   |             |             |             |             |             |                   |                 |  |
| - Sovereigns and Central Banks  | 1,088,702         | 55,866,470  | -           | 288,626     | 2,558,892   | -           |                   | 59,802,690      |  |
| - Public Sector Entities  | -                 | 1,690,662   | -           | -           | -           | -           |                   | 1,690,662       |  |
| - Banks, DFIs and MDBs  | -                 | 664,048     | -           | -           | -           | -           |                   | 664,048         |  |
| - Corporates  | -                 | 6,260,934   | -           | -           | -           | -           |                   | 6,260,934       |  |
|   | 1,088,702         | 64,482,114  | -           | 288,626     | 2,558,892   | -           |                   | 68,418,334      |  |
| (iii) Exposures risk-weighted using ratings of Banking Institutions                     |                   |             |             |             |             |             |                   |                 |  |
| - Banks, DFIs and MDBs  | 6,043,240         | 3,063,420   | 22,718      | 262,419     | 286,185     | -           |                   | 9,677,982       |  |
| - Corporates  | 454,568           | 160,048     | 33,345      | -           | -           | -           |                   | 647,961         |  |
|   | 6,497,808         | 3,223,468   | 56,063      | 262,419     | 286,185     | -           |                   | 10,325,943      |  |
| Total Rated Exposures   | 24,373,448        | 68,231,328  | 194,620     | 551,045     | 2,845,077   | -           |                   | 96,195,518      |  |
| (b) Total Unrated Exposures   |                   |             |             |             |             |             | 331,494,985       | 331,494,985     |  |
|   | 24,373,448        | 68,231,328  | 194,620     | 551,045     | 2,845,077   | -           | 331,494,985       | 427,690,503     |  |

# Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.



## 5. CREDIT RISK (CONTINUED)

### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

#### Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories. (continued)

| Group<br>Exposure Class   | Rating Categories |                   |                |                |                  |             | Unrated<br>RM'000  | Total<br>RM'000    |  |  |
|---|-------------------|-------------------|----------------|----------------|------------------|-------------|--------------------|--------------------|--|--|
|   | 1<br>RM'000       | 2<br>RM'000       | 3<br>RM'000    | 4<br>RM'000    | 5<br>RM'000      | 6<br>RM'000 |                    |                    |  |  |
| <b>2019</b>   |                   |                   |                |                |                  |             |                    |                    |  |  |
| <b>Off-Balance Sheet Exposures</b>  |                   |                   |                |                |                  |             |                    |                    |  |  |
| (a) Rated Exposures   |                   |                   |                |                |                  |             |                    |                    |  |  |
| (i) Exposures risk-weighted using ratings of Corporates                                 |                   |                   |                |                |                  |             |                    |                    |  |  |
| – Corporates  | 151,613           | –                 | –              | –              | –                | –           |                    | 151,613            |  |  |
| – Regulatory Retail   | 20                | –                 | –              | –              | –                | –           |                    | 20                 |  |  |
|   | 151,633           | –                 | –              | –              | –                | –           |                    | 151,633            |  |  |
| (ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup> |                   |                   |                |                |                  |             |                    |                    |  |  |
| – Sovereigns and Central Banks  | –                 | 89,588            | –              | –              | –                | –           |                    | 89,588             |  |  |
| (iii) Exposures risk-weighted using ratings of Banking Institutions                     |                   |                   |                |                |                  |             |                    |                    |  |  |
| – Banks, DFIs and MDBs  | 212,834           | 106,622           | 53,510         | 5,875          | 1,596            | –           |                    | 380,437            |  |  |
| – Corporates  | 4,189             | 5,778             | 429            | –              | –                | –           |                    | 10,396             |  |  |
|   | 217,023           | 112,400           | 53,939         | 5,875          | 1,596            | –           |                    | 390,833            |  |  |
| Total Rated Exposures   | 368,656           | 201,988           | 53,939         | 5,875          | 1,596            | –           |                    | 632,054            |  |  |
| (b) Total Unrated Exposures   |                   |                   |                |                |                  |             | 22,124,095         | 22,124,095         |  |  |
|   | 368,656           | 201,988           | 53,939         | 5,875          | 1,596            | –           | 22,124,095         | 22,756,149         |  |  |
| <b>Total Credit Exposures before Credit Risk Mitigation</b>                             | <b>24,742,104</b> | <b>68,433,316</b> | <b>248,559</b> | <b>556,920</b> | <b>2,846,673</b> | <b>–</b>    | <b>353,619,080</b> | <b>450,446,652</b> |  |  |

<sup>#</sup> Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

##### Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights.

| Group<br>Risk Weights                | Credit Exposures after the Effect of Credit Risk Mitigation |           |                              |         |                            |             |                               |            |                          |         |                                    | Total<br>Risk-<br>Weighted<br>Assets<br>RM'000 |                          |                 |                     |                           |
|--------------------------------------|---|-----------|------------------------------|---------|----------------------------|-------------|-------------------------------|------------|--------------------------|---------|------------------------------------|--|--------------------------|-----------------|---------------------|---------------------------|
|                                      | Sovereigns/<br>Central<br>Banks                             |           | Public<br>Sector<br>Entities |         | Banks,<br>DFIs and<br>MDBs |             | Firms and<br>Fund<br>Managers |            | Regulatory<br>Corporates |         | Residential<br>Retail<br>Mortgages |  | Higher<br>Risk<br>Assets | Other<br>Assets | Equity<br>Exposures | Credit Risk<br>Mitigation |
|                                      | RM'000  | RM'000    | RM'000                       | RM'000  | RM'000                     | RM'000      | RM'000                        | RM'000     | RM'000                   | RM'000  | RM'000                             | RM'000   | RM'000                   | RM'000          | RM'000              |                           |
| 2020                                 |   |           |                              |         |                            |             |                               |            |                          |         |                                    |  |                          |                 |                     |                           |
| 0%                                   | 61,893,314  | 1,561,084 | 380,297                      | -       | 5,922,092                  | 147,049     | -                             | -          | 3,004,535                | -       | 72,908,371                         | -  |                          |                 |                     |                           |
| 20%                                  | 335,972   | 303,989   | 11,325,616                   | 100,083 | 15,944,860                 | 49,524      | -                             | -          | 6,431                    | -       | 28,066,475                         | 5,613,295                                      |                          |                 |                     |                           |
| 35%                                  | -   | -         | -                            | -       | -                          | -           | -                             | 86,319,595 | -                        | -       | -                                  | 86,319,595                                     | 30,211,858               |                 |                     |                           |
| 50%                                  | 7   | -         | 5,008,450                    | -       | 1,083,430                  | 24,133      | 29,692,552                    | -          | -                        | -       | -                                  | 35,808,572                                     | 17,904,286               |                 |                     |                           |
| 75%                                  | -   | -         | -                            | -       | -                          | 137,121,517 | 646,319                       | -          | -                        | -       | -                                  | 137,767,836                                    | 103,325,877              |                 |                     |                           |
| 100%                                 | 1,597,005   | -         | 340,760                      | 465,005 | 71,361,761                 | 13,890,715  | 14,181,319                    | -          | 4,504,379                | 822,877 | 107,163,821                        | 107,163,821                                    |                          |                 |                     |                           |
| 150%                                 | 69,361  | -         | 474,205                      | -       | 636,024                    | 395,491     | 24,450                        | 90,811     | -                        | -       | 1,690,342                          | 2,535,513                                      |                          |                 |                     |                           |
| Total                                | 63,895,659  | 1,865,073 | 17,529,328                   | 565,088 | 94,948,167                 | 151,628,429 | 130,864,235                   | 90,811     | 7,515,345                | 822,877 | 469,725,012                        | 266,754,650                                    |                          |                 |                     |                           |
| Risk-Weighted Assets<br>by Exposures | 1,768,244   | 60,798    | 5,821,415                    | 485,022 | 76,046,484                 | 117,347,061 | 59,760,867                    | 136,217    | 4,505,665                | 822,877 | 266,754,650                        |  |                          |                 |                     |                           |
| Average Risk Weights                 | 2.8%  | 3.3%      | 33.2%                        | 85.8%   | 80.1%                      | 77.4%       | 45.7%                         | 150.0%     | 60.0%                    | 100.0%  | 56.8%                              |  |                          |                 |                     |                           |
| Deduction from<br>Total Capital      |   |           |                              | -       |                            |             |                               |            |                          | -       | -                                  |  |                          |                 |                     |                           |



## 5. CREDIT RISK (CONTINUED)

### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

#### Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights. (continued)

| Group<br>Risk Weights                | Credit Exposures after the Effect of Credit Risk Mitigation |                              |                            |                               |            |                      |                          |                          |                 |                               | Total<br>Exposures<br>after<br>Mitigation<br>RM'000 | Total<br>Risk-<br>Weighted<br>Assets<br>RM'000 |   |   |
|--------------------------------------|---|------------------------------|----------------------------|-------------------------------|------------|----------------------|--------------------------|--------------------------|-----------------|-------------------------------|---|--|---|---|
|                                      | Sovereigns/<br>Central<br>Banks                             | Public<br>Sector<br>Entities | Banks,<br>DFIs and<br>MDBs | Firms and<br>Fund<br>Managers | Corporates | Regulatory<br>Retail | Residential<br>Mortgages | Higher<br>Risk<br>Assets | Other<br>Assets | Equity<br>Exposures<br>RM'000 |   |  |   |   |
|                                      | RM'000  | RM'000                       | RM'000                     | RM'000                        | RM'000     | RM'000               | RM'000                   | RM'000                   | RM'000          | RM'000                        |   |  |   |   |
| <b>2019</b>                          |   |                              |                            |                               |            |                      |                          |                          |                 |                               |   |  |   |   |
| 0%                                   | 58,288,631  | 1,556,354                    | 380,049                    | -                             | 6,544,933  | -                    | -                        | -                        | 3,293,187       | -                             | 70,063,154  | -  | - |   |
| 20%                                  | 517,643   | 157,517                      | 8,162,015                  | -                             | 17,397,308 | 20                   | -                        | -                        | 17,014          | -                             | 26,251,517  | 5,250,303                                      | - |   |
| 35%                                  | -   | -                            | -                          | -                             | -          | -                    | 82,921,285               | -                        | -               | -                             | 82,921,285  | 29,022,450                                     | - |   |
| 50%                                  | 2   | -                            | 3,299,577                  | -                             | 735,694    | 8,316                | 27,257,130               | -                        | -               | -                             | 31,300,719  | 15,650,360                                     | - |   |
| 75%                                  | -   | -                            | -                          | -                             | -          | 131,461,488          | 593,626                  | -                        | -               | -                             | 132,055,114   | 99,041,335                                     | - |   |
| 100%                                 | 1,219,841   | -                            | 1,433,382                  | 587,516                       | 70,587,939 | 13,474,519           | 9,427,019                | -                        | 4,338,335       | 774,913                       | 101,843,464   | 101,843,464                                    | - |   |
| 150%                                 | -   | -                            | -                          | -                             | 182,728    | 565,039              | 35,674                   | 86,531                   | -               | -                             | 869,972   | 1,304,958                                      | - |   |
| Total                                | 60,026,117  | 1,713,871                    | 13,275,023                 | 587,516                       | 95,448,602 | 145,509,382          | 120,234,734              | 86,531                   | 7,648,536       | 774,913                       | 445,305,225   | 252,112,870                                    | - | - |
| Risk-Weighted Assets<br>by Exposures | 1,323,371   | 31,503                       | 4,715,573                  | 587,516                       | 74,709,340 | 112,922,355          | 52,576,764               | 129,797                  | 4,341,738       | 774,913                       | 252,112,870   | -  | - | - |
| Average Risk Weights                 | 2.2%  | 1.8%                         | 35.5%                      | 100.0%                        | 78.3%      | 77.6%                | 43.7%                    | 150.0%                   | 56.8%           | 100.0%                        | 56.6%   | -  | - | - |
| Deduction from<br>Total Capital      |   |                              | -                          |                               |            |                      |                          |                          |                 |                               |   | -  | - | - |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

##### Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights. (continued)

| Bank<br>Risk Weights                 | Credit Exposures after the Effect of Credit Risk Mitigation |         |                  |        |                            |             |                               |         |                          |           |                                    | Total<br>Risk-<br>Weighted<br>Assets<br>RM'000 |                          |                 |                     |                           |
|--------------------------------------|---|---------|------------------|--------|----------------------------|-------------|-------------------------------|---------|--------------------------|-----------|------------------------------------|--|--------------------------|-----------------|---------------------|---------------------------|
|                                      | Sovereigns/<br>Central<br>Banks                             |         | Public<br>Sector |        | Banks,<br>DFIs and<br>MDBs |             | Firms and<br>Fund<br>Managers |         | Regulatory<br>Corporates |           | Residential<br>Retail<br>Mortgages |  | Higher<br>Risk<br>Assets | Other<br>Assets | Equity<br>Exposures | Credit Risk<br>Mitigation |
|                                      | RM'000  | RM'000  | RM'000           | RM'000 | RM'000                     | RM'000      | RM'000                        | RM'000  | RM'000                   | RM'000    | RM'000                             | RM'000   | RM'000                   | RM'000          |                     |                           |
| 2020                                 |   |         |                  |        |                            |             |                               |         |                          |           |                                    |  |                          |                 |                     |                           |
| 0%                                   | 42,620,095  | 448,074 | 288,766          | -      | 4,978,453                  | 144,278     | -                             | -       | 2,589,580                | -         | 51,069,246                         | -  | -                        | -               |                     |                           |
| 20%                                  | 119,438   | 18,946  | 7,843,893        | -      | 14,050,887                 | 49,524      | -                             | -       | -                        | -         | 22,082,688                         | 4,416,538                                      | -                        | -               |                     |                           |
| 35%                                  | -   | -       | -                | -      | -                          | -           | 68,455,732                    | -       | -                        | -         | 68,455,732                         | 23,959,506                                     | -                        | -               |                     |                           |
| 50%                                  | 7   | -       | 1,260,592        | -      | 549,642                    | 16,280      | 22,522,322                    | -       | -                        | -         | 24,348,843                         | 12,174,421                                     | -                        | -               |                     |                           |
| 75%                                  | -   | -       | -                | -      | -                          | 111,229,500 | 392,893                       | -       | -                        | -         | 111,622,393                        | 83,716,795                                     | -                        | -               |                     |                           |
| 100%                                 | -   | -       | 594,679          | 46,021 | 57,751,753                 | 5,886,167   | 9,985,949                     | -       | 3,622,303                | 6,717,506 | 84,604,378                         | 84,604,378                                     | -                        | -               |                     |                           |
| 150%                                 | 69,361  | -       | 474,206          | -      | 586,275                    | 326,481     | 10,493                        | 75,820  | -                        | -         | 1,542,636                          | 2,313,954                                      | -                        | -               |                     |                           |
| 1250%                                | -   | -       | -                | -      | -                          | -           | -                             | -       | 89,995                   | -         | 89,995                             | 1,124,938                                      | -                        | -               |                     |                           |
| Total                                | 42,808,901  | 467,020 | 10,462,136       | 46,021 | 77,917,010                 | 117,652,230 | 101,367,389                   | 75,820  | 6,301,878                | 6,717,506 | 363,815,911                        | 212,310,530                                    | -                        | -               |                     |                           |
| Risk-Weighted Assets<br>by Exposures | 127,933   | 3,789   | 3,505,063        | 46,021 | 61,716,164                 | 89,816,058  | 45,517,025                    | 113,730 | 4,747,241                | 6,717,506 | 212,310,530                        | -  | -                        | -               |                     |                           |
| Average Risk Weights                 | 0.3%  | 0.8%    | 33.5%            | 100.0% | 79.2%                      | 76.3%       | 44.9%                         | 150.0%  | 75.3%                    | 100.0%    | 58.4%                              | -  | -                        | -               |                     |                           |
| Deduction from<br>Total Capital      |   |         |                  |        |                            |             |                               |         |                          |           |                                    | -  | -                        | -               |                     |                           |



## 5. CREDIT RISK (CONTINUED)

### 5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

#### Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights. (continued)

| Bank                              | Risk Weights | Credit Exposures after the Effect of Credit Risk Mitigation |                               |                             |                                |                   |                          |                              |                           |                     |                         | Total Risk-Weighted Assets RM'000 |
|-----------------------------------|--------------|---|-------------------------------|-----------------------------|--------------------------------|-------------------|--------------------------|------------------------------|---------------------------|---------------------|-------------------------|-----------------------------------|
|                                   |              | Insurance Companies, Securities                             |                               |                             |                                |                   |                          |                              |                           |                     |                         |                                   |
|                                   |              | Sovereigns/ Central Banks RM'000                            | Public Sector Entities RM'000 | Banks, DFIs and MDBs RM'000 | Firms and Fund Managers RM'000 | Corporates RM'000 | Regulatory Retail RM'000 | Residential Mortgages RM'000 | Higher Risk Assets RM'000 | Other Assets RM'000 | Equity Exposures RM'000 | Credit Risk Mitigation RM'000     |
| <b>2019</b>                       |              |   |                               |                             |                                |                   |                          |                              |                           |                     |                         |                                   |
| 0%                                | 37,473,348   | 443,655   | 288,746                       | -                           | 5,476,640                      | -                 | -                        | -                            | 2,820,058                 | -                   | 46,502,447              | -                                 |
| 20%                               | 149,597      | 18,283  | 6,135,942                     | -                           | 14,906,985                     | 20                | -                        | -                            | -                         | -                   | 21,210,827              | 4,242,165                         |
| 35%                               | -            | -   | -                             | -                           | -                              | -                 | 66,381,159               | -                            | -                         | -                   | 66,381,159              | 23,233,406                        |
| 50%                               | 2            | -   | 1,447,296                     | -                           | 514,656                        | 4,038             | 20,760,666               | -                            | -                         | -                   | 22,726,658              | 11,363,329                        |
| 75%                               | -            | -   | -                             | -                           | -                              | 107,183,852       | 398,868                  | -                            | -                         | -                   | 107,582,720             | 80,687,040                        |
| 100%                              | 49,279       | -   | 849,634                       | 31,162                      | 56,952,756                     | 5,387,145         | 6,769,046                | -                            | 3,546,440                 | 6,458,693           | 80,044,155              | 80,044,155                        |
| 150%                              | -            | -   | -                             | -                           | 152,082                        | 475,047           | 21,704                   | 73,549                       | -                         | -                   | 722,382                 | 1,083,573                         |
| 1250%                             | -            | -   | -                             | -                           | -                              | -                 | -                        | -                            | 89,996                    | -                   | 89,996                  | 1,124,950                         |
| Total                             | 37,672,226   | 461,938   | 8,721,618                     | 31,162                      | 78,003,119                     | 113,050,102       | 94,331,443               | 73,549                       | 6,456,494                 | 6,458,693           | 345,260,344             | 201,778,618                       |
| Risk-Weighted Assets by Exposures | 79,199       | 3,657   | 2,800,470                     | 31,162                      | 60,419,604                     | 86,489,628        | 40,714,492               | 110,323                      | 4,671,390                 | 6,458,693           | 201,778,618             |                                   |
| Average Risk Weights              | 0.2%         | 0.8%  | 32.1%                         | 100.0%                      | 77.5%                          | 76.5%             | 43.2%                    | 150.0%                       | 72.4%                     | 100.0%              | 58.4%                   |                                   |
| Deduction from Total Capital      |              |   | -                             |                             |                                |                   |                          |                              |                           | -                   | -                       |                                   |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.5 Credit Quality of Gross Loans, Advances and Financing

##### Gross Loans, Advances and Financing by Credit Quality

All loans, advances and financing are categorised as either:

- (a) neither past due nor credit-impaired;
- (b) past due but not credit-impaired; or
- (c) credit-impaired.

The loans, advances and financing are considered past due when any payment (whether principal and/or interest/profit) due under the contractual terms are received late or missed.

The loans, advances and financing of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

- (a) principal or interest/profit or both are past due for ninety (90) days or more; or
- (b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- (c) where the loans, advances and financing are in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loans, advances and financing exhibits indications of significant credit weaknesses; or
- (d) where credit-impaired loans, advances and financing are rescheduled and restructured ("R&R"), the loans, advances and financing will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than 90 days past due upon compliance of their required nursing period; or
- (e) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment as soon as default occurs.

In addition, loans, advances and financing that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that loans, advances and financing are credit-impaired.

The gross loans, advances and financing analysed by credit quality are set out in the credit risk section of Note 45 (ii) to the financial statements.

The description of the approaches adopted for the determination of individual and collective impairment allowance are set out in Note 2(iii)(h)(ii) to the financial statements.

##### (a) Past Due But Not Credit-impaired

Tables (i)-(iii) present the analyses of past due but not credit-impaired loans, advances and financing of the Group by the following:

- (i) Economic purpose
- (ii) Geographical
- (iii) Aging



## 5. CREDIT RISK (CONTINUED)

### 5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

#### Gross Loans, Advances and Financing by Credit Quality (continued)

##### (a) Past Due But Not Credit-impaired (continued)

###### (i) Economic Purpose

| Group  | 2020<br>RM'000 | 2019<br>RM'000 |
|--|----------------|----------------|
| Purchase of securities                                 | 22,898         | 36,773         |
| Purchase of transport vehicles                         | 7,319,975      | 9,086,702      |
| Purchase of landed properties                          | 8,784,735      | 13,727,663     |
| (Of which: – residential                               | 6,611,930      | 10,209,427     |
| – non-residential)                                     | 2,172,805      | 3,518,236      |
| Purchase of fixed assets (excluding landed properties) | 1,594          | 12,408         |
| Personal use   | 577,225        | 780,839        |
| Credit card  | 225,606        | 240,513        |
| Purchase of consumer durables                          | 211            | 209            |
| Construction   | 52,637         | 33,150         |
| Working capital  | 687,758        | 799,651        |
| Other purpose  | 22,975         | 41,859         |
|  | 17,695,614     | 24,759,767     |

###### (ii) Geographical

| Group             | 2020<br>RM'000 | 2019<br>RM'000 |
|-------------------|----------------|----------------|
| Malaysia          | 16,944,899     | 23,996,874     |
| Hong Kong & China | 286,005        | 285,166        |
| Cambodia          | 216,454        | 224,717        |
| Other countries   | 248,256        | 253,010        |
|                   | 17,695,614     | 24,759,767     |

###### (iii) Aging

| Group            | 2020<br>RM'000 | 2019<br>RM'000 |
|------------------|----------------|----------------|
| 1 day to 30 days | 11,276,992     | 14,964,494     |
| 31 to 59 days    | 4,460,311      | 6,818,278      |
| 60 to 89 days    | 1,958,311      | 2,976,995      |
|                  | 17,695,614     | 24,759,767     |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

##### Gross Loans, Advances and Financing by Credit Quality (continued)

###### (b) Credit-impaired Loans, Advances and Financing

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following:

- (i) Economic purpose
- (ii) Geographical

###### (i) Economic Purpose

| Group   | Credit-impaired               |                       |                         |                                     |                       |                       | Total Impairment Allowances for Loans, Advances and Financing RM'000 |
|---|-------------------------------|-----------------------|-------------------------|-------------------------------------|-----------------------|-----------------------|--|
|   | Loans, Advances and Financing | Individual Assessment | Net Charge for the Year | Amounts Written Off/Other Movements | Individual Assessment | Collective Assessment |  |
|   | RM'000                        | RM'000                | RM'000                  | RM'000                              | RM'000                | RM'000                | RM'000   |
| <b>2020</b>   |                               |                       |                         |                                     |                       |                       |  |
| Purchase of securities                                    | -                             | -                     | -                       | -                                   | -                     | -                     | 6,052  |
| Purchase of transport vehicles                            | 175,309                       | 4,304                 | 2,296                   | (241)                               | 6,359                 | 646,269               | 652,628  |
| Purchase of landed properties                             | 647,802                       | 10,220                | 6,400                   | (11,056)                            | 5,564                 | 1,059,339             | 1,064,903  |
| (Of which: – residential                                  | 440,544                       | 284                   | 1,246                   | (229)                               | 1,301                 | 413,315               | 414,616  |
| – non-residential)  | 207,258                       | 9,936                 | 5,154                   | (10,827)                            | 4,263                 | 646,024               | 650,287  |
| Purchase of fixed assets<br>(excluding landed properties) | 12,779                        | 1,091                 | 1,395                   | (310)                               | 2,176                 | 3,110                 | 5,286  |
| Personal use  | 106,756                       | 32,948                | 150,465                 | (160,944)                           | 22,469                | 102,947               | 125,416  |
| Credit card   | 13,812                        | -                     | -                       | -                                   | -                     | 36,007                | 36,007   |
| Purchase of consumer durables                             | 1                             | -                     | -                       | -                                   | -                     | 3                     | 3  |
| Construction  | 15,077                        | 8,884                 | (200)                   | (8,591)                             | 93                    | 61,566                | 61,659   |
| Working capital   | 274,330                       | 8,670                 | 13,400                  | (5,438)                             | 16,632                | 273,681               | 290,313  |
| Other purpose   | 5,352                         | 3,072                 | 1,948                   | (4,990)                             | 30                    | 606,149               | 606,179  |
|   | 1,251,218                     | 69,189                | 175,704                 | (191,570)                           | 53,323                | 2,795,123             | 2,848,446  |



## 5. CREDIT RISK (CONTINUED)

### 5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

#### Gross Loans, Advances and Financing by Credit Quality (continued)

##### (b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following: (continued)

###### (i) Economic Purpose (continued)

| Group  | Credit-impaired               |                                    | Net Charge for the Year | Amounts Written Off/Other Movements | Individual Assessment at 31 December | Collective Assessment at 31 December | Total Impairment Allowances for Loans, Advances and Financing RM'000 |
|--|-------------------------------|------------------------------------|-------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--|
|  | Loans, Advances and Financing | Individual Assessment at 1 January |                         |                                     |                                      |                                      |  |
| <b>2019</b>  |                               |                                    |                         |                                     |                                      |                                      |  |
| Purchase of securities                                 | 724                           | -                                  | -                       | -                                   | -                                    | 4,548                                | 4,548  |
| Purchase of transport vehicles                         | 241,765                       | 2,592                              | 4,448                   | (2,736)                             | 4,304                                | 409,607                              | 413,911  |
| Purchase of landed properties                          | 856,891                       | 16,903                             | 11,306                  | (17,989)                            | 10,220                               | 738,523                              | 748,743  |
| (Of which: - residential                               | 629,565                       | 3,242                              | 2,729                   | (5,687)                             | 284                                  | 333,661                              | 333,945  |
| - non-residential)                                     | 227,326                       | 13,661                             | 8,577                   | (12,302)                            | 9,936                                | 404,862                              | 414,798  |
| Purchase of fixed assets (excluding landed properties) | 8,523                         | 2,264                              | 1,505                   | (2,678)                             | 1,091                                | 3,105                                | 4,196  |
| Personal use   | 153,351                       | 30,839                             | 158,311                 | (156,202)                           | 32,948                               | 130,842                              | 163,790  |
| Credit card  | 17,983                        | -                                  | -                       | -                                   | -                                    | 39,598                               | 39,598   |
| Purchase of consumer durables                          | 1                             | -                                  | -                       | -                                   | -                                    | 2                                    | 2  |
| Construction   | 57,119                        | 6,013                              | 3,235                   | (364)                               | 8,884                                | 56,485                               | 65,369   |
| Mergers and acquisitions                               | -                             | -                                  | -                       | -                                   | -                                    | 62                                   | 62   |
| Working capital  | 256,412                       | 46,876                             | 11,301                  | (49,507)                            | 8,670                                | 201,431                              | 210,101  |
| Other purpose  | 12,150                        | 2,758                              | 4,091                   | (3,777)                             | 3,072                                | 338,555                              | 341,627  |
|  | 1,604,919                     | 108,245                            | 194,197                 | (233,253)                           | 69,189                               | 1,922,758                            | 1,991,947  |

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## Disclosure as at 31 December 2020

### 5. CREDIT RISK (CONTINUED)

#### 5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

##### Gross Loans, Advances and Financing by Credit Quality (continued)

###### (b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following: (continued)

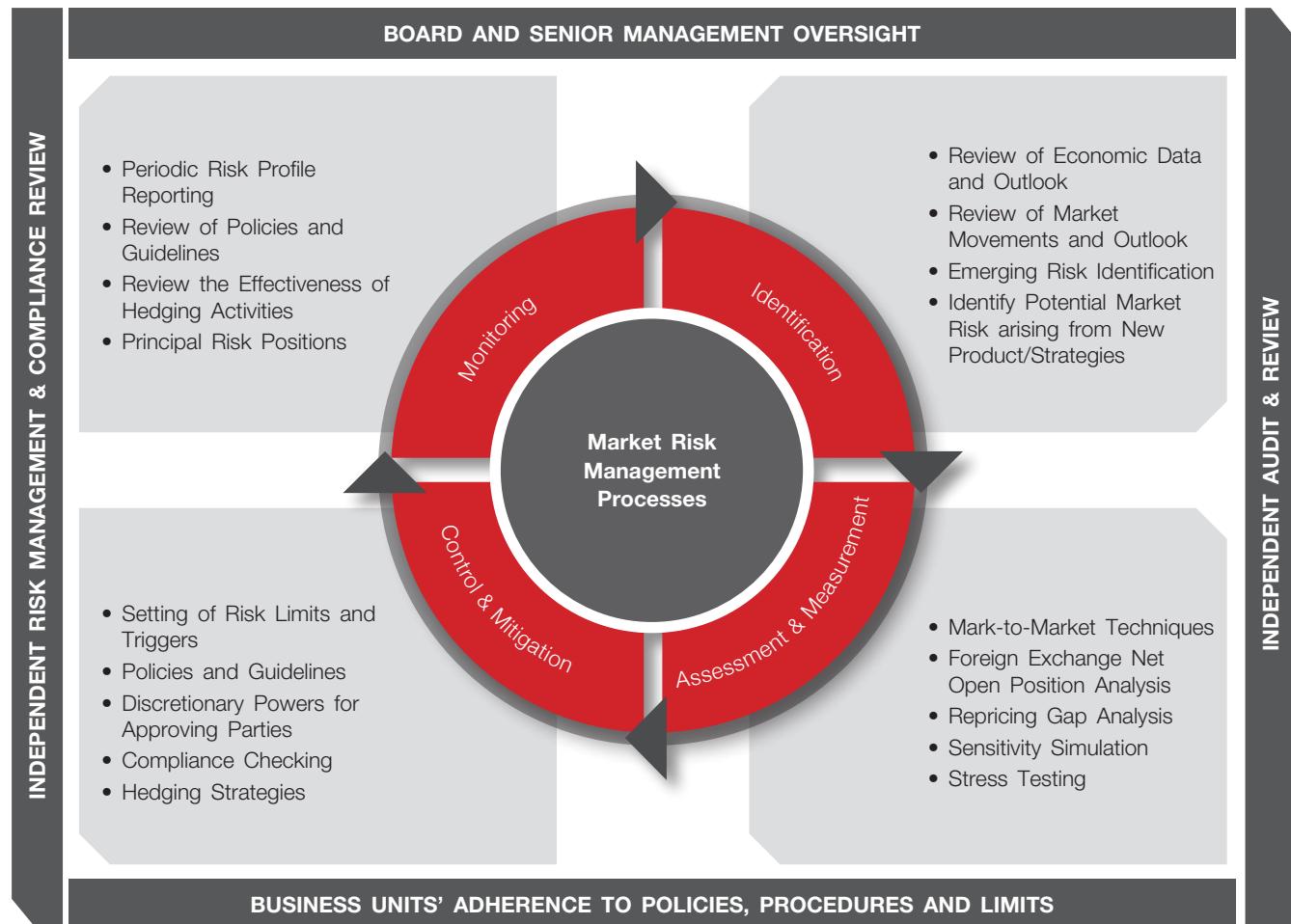
###### (ii) Geographical

| Group             | Credit-impaired                        |                                       |                            |  |   |   | Total<br>Impairment<br>Allowances<br>for Loans,<br>Advances<br>and<br>Financing<br>RM'000 |
|-------------------|--|---------------------------------------|----------------------------|--|---|---|---|
|                   | Loans,<br>Advances<br>and<br>Financing | Individual<br>Assessment<br>1 January | Net Charge<br>for the Year | Amounts<br>Written<br>Off/Other<br>Movements | Individual<br>Assessment<br>31 December | Collective<br>Assessment<br>Allowance at<br>31 December |   |
| <b>2020</b>       |  |                                       |                            |  |   |   |   |
| Malaysia          | 995,962                                | 24,625                                | 10,166                     | (23,907)                                     | 10,884                                  | 2,585,180   | 2,596,064   |
| Hong Kong & China | 120,136                                | 36,313                                | 156,176                    | (161,386)                                    | 31,103                                  | 113,280   | 144,383   |
| Cambodia          | 28,801                                 | -                                     | -                          | -  | -                                       | 64,266  | 64,266  |
| Other countries   | 106,319                                | 8,251                                 | 9,362                      | (6,277)                                      | 11,336                                  | 32,397  | 43,733  |
|                   | <b>1,251,218</b>                       | <b>69,189</b>                         | <b>175,704</b>             | <b>(191,570)</b>                             | <b>53,323</b>                           | <b>2,795,123</b>  | <b>2,848,446</b>  |
| <b>2019</b>       |  |                                       |                            |  |   |   |   |
| Malaysia          | 1,310,329                              | 29,294                                | 16,113                     | (20,782)                                     | 24,625                                  | 1,706,006   | 1,730,631   |
| Hong Kong & China | 103,643                                | 29,635                                | 161,137                    | (154,459)                                    | 36,313                                  | 129,223   | 165,536   |
| Cambodia          | 45,233                                 | 40,640                                | -                          | (40,640)                                     | -                                       | 55,140  | 55,140  |
| Other countries   | 145,714                                | 8,676                                 | 16,947                     | (17,372)                                     | 8,251                                   | 32,389  | 40,640  |
|                   | <b>1,604,919</b>                       | <b>108,245</b>                        | <b>194,197</b>             | <b>(233,253)</b>                             | <b>69,189</b>                           | <b>1,922,758</b>  | <b>1,991,947</b>  |

## 6. MARKET RISK

Market risk is the risk that movements in market variables, including interest rate/rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

The following diagram presents the risk management processes over market risk.



The risk governance and risk management approach for market risk are set out in the market risk section of Note 45 to the financial statements.

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## Disclosure as at 31 December 2020

### 6. MARKET RISK (CONTINUED)

#### Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank.

| <b>Group</b>                      | <b>Long Position<br/>RM'000</b> | <b>Short Position<br/>RM'000</b> | <b>Risk-Weighted Assets<br/>RM'000</b> | <b>Minimum Capital Requirement at 8%<br/>RM'000</b> |
|-----------------------------------|---------------------------------|----------------------------------|--|---|
| <b>2020</b>                       |                                 |                                  |  |   |
| Interest rate/rate of return risk | 30,363,238                      | (29,426,279)                     | 1,268,088                              | 101,447   |
| Foreign exchange risk             | 3,451,593                       | (1,399,130)                      | 3,451,593                              | 276,127   |
| <b>Total</b>                      | <b>33,814,831</b>               | <b>(30,825,409)</b>              | <b>4,719,681</b>                       | <b>377,574</b>                                      |
| <b>2019</b>                       |                                 |                                  |  |   |
| Interest rate/rate of return risk | 28,248,902                      | (24,764,830)                     | 1,927,554                              | 154,204   |
| Foreign exchange risk             | 3,112,991                       | (1,550,146)                      | 3,112,991                              | 249,040   |
| <b>Total</b>                      | <b>31,361,893</b>               | <b>(26,314,976)</b>              | <b>5,040,545</b>                       | <b>403,244</b>                                      |

| <b>Bank</b>           | <b>Long Position<br/>RM'000</b> | <b>Short Position<br/>RM'000</b> | <b>Risk-Weighted Assets<br/>RM'000</b> | <b>Minimum Capital Requirement at 8%<br/>RM'000</b> |
|-----------------------|---------------------------------|----------------------------------|--|---|
| <b>2020</b>           |                                 |                                  |  |   |
| Interest rate risk    | 29,380,457                      | (28,443,503)                     | 1,270,253                              | 101,620   |
| Foreign exchange risk | 2,015,199                       | (3,471,562)                      | 3,471,562                              | 277,725   |
| <b>Total</b>          | <b>31,395,656</b>               | <b>(31,915,065)</b>              | <b>4,741,815</b>                       | <b>379,345</b>                                      |
| <b>2019</b>           |                                 |                                  |  |   |
| Interest rate risk    | 26,849,458                      | (23,681,759)                     | 1,905,491                              | 152,439   |
| Foreign exchange risk | 1,963,324                       | (3,568,201)                      | 3,568,201                              | 285,456   |
| <b>Total</b>          | <b>28,812,782</b>               | <b>(27,249,960)</b>              | <b>5,473,692</b>                       | <b>437,895</b>                                      |



## 7. EQUITY EXPOSURES IN THE BANKING BOOK

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

### (a) Equity Exposures in the Banking Book

| Group                           | 2020                         |                             | 2019                         |                             |
|---------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
|                                 | Gross Credit Exposure RM'000 | Risk-Weighted Assets RM'000 | Gross Credit Exposure RM'000 | Risk-Weighted Assets RM'000 |
| Publicly traded                 |                              |                             |                              |                             |
| Investments in unit trust funds | –                            | –                           | 12,853                       | 12,853                      |
| Holdings of equity investments  | 1,382                        | 1,382                       | 1,556                        | 1,556                       |
|                                 | 1,382                        | 1,382                       | 14,409                       | 14,409                      |
| Privately held                  |                              |                             |                              |                             |
| For socio-economic purposes     | 821,495                      | 821,495                     | 760,504                      | 760,504                     |
| Not for socio-economic purposes | 36,302                       | 54,453                      | 36,462                       | 54,693                      |
|                                 | 857,797                      | 875,948                     | 796,966                      | 815,197                     |
| <b>Total</b>                    | <b>859,179</b>               | <b>877,330</b>              | <b>811,375</b>               | <b>829,606</b>              |

#### (i) Publicly Traded

The investment in unit trust funds comprises bond fund and wholesale income funds, are held for yield purposes. Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equities are made by the Share Investment Committee. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

#### (ii) Privately Held

The privately held equity investments are stated at fair value.

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## Disclosure as at 31 December 2020

### 7. EQUITY EXPOSURES IN THE BANKING BOOK (CONTINUED)

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group. (continued)

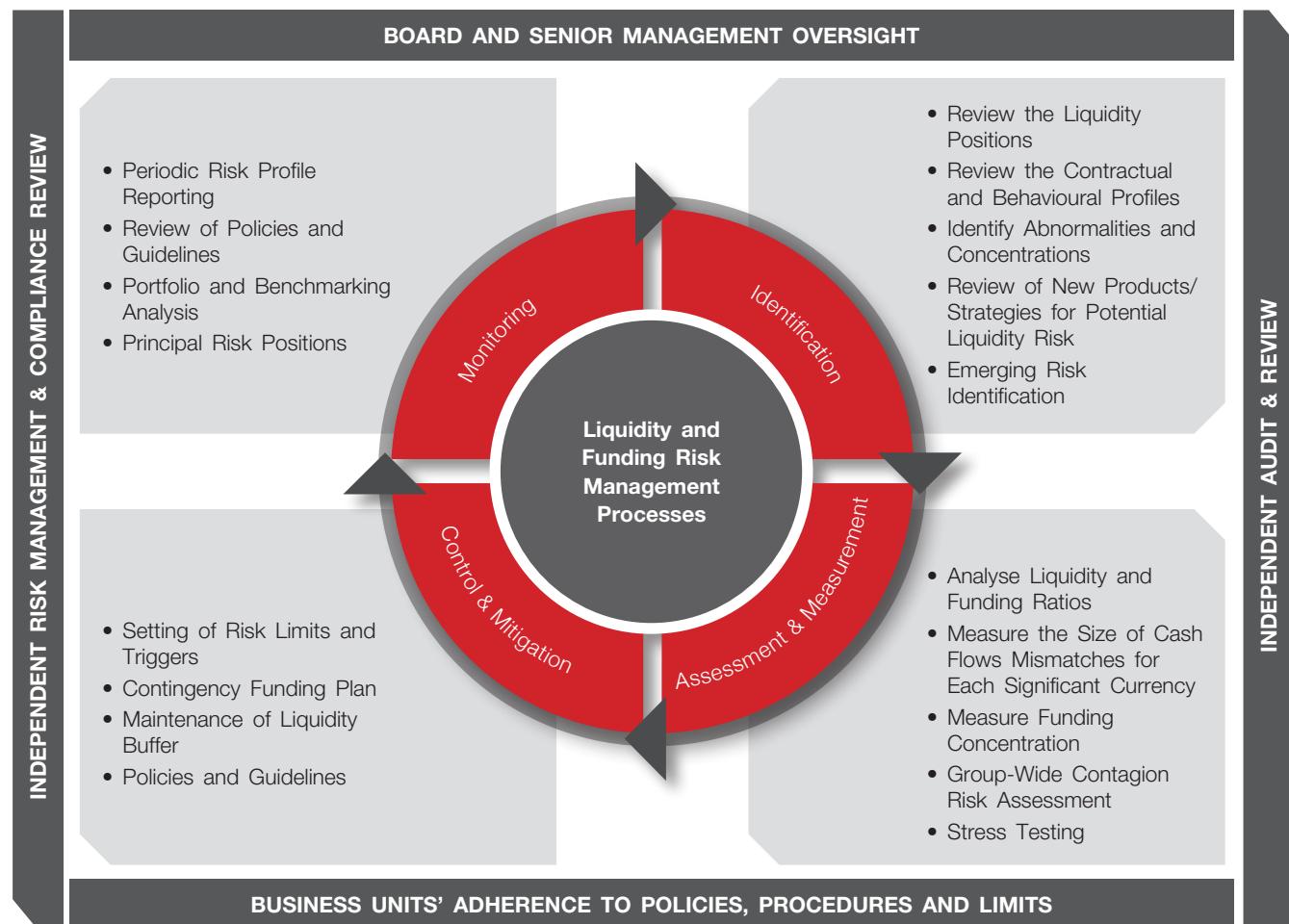
#### (b) Gains and Losses on Equity Exposures in the Banking Book

| Group   | 2020<br>RM'000       | 2019<br>RM'000        |
|---|----------------------|-----------------------|
| Realised loss recognised in profit or loss<br>– Investments in unit trust funds   | (17)                 | (11)                  |
| Realised gain recognised in other comprehensive income<br>– Privately held equity investments   | –                    | 5                     |
| Unrealised revaluation gain recognised in profit or loss<br>– Privately held equity investments   | 33,344               | 21,479                |
| Unrealised revaluation gain/(loss) recognised in other comprehensive income<br>– Privately held equity investments<br>– Publicly traded equity investments<br>– Investments in unit trust funds | 28,150<br>(174)<br>– | 6,993<br>(652)<br>(3) |
|   | <b>27,976</b>        | 6,338                 |

## 8. LIQUIDITY AND FUNDING RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its expected or unexpected cash flows/commitments, or can secure the financial resources only at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The following diagram presents the risk management processes over liquidity and funding risk.



The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 45 to the financial statements.

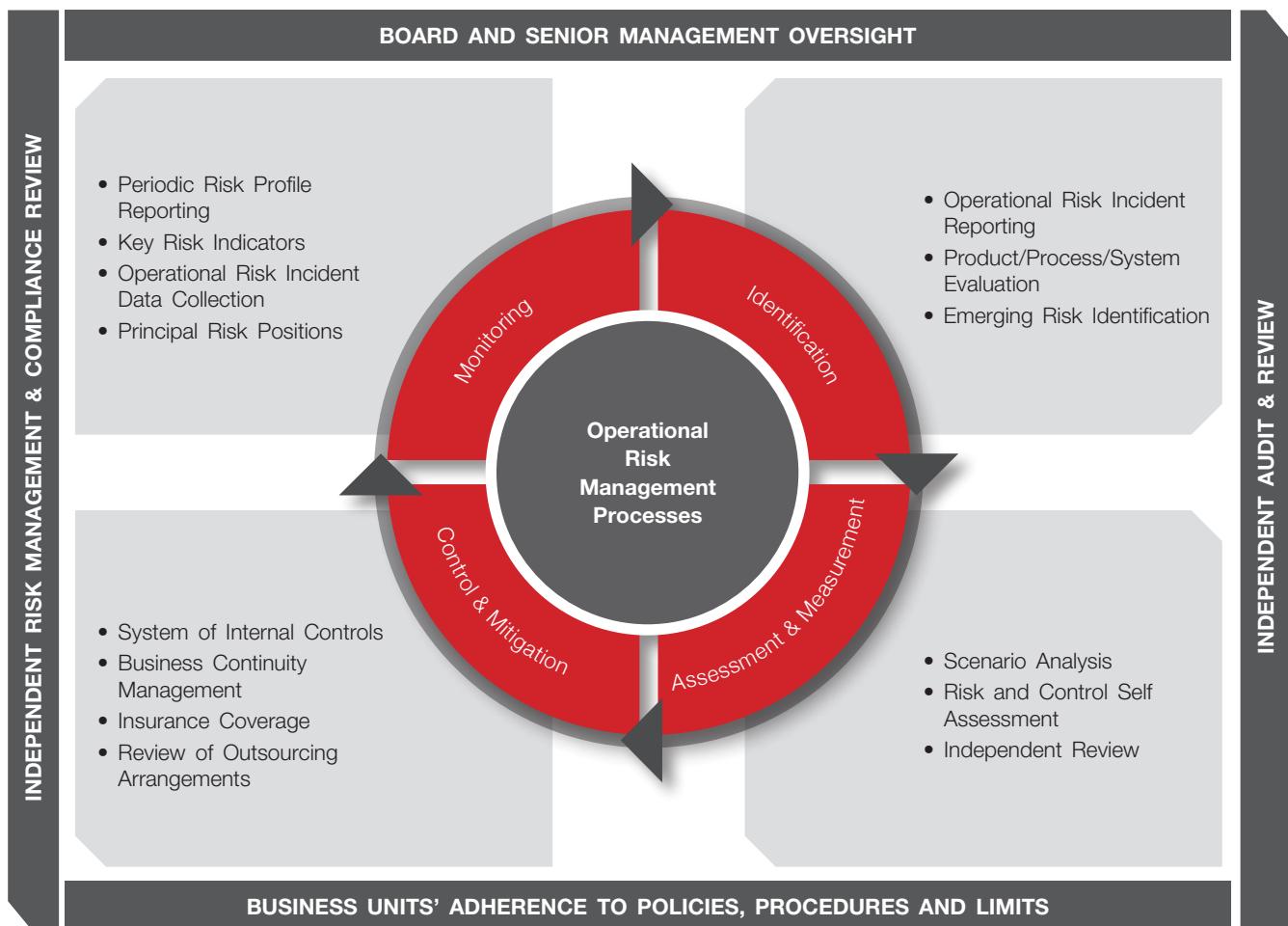
# Pillar 3

## Disclosure as at 31 December 2020

### 9. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Group is to manage its operational risk within an acceptable level.

The following diagram presents the risk management processes over operational risk.



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 45 to the financial statements.



## 9. OPERATIONAL RISK (CONTINUED)

### Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Group and of the Bank, computed using the Basic Indicator Approach.

|       | 2020                           |   | 2019                           |   |
|-------|--------------------------------|---|--------------------------------|---|
|       | Risk-Weighted Assets<br>RM'000 | Minimum Capital Requirement at 8%<br>RM'000 | Risk-Weighted Assets<br>RM'000 | Minimum Capital Requirement at 8%<br>RM'000 |
| Group | <b>20,141,735</b>              | <b>1,611,339</b>                            | 20,139,900                     | 1,611,192                                   |
| Bank  | <b>13,689,994</b>              | <b>1,095,200</b>                            | 14,036,638                     | 1,122,931                                   |

## 10. SHARIAH NON-COMPLIANCE RISK

Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/ Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic, the management of Shariah-based funds by Public Mutual Berhad and the Islamic capital market activities of Public Investment Bank Berhad.

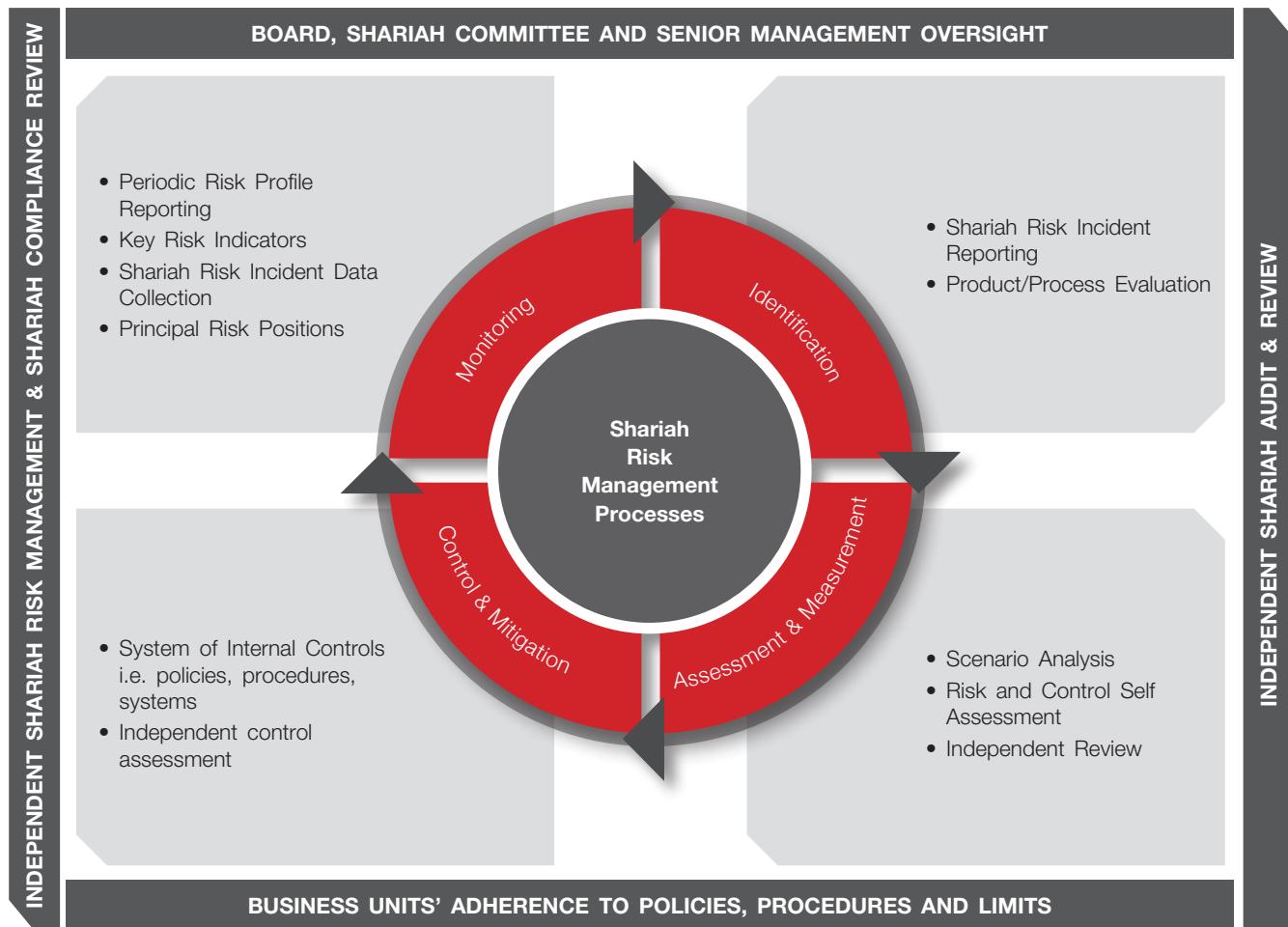
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## Disclosure as at 31 December 2020

### 10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

#### Islamic Banking Operations

The following diagram presents the risk management processes over SNC risk:



The following disclosures on SNC risk are set out in the Shariah non-compliance risk section of Note 45 to the financial statements:

- Description of the Shariah governance structure, systems, processes and controls employed for the purpose of ensuring Shariah compliance;
- Description on rectification process of non-Shariah compliant income occurring during the year; and
- The amount of non-Shariah compliant income and the number of non-Shariah compliant events occurring during the year.



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