FUTURE FORWARD

CIMB

CIMB GROUP HOLDINGS BERHAD
FINANCIAL STATEMENTS 2020

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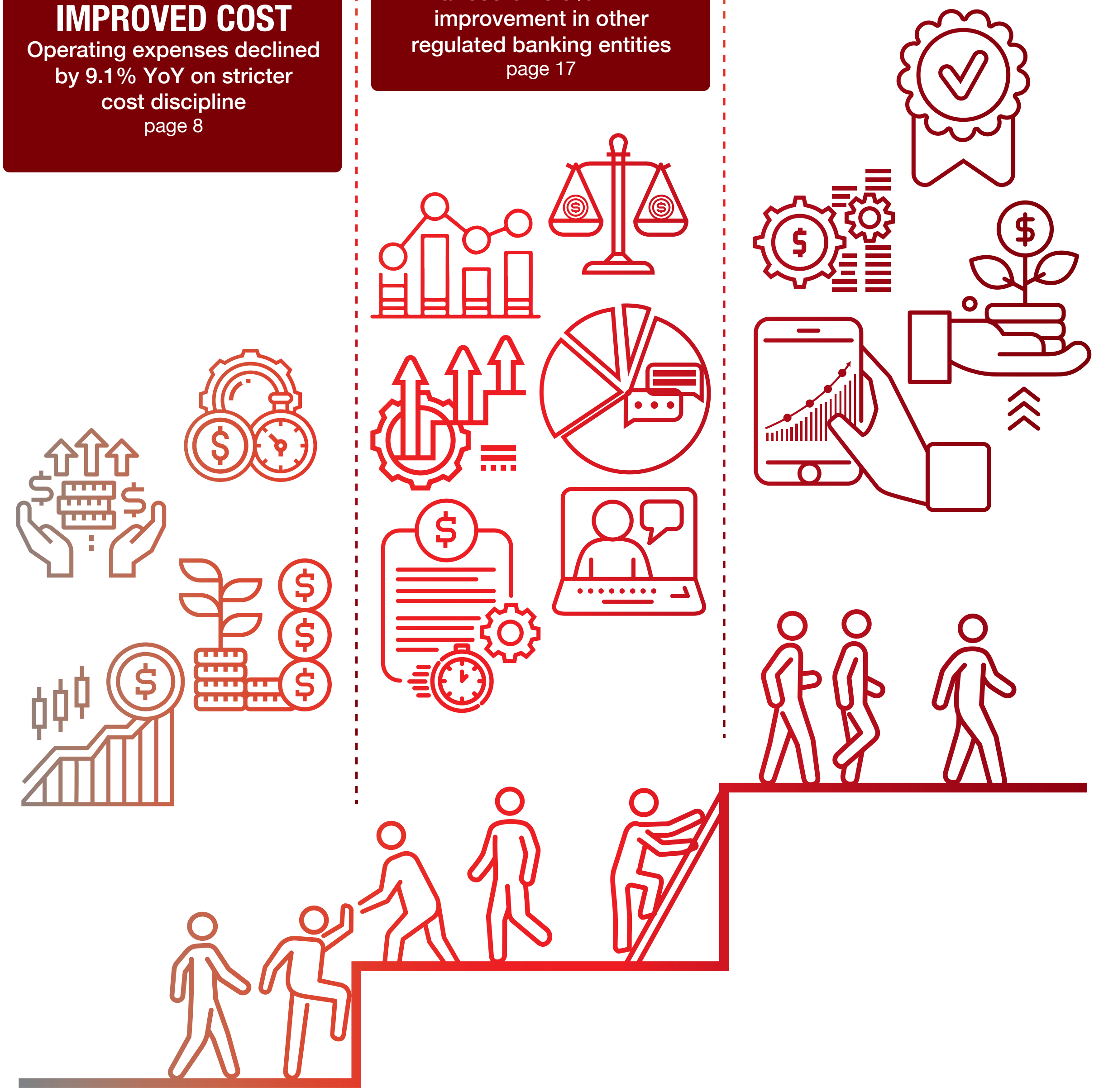

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What's Inside This Report

PERFORMANCE REVIEW

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BASEL II PILLAR 3 DISCLOSURES

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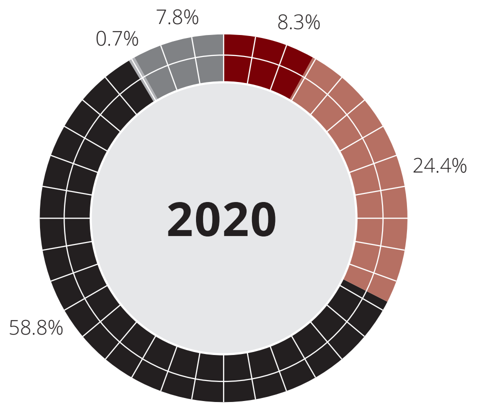
Five-Year Group Financial Highlights

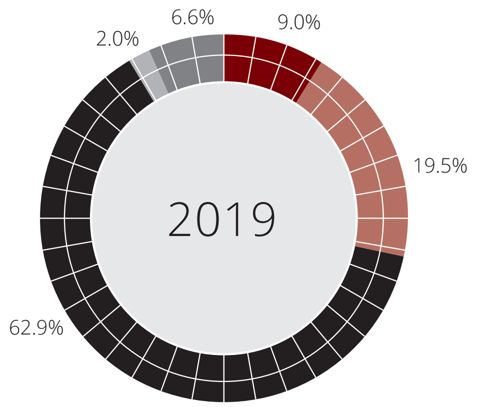
Key Highlights	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
	Financial Year Ended 31 December				
Consolidated Statement of Income					
Operating income	**17,189,003**	17,795,879	17,381,968	17,626,496	16,065,255
Overheads	**8,976,794**	9,872,905	8,655,821	9,133,575	8,651,690
Profit before expected credit losses	**8,212,209**	7,922,974	8,726,147	8,492,921	7,413,565
Expected credit losses on loans, advances and financing	**5,342,209**	1,638,785	1,432,661	2,230,907	2,408,883
Profit before taxation and zakat	**1,530,329**	5,974,840	7,200,667	6,109,985	4,884,144
Net profit for the financial year	**1,194,424**	4,559,656	5,583,510	4,475,175	3,564,190
Consolidated Statement of Financial Position					
Gross loans, advances and financing	**365,844,401**	369,491,503	346,290,529	324,218,054	323,719,559
Total assets	**602,354,899**	573,245,655	534,089,043	506,499,532	485,766,887
Deposits from customers^	**410,839,559**	401,681,309	379,671,991	356,994,529	338,530,629
Total liabilities	**545,180,777**	515,776,579	481,501,072	456,693,097	438,687,729
Shareholders' funds	**55,925,641**	56,237,171	51,374,295	48,245,479	45,308,175
Commitments and contingencies	**1,123,995,768**	1,146,023,486	1,129,138,654	875,879,316	888,167,213
Financial Ratios (%)					
Common equity tier 1 ratio (CIMB Group)#	**13.3**	13.3	n/a	n/a	n/a
Tier 1 ratio (CIMB Group)#	**14.6**	14.4	n/a	n/a	n/a
Total capital ratio (CIMB Group)#	**17.6**	17.1	n/a	n/a	n/a
Common equity tier 1 ratio (CIMB Bank)#	**13.1**	13.8	12.9	12.9	12.1
Tier 1 ratio (CIMB Bank)#	**14.8**	15.2	14.3	14.3	13.6
Total capital ratio (CIMB Bank)#	**18.6**	19.4	19.0	17.8	16.7
Return on average equity	**2.1**	8.5	11.4	9.6	8.3
Return on average total assets	**0.20**	0.82	1.07	0.90	0.75
Net interest margin	**2.32**	2.46	2.50	2.63	2.63
Cost to income ratio	**52.2**	55.5	49.8	51.8	53.9
Gross impaired loans to gross loans	**3.6**	3.1	2.9	3.4	3.3
Allowance coverage ratio	**91.6**	80.7	91.0	70.5	79.8
Loan loss charge	**1.46**	0.44	0.41	0.69	0.74
Loan deposit ratio	**89.0**	92.0	91.2	90.8	95.6
Net tangible assets per share (RM)	**4.65**	4.70	4.39	4.14	3.92
Book value per share (RM)	**5.64**	5.67	5.37	5.23	5.11
CASA ratio	**41.3**	34.4	32.7	35.0	35.7
Other Information					
Earnings per share (sen)					
– basic	**12.0**	47.0	59.7	49.6	41.0
Dividend per share (sen)	**4.8**	26.0	25.0	25.0	20.0
Dividend payout ratio (%)	**40**	56	42	51	49
Number of shares in issue ('000)*	**9,922,966**	9,922,966	9,564,455	9,225,547	8,868,384
Weighted average number of shares in issue ('000)	**9,922,966**	9,705,987	9,356,695	9,016,943	8,689,362
Non Financial Highlights					
Share price at year-end (RM)	**4.30**	5.15	5.71	6.54	4.51
Number of employees~	**34,183**	35,265	36,104	37,597	38,952

^ Include investment accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities
# Before deducting proposed dividend
* Excludes 4,908 ordinary shares held as treasury shares
~ Excludes headcount borne by third parties

Simplified Group Statement of Financial Position

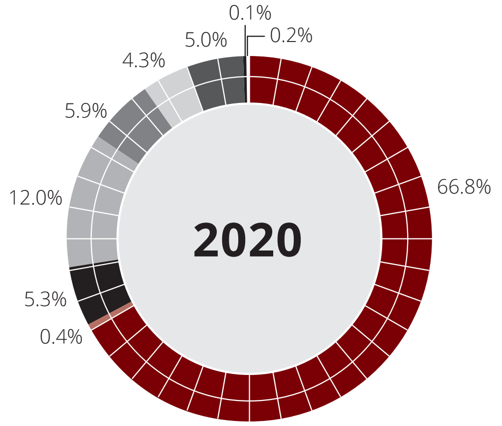
ASSETS

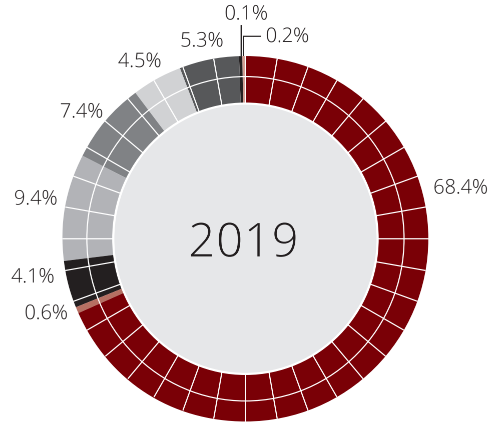




- Cash and short term funds, reversed repurchase agreements and deposits and placements with banks and other financial institutions
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with central banks
- Other assets (including intangible assets)

EQUITY AND LIABILITIES





- Deposits from customers
- Investment accounts of customers
- Deposits and placements of banks and other financial institutions
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Ordinary share capital
- Reserves
- Perpetual preference shares
- Non-controlling interests

Quarterly Financial Performance

RM'000	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Operating revenue	**4,143,029**	**3,865,322**	**4,464,614**	**4,716,038**
Net interest income (after modification loss)	**2,572,785**	**2,480,079**	**2,547,090**	**2,619,022**
Net non-interest income and income from Islamic banking operation	**1,570,244**	**1,385,243**	**1,917,524**	**2,097,016**
Overheads	**(2,318,450)**	**(2,124,448)**	**(2,204,973)**	**(2,328,923)**
Profit before taxation and zakat	**713,964**	**196,385**	**453,998**	**165,982**
Net profit attributable to owners of the Parent	**507,925**	**277,079**	**194,444**	**214,976**
Earning per share (sen)	**5.12**	**2.79**	**1.96**	**2.17**
Dividend per share (sen)	**–**	**–**	**–**	**4.81**

RM'000	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Operating revenue	4,166,146	4,468,851	4,638,445	4,522,437
Net interest income	2,461,543	2,376,781	2,567,740	2,677,854
Net non-interest income and income from Islamic banking operation	1,704,603	2,092,070	2,070,705	1,844,583
Overheads	(2,302,416)	(2,293,626)	(2,786,392)	(2,490,471)
Profit before taxation and zakat	1,603,126	1,955,829	1,336,883	1,079,002
Net profit attributable to owners of the Parent	1,192,042	1,508,625	1,010,348	848,641
Earning per share (sen)	12.46	15.60	10.36	8.56
Dividend per share (sen)	–	14.00	–	12.00

Key Interest Bearing Assets and Liabilities

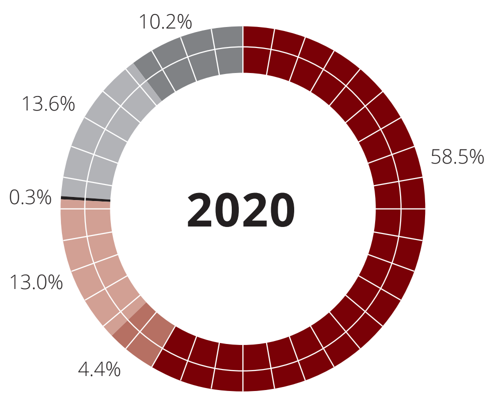
	Financial Year Ended 31 December 2020		
	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	**43,126**	**1.52**	**743**
Financial investments at fair value through profit or loss	**42,713**	**1.82**	**767**
Debt instruments at fair value through other comprehensive income	**47,726**	**3.42**	**1,348**
Debt instruments at amortised cost	**56,128**	**3.83**	**1,922**
Loans, advances and financing	**353,916**	**5.03**	**17,932**
Interest bearing liabilities:			
Total deposits*	**447,458**	**1.88**	**8,439**
Bonds, Sukuk, debentures and other borrowings	**22,870**	**2.72**	**685**
Subordinated oligations	**12,809**	**4.12**	**600**

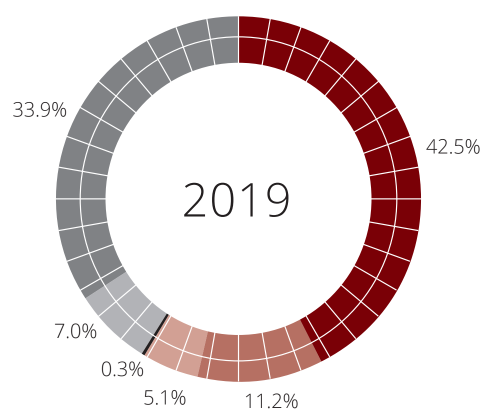
	Financial Year Ended 31 December 2019		
	As at 31 December RM'million	Effective interest rate %	Interest income/ expense RM'million
Interest earning assets:			
Cash and short-term funds & deposits and placements with banks and other financial institutions	42,564	2.39	1,111
Financial investments at fair value through profit or loss	38,137	2.78	1,068
Debt instruments at fair value through other comprehensive income	33,318	3.63	1,227
Debt instruments at amortised cost	39,833	4.40	1,765
Loans, advances and financing	360,340	5.88	20,476
Interest bearing liabilities:			
Total deposits*	429,482	2.57	11,007
Bonds, Sukuk, debentures and other borrowings	28,691	3.57	925
Subordinated oligations	13,521	5.33	710

* Total deposits include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, financial liabilities designated at fair value through profit or loss and structured deposits.

Value Added Statements

	2020 RM'000	2019 RM'000
VALUE ADDED		
Net interest income (before modification loss)	**10,440,041**	10,083,918
Modification loss	**(221,065)**	–
Net interest income (after modification loss)	**10,218,976**	10,083,918
Income from Islamic banking operations	**2,937,513**	3,040,663
Net non-interest income	**4,032,514**	4,671,298
Overheads excluding personnel costs, depreciation, payments to community and suppliers/vendors	**(1,710,900)**	(2,272,900)
Expected credit losses on loans, advances and financing	**(5,342,209)**	(1,638,785)
Expected credit losses (made)/written back for commitments and contingencies	**(191,520)**	12,019
Other expected credit losses and impairment allowances made	**(1,264,646)**	(352,018)
Share of results of joint ventures	**118,834**	31,401
Share of results of associates	**(2,339)**	(751)
Value added available for distribution	**8,796,223**	13,574,845
DISTRIBUTION OF VALUE ADDED		
To employees:		
Personnel costs	**5,144,070**	5,764,674
To the Government:		
Taxation and zakat	**383,760**	1,519,653
To providers of capital:		
Cash dividends paid to shareholders	**1,190,756**	797,515
Non-controlling interests	**(47,855)**	(104,469)
To the community[1]:		
Community investments	**29,300**	45,800
To the suppliers/vendors[2]:		
Suppliers/Vendors (Malaysia*)	**1,200,000**	945,000
To reinvest to the Group:		
Dividend reinvestment plan	**–**	1,712,059
Depreciation and amortisation	**892,524**	844,531
Retained earnings	**3,668**	2,050,082
Value added available for distribution	**8,796,223**	13,574,845





- To employees
- To the Government
- To providers of capital
- To the community[1]
- To the suppliers/vendors[2]
- To reinvest to the Group

1 Community investments include contributions to charities, NGOs and research institutes (unrelated to the organisation's commercial research and development); funds to support community infrastructure, such as recreational facilities; and direct costs of developing and implementing social and environmental programmes, including arts, and educational events – all channelled through CIMB Foundation as well as respective business units.

2 Suppliers/Vendors include payment made towards products or services or investments in any supplier education or development programmes.

* Majority of our suppliers are based in Malaysia, which accounts for 90% of our total Group procurement spend. Our largest spends are in Group Technology, Group Operations, and Group Administration & Property.

Analysis of Financial Statements

ANALYSIS OF STATEMENT OF INCOME

	2020 RM'000	2019 RM'000	Increase/ (Decrease)
Net interest income^	**12,725**	12,659	0.5%
Net non-interest income^	**4,464**	5,137	-13.1%
Operating income	**17,189**	17,796	-3.4%
Overheads	**(8,977)**	(9,873)	-9.1%
Profit before expected credit losses	**8,212**	7,923	3.6%
Expected credit losses on loans, advances and financing	**(5,342)**	(1,639)	225.9%
Expected credit losses (made)/written back for commitment and contingencies	**(192)**	12	1700.0%
Other expected credit losses and impairment allowances made	**(1,264)**	(352)	259.1%
Share of results of joint ventures and associates	**116**	31	274.2%
Profit before taxation and zakat	**1,530**	5,975	-74.4%
Net profit attributable to owners of the Parent	**1,194**	4,560	-73.8%
EPS (sen)	**12.0**	47.0	-74.5%

^ inclusive of income from Islamic banking operations

Net interest income

The Group's Net interest income (NII) for the year was 0.5% higher YoY at RM12.725 billion compared to RM12.659 billion in FY19. This was achieved despite the 1.0% YoY decline in gross loans and lower Net Interest Margins (NIM) during the year, given the 6.6% growth in interest earning assets. The Group's NIMs were lower at 2.32% from 2.46% in FY19 owing to the impact of interest rate cuts in all operating countries as well as modification losses in Malaysia arising from the COVID-19 related loan moratoriums. This was partially mitigated by lower cost of funds in FY20 as the 2.3% growth in deposits was underpinned by a 22.6% expansion in lower-cost Current Account and Savings Account (CASA) balances. The Group's gross loans were 1.0% lower YoY as the Consumer Banking loans growth of 2.7% was offset by a 5.2% and 3.7% decline in Wholesale and Commercial Banking loans respectively. By country, loan growth was driven by Malaysia at 2.9%, while Indonesia, Thailand and Singapore loans declined YoY.

Net non-interest income

Total net non-interest income (NOII) was 13.1% lower YoY at RM4.464 billion compared to RM5.137 billion in FY19. The decline was attributed to significantly lower fee-related income owing to the disruption from the pandemic as well as the absence of a RM236 million gain from the sale of a 50% interest in the Malaysia stockbroking business in 2019. The deconsolidation of the stockbroking business consequently led to a sharply lower brokerage income YoY. Nevertheless, the underlying Treasury & Markets and foreign exchange operations, Consumer wealth management and Private Banking NOII continued to exhibit positive traction over the year.

Overheads

The Group's total overhead expenses contracted by 9.1% YoY to RM8.977 billion compared to RM9.873 billion in FY19. The decline was due to stringent cost control measures across all business units and countries in light of the COVID-19 pandemic. Costs declined across the Personnel, Marketing and Administrative & General expenses segments, but was higher within the Establishment segment due to the continued increase in expenditure for Technology investments. The lower overhead expenses for the year brought the Group's cost-to-income ratio down to 52.2% in FY20 from 55.5% in FY19.

Expected credit losses

The total expected credit losses (ECL) on loans, advances and financing was significantly higher at RM5.342 billion versus the RM1.639 billion in FY19. The higher ECL was driven by the COVID-19 pandemic particularly macroeconomic factor adjustments to account for the weaker operating environment and outlook, as well as management overlays in light of the loan repayment moratorium particularly in Malaysia. The economic crisis brought about several Commercial and Corporate impairments in Singapore and Indonesia as well as from sectors directly impacted by COVID-19. For FY20, the Group reported a total loan loss charge of 1.46% with a gross impairment ratio of 3.6% and an allowance coverage of 91.6%.

Net profit

The Group recorded a net profit of RM1.194 billion in FY20, a 73.8% YoY decline from the RM4.560 billion in FY19. The lower profitability arose from the combination of a 3.4% decline in operating income, as well as the significant increase in total ECL on loans, advances and financing and other expected credit losses and impairment allowances made during the year. This was partially offset by the 9.1% decline in overhead expenses over the year. As a result, the Group reported a net EPS of 12.0 sen in FY20.

SIGNIFICANT MOVEMENT IN STATEMENTS OF FINANCIAL POSITION

	2020 RM'000	2019 RM'000	Increase/(Decrease)	
ASSETS				
Cash and short-term funds	**39,563**	37,765	1,798	4.8%
Deposits and placements with banks and other financial institutions	**3,563**	4,799	(1,236)	-25.8%
Financial investment portfolio	**146,876**	111,745	35,131	31.4%
Loans, advances and financing	**353,916**	360,340	(6,424)	-1.8%
Other assets (including intangible assets)	**58,436**	58,597	(161)	-0.3%
Total assets	**602,354**	573,246	29,108	5.1%
LIABILITIES				
Deposits from customers^	**410,840**	401,681	9,159	2.3%
Deposits and placements of banks and other financial institutions	**31,791**	23,667	8,124	34.3%
Other borrowings	**10,406**	10,458	(52)	-0.5%
Bonds, sukuk and debentures	**12,464**	18,233	(5,769)	-31.6%
Subordinated obligations	**12,809**	13,521	(712)	-5.3%
Other liabilities	**66,871**	48,217	18,654	38.7%
Total liabilities	**545,181**	515,777	29,404	5.7%

^ includes investment accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities

A) Total assets

As at 31 December 2020, CIMB Group's total assets rose RM29.1 billion or 5.1% higher at RM602.4 billion. The increase was underpinned by a RM35.1 billion or 31.4% growth in the financial investment portfolio and RM1.8 billion rise in cash and short-term funds. Loans, advances and financing declined by 1.8% or RM6.4 billion over the year, while deposits and placement with banks and other financial institutions was RM1.2 billion lower.

B) Financial Investment Portfolio

The Group's financial investment portfolio expanded by 31.4% YoY or RM35.1 billion to RM146.9 billion as at 31 December 2020 compared to RM111.7 billion as at end-FY19. The increase was largely underpinned by a combination of debt instruments at fair value through other comprehensive income (which rose RM14.4 billion YoY) and debt instruments at amortised cost (which increased RM16.3 billion YoY).

C) Total Loans, Advances and Financing

The Group's loans, advances and financing stood at RM353.9 billion as at 31 December 2020, declining by 1.8% YoY or RM6.4 billion. Malaysia loans grew 2.9% during the year, while loans from Indonesia and Thailand were 9.9% and 4.9% lower YoY in Rupiah and Baht-terms respectively. Singapore loans declined 3.1% in Dollar terms in FY20. Consumer Banking loans grew 2.7%, while Wholesale and Commercial Banking loans fell 5.2% and 3.7% respectively YoY. The Group's gross impaired loans ratio stood at 3.6% as at end-2020 compared to 3.1% as at end-2019.

D) Total Liabilities

As at 31 December 2020, the Group's total liabilities stood at RM545.2 billion, an increase of 5.7% or RM29.4 billion YoY. The increase was largely driven by the RM18.7 billion or 38.7% growth in other liabilities and a RM9.2 billion or 2.3% YoY rise in deposits from customers. Deposits and placements of banks and other financial institutions was 34.3% or RM8.1 billion higher YoY. This was partially offset by a RM5.8 billion or 31.6% decline in bonds, sukuk and debentures over the year.

E) Other Liabilities

The Group's other liabilities increased by RM18.7 billion or 38.7% YoY to RM66.9 billion as at 31 December 2020 compared to RM48.2 billion in FY19. The higher amount was mainly attributed to an increase of RM13.8 billion from repurchase agreements/collateralised commodity murabahah and a RM5.0 billion increase in derivative financial instruments.

F) Total Deposits from Customers

Total Group deposits from customers rose by 2.3% YoY or a RM9.2 billion increase to RM410.8 billion as at 31 December 2020. Commercial and Wholesale Banking posted an 8.1% and 3.8% YoY growth in deposits, with Consumer Banking deposits were 1.2% lower YoY. Nevertheless, the Group's CASA ratio improved to 41.3% as at end-2020 compared to 34.4% previously, driven by a 30.2%, 19.0% and 12.8% YoY expansion in Consumer, Commercial and Wholesale CASA respectively. Geographically, deposit growth was strong in Malaysia and Indonesia at 2.6% and 6.0% in Ringgit and Rupiah respectively. In local currency terms, Thailand deposits were 2.6% lower, while Singapore deposits rose 2.1% YoY. Overall Group net interest margin (NIM) was lower at 2.32% in FY20.

Capital Management

OVERVIEW

Capital management at CIMB Group ("Group") remains focused on maintaining a healthy capital position through building an efficient capital structure. The capital position and structure of the Group are designed to meet the requirements of the Group's key constituencies i.e. shareholders, customers, regulators, external rating agencies, and others. Guided by CIMB Group's Capital Management Framework, the objectives of capital management are as follows:

(1) To maintain a strong and efficient capital base for the Group and its entities to (a) meet regulatory capital requirements at all times; (b) realise returns for shareholders through sustainable return on equity and stable dividend payout; and (c) withstand stressed economic and market conditions.

2) To allocate capital efficiently across the business units and subsidiaries to (a) support the organic growth generation (b) take advantage of strategic acquisitions and new businesses when opportunities arise; and (c) optimise the return on capital for the Group.

(3) To maintain capital at optimal levels to meet the requirements of other stakeholders of the Group, including rating agencies and customers through (a) liability management (b) dividend reinvestment scheme (c) deployment of capital based on risk-adjusted return on capital (RAROC) performance measurement (d) risk-weighted assets (RWA) optimisation exercise and exploring strategic divestments, if any.

The Group's regulated banking entities have always maintained a set of internal capital targets which provide a strong buffer above the minimum regulatory requirements. The following table shows the relevant capital ratios of each of the regulated banking entities of the Group in comparison to the minimum level required by the respective central banks under the Basel III framework.

	Common Equity Tier 1 Capital		Tier 1 Capital		Total Capital	
Capital Ratios	**As at 31 December 2020**	**Minimum Regulatory Ratio**	**As at 31 December 2020**	**Minimum Regulatory Ratio**	**As at 31 December 2020**	**Minimum Regulatory Ratio**
CIMB Group	13.17%	7.00%	14.49%	8.50%	17.48%	10.50%
CIMB Bank	13.13%	7.00%	14.76%	8.50%	18.56%	10.50%
CIMB Islamic	13.31%	7.00%	14.10%	8.50%	16.76%	10.50%
CIMB Investment Bank Group	83.18%	7.00%	83.18%	8.50%	83.18%	10.50%
CIMB Niaga*	20.12%	10.00%	20.12%	11.50%	21.24%	13.50%
CIMB Thai	14.94%	7.00%	14.94%	8.50%	20.75%	11.00%

* Inclusive of risk profile no 2 and capital surcharge buffer.

KEY INITIATIVES

Our goal is to continuously build capital towards the full implementation of Basel III requirements, whilst optimising its use fully. Tools that are employed to achieve this include but not limited to the following:

(1) liability management via redemption of non-Basel III compliant instruments; and issuance of new Basel III instruments;
(2) dividend reinvestment scheme (DRS);
(3) RWA optimisation; and
(4) Group-wide stress testing and impact assessment.

Key capital management initiatives that were undertaken during the 2020 calendar year include:

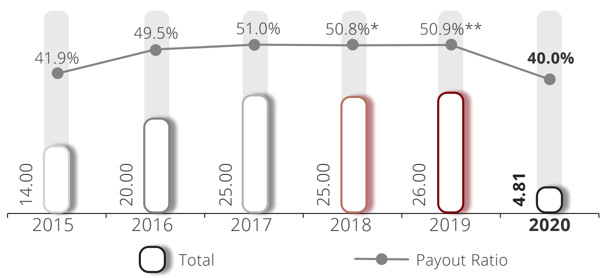
(1) CIMB Group issued RM750 million Basel III AT1 Capital Securities on 3 December 2020 and RM2.5 billion Basel III T2 Subordinated Debt on 12 November 2020.
(2) The continuing RWA optimisation initiatives during the year, largely through active loan portfolio rebalancing, system and data enhancements and model recalibrations.

DIVIDEND POLICY

For the financial year ended 31 December 2020, an interim single tier dividend of 4.81 sen per ordinary share, on 9,922,966,350 ordinary shares amounting to RM477,294,681 was approved by the Board of Directors and Bank Negara Malaysia. The interim single tier dividend will be payable by April 2021 and will consist of an electable portion of 4.81 sen per ordinary share which shareholders can elect to reinvest in new ordinary shares in accordance with the DRS.

DIVIDEND REINVESTMENT SCHEME

The DRS was implemented in 2013 to provide shareholders with an option to reinvest dividends into new ordinary shares of CIMB and at the same time to help preserve the Group's capital. It was first applied to the Group's second interim dividend for the financial year ended 31 December 2012. The dividend reinvestment rate has been encouraging, with an average rate of approximately 79.5% since inception.



* Payout ratio based on PAT excluding CPAM and CPIAM gain of RM928 million.
** Payout ratio based on BAU PAT excluding transformational cost.

Financial Calendar

28 FEBRUARY 2020

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2019

16 MARCH 2020

Notice of book closure for single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2019

17 MARCH 2020

Date of entitlement for the single tier second interim dividend of 12.00 sen per share for the financial year ended 31 December 2019

9 APRIL 2020

Issuance of Annual Report for the financial year ended 31 December 2019

13 APRIL 2020

Payment of the single tier interim dividend of 12.00 sen per share for the financial year ended 31 December 2019

22 MAY 2020

Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2020

2 JUNE 2020

Notice of 63rd Annual General Meeting

30 JUNE 2020

63rd Annual General Meeting

28 AUGUST 2020

Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2020

27 NOVEMBER 2020

Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2020

26 FEBRUARY 2021

Announcement of the unaudited consolidated financial results for the fourth quarter ended 31 December 2020

2021 TENTATIVE DATES

31 MAY 2021

1Q 2021

Financial Results

30 AUGUST 2021

2Q 2021

Financial Results

30 NOVEMBER 2021

3Q 2021

Financial Results

FEBRUARY 2022

4Q 2021

Financial Results

Statement of Directors' Responsibilities

The Directors are responsible for ensuring that the annual Audited Financial Statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 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 Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and cash flows for the financial year then ended.

The Directors consider that, in preparing the Annual Audited Financial Statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

Directors' Report

for the financial year ended 31 December 2020

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the significant subsidiaries as set out in Note 13 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation attributable to:		
– Owners of the Parent	**1,194,424**	**1,547,119**
– Non-controlling interests	**(47,855)**	**–**
	1,146,569	**1,547,119**

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
Dividend on 9,922,966,350 ordinary shares, paid on 13 April 2020 – single tier second interim dividend of 12.00 sen per ordinary share	**1,190,756**

The Directors have proposed a single-tier interim dividend of 4.81 sen per ordinary share on 9,922,966,350 ordinary shares amounting to RM477 million in respect of the financial year ended 31 December 2020. The single-tier interim dividend was approved by the Board of Directors on 29 January 2021.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year.

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

RESERVES, PROVISIONS AND ALLOWANCES

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

ISSUANCE OF SHARES

The Company did not issue share capital during the financial year.

SHARE BUY-BACK AND CANCELLATION

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2020, there were 4,908 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2020 was 9,922,966,350 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

SHARE-BASED EMPLOYEE BENEFIT PLAN

The Group's employee benefit schemes are explained in Note 49 to the Financial Statements.

BAD AND DOUBTFUL DEBTS, AND FINANCING

Before the Financial Statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that proper action 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 that 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 amounts 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 Company, inadequate to any substantial extent.

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 53.1 to the Financial Statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this Report is made other than those disclosed in Note 53.2 to the Financial Statements.

DIRECTORS

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

Datuk Mohd Nasir Ahmad
Dato' Abdul Rahman Ahmad (Appointed on 10 June 2020)
Tengku Dato' Sri Zafrul Tengku Abdul Aziz (Resigned on 9 March 2020)
Dato' Lee Kok Kwan
Dato' Mohamed Ross Mohd Din
Ahmad Zulqarnain Che On (Resigned on 30 June 2020)
Afzal Abdul Rahim
Robert Neil Coombe
Teoh Su Yin
Didi Syafruddin Yahya
Shulamite N K Khoo (Appointed on 15 May 2020)
Serena Tan Mei Shwen (Appointed on 30 September 2020)

In accordance with Article 81 of the Constitution, the following Directors will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election:

Datuk Mohd Nasir Ahmad
Robert Neil Coombe
Afzal Abdul Rahim

In accordance with Article 88 of the Constitution, the following Directors will retire from the Board at the forthcoming AGM and being eligible, offer themselves for re-election:

Dato' Abdul Rahman Ahmad
Serena Tan Mei Shwen

DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the Company or its subsidiaries during the financial year are as follows:

		No. of ordinary shares		
	As at 1 January	Acquired	Disposed	As at 31 December
CIMB Group Holdings Berhad				
Direct interest				
* Dato' Lee Kok Kwan	1,293,720	–	–	1,293,720
^ Didi Syafruddin Yahya	3,462	20,500	–	23,962

Note: Includes shareholding of spouse/child, details of which are as follows:

		No. of ordinary shares		
	As at 1 January	Acquired	Disposed	As at 31 December
* Datin Rosemary Yvonne Fong	88,648	–	–	88,648
^ Sarina Mahmood Merican	3,462	20,500	–	23,962

		No. of shares held		
	As at 1 January	Granted	Disposed	As at 31 December
PT Bank CIMB Niaga Tbk				
Direct interest				
* Dato' Lee Kok Kwan	427,305	–	–	427,305
** Teoh Su Yin	17,486	–	–	17,486

Note: Includes shareholding of spouse/child, details of which are as follows:

		No. of shares held		
	As at 1 January	Granted	Disposed	As at 31 December
* Datin Rosemary Yvonne Fong	12,445	–	–	12,445
** Stephen John Watson Hagger	17,486	–	–	17,486

		Debentures held		
	As at 1 January	Acquired	Disposed	As at 31 December
CIMB Group Holdings Berhad				
– Perpetual Subordinated Capital Securities				
Dato' Lee Kok Kwan	RM1,000,000	–	–	RM1,000,000
PT Bank CIMB Niaga Tbk				
– Subordinated Notes				
Dato' Lee Kok Kwan	IDR5,000,000,000	–	–	IDR5,000,000,000

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares, options over shares and debentures in the Company, or shares, options over shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 44 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Management Equity Scheme and Equity Ownership Plan (see Note 49 to the Financial Statements) as disclosed in this Report.

SUBSIDIARIES

(a) Details of subsidiaries

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

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

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are as set out in Note 41 to the Financial Statements.

2020 BUSINESS PLAN AND STRATEGY

2020 was a unique year quite unlike any in recent memory, not just for the Group but for the financial industry as a whole and the world in general. The Group's financial performance was severely dented by the far-reaching effects of the Novel Coronavirus ("COVID-19") pandemic as the global economy plunged into crisis within a few short months, interest rates were cut on a monthly basis, lockdowns impacted business momentum and the directly impacted sectors like hospitality and travel ground to a standstill. Consumer and business sentiment were significantly impacted by the 5.2% decline in Malaysia's GDP, while the Malaysian banking industry loan growth decelerated to 3% in 2020. While the Consumer banking business was partially sheltered by the moratorium and repayment schemes, the decline in business activity meant that SME, Commercial and Corporate activity ground to a snail's pace for a large part of the year. Debt capital markets remained active in tandem with falling interest rates, with investment banking transactions picking up at the tail-end of the year.

The Group witnessed an unexpected change in leadership in 2020 and the advent of the pandemic coupled with the entry of a new Group CEO, led to a rethink of the Group's strategic direction and subsequently, the launch of a recalibrated Forward23+ strategic plan. The refined program seeks to reshape the Group's portfolio to accelerate key growth segments, prioritise digitalisation and analytics to drive customer experience, deliver cost efficiency and productivity and to have a focused approach to investments and partnerships. Sustainability remains a crucial pivot going forward, as evidenced by the attention brought about by the announcement of the Coal Financing Policy in 2020.

The Group posted a 3.4% year-on-year ("YoY") decline in operating income to RM17.2 billion. Net interest income (inclusive of net finance income and hibah from Islamic Banking operations) was 0.5% higher YoY at RM12.7 billion despite a 1.0% YoY contraction in gross loans and 14bps YoY contraction in net interest margins ("NIM"). Non-interest income ("NOII") declined 13.1% YoY due to the absence of the RM236 million gain from the disposal of a 50% interest in the Malaysia equity business in 2019. Excluding this gain, the underlying NOII was 8.9% lower YoY owing to the weaker capital market environment arising from the outbreak of the pandemic. The total operating expenses for 2020 declined by 9.1% YoY to RM9.0 billion from improved cost management. The Group's profit before tax ("PBT") of RM1.5 billion was 74.4% lower YoY attributed to the lower operating income and significantly higher loan loss and other provisions during the year. Capital adequacy strengthened over the year with a total capital ratio of 17.6% and a Core Equity Tier 1 ("CET1") ratio of 13.3%, while the Group's net return on equity ("ROE") came in at 2.1%.

2020 BUSINESS PLAN AND STRATEGY (CONTINUED)

The regional Consumer PBT was 66.5% lower YoY at RM631 million, mainly due to the increased provisions during the year from management overlays and macroeconomic factor adjustments, as operating income was relatively flat while operating expenses decline 4.6% YoY. The regional Commercial Banking business posted a loss before tax of RM34 million for 2020 compared to a RM1.6 billion PBT previously, owing to a significant increase in provisions from legacy accounts during the year as well as write-backs in 2019. Wholesale Banking PBT was 81.8% lower YoY at RM352 million due to higher Corporate Banking loan and bond provisions. Treasury & Markets performance was weaker due to the weak capital markets at the first half of the year due to the COVID-19 outbreak but recovered in the later part of the year. Investment Banking saw strong improvement from higher deal flows over the year.

CIMB Niaga's PBT declined by 40.5% YoY to IDR2,947 billion on the back of lower operating income and higher loan provisions arising from the COVID-19 pandemic, partially offset by improved cost controls. CIMB Thai saw a 39.8% YoY reduction in PBT to THB1.6 billion attributed to a 60.0% increase in loan provisions, although operating income grew 1.1% and overhead expenses declined 5.1% YoY. CIMB Singapore had a loss before tax of RM1,006 million compared to a PBT of RM505 million in 2019 owing to higher provisions from legacy accounts during the year.

The Group's total gross loans was 1.0% lower YoY. Consumer Banking loans expanded 2.7% while Commercial and Wholesale Banking loans declined 3.7% and 5.2% YoY respectively. Total Group deposits grew by 2.3% YoY underpinned by a 22.6% YoY growth in CASA (Current Account & Savings Account), bringing about a CASA ratio of 41.3% as at end-2020 (compared to 34.4% previously). The Group's NIM was 14bps lower at 2.32%.

The Group's cost to income ratio improved to 52.2% compared to 55.5% in 2019, in tandem with the positive JAW as strict cost management initiatives brought about a 9.1% reduction in the Group's overhead expenses for the year. The Group's loan loss provisions rose 225.9% YoY to RM5.3 billion in FY20 while total loan loss charge stood at 1.46%. The Group's gross impairment ratio stood at 3.6% as at end-2020 from 3.1% as at end-2019, with an allowance coverage of 91.6%.

The Group announced a 40.0% dividend payout for 2020 by declaring total dividends amounting to RM477 million or 4.81 sen per share. This comes with an option of either cash or via a Dividend Reinvestment Scheme ("DRS"), and is scheduled to be paid by April 2021.

OUTLOOK FOR 2021

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

In Malaysia, the Group will continue to support impacted segments, while driving sustainable growth through CASA accumulation, Risk-adjusted return on capital ("RAROC") optimisation and non-interest income. Prospects for CIMB Singapore will likely track the regional economic direction. The outlook for CIMB Thai will be driven by realignment of its business direction towards consumer, Asean-focused corporate and treasury markets as well as further strengthening in cost and asset quality management. CIMB Niaga's financial performance is also expected to improve but growth is expected to be relatively subdued with the acceleration of primary growth segments, being offset by the realignment of weaker businesses that require transformation.

RATINGS BY EXTERNAL RATING AGENCY

Details of the rating of the Company and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Moody's Investors Service (Moody's)	February 2021	1. Long-term Issuer Rating 2. Short-term Issuer Rating	Baa1 P-2	Stable
Malaysian Rating Corporation Berhad (MARC)	August 2020	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM10.0 billion Tier II Subordinated Debt Programme	AA+ MARC-1 AA	Stable
RAM Rating Services Berhad (RAM)	August 2020	1. Long-term Corporate Credit Rating 2. Short-term Corporate Credit Rating 3. RM6.0 billion Conventional/Islamic Medium-term Notes Programme 4. RM6.0 billion Conventional Commercial Paper Programme 5. RM10.0 billion Additional Tier I Capital Securities Programme	AA1 P1 AA1 P1 A1	Stable

BOARD SHARIAH COMMITTEE

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Guideline on Shariah Governance for Islamic Financial Institutions and now as enshrined in the effective Islamic Financial Services Act 2013, the Board of Directors ("the Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group Holdings Berhad that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad ("CIMB Islamic").

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the CIMB Group Holdings Berhad. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to the Islamic banking business of CIMB Group Holdings Berhad shall be made based on the decisions, views and opinions of the Board Shariah Committee.

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

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

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

BOARD SHARIAH COMMITTEE (CONTINUED)

The members of the Board Shariah Committee are as follows:

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

The Board hereby affirms based on advice of the Board Shariah Committee that the Group's Islamic banking and finance operations has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

ZAKAT OBLIGATIONS

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

For the Group's banking and asset management subsidiaries, the obligation and responsibility for payment of zakat on deposits and investments received from their customers lies with their respective Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Group and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the Financial Statements of the Group is reflective of this.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53.1 to the Financial Statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

Significant events after the financial year are disclosed in Note 53.2 to the Financial Statements.

AUDITORS

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

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

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

Datuk Mohd Nasir Ahmad
Chairman

Dato' Abdul Rahman Ahmad
Director

Kuala Lumpur
10 March 2021

Statement by Directors

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

We, Datuk Mohd Nasir Ahmad and Dato' Abdul Rahman Ahmad, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 29 to 330 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended 31 December 2020, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

Datuk Mohd Nasir Ahmad
Chairman

Dato' Abdul Rahman Ahmad
Director

Kuala Lumpur
10 March 2021

Statutory Declaration

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

I, Khairulanwar bin Rifaie, being the officer primarily responsible for the financial management of CIMB Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 29 to 330 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.

Khairulanwar bin Rifaie

Subscribed and solemnly declared by the abovenamed Khairulanwar bin Rifaie at Kuala Lumpur before me, on 10 March 2021.

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

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

Commissioner for Oaths

Board Shariah Committee's Report

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

We, the members of the CIMB Group Board Shariah Committee as established under CIMB Islamic Bank Berhad ("CIMB Islamic"), are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. Although the Board is ultimately responsible and accountable for all Shariah matters under the Group, the Board relies on our independent advice on the same.

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

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

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

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

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

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

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

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

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

i) Absence of historical hibah rate that serves as basis for hibah payment for SME Smart Deposit Campaign by CIMB Islamic Bank.

In our opinion:

1. The contracts, transactions and dealings entered into by the Group during the financial year ended 31 December 2020 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;
3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and
4. The zakat calculation is in compliance with Shariah principles.

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

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

On behalf of the Board Shariah Committee

DR. SHAFAAI BIN MUSA
Chairman

ASSOCIATE PROFESSOR DR. AISHATH MUNEEZA
Member

Kuala Lumpur
10 March 2021

Independent Auditors' Report

to the members of CIMB Group Holdings Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

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

WHAT WE HAVE AUDITED

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 330.

BASIS FOR OPINION

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

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

GROUP KEY AUDIT MATTERS

Key audit matters	How our audit addressed the key audit matters
Expected credit losses for loans, advances and financing measured at amortised cost	
Refer to accounting policy I(i) and Notes 9, 42 and 56(a) of the financial statements. We focused on this area due to the size of the carrying value of loans, advances and financing, which represented 59% of total assets of the Group. In addition, the expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The significant judgements in applying the accounting requirements for measuring ECL include the following: • Building the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model; • Identification of loans, advances and financing that have experienced a significant increase in credit risk; and • Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economics uncertainty arising from COVID-19 that may impact future ECL.	We performed the following audit procedures: • Understood and tested the relevant controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss. • Examined a sample of loans, advances and financing with focused on loans, advances and financing identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries impacted by COVID-19, and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment. • Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we assessed the adequacy of loan impairment allowance by examining both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also re-performed the calculations of the discounted cash flows. • Assessed and tested the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9. • Tested the design and operating effectiveness of the controls relating to: – Governance over ECL model development and model refinements, including model build, model approval, model monitoring, model validation and model overlay; and – Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used into respective ECL models. • Assessed and considered reasonableness of forward-looking forecasts assumptions. • Assessed the reasonableness and tested the identification and calculation of the overlay adjustment to the ECL due to the impact of COVID-19. • Checked the accuracy of data and calculation of the ECL amount, on a sample basis. • Involved our financial risk modelling experts and IT specialists in areas such as reviewing appropriateness of the ECL models and data reliability. The assessment and conclusion on the more judgemental interpretations made by management were discussed with the Audit Committee. There were instances where the quantum of impairment required was different from that determined by management due to variance in the inputs used for ECL calculations purposes. Based on the procedures above, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Accounting and valuation for complex financial instruments Refer to accounting policy Q and Notes 56(c), 58.4.1 and 58.4.3 of the financial statements. We focused on this area as the accounting and valuation for certain financial instruments, particularly complex derivatives, were based on significant judgements and estimates made by the Group. The fair value of these complex derivatives is determined using a variety of valuation methodologies that use observable market data where possible. Where observable market data are not available, management exercised judgement in establishing fair values.	We performed the following audit procedures: • Examined a sample of complex financial instruments to understand the contractual terms of these instruments. We read and discussed with management the relevant analyses on the contractual terms and accounting treatment proposed by management, including the reasons for entering into these complex financial instruments. • Checked that the accounting recognition and measurement for these complex financial instruments are consistent with the accounting standards and relevant disclosures have been made in the Financial Statements. • Compared the key inputs used by the Group to measure the complex derivatives against observable market data. • Performed an independent valuation of a sample of complex derivatives. Based on the procedures performed, we did not find any material exceptions in the accounting for and estimates used in the valuation of these complex financial instruments.
Assessment of the carrying value of goodwill and its impairment Refer to accounting policy M(a), V and Notes 20 and 56(b) of the financial statements. The Group recorded goodwill of RM7,758 million as at 31 December 2020 which arose from a number of acquisitions in prior years. For purposes of the annual impairment assessment of goodwill, the Group has assessed the recoverable amount of each cash generating unit ("CGU") with allocated goodwill based on the higher of the value-in-use ("VIU") and fair value less cost of disposal. The Group determined that the recoverable amount of all CGUs was based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgement and the size of the goodwill resulted in this matter being identified as an area of audit focus.	We performed the following audit procedures: • Assessed that each CGU represents the smallest identifiable group of assets that generate independent cash flows based on our understanding of the business model of the Group. • Compared the cash flow projections of each CGU to the approved budget for the respective CGU, taking into consideration the impact of COVID-19. • Compared previous cash flow projections to actual results of each CGU to assess the reasonableness of assumptions used in the cash flow projections. • Independently computed discount rates which reflect the specific risks relating to each CGU based on publicly available information. • Assessed the reasonableness of the terminal growth rates based on historical results, economic outlook and industry forecasts. • Incorporated multiple scenarios to reflect the most likely outcome under the uncertain economic outlook as a result of COVID-19 and independently performed a sensitivity analysis over projected cash flows, terminal growth rates and discount rates used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the procedures performed, we did not find any material exceptions to the conclusions made by the Group on the impairment assessment of goodwill as at 31 December 2020.

There are no key audit matters to report for the Company.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Board Shariah Committee's Report, which we obtained prior to the date of this auditors' report, and 2020 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2021 J
Chartered Accountant

Kuala Lumpur
10 March 2021

Consolidated Statement of Financial Position

as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Cash and short-term funds	2(a)	**39,563,368**	37,765,092
Reverse repurchase agreements	3	**6,832,920**	9,014,453
Deposits and placements with banks and other financial institutions	2(b)	**3,562,564**	4,799,169
Financial investments at fair value through profit or loss	4	**42,713,133**	38,137,273
Debt instruments at fair value through other comprehensive income	5	**47,725,782**	33,318,413
Equity instruments at fair value through other comprehensive income	6	**308,971**	455,760
Debt instruments at amortised cost	7	**56,128,085**	39,833,491
Derivative financial instruments	8	**16,008,365**	11,589,897
Loans, advances and financing	9	**353,915,966**	360,340,100
Other assets	10	**14,103,938**	10,101,213
Tax recoverable		**714,620**	312,126
Deferred tax assets	11	**1,039,057**	882,623
Statutory deposits with central banks	12	**4,411,589**	11,499,998
Investment in associates	14	**45,306**	45,756
Investment in joint ventures	15	**2,451,217**	2,382,005
Property, plant and equipment	16	**2,366,359**	2,343,507
Right-of-use assets	17	**669,221**	775,842
Investment properties	18	**41,000**	17,334
Prepaid lease payments	19	**–**	81,428
Goodwill	20	**7,758,423**	7,857,539
Intangible assets	21	**1,986,610**	1,685,169
		602,346,494	573,238,188
Non-current assets held for sale	57	**8,405**	7,467
Total assets		**602,354,899**	573,245,655
LIABILITIES			
Deposits from customers	22	**403,050,637**	392,349,467
Investment accounts of customers	23	**2,678,870**	3,448,964
Deposits and placements of banks and other financial institutions	24	**31,791,245**	23,666,722
Repurchase agreements/Collateralised commodity murabahah		**28,146,581**	14,320,131
Financial liabilities designated at fair value through profit or loss	25	**4,016,930**	3,650,740
Derivative financial instruments	8	**16,340,770**	11,337,869
Bills and acceptances payable		**2,209,716**	2,584,169
Other liabilities	26	**18,456,349**	16,740,317
Lease liabilities	27	**543,224**	711,188
Recourse obligation on loans and financing sold to Cagamas	28	**2,110,668**	4,503,184
Provision for taxation and zakat		**120,999**	215,429
Deferred tax liabilities	11	**35,881**	36,578
Bonds, Sukuk and debentures	30	**12,463,964**	18,232,710
Other borrowings	31	**10,405,959**	10,458,242
Subordinated obligations	32	**12,808,510**	13,520,869
		545,180,303	515,776,579
Non-current liabilities held for sale	57	**474**	–
Total liabilities		**545,180,777**	515,776,579

Consolidated Statement of Financial Position

as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
EQUITY			
Capital and reserves attributable to owners of the Parent			
Ordinary share capital	33	**25,843,808**	25,843,808
Reserves	35	**30,082,439**	30,393,969
Less: Shares held under trust	36(a)	**(563)**	(563)
Treasury shares, at cost	36(b)	**(43)**	(43)
		55,925,641	56,237,171
Perpetual preference shares	34	**200,000**	200,000
Non-controlling interests		**1,048,481**	1,031,905
Total equity		**57,174,122**	57,469,076
Total equity and liabilities		**602,354,899**	573,245,655
Commitments and contingencies	51	**1,123,995,768**	1,146,023,486
Net assets per share attributable to owners of the Parent (RM)		**5.64**	5.67

Consolidated Statement of Income

for the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Interest income	37(a)	**17,329,613**	19,330,536
Interest income for financial assets at fair value through profit or loss	37(b)	**633,176**	913,259
Interest expense	38	**(7,522,748)**	(10,159,877)
Net interest income (before modification loss)		**10,440,041**	10,083,918
Modification loss	39	**(221,065)**	–
Net interest income (after modification loss)		**10,218,976**	10,083,918
Income from Islamic banking operations	59	**2,937,513**	3,040,663
Net non-interest income	40	**4,032,514**	4,671,298
		17,189,003	17,795,879
Overheads	41	**(8,976,794)**	(9,872,905)
Profit before expected credit losses		**8,212,209**	7,922,974
Expected credit losses on loans, advances and financing	42	**(5,342,209)**	(1,638,785)
Expected credit losses (made)/written back for commitments and contingencies	26(a)	**(191,520)**	12,019
Other expected credit losses and impairment allowances made	43	**(1,264,646)**	(352,018)
		1,413,834	5,944,190
Share of results of joint ventures	15	**118,834**	31,401
Share of results of associates	14	**(2,339)**	(751)
Profit before taxation and zakat		**1,530,329**	5,974,840
Taxation and zakat	45	**(383,760)**	(1,519,653)
Profit for the financial year		**1,146,569**	4,455,187
Profit attributable to:			
Owners of the Parent		**1,194,424**	4,559,656
Non-controlling interests		**(47,855)**	(104,469)
		1,146,569	4,455,187
Earnings per share attributable to ordinary equity holders of the Parent (sen)			
- Basic/Diluted	46	**12.04**	46.98

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2020

	2020 RM'000	2019 RM'000
Profit for the financial year	**1,146,569**	4,455,187
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss		
Remeasurement of post employment benefits obligation	**14,307**	(34,295)
– Actuarial gain/(loss)	**4,936**	(33,250)
– Income tax effects	**248**	784
– Currency translation difference	**9,123**	(1,829)
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	**(13,821)**	421
– Net (loss)/gain from change in fair value attributable to own credit risk	**(13,745)**	421
– Currency translation difference	**(76)**	–
Equity instruments at fair value through other comprehensive income	**(18,119)**	(23,981)
– Net loss from change in fair value	**(2,498)**	(22,136)
– Income tax effects	**(317)**	(181)
– Currency translation difference	**(15,304)**	(1,664)
	(17,633)	(57,855)
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	**319,431**	472,424
– Net gain from change in fair value	**744,606**	948,897
– Realised gain transferred to statement of income on disposal	**(386,337)**	(376,100)
– Changes in expected credit losses	**38,122**	1,715
– Income tax effects	**(72,810)**	(98,002)
– Currency translation difference	**(4,150)**	(4,086)
Net investment hedge	**46,028**	42,990
Hedging reserve – cash flow hedge	**4,127**	473
– Net gain from change in fair value	**4,331**	492
– Income tax effects	**(204)**	(19)
Deferred hedging cost	**9,489**	48,167
Exchange fluctuation reserve	**(673,752)**	832,609
Share of other comprehensive (expense)/income of		
– Associates	**(92)**	902
– Joint ventures	**(10,038)**	13,545
	(304,807)	1,411,110
Other comprehensive (expense)/income during the financial year, net of tax	**(322,440)**	1,353,255
Total comprehensive income for the financial year	**824,129**	5,808,442
Total comprehensive income attributable to:		
Owners of the Parent	**874,265**	5,860,814
Non-controlling interests	**(50,136)**	(52,372)
	824,129	5,808,442

Company Statement of Financial Position

as at 31 December 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Cash and short-term funds	2(a)	**344,603**	370,546
Debt instruments at fair value through other comprehensive income	5	**3,246,974**	2,493,362
Debt instruments at amortised cost	7	**6,701,694**	6,183,386
Other assets	10	**83,516**	133,440
Tax recoverable		**184,023**	182,089
Amount owing by subsidiaries		**12**	12
Investment in subsidiaries	13	**32,468,575**	32,158,313
Property, plant and equipment	16	**4,573**	5,898
Right-of-use assets	17	**603**	–
Investment properties	18	**363**	381
Total assets		**43,034,936**	41,527,427
LIABILITIES			
Other liabilities	26	**6,647**	3,223
Amount owing to subsidiaries		**427**	9,826
Deferred tax liabilities	11	**374**	377
Other borrowings	31	**4,708,893**	4,205,331
Subordinated obligations	32	**10,916,708**	10,265,228
Total liabilities		**15,633,049**	14,483,985
EQUITY			
Ordinary share capital	33	**25,843,808**	25,843,808
Reserves	35	**1,558,122**	1,199,677
Less: Treasury shares, at cost	36(b)	**(43)**	(43)
Total equity		**27,401,887**	27,043,442
Total equity and liabilities		**43,034,936**	41,527,427

Company Statement of Income

for the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
Interest income	37(a)	**453,683**	425,559
Interest expense	38	**(646,904)**	(665,215)
Net interest expense		**(193,221)**	(239,656)
Net non-interest income	40	**1,760,419**	3,080,592
		1,567,198	2,840,936
Overheads	41	**(23,282)**	(29,675)
Profit before expected credit losses		**1,543,916**	2,811,261
Other expected credit losses and impairment allowances written back/(made)	43	**4,287**	(22,186)
Profit before taxation		**1,548,203**	2,789,075
Taxation	45	**(1,084)**	(5,092)
Profit for the financial year		**1,547,119**	2,783,983

Company Statement of Comprehensive Income

for the financial year ended 31 December 2020

	2020 RM'000	2019 RM'000
Profit for the financial year	**1,547,119**	2,783,983
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	**2,082**	30,297
– Net gain from change in fair value	**1,404**	26,072
– Changes in expected credit losses	**678**	4,225
Other comprehensive income during the financial year, net of tax	**2,082**	30,297
Total comprehensive income for the financial year	**1,549,201**	2,814,280

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2020

The Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
		← Attributable to owners of the Parent												→			
At 1 January 2020		25,843,808	130,901	137,104	1,071,570	(563)	(43)	170,758	(231,725)	(1,230,508)	75,905	2,133,166	28,136,798	56,237,171	200,000	1,031,905	57,469,076
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	1,194,424	1,194,424	-	(47,855)	1,146,569
Other comprehensive (expense)/income (net of tax)		-	(543)	-	(650,305)	-	-	294,535	(17,986)	54,616	(482)	6	-	(320,159)	-	(2,281)	(322,440)
Debt instruments at fair value through other comprehensive income		-	-	-	-	-	-	294,537	-	-	-	-	-	294,537	-	24,894	319,431
Equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	(17,986)	-	-	-	-	(17,986)	-	(133)	(18,119)
Fair value changes on financial liabilities designated at fair value relating to own credit risk		-	-	-	-	-	-	-	-	(13,229)	-	-	-	(13,229)	-	(592)	(13,821)
Net investment hedge		-	-	-	-	-	-	-	-	46,028	-	-	-	46,028	-	-	46,028
Hedging reserve - cash flow hedge		-	-	-	-	-	-	-	-	2,473	-	-	-	2,473	-	1,654	4,127
Deferred hedging cost		-	-	-	-	-	-	-	-	9,489	-	-	-	9,489	-	-	9,489
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	16,344	-	-	-	16,344	-	(2,037)	14,307
Currency translation difference		-	(517)	-	(639,319)	-	-	-	-	(7,366)	(483)	-	-	(647,685)	-	(26,067)	(673,752)
Share of other comprehensive (expense)/income of																	
- Associates		-	-	-	(92)	-	-	-	-	-	-	-	-	(92)	-	-	(92)
- Joint ventures		-	(26)	-	(10,894)	-	-	(2)	-	877	1	6	-	(10,038)	-	-	(10,038)
Total comprehensive (expense)/income for the financial year		-	(543)	-	(650,305)	-	-	294,535	(17,986)	54,616	(482)	6	1,194,424	874,265	-	(50,136)	824,129
Second interim dividend for the financial year ended 31 December 2019	47	-	-	-	-	-	-	-	-	-	-	-	(1,190,756)	(1,190,756)	-	-	(1,190,756)

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2020

The Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
		← Attributable to owners of the Parent →															
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,315)	(32,315)
Transfer to capital reserve		-	-	70,315	-	-	-	-	-	-	-	-	(70,315)	-	-	-	-
Share-based payment expense	49	-	-	-	-	-	-	-	-	-	68,648	-	-	68,648	-	-	68,648
Purchase of shares in relation to Equity Ownership Plan ("EOP")		-	-	-	-	-	-	-	-	(58,524)	-	-	-	(58,524)	-	-	(58,524)
Shares released under employee benefit schemes		-	-	-	-	-	-	-	-	63,296	(68,459)	-	-	(5,163)	-	228	(4,935)
Contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,960	99,960
Non-controlling interests share of subsidiary treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,161)	(1,161)
Total transactions with owners recognised directly in equity		-	-	70,315	-	-	-	-	-	4,772	189	-	(1,261,071)	(1,185,795)	-	66,712	(1,119,083)
Transfer to statutory reserve		-	17,759	-	-	-	-	-	-	-	-	-	(17,759)	-	-	-	-
Transfer from regulatory reserve		-	-	-	-	-	-	-	-	-	-	(1,899,731)	1,899,731	-	-	-	-
Transfer of realised loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	-	-	-	1,627	-	-	-	(1,627)	-	-	-	-
At 31 December 2020		25,843,808	148,117	207,419	421,265	(563)	(43)	465,293	(248,084)	(1,171,120)	75,612	233,441	29,950,496	55,925,641	200,000	1,048,481	57,174,122

The Group	Note	Attributable to owners of the Parent → Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2019		24,131,750	130,284	137,104	282,393	(563)	(43)	(288,294)	(207,686)	(1,292,581)	73,993	1,542,976	26,864,962	51,374,295	200,000	1,013,676	52,587,971
Profit for the financial year		-	-	-	-	-	-	-	-	-	-	-	4,559,656	4,559,656	-	(104,469)	4,455,187
Other comprehensive income/(expense) (net of tax)		-	566	-	807,747	-	-	459,052	(24,113)	57,381	531	(6)	-	1,301,158	-	52,097	1,353,255
Debt instruments at fair value through other comprehensive income		-	-	-	-	-	-	459,051	-	-	-	-	-	459,051	-	13,373	472,424
Equity instruments at fair value through other comprehensive income		-	-	-	-	-	-	-	(24,113)	-	-	-	-	(24,113)	-	132	(23,981)
Fair value changes on financial liabilities designated at fair value relating to own credit risk		-	-	-	-	-	-	-	-	421	-	-	-	421	-	-	421
Net investment hedge		-	-	-	-	-	-	-	-	42,990	-	-	-	42,990	-	-	42,990
Hedging reserve – cash flow hedge		-	-	-	-	-	-	-	-	473	-	-	-	473	-	-	473
Deferred hedging cost		-	-	-	-	-	-	-	-	48,167	-	-	-	48,167	-	-	48,167
Remeasurement of post employment benefits obligations		-	-	-	-	-	-	-	-	(34,295)	-	-	-	(34,295)	-	-	(34,295)
Currency translation difference		-	514	-	791,923	-	-	-	-	642	938	-	-	794,017	-	38,592	832,609
Share of other comprehensive (expense)/ income of																	
– Associates		-	-	-	902	-	-	-	-	-	-	-	-	902	-	-	902
– Joint ventures		-	52	-	14,922	-	-	1	-	(1,017)	(407)	(6)	-	13,545	-	-	13,545
Total comprehensive income/(expense) for the financial year		-	566	-	807,747	-	-	459,052	(24,113)	57,381	531	(6)	4,559,656	5,860,814	-	(52,372)	5,808,442
Second interim dividend for the financial year ended 31 December 2018	47	-	-	-	-	-	-	-	-	-	-	-	(1,147,735)	(1,147,735)	-	-	(1,147,735)
First interim dividend for the financial year ended 31 December 2019	47	-	-	-	-	-	-	-	-	-	-	-	(1,361,839)	(1,361,839)	-	-	(1,361,839)

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

The Group	Note	Ordinary share capital RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Debt instruments at fair value through other comprehensive income RM'000	Equity instruments at fair value through other comprehensive income RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
		← Attributable to owners of the Parent												→			
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,374)	(15,374)
Issuance of shares arising from:																	
- dividend reinvestment scheme	33	1,712,058	-	-	-	-	-	-	-	-	-	-	-	1,712,058	-	-	1,712,058
Share-based payment expense	49	-	-	-	-	-	-	-	-	-	71,034	-	-	71,034	-	-	71,034
Purchase of shares in relation to Equity Ownership Plan ("EOP")		-	-	-	-	-	-	-	-	(59,272)	-	-	-	(59,272)	-	-	(59,272)
Shares released under employee benefit schemes		-	-	-	-	-	-	-	-	63,964	(69,653)	-	-	(5,689)	-	-	(5,689)
Contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	142,808	142,808
Disposal of subsidiaries		-	-	-	202	-	-	-	-	-	-	-	-	202	-	-	202
Dilution of net assets arising from accretion of equity interest in a subsidiary		-	-	-	-	-	-	-	-	-	-	-	(206,697)	(206,697)	-	(51,303)	(258,000)
Non-controlling interests share of subsidiary treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,530)	(5,530)
Total transactions with owners recognised directly in equity		1,712,058	-	-	202	-	-	-	-	4,692	1,381	-	(2,716,271)	(997,938)	-	70,601	(927,337)
Transfer within reserve		-	-	-	(18,772)	-	-	-	-	-	-	-	18,772	-	-	-	-
Transfer to statutory reserve		-	51	-	-	-	-	-	-	-	-	-	(51)	-	-	-	-
Transfer to regulatory reserve		-	-	-	-	-	-	-	-	-	-	590,196	(590,196)	-	-	-	-
Transfer of realised loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	-	-	-	74	-	-	-	(74)	-	-	-	-
At 31 December 2019		25,843,808	130,901	137,104	1,071,570	(563)	(43)	170,758	(231,725)	(1,230,508)	75,905	2,133,166	28,136,798	56,237,171	200,000	1,031,905	57,469,076

Company Statement of Changes in Equity

for the financial year ended 31 December 2020

The Company	Note	Ordinary share capital RM'000	Capital reserve RM'000	Treasury shares RM'000	Fair value reserve – debt instruments at fair value through other comprehensive income RM'000	Retained earnings RM'000	Total RM'000
		← Non-distributable			→	Distributable	
At 1 January 2020		**25,843,808**	**55,982**	**(43)**	**101,432**	**1,042,263**	**27,043,442**
Profit for the financial year		**–**	**–**	**–**	**–**	**1,547,119**	**1,547,119**
Other comprehensive income (net of tax)		**–**	**–**	**–**	**2,082**	**–**	**2,082**
Debt instruments at fair value through other comprehensive income		**–**	**–**	**–**	**2,082**	**–**	**2,082**
Total comprehensive income for the financial year		**–**	**–**	**–**	**2,082**	**1,547,119**	**1,549,201**
Second interim dividend for the financial year ended 31 December 2019	47	**–**	**–**	**–**	**–**	**(1,190,756)**	**(1,190,756)**
At 31 December 2020		**25,843,808**	**55,982**	**(43)**	**103,514**	**1,398,626**	**27,401,887**

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

The Company	Note	Ordinary share capital RM'000	Capital reserve RM'000	Treasury shares RM'000	Fair value reserve – debt instruments at fair value through other comprehensive income RM'000	Retained earnings RM'000	Total RM'000
		←		Non-distributable	→	Distributable	
At 1 January 2019		24,131,750	55,982	(43)	71,135	767,854	25,026,678
Profit for the financial year		–	–	–	–	2,783,983	2,783,983
Other comprehensive income (net of tax)		–	–	–	30,297	–	30,297
Debt instruments at fair value through other comprehensive income		–	–	–	30,297	–	30,297
Total comprehensive income for the financial year		–	–	–	30,297	2,783,983	2,814,280
Second interim dividend for the financial year ended 31 December 2018	47	–	–	–	–	(1,147,735)	(1,147,735)
First interim dividend for the financial year ended 31 December 2019	47	–	–	–	–	(1,361,839)	(1,361,839)
Issue of shares arising from:							
- dividend reinvestment scheme	33	1,712,058	–	–	–	–	1,712,058
At 31 December 2019		25,843,808	55,982	(43)	101,432	1,042,263	27,043,442

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES			
Profit before taxation and zakat		**1,530,329**	5,974,840
Adjustments for:			
Accretion of discounts less amortisation of premiums	37	**165,728**	(196,828)
Amortisation of prepaid lease payments	41	**–**	10,268
Other expected credit losses	43	**1,264,646**	352,018
Expected credit losses on loans, advances and financing	42	**5,881,022**	2,230,886
Expected credit losses made/(written back) for commitments and contingencies	26(a)	**191,520**	(12,019)
Amortisation of intangible assets	41	**367,427**	306,332
Depreciation of property, plant and equipment	41	**277,925**	288,971
Depreciation of right-of-use assets	41	**247,172**	238,960
Dividends from financial investments at fair value through profit or loss	40	**(66,937)**	(63,038)
Dividends from equity instruments at fair value through other comprehensive income	40	**(2,635)**	(4,882)
Gain on disposal of associates and joint ventures	40	**–**	(15,985)
Gain on disposal of interest in subsidiaries	40	**–**	(235,828)
Gain on disposal of property, plant and equipment/assets held for sale	40	**(21,526)**	(19,274)
Gain on sale of financial investments at fair value through profit or loss	40	**(351,298)**	(205,303)
Gain on sale of debt instruments at fair value through other comprehensive income	40	**(285,502)**	(283,011)
Gain on disposal of loans, advances and financing	40	**(64,143)**	(178,151)
Gain on sale of derivative financial instruments	40	**(151,812)**	(963,205)
Gain on disposal of foreclosed assets	40	**(7,635)**	(6,195)
Interest income on debt instruments at fair value through other comprehensive income	37(a)	**(1,329,165)**	(1,093,862)
Interest income on equity instruments at fair value through other comprehensive income	37(a)	**(1,266)**	(11,556)
Interest income on debt instruments at amortised cost	37(a)	**(1,583,690)**	(1,387,466)
Interest expense on subordinated obligations	38	**600,323**	675,251
Interest expense on bonds, Sukuk and debentures	38	**429,450**	559,027
Interest expense on other borrowings	38	**252,051**	355,051
Interest expenses on lease liabilities	38	**25,989**	30,893
Interest expense on recourse obligation on loan and financing sold to Cagamas	38	**83,965**	123,557
Net loss arising from hedging activities	40	**18,803**	31,870
Property, plant and equipment written off	41	**4,701**	7,614
Intangible assets written off	41	**–**	5,873
Share-based payment expense	49	**68,648**	71,034
Share of results of associates	14	**2,339**	751
Share of results of joint ventures	15	**(118,834)**	(31,401)
Unrealised (gain)/loss on financial liabilities designated at fair value through profit or loss	40	**(64,750)**	367,133
Unrealised gain on foreign exchange	40	**(1,044,808)**	(130,018)
Unrealised loss on revaluation of derivative financial instruments	40	**151,900**	372,871
Unrealised gain on revaluation of financial investments at fair value through profit or loss	40	**(124,067)**	(653,123)
Unrealised (gain)/loss from loans, advances and financing at fair value through profit or loss	40	**(1,440)**	1,626
Modification loss	39	**221,065**	–
		5,035,166	538,841
		6,565,495	6,513,681
DECREASE/(INCREASE) IN OPERATING ASSETS			
Reverse repurchase agreements		**2,181,533**	2,261,636
Deposits and placements with banks and other financial institutions with original maturity of more than three months		**3,431,716**	(428,485)
Cash and short-term funds with original maturity of more than three months		**(558,144)**	–
Financial investments at fair value through profit or loss		**(3,759,852)**	(7,781,891)
Right-of-use assets		**(16,074)**	(18,614)
Loans, advances and financing		**258,333**	(26,174,449)
Other assets		**(3,923,725)**	1,605,057
Derivative financial instruments		**531,424**	785,561
Statutory deposits with central banks		**7,088,409**	(3,360,834)
		5,233,620	(33,112,019)

Consolidated Statement of Cash Flows
for the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
INCREASE IN OPERATING LIABILITIES			
Deposits from customers		**10,701,170**	22,158,394
Investment accounts of customers		**(770,094)**	1,679,694
Deposits and placements of banks and other financial institutions		**8,124,523**	3,433,842
Financial liabilities designated at fair value through profit or loss		**430,940**	(2,597,100)
Repurchase agreements/collateralised commodity murabahah		**13,826,450**	40,655
Bills and acceptances payable		**(374,453)**	62,797
Other liabilities		**1,694,352**	1,937,596
		33,632,888	26,715,878
Cash flows generated from operations		**45,432,003**	117,540
Taxation paid		**(1,316,147)**	(1,748,167)
Net cash flows generated from/(used in) operating activities		**44,115,856**	(1,630,627)
INVESTING ACTIVITIES			
Dividend from an associate	14	**–**	3,417
Dividend from joint venture	15	**84,502**	54,000
Dividends from financial investments at fair value through profit or loss	40	**66,937**	63,038
Dividends from equity instruments at fair value through other comprehensive income	40	**2,635**	4,882
Investment in associates	14	**(1,981)**	(17,766)
Investment in joint ventures	15	**(44,918)**	(751,589)
Interest income received from debt instruments at fair value through other comprehensive income	37(a)	**1,329,165**	1,093,862
Interest income received from debt instruments at amortised cost	37(a)	**1,583,690**	1,387,466
Net (purchase)/proceed of debt instruments at fair value through other comprehensive income		**(13,576,086)**	248,351
Net proceed of equity instruments at fair value through other comprehensive income		**112,400**	91,273
Net purchase of debt instruments at amortised cost		**(17,090,639)**	(119,322)
Net cash outflow from acquisition of Numoni	55	**(12,271)**	–
Proceeds from disposal of subsidiaries		**–**	430,760
Proceeds from disposal of interest in associate		**–**	59,558
Proceeds from disposal of loans, advances and financing		**132,645**	287,774
Proceeds from disposal of property, plant and equipment/asset held for sale		**52,486**	57,697
Purchase of property, plant and equipment	16	**(465,529)**	(611,350)
Proceeds from disposal of intangible assets		**7,054**	14,198
Purchase of intangible assets	21	**(663,854)**	(345,868)
Net cash flows (used in)/generated from investing activities		**(28,483,764)**	1,950,381

	Note	2020 RM'000	2019 RM'000
FINANCING ACTIVITIES			
Acquisition of additional interest in subsidiary from non-controlling interests		**–**	(258,000)
Contribution from non-controlling interests		**99,960**	142,808
Dividends paid to non-controlling interests		**(32,315)**	(15,374)
Dividends paid to shareholders	47	**(1,190,756)**	(797,515)
Interest paid on bonds, Sukuk and debentures	(i)	**(684,274)**	(427,715)
Interest paid on commercial papers and medium term notes	(i)	**(34,111)**	(6,602)
Interest paid on subordinated obligations	(i)	**(527,133)**	(634,321)
Interest paid on term loan facility and other borrowings	(i)	**(220,017)**	(322,872)
Interest paid on recourse loans sold to Cagamas	(i)	**(151,806)**	(218,508)
Proceeds from commercial papers and medium term notes	(i)	**934,125**	1,526,470
Proceeds from issuance of bonds, Sukuk and debentures	(i)	**430,036**	6,024,052
Proceeds from issuance of subordinated obligations	(i)	**3,250,000**	1,928,391
Proceeds from term loan facility and other borrowings	(i)	**2,138,625**	1,651,102
Repayment of lease obligation	(i)	**(237,002)**	(238,100)
Redemption of bonds, Sukuk and debentures	(i)	**(6,111,569)**	(1,976,523)
Repayment of commercial papers and medium term notes	(i)	**(250,521)**	(902,098)
Repayment of recourse loans sold to Cagamas	(i)	**(2,401,862)**	(1,499,996)
Repayment of revolving credit and overdraft	(i)	**(25,032)**	–
Repayment of subordinated obligations	(i)	**(3,992,465)**	(1,949,276)
Repayment of term loan facility and other borrowings	(i)	**(2,737,327)**	(840,473)
Net cash flows (used in)/generated from financing activities		**(11,743,444)**	1,185,450
Net increase in cash and cash equivalents during the financial year		**3,888,648**	1,505,204
Effects of exchange rate changes		**(459,596)**	730,954
Cash and short-term funds at beginning of the financial year		**37,765,092**	35,528,934
		41,194,144	37,765,092
Monies held in trust		**(857,099)**	(157,327)
Cash and cash equivalents at end of the financial year		**40,337,045**	37,607,765
Cash and cash equivalents comprise:			
Cash and short-term funds	2(a)	**39,563,368**	37,765,092
Deposits and placements with banks and other financial institutions	2(b)	**3,562,564**	–
		43,125,932	37,765,092
Less: Cash and short-term funds and deposits and placements with financial institutions, with original maturity of more than three months		**(1,931,788)**	–
Monies held in trust		**(857,099)**	(157,327)
Cash and cash equivalents at end of financial year		**40,337,045**	37,607,765

Company Statement of Cash Flows

for the financial year ended 31 December 2020

	Note	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES			
Profit before taxation		**1,548,203**	2,789,075
Adjustments for:			
Depreciation of property, plant and equipment	41	**601**	3,415
Depreciation of right-of-use assets	41	**11**	–
Depreciation of investment properties	41	**18**	18
Dividends from subsidiaries	40	**(1,760,139)**	(3,079,584)
Gain on disposal of property, plant and equipment/asset held for sale	40	**–**	(708)
Interest expense on term loan		**86,825**	112,635
Interest expense on commercial papers and medium term notes		**55,280**	33,518
Interest expense on subordinated debts	38	**504,799**	519,062
Interest income from debt intruments at fair value through other comprehensive income and debt instruments at amortised cost		**(446,437)**	(407,287)
Allowance for impairment of subsidiary	43	**5,537**	–
Other expected credit losses	43	**(9,824)**	22,186
Unrealised loss/(gain) on foreign exchange		**120**	(7)
		(1,563,209)	(2,796,752)
		(15,006)	(7,677)
DECREASE IN OPERATING ASSETS			
Amount due from subsidiaries		**(9,399)**	7,995
Other assets		**184,404**	135,816
		175,005	143,811
DECREASE IN OPERATING LIABILITIES			
Other liabilities		**(12,354)**	(33,618)
		(12,354)	(33,618)
Cash flows generated from operations		**147,645**	102,516
Taxation paid		**(3,020)**	(6,325)
Net cash flows generated from operating activities		**144,625**	96,191
INVESTING ACTIVITIES			
Acquisition of additional interest in subsidiaries	13	**(315,800)**	(2,320,510)
Dividends from subsidiaries	40	**1,760,139**	3,079,584
Proceeds from disposal of property, plant and equipment/asset held for sale		**–**	965
Net purchase of debt instruments at fair value through other comprehensive income		**(750,000)**	–
Net purchase of debt instruments at amortised cost		**(197,947)**	(530,125)
Net cash flows generated from investing activities		**496,392**	229,914
FINANCING ACTIVITIES			
Dividends paid to shareholders	47	**(1,190,756)**	(797,515)
Interest paid on commercial papers and medium term notes	(i)	**(42,315)**	(6,602)
Interest paid on term loan	(i)	**(87,136)**	(109,447)
Interest paid on subordinated obligations	(i)	**(494,341)**	(515,644)
Proceeds from commercial papers and medium term notes	(i)	**934,125**	1,526,470
Proceeds from issuance of subordinated obligations	(i)	**3,275,993**	1,831,513

	Note	2020 RM'000	2019 RM'000
FINANCING ACTIVITIES (CONTINUED)			
(Repayment)/proceeds from issuance of revolving credit facility	(i)	**(200,492)**	200,492
Repayment of commercial papers and medium term notes	(i)	**(250,521)**	(902,098)
Repayment of subordinated obligations	(i)	**(2,611,517)**	(1,380,276)
Net cash flows used in financing activities		**(666,960)**	(153,107)
Net (decrease)/increase in cash and cash equivalents during the financial year		**(25,943)**	172,998
Cash and cash equivalents at beginning of the financial year		**370,546**	197,548
Cash and cash equivalents at end of the financial year	2(a)	**344,603**	370,546

(i) An analysis of changes in liabilities arising from financing activities is as follows:

	<---- The Group					---->	<---- The Company		---->
	Recourse obligation on loans and financing sold to Cagamas RM'000	**Bonds, Sukuk and debentures RM'000**	**Other borrowings RM'000**	**Subordinated obligations RM'000**	**Lease liabilities RM'000**	**Total RM'000**	**Other borrowings RM'000**	**Subordinated obligations RM'000**	**Total RM'000**
At 1 January 2020	**4,503,184**	**18,232,710**	**10,458,242**	**13,520,869**	**711,188**	**47,426,193**	**4,205,331**	**10,265,228**	**14,470,559**
Proceeds from issuance	**-**	**430,036**	**3,072,750**	**3,250,000**	**-**	**6,752,786**	**934,125**	**3,275,993**	**4,210,118**
Repayment and redemption	**(2,401,862)**	**(6,111,569)**	**(3,012,880)**	**(3,992,465)**	**(237,002)**	**(15,755,778)**	**(451,013)**	**(2,611,517)**	**(3,062,530)**
Interest paid	**(151,806)**	**(684,274)**	**(254,128)**	**(527,133)**	**-**	**(1,617,341)**	**(129,451)**	**(494,341)**	**(623,792)**
Exchange fluctuation	**-**	**122,615**	**38,299**	**(90,344)**	**-**	**70,570**	**-**	**-**	**-**
Other non-cash movement	**161,152**	**474,446**	**103,676**	**647,583**	**69,038**	**1,455,895**	**149,901**	**481,345**	**631,246**
At 31 December 2020	**2,110,668**	**12,463,964**	**10,405,959**	**12,808,510**	**543,224**	**38,332,325**	**4,708,893**	**10,916,708**	**15,625,601**

	<---- The Group					---->	<---- The Company		---->
	Recourse obligation on loans and financing sold to Cagamas RM'000	**Bonds, Sukuk and debentures RM'000**	**Other borrowings RM'000**	**Subordinated obligations RM'000**	**Lease liabilities RM'000**	**Total RM'000**	**Other borrowings RM'000**	**Subordinated obligations RM'000**	**Total RM'000**
At 1 January 2019	6,007,447	13,715,181	9,306,640	13,482,272	796,221	43,307,761	3,353,526	9,841,811	13,195,337
Proceeds from issuance	–	6,024,052	3,177,572	1,928,391	–	11,130,015	1,726,962	1,831,513	3,558,475
Repayment and redemption	(1,499,996)	(1,976,523)	(1,742,571)	(1,949,276)	(238,100)	(7,406,466)	(902,098)	(1,380,276)	(2,282,374)
Interest paid	(218,508)	(427,715)	(329,474)	(634,321)	–	(1,610,018)	(116,049)	(515,644)	(631,693)
Exchange fluctuation	–	14,322	(281,328)	(23,347)	–	(290,353)	–	–	–
Other non-cash movement	214,241	883,393	327,403	717,150	153,067	2,295,254	142,990	487,824	630,814
At 31 December 2019	4,503,184	18,232,710	10,458,242	13,520,869	711,188	47,426,193	4,205,331	10,265,228	14,470,559

Summary of Significant Group Accounting Policies

for the financial year ended 31 December 2020

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

A BASIS OF PREPARATION

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

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments, investment properties, non-current assets/disposal groups held for sale and financial liabilities designated at fair value through profit or loss.

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 56.

(A) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATION THAT ARE EFFECTIVE AND APPLICABLE TO THE GROUP AND THE COMPANY

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

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

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

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

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

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

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

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

A BASIS OF PREPARATION (CONTINUED)

(B) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND THE COMPANY BUT NOT YET EFFECTIVE

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

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

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

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

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

  (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

  (c) there is no substantive change to other terms and conditions of the lease.

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

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

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

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

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

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

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

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

- Amendments to MFRS 116 "Proceeds before intended use"

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

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

  The amendments shall be applied retrospectively.

A BASIS OF PREPARATION (CONTINUED)

(B) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND THE COMPANY BUT NOT YET EFFECTIVE (CONTINUED)

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

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

- Amendments to MFRS 3 "Reference to Conceptual Framework"

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

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

  The amendments shall be applied prospectively.

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

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

  The amendments shall be applied retrospectively.

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

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

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

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

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

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

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

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

  The amendments shall be applied retrospectively.

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

B ECONOMIC ENTITIES IN THE GROUP

(A) SUBSIDIARIES

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

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

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

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

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

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

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

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

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

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

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

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(A) SUBSIDIARIES (CONTINUED)

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

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

(B) CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

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

(C) DISPOSAL OF SUBSIDIARIES

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

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

(D) JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated Financial Statements by using the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in statement of income, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income.

Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of joint ventures' in the statement of income.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(D) JOINT ARRANGEMENTS (CONTINUED)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of income where appropriate.

(E) ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in statement of income, and the Group's share of post-acquisition movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associates' in the statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

(E) ASSOCIATES (CONTINUED)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognised in the other comprehensive income is reclassified to statement of income where appropriate.

Dilution gains and losses arising from investments in associates are recognised in the statement of income.

(F) INTERESTS IN SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

In the Company's separate financial statements, investments in subsidiaries, joint arrangements and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint arrangements and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in statement of income.

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

C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

Interest and profit income and expense for all interest/profit-bearing financial instruments are recognised within "interest income", "interest expense" and "income from Islamic banking operations" respectively in the statement of income using the effective interest/profit method.

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

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

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

D RECOGNITION OF FEES AND OTHER INCOME

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

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on loans, advances and financing. These fees constitute a single performance obligation.
- For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

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

D RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

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

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

Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

E FINANCIAL ASSETS

(A) CLASSIFICATION

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

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

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

Business model assessment

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

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

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Company 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 fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

E FINANCIAL ASSETS (CONTINUED)

(A) CLASSIFICATION (CONTINUED)

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

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

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

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

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

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

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

(B) RECOGNITION AND INITIAL MEASUREMENT

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

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

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

E FINANCIAL ASSETS (CONTINUED)

(C) SUBSEQUENT MEASUREMENT

Debt instruments

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

(i) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss are measured at amortised cost using the effective interest/profit method. Any gain or loss on a debt investment measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest/profit income from these financial assets is included in interest/finance income using the effective interest/profit rate method.

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit and loss.

When the Group and the Company hold more than one investment in the same security, they are deemed to be disposed of on a first-in, first-out basis. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in non-interest income. Interest/profit income from these financial assets is included in interest/finance income using the effective interest/profit rate method.

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

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within non-interest income in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value except where the management has elected, at initial recognition to irrevocably designate at equity instrument at FVOCI. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial investments at fair value through profit or loss are recognised in non-interest income in the statement of income as applicable.

(D) RECLASSIFICATION OF FINANCIAL ASSETS

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

E FINANCIAL ASSETS (CONTINUED)

(E) MODIFICATION OF LOANS/FINANCING

The Group may renegotiate or otherwise modify the contractual cash flows of loans/financing to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group do this by considering, among others, the following factors:

- 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.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest/profit rate.
- Change in the currency the loan/financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan/financing.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest/profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of income as a gain or loss on derecognition.

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

The impact of modifications of financial assets is disclosed in Note 39.

F FINANCIAL LIABILITIES

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

(A) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

F FINANCIAL LIABILITIES (CONTINUED)

(A) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

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

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group under this criterion. The interest payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income;
- Applies to groups of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- Relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

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

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

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of financial liabilities at fair value through profit or loss. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes.The Group believes that this approach most faithfully represents the amount of change in fair value due to the Group's own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark interest rate are not deemed to be significant.

(B) FINANCIAL LIABILITIES AT AMORTISED COST

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, repurchase agreements/collateralised commodity murabahah, bills and acceptances payable, sundry creditors, collateral pledged for derivative transactions, bonds, Sukuk and debentures, other borrowings, subordinated obligations, lease liabilities and recourse obligations on loans and financing sold to Cagamas.

G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES OTHER THAN ON A MODIFICATION

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

Collateral furnished by the Group and the Company under standard repurchase agreements transactions is not derecognised because the Group and the Company retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

H OFFSETTING 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 realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of defaults, insolvency or bankruptcy.

I IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

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

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

(c) Stage 3: Lifetime ECL – credit impaired

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

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

I IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(ii) Other assets

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

J SALE AND REPURCHASE AGREEMENTS/COLLATERALISED COMMODITY MURABAHAH

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold/transferred under repurchase agreements/collateralised commodity murabahah are securities which the Group had sold/transferred from its portfolio, with a commitment to repurchase/transfer back at future dates. Such financing transactions and the obligation to repurchase/transfer back the securities are reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement/collateralised commodity murabahah using the effective yield method.

K PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings on freehold land	20 to 40 years
Buildings on leasehold land 50 years or more	40-50 years or over the remaining period of the lease, whichever is shorter
Leasehold land	40-50 years or over the remaining period of the lease, whichever is shorter
Buildings on leasehold land less than 50 years	40-50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fixtures	
– office equipment	3-10 years
– furniture and fixtures	5-10 years
Renovations	5-19 years
Computer equipment and hardware	
– servers and hardware	3-7 years
– ATM machine	5-10 years
Computer equipment and software under lease	7 years or over the period of the lease, whichever is shorter
Motor vehicles	5 to 8 years
General plant and machinery	5 years

K PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in non-interest income.

L INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Company.

Investment properties of the Company are stated at cost less accumulated depreciation and accumulated impairment loss. The freehold land is not depreciated. The buildings on freehold land are depreciated on a straight line basis over their estimated useful lives of 33.3 years.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in statement of income in the period of the retirement or disposal.

At the Group level, investment properties of the Company are classified as property, plant and equipment as the properties are rented out to an entity within the Group.

Investment properties of the Group are stated at fair value, representing the open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statements of income as part of other income.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when 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.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

M INTANGIBLE ASSETS

(A) GOODWILL

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

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

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

Goodwill on acquisitions of associates and joint arrangements respectively are included in investments in associates and joint arrangements. Such goodwill is tested for impairment as part of the overall balance.

(B) OTHER INTANGIBLE ASSETS

Other intangible assets include customer relationships, core deposits, computer software and license and club debentures. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, when it is probable that future economic benefits attributable to the assets will flow to the Group and the Company. The value of intangible assets which are acquired in a business combination is generally determined using fair value at acquisition. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

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

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

Customer relationships:	
– Credit card	12 years
Core deposits	8 – 20 years
Computer software	3 – 15 years

N LEASES – THE GROUP AND THE COMPANY AS LESSEE

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

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

LEASE TERM

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

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

ROU ASSETS

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

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

LEASE LIABILITIES

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

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

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

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

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

SHORT TERM LEASES AND LEASES OF LOW VALUE ASSETS

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

O LEASES – THE GROUP AND THE COMPANY AS LESSOR

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

(A) FINANCE LEASE

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

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

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

(B) OPERATING LEASE

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

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

P BILLS AND ACCEPTANCES PAYABLE

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

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

Impact of IBOR reform on Group's hedging relationship

The Group has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks to which the Group's hedging relationships are exposed to are KLIBOR, USD LIBOR, SGD SOR, THBFIX and IDR JIBOR.

The Group's risk exposures that is directly affected by the interest rate benchmark reform its fair value hedge of the following financial instruments. These hedging relationships are designated using interest rate swaps, for changes attributable to MYR KLIBOR, USD LIBOR and SGD SOR that are respective current benchmark interest rate. Additional information about the Group's exposure to IBOR reform is presented in Note 8.

Hedged items	The Group
Fixed rate liabilities	MYR5,495,000,000
Fixed rate senior bonds	MYR3,607,200,000 USD350,000,000 HKD1,074,000,000
Fixed rate financial investments at fair value through other comprehensive income	MYR4,195,837,759 USD673,855,000 SGD680,250,000 IDR721,500,000,000
Fixed rate loans	USD21,914,536 SGD100,000,000

The Group also applied cash flow hedge to the following financial instruments and it has designated the swap in a cash flow hedge of the variability in cash flows of the loan, due to changes in USD LIBOR and THBFIX that is the respective current benchmark interest rate. However, as part of the reforms noted above, the authority has decided to no longer compel panel bank to participate in the USD LIBOR submission process after end of 2021 and cease to oversight of these benchmark interest rates. Regulatory authorities and private sector working groups have been discussing alternative benchmark rates for USD LIBOR.

Hedged items	The Group
Floating rate loans	USD284,500,065
Floating rate notes	USD129,000,000

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

Managing the process to transition

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

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

Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

Managing the process to transition (Continued)

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

The Group designates certain derivatives to manage its exposure to foreign currency and interest rate risks. The instruments used included interest rate swap, cross currency interest rate swap and currency swap.

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 8.

(A) FAIR VALUE HEDGE

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

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

(B) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain and loss relating to ineffective portion is recognised immediately in the statement of income. Amounts accumulated in equity are recycled to the statement of income in the periods in which the hedged item will affect the statement of income.

When a hedging instrument expires or is sold, or when a 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 the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

(C) NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. When forward contracts are used to hedge net investment in foreign operation, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. The change in the forward element of the contract that relates to the hedged item is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity.

Gains and losses accumulated in the equity are recycled to the statement of income when the foreign operation is partially disposed or sold.

R CURRENCY TRANSLATIONS

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

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

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

(C) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

S INCOME AND DEFERRED TAXES

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

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

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

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

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

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

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

T SHARE CAPITAL

(A) CLASSIFICATION

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

(B) SHARE ISSUE COSTS

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

(C) DIVIDENDS

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

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

T SHARE CAPITAL (CONTINUED)

(D) REPURCHASE, DISPOSAL AND REISSUE OF SHARE CAPITAL (TREASURY SHARES)

Where any company within the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

(E) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

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

(F) DILUTED EARNINGS PER SHARE

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

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

U EMPLOYEE BENEFITS

(A) SHORT-TERM EMPLOYEE BENEFITS

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

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

(B) POST EMPLOYMENT BENEFITS

The Group and the Company have various post employment benefit schemes. These benefits plans are either defined contribution or defined benefit plans.

Defined contribution plans

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

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

Defined benefit plans

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

U EMPLOYEE BENEFITS (CONTINUED)

(B) POST EMPLOYMENT BENEFITS (CONTINUED)

Defined benefit plans (Continued)

The defined benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost.

The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The defined benefit obligation, calculated using the projected credit unit method, is determined by independent actuaries, by discounting estimated future cash outflows using market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(C) OTHER LONG TERM EMPLOYEE BENEFITS

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

(D) TERMINATION BENEFITS

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(E) SHARE-BASED COMPENSATION BENEFITS

Employee Ownership Plan ("EOP")

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

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

V IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

W FORECLOSED ASSETS

Foreclosed assets are stated at the lower of carrying amount and fair value less costs to sell and reported within "Other Assets".

X PROVISIONS

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

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources to settle the obligation will be required; and

(iii) a reliable estimate of the amount of obligation can be made.

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

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

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

Y FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantees are initially recognised in the Financial Statements at fair value on the date the guarantee was given. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Subsequent to initial recognition, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

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

Z CASH AND CASH EQUIVALENTS

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

AA SEGMENT REPORTING

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

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

AB CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

AC NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

Non-current assets/disposal groups are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

AD TRUST ACTIVITIES

The Group acts as trustees and in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the Financial Statements, as they are not assets of the Group.

AE FINANCING ASSISTANCE SCHEME

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

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

Notes to the Financial Statements

for the financial year ended 31 December 2020

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the significant subsidiaries as set out in Note 13 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

2(a) CASH AND SHORT-TERM FUNDS

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions		**10,988,914**	9,815,072	**12,598**	6,943
Money at call and deposit placements maturing within one month		**28,576,811**	27,958,637	**332,005**	363,603
		39,565,725	37,773,709	**344,603**	370,546
Less: Expected credit losses	2(c)	**(2,357)**	(8,617)	**–**	–
		39,563,368	37,765,092	**344,603**	370,546

Included in the Group's cash and short-term funds are:

(i) Monies held in trust in relation to the Group's unutilised value of contactless smart cards and E-Wallet and amounts due to service providers for value utilised:

	The Group	
	2020 RM'000	2019 RM'000
Money held in trust for unutilised value of contactless smart cards and E-Wallet and amounts due to service providers for value utilised	**256,261**	157,327

2(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Note	The Group 2020 RM'000	The Group 2019 RM'000
Licensed banks		**1,560,248**	2,340,000
Licensed investment banks		**353,319**	384,895
Bank Negara Malaysia and other central banks		**1,649,075**	2,024,352
Other financial institutions		**–**	50,100
		3,562,642	4,799,347
Less: Expected credit losses	2(c)	**(78)**	(178)
		3,562,564	4,799,169

Included in deposits and placements with banks and other financial institutions are monies held in trust in relation to the Group's unutilised value of contactless smart cards and E-Wallet and amounts due to service providers for value utilised of RM600,838,000 (2019: RM579,435,000).

2(c) EXPECTED CREDIT LOSSES MOVEMENT

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

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**5,922**	**–**	**2,873**	**8,795**
Total charge to Statement of Income:	**(5,346)**	**–**	**(845)**	**(6,191)**
New financial assets originated	**1,368**	**–**	**–**	**1,368**
Financial assets that have been derecognised	**(5,882)**	**–**	**–**	**(5,882)**
Writeback in respect of full recoveries	**–**	**–**	**(572)**	**(572)**
Change in credit risk	**(832)**	**–**	**(273)**	**(1,105)**
Exchange fluctuation	**(457)**	**–**	**288**	**(169)**
At 31 December 2020	**119**	**–**	**2,316**	**2,435**
At 1 January 2019	2,716		2,884	5,600
Total charge to Statement of Income:	3,134	–	–	3,134
New financial assets originated	7,442	–	–	7,442
Financial assets that have been derecognised	(2,823)	–	–	(2,823)
Change in credit risk	(1,485)	–	–	(1,485)
Exchange fluctuation	72	–	(11)	61
At 31 December 2019	5,922	–	2,873	8,795

As at 31 December 2020, the gross exposures of money at call that are credit impaired is RM2,316,000 (2019: RM2,873,000).

3 REVERSE REPURCHASE AGREEMENTS

	The Group	
	2020 RM'000	2019 RM'000
Reverse repurchase agreements		
– at amortised cost	**6,832,920**	9,014,453
	6,832,920	9,014,453

4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2020 RM'000	2019 RM'000
Money market instruments:		
Unquoted		
Malaysian Government Securities	**1,653,243**	1,460,392
Cagamas bonds	**862,050**	686,798
Khazanah bonds	**62,457**	4,493
Malaysian Government treasury bills	**289,567**	482,267
Bank Negara Malaysia monetary notes	**–**	5,506,911
Negotiable instruments of deposit	**2,650,577**	5,018,451
Other Government securities	**7,448,307**	5,968,401
Government Investment Issues	**1,113,392**	1,924,283
Other Government treasury bills	**12,082,414**	6,911,837
Commercial papers	**4,086,026**	1,793,489
Promissory Notes	**433,546**	414,063
	30,681,579	30,171,385
Quoted securities:		
In Malaysia:		
Shares	**1,161,338**	741,166
Outside Malaysia:		
Shares	**138,069**	116,414
	1,299,407	857,580
Unquoted securities:		
In Malaysia:		
Corporate bond and Sukuk	**1,956,881**	1,555,599
Shares	**959,488**	882,496
Unit trusts	**99,549**	100,209
Outside Malaysia:		
Corporate bond	**5,142,453**	3,660,524
Private equity and unit trusts funds	**266,273**	300,603
Other Government bonds	**2,307,503**	608,877
	10,732,147	7,108,308
	42,713,133	38,137,273

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fair value				
Money market instruments:				
Unquoted				
Malaysian Government Securities	**4,347,217**	295,061	**–**	–
Cagamas bonds	**212,655**	302,629	**–**	–
Negotiable instruments of deposit	**572,682**	321,570	**–**	–
Other Government securities	**3,609,745**	3,525,035	**–**	–
Government investment Issues	**2,863,367**	1,538,791	**–**	–
Other Government treasury bills	**–**	115,609	**–**	–
Commercial Papers	**41,866**	226,453	**–**	–
	11,647,532	6,325,148	**–**	–
Unquoted securities:				
In Malaysia:				
Corporate bond and Sukuk	**17,893,352**	15,146,955	**3,246,974**	2,493,362
Outside Malaysia:				
Corporate bond and Sukuk	**9,325,010**	8,206,057	**–**	–
Bank Indonesia certificates	**140,513**	297,364	**–**	–
Other Government bonds	**8,719,374**	3,342,888	**–**	–
Unit trusts	**1**	1	**–**	–
	36,078,250	26,993,265	**3,246,974**	2,493,362
	47,725,782	33,318,413	**3,246,974**	2,493,362

Securities and money market instruments amounting to RM5,794 million (2019: RM4,666 million) invested by asset management companies on behalf of the Group.

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

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

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**27,447**	**179**	**21,030**	**48,656**
Changes in expected credit losses due to transfer within stages:	**(1)**	**1**	**–**	**–**
Transferred to Stage 1	**141**	**(141)**	**–**	**–**
Transferred to Stage 2	**(142)**	**142**	**–**	**–**
Total charge to Statement of Income:	**12,808**	**25,495**	**(181)**	**38,122**
New financial assets purchased	**93,180**	**–**	**–**	**93,180**
Financial assets that have been derecognised	**(5,701)**	**(77)**	**–**	**(5,778)**
Change in credit risk	**(74,671)**	**25,572**	**(181)**	**(49,280)**
Exchange fluctuation	**(178)**	**(1,452)**	**–**	**(1,630)**
At 31 December 2020	**40,076**	**24,223**	**20,849**	**85,148**
At 1 January 2019	23,219	2,002	30,306	55,527
Changes in expected credit losses due to transfer within stages:	115,139	(115,139)	–	–
Transferred to Stage 1	115,427	(115,427)	–	–
Transferred to Stage 2	(288)	288	–	–
Total charge to Statement of Income:	(111,050)	113,314	(549)	1,715
New financial assets purchased	50,724	–	–	50,724
Financial assets that have been derecognised	(6,378)	–	(549)	(6,927)
Change in credit risk	(155,396)	113,314	–	(42,082)
Write-offs	–	–	(8,727)	(8,727)
Exchange fluctuation	139	2	–	141
At 31 December 2019	27,447	179	21,030	48,656

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

	The Company			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**25,269**	**–**	**–**	**25,269**
Total charge to Statement of Income:	**678**	**–**	**–**	**678**
Change in credit risk	**678**	**–**	**–**	**678**
At 31 December 2020	**25,947**	**–**	**–**	**25,947**
At 1 January 2019	21,044	–	–	21,044
Total charge to Statement of Income:	4,225	–	–	4,225
Change in credit risk	4,225	–	–	4,225
At 31 December 2019	25,269	–	–	25,269

Gross carrying amount movement for debt instruments at fair value through other comprehensive income:

	The Group	
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**21,030**	**21,030**
Other changes in debt instruments	**(181)**	**(181)**
At 31 December 2020	**20,849**	**20,849**
At 1 January 2019	30,306	30,306
Write-offs	(8,727)	(8,727)
Financial assets that have been derecognised	(549)	(549)
At 31 December 2019	21,030	21,030

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

2020:

Stage 1 expected credit losses ("ECL") increased by RM13 million for the Group during the financial year, mainly due to recognition of GCA from new financial assets purchased, offset by the change in credit risk.

Stage 2 ECL increased by RM24 million mainly due to the change in credit risk.

2019:

Stage 1 ECL decreased by RM111 million for the Group during the financial year, mainly due to derecognition of gross carrying amounts ("GCA") for debt instruments at fair value through other comprehensive income from disposal, lower GCA from partial disposal and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from new financial assets purchased.

Stage 2 ECL increased by RM113 million mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

The write-off of debt instruments at fair value through other comprehensive income with a total GCA of RM9 million, resulted in the reduction of the Stage 3 ECL by the same amount.

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group	
	2020 RM'000	**2019 RM'000**
Quoted securities		
In Malaysia		
Shares	**30,745**	39,934
Outside Malaysia		
Shares	**2,012**	1,988
Unit trust	**5,178**	6,761
	37,935	48,683
Unquoted securities		
In Malaysia		
Shares	**252,380**	252,032
Property funds	**187**	182
Perpetual corporate bonds	**–**	76,432
Outside Malaysia		
Shares	**10,010**	10,998
Private equity funds and unit trusts funds	**8,459**	67,433
	271,036	407,077
	308,971	455,760

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

		The Group	
	Note	2020 RM'000	2019 RM'000
Quoted securities			
Compact Metal Industries Ltd		**182**	59
Premier Products Limited		**1,830**	1,928
Sub Sri Thai Property Fund		**5,178**	6,762
Tune Protect Group Berhad		**30,745**	39,934
		37,935	48,683
Unquoted securities			
Tabung Pemulihan Perumahan Terbengkalai		**80,997**	80,997
Swift		**2,383**	2,383
Financial Park (Labuan) Sdn Bhd		**164,018**	163,792
Global Maritime Ventures Bhd		**3,427**	3,615
Perbadanan Nasional Berhad		**3,655**	3,564
Redcliff Enterprise Overseas Ltd, BVI		**8,459**	19,641
Mah Sing Group Berhad – Perpetual bonds	(a)	**–**	76,432
Others	(b)	**8,097**	56,653
		271,036	407,077
Total		**308,971**	455,760

(a) During the financial year, the issuer has redeemed the perpetual bond at par value with no gain no loss from the redemption. The fair value of the bond prior to redemption is RM77,557,000.

(b) Included in others are unquoted equity instruments at fair value through other comprehensive income involved mainly in financial institution and manufacturing sectors.

7 DEBT INSTRUMENTS AT AMORTISED COST

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Money market instruments:				
Unquoted				
Malaysian Government securities	**7,143,519**	3,542,926	**–**	–
Cagamas bonds	**110,960**	207,203	**–**	–
Other Government treasury bills	**2,735,065**	1,603,163	**–**	–
Other Government securities	**2,240,121**	1,853,422	**–**	–
Malaysian Government investment issue	**15,739,078**	8,676,235	**–**	–
Khazanah bonds	**401,316**	312,269	**–**	–
Commercial papers	**–**	172,819	**–**	–
Negotiable instruments of deposit	**193,005**	–	**–**	–
	28,563,064	16,368,037	**–**	–
Unquoted securities				
In Malaysia				
Corporate bond and Sukuk	**18,817,337**	17,506,206	**6,756,716**	6,248,910
Outside Malaysia				
Corporate bond and Sukuk	**4,048,298**	2,938,318	**–**	–
Bank Indonesia certificates	**162,769**	232,611	**–**	–
Other Government bonds	**5,137,278**	2,689,333	**–**	–
	28,165,682	23,366,468	**6,756,716**	6,248,910
Total	**56,728,746**	39,734,505	**6,756,716**	6,248,910
Amortisation of premium, net of accretion of discount	**155,828**	175,838	**–**	–
Less: Expected credit losses	**(756,489)**	(76,852)	**(55,022)**	(65,524)
	56,128,085	39,833,491	**6,701,694**	6,183,386

Securities and money market instruments amounting to RM1,213 million (2019: RM972 million) invested by asset management companies on behalf of the Group.

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**9,884**	**55,355**	**11,613**	**76,852**
Changes in expected credit losses due to transfer within stages:	**(5,430)**	**5,430**	**–**	**–**
Transferred to Stage 2	**(5,430)**	**5,430**	**–**	**–**
Total charge to Statement of Income:	**17,457**	**675,137**	**–**	**692,594**
New financial assets purchased	**6,581**	**–**	**–**	**6,581**
Financial assets that have been derecognised	**(287)**	**–**	**–**	**(287)**
Change in credit risk	**11,163**	**675,137**	**–**	**686,300**
Exchange fluctuation	**(12,815)**	**–**	**(142)**	**(12,957)**
At 31 December 2020	**9,096**	**735,922**	**11,471**	**756,489**
At 1 January 2019	9,115	100,148	11,474	120,737
Changes in expected credit losses due to transfer within stages:	72,604	(72,604)	–	–
Transferred to Stage 1	72,652	(72,652)	–	–
Transferred to Stage 2	(48)	48	–	–
Total charge to Statement of Income:	(72,362)	27,811	–	(44,551)
New financial assets purchased	11,989	–	–	11,989
Financial assets that have been derecognised	(899)	–	–	(899)
Change in credit risk	(83,452)	27,811	–	(55,641)
Write-offs	–	–	(10)	(10)
Exchange fluctuation	527	–	149	676
At 31 December 2019	9,884	55,355	11,613	76,852

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

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

	The Company			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**65,524**	**–**	**–**	**65,524**
Total charge to Statement of Income:	**(10,502)**	**–**	**–**	**(10,502)**
Change in credit risk	**(10,502)**	**–**	**–**	**(10,502)**
At 31 December 2020	**55,022**	**–**	**–**	**55,022**
At 1 January 2019	47,563	–	–	47,563
Total charge to Statement of Income:	17,961	–	–	17,961
New financial assets purchased	8,465	–	–	8,465
Change in credit risk	9,496	–	–	9,496
At 31 December 2019	65,524	–	–	65,524

Gross carrying amount movement for debt instruments at amortised cost:

	The Group	
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**11,613**	**11,613**
Exchange fluctuation	**(142)**	**(142)**
At 31 December 2020	**11,471**	**11,471**
At 1 January 2019	11,474	11,474
Write-offs	(10)	(10)
Exchange fluctuation	149	149
At 31 December 2019	11,613	11,613

7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

2020:

Stage 2 ECL increased by RM681 million mainly due to change in credit risk and increased overlay provisions from estimated impacts of COVID-19 pandemic.

2019:

The net ECL written back during the year for the Group of RM45 million is mainly from Stage 1 ECL as a result of GCA transferred from Stage 2 to Stage 1.

The net ECL charged during the year for the Company of RM18 million is in line with higher GCA of debt instruments at amortised cost during the year.

8 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	The Group		
		Fair values	
2020	**Principal amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	**41,186,689**	**320,615**	**(968,711)**
– Less than 1 year	**36,620,159**	**242,362**	**(833,533)**
– 1 year to 3 years	**3,373,897**	**63,970**	**(74,125)**
– More than 3 years	**1,192,633**	**14,283**	**(61,053)**
Currency swaps	**338,308,769**	**4,133,064**	**(4,423,256)**
– Less than 1 year	**335,046,694**	**4,100,434**	**(4,359,984)**
– 1 year to 3 years	**2,968,017**	**32,483**	**(56,313)**
– More than 3 years	**294,058**	**147**	**(6,959)**
Currency spots	**2,584,689**	**2,472**	**(3,392)**
– Less than 1 year	**2,584,689**	**2,472**	**(3,392)**
Currency options	**9,830,683**	**256,190**	**(271,938)**
– Less than 1 year	**5,879,981**	**103,493**	**(121,918)**
– 1 year to 3 years	**2,036,085**	**98,823**	**(99,316)**
– More than 3 years	**1,914,617**	**53,874**	**(50,704)**
Cross currency interest rate swaps	**92,817,949**	**3,602,989**	**(3,027,157)**
– Less than 1 year	**24,226,805**	**893,823**	**(665,679)**
– 1 year to 3 years	**30,090,562**	**1,111,117**	**(990,401)**
– More than 3 years	**38,500,582**	**1,598,049**	**(1,371,077)**
	484,728,779	**8,315,330**	**(8,694,454)**

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair values	
2020	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (Continued)			
Interest rate derivatives			
Interest rate swaps	463,734,769	6,360,401	(5,846,830)
– Less than 1 year	185,658,690	606,088	(622,753)
– 1 year to 3 years	130,806,893	1,530,814	(1,459,581)
– More than 3 years	147,269,186	4,223,499	(3,764,496)
Interest rate futures	10,195,263	2,327	(16,454)
– Less than 1 year	10,195,263	2,327	(16,454)
Interest rate options	7,085	–	(67)
– 1 year to 3 years	7,085	–	(67)
	473,937,117	6,362,728	(5,863,351)
Equity related derivatives			
Equity futures	30,563	215	–
– Less than 1 year	30,563	215	–
Index futures	11,286	–	(285)
– Less than 1 year	11,286	–	(285)
Equity options	2,749,143	171,471	(133,985)
– Less than 1 year	2,396,904	163,002	(129,811)
– 1 year to 3 years	265,695	6,618	(2,323)
– More than 3 years	86,544	1,851	(1,851)
Equity swaps	223,354	3,995	(27,065)
– 1 year to 3 years	60,033	3,991	(2,964)
– More than 3 years	163,321	4	(24,101)
	3,014,346	175,681	(161,335)
Commodity related derivatives			
Commodity options	5,710,668	395,693	(384,511)
– Less than 1 year	5,707,845	394,172	(383,204)
– 1 year to 3 years	2,823	1,521	(1,307)
Commodity swaps	865,341	106,541	(87,016)
– Less than 1 year	796,501	97,197	(74,962)
– 1 year to 3 years	68,840	9,344	(12,054)
Commodity futures	241,897	9,896	(18,472)
– Less than 1 year	241,897	9,896	(18,472)
	6,817,906	512,130	(489,999)
Credit related contract			
Credit default swaps	2,584,541	40,193	(40,167)
– Less than 1 year	60,270	280	–
– 1 year to 3 years	297,064	3,115	(525)
– More than 3 years	2,227,207	36,798	(39,642)
Total return swaps	26,275	–	(2,242)
– Less than 1 year	5,525	–	(218)
– More than 3 years	20,750	–	(2,024)
	2,610,816	40,193	(42,409)

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair values	
2020	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (Continued)			
Bond contract			
Bond forward	3,164,544	9,606	(397,770)
– Less than 1 year	1,164,037	61	(164,155)
– 1 year to 3 years	1,381,984	7,208	(203,226)
– More than 3 years	618,523	2,337	(30,389)
Hedging derivatives			
Interest rate swaps	21,925,876	467,034	(589,848)
– Less than 1 year	3,805,462	51,583	(12,388)
– 1 year to 3 years	8,791,102	180,680	(127,783)
– More than 3 years	9,329,312	234,771	(449,677)
Currency forward	7,133	–	(230)
– Less than 1 year	7,133	–	(230)
Currency swaps	2,322,131	78,907	(45,156)
– Less than 1 year	2,322,131	78,907	(45,156)
Cross currency interest rate swaps	1,497,779	46,756	(56,218)
– Less than 1 year	451,459	6,837	–
– 1 year to 3 years	119,800	617	(2,070)
– More than 3 years	926,520	39,302	(54,148)
	25,752,919	592,697	(691,452)
Total derivative assets/(liabilities)	1,000,026,427	16,008,365	(16,340,770)

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	The Group		
		Fair values	
2019	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	40,445,081	354,824	(696,350)
– Less than 1 year	36,666,004	261,005	(496,778)
– 1 year to 3 years	2,712,791	82,223	(135,881)
– More than 3 years	1,066,286	11,596	(63,691)
Currency swaps	296,071,579	1,945,889	(2,023,141)
– Less than 1 year	293,865,873	1,854,836	(2,008,037)
– 1 year to 3 years	1,688,758	83,946	(14,352)
– More than 3 years	516,948	7,107	(752)
Currency spots	3,617,282	4,590	(3,106)
– Less than 1 year	3,617,282	4,590	(3,106)
Currency options	18,947,292	446,272	(467,103)
– Less than 1 year	14,127,004	269,414	(307,265)
– 1 year to 3 years	2,552,870	100,977	(115,430)
– More than 3 years	2,267,418	75,881	(44,408)
Cross currency interest rate swaps	91,965,111	3,526,740	(3,031,420)
– Less than 1 year	26,457,607	810,788	(467,973)
– 1 year to 3 years	27,623,201	1,041,868	(988,254)
– More than 3 years	37,884,303	1,674,084	(1,575,193)
	451,046,345	6,278,315	(6,221,120)
Interest rate derivatives			
Interest rate swaps	507,812,812	4,287,289	(3,617,370)
– Less than 1 year	196,238,964	349,197	(386,615)
– 1 year to 3 years	173,707,204	865,040	(792,835)
– More than 3 years	137,866,644	3,073,052	(2,437,920)
Interest rate futures	12,345,172	17,595	(9,983)
– Less than 1 year	9,717,090	15,279	(9,464)
– 1 year to 3 years	2,628,082	2,316	(519)
Interest rate options	7,198	–	(10)
– 1 year to 3 years	7,198	–	(10)
	520,165,182	4,304,884	(3,627,363)

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

		The Group	
		Fair values	
2019	Principal amount RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives (Continued)			
Equity related derivatives			
Equity futures	21,104	1	(147)
– Less than 1 year	21,104	1	(147)
Index futures	34,142	129	(171)
– Less than 1 year	34,142	129	(171)
Equity options	4,664,459	88,659	(64,297)
– Less than 1 year	3,704,855	69,240	(56,141)
– 1 year to 3 years	953,175	19,387	(8,156)
– More than 3 years	6,429	32	–
Equity swaps	60,005	134	(120)
– Less than 1 year	6,112	21	–
– More than 3 years	53,893	113	(120)
	4,779,710	88,923	(64,735)
Commodity related derivatives			
Commodity options	2,423,695	50,808	(53,910)
– Less than 1 year	2,423,695	50,808	(53,910)
Commodity swaps	3,212,256	324,152	(151,105)
– Less than 1 year	2,892,771	279,017	(100,212)
– 1 year to 3 years	319,485	45,135	(50,893)
Commodity futures	1,390,973	43,226	(23,950)
– Less than 1 year	1,390,973	43,226	(23,950)
	7,026,924	418,186	(228,965)
Credit related contract			
Credit default swaps	3,751,313	50,456	(55,761)
– Less than 1 year	87,011	195	(178)
– 1 year to 3 years	396,462	4,876	(56)
– More than 3 years	3,267,840	45,385	(55,527)
Total return swaps	333,250	1,018	(1,893)
– Less than 1 year	306,975	1,015	–
– 1 year to 3 years	5,525	3	(408)
– More than 3 years	20,750	–	(1,485)
	4,084,563	51,474	(57,654)

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

2019	The Group Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
Trading derivatives (Continued)			
Bond contract			
Bond forward	2,742,108	1,113	(515,868)
– Less than 1 year	782,049	–	(134,232)
– 1 year to 3 years	1,527,055	–	(329,249)
– More than 3 years	433,004	1,113	(52,387)
Hedging derivatives			
Interest rate swaps	26,102,207	279,002	(333,165)
– Less than 1 year	4,360,240	11,792	(20,727)
– 1 year to 3 years	11,259,469	127,976	(49,691)
– More than 3 years	10,482,498	139,234	(262,747)
Currency swaps	5,679,660	120,957	(50,498)
– Less than 1 year	5,679,660	120,957	(50,498)
Cross currency interest rate swaps	4,719,976	47,043	(238,501)
– 1 year to 3 years	1,901,011	10,686	(112,513)
– More than 3 years	2,818,965	36,357	(125,988)
	36,501,843	447,002	(622,164)
Total derivative assets/(liabilities)	1,026,346,675	11,589,897	(11,337,869)

(I) FAIR VALUE HEDGES

The Group uses interest rate swaps to hedge its exposure to changes in the fair value of loans, subordinated obligations, negotiable instruments of deposits issued, bills and acceptance payables and bonds in respect of benchmark interest rates.

The Group uses cross currency interest rate swap to hedge foreign currency risk from the issuance of senior bond and debentures issued denominated in foreign currencies. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange fixed interest payments in foreign currencies for floating interest payment in MYR.

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

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

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

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

- The effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap and cross currency swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- Differences in maturities and reset dates of the interest rate swaps and the fixed rate bonds or liabilities.

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

	The Group				
	Maturity				
31 December 2020	**Less than 1 month**	**1-3 months**	**More than 3 months to less than 1 year**	**1-5 years**	**More than 5 years**
Interest rate risk					
Interest rate swaps (MYR)					
Nominal amount (RM'000)	–	100,000	3,150,000	8,042,038	2,021,000
Average fixed interest rate	–	3.72%	3.34%	3.53%	3.60%
Interest rate swaps (SGD)					
Nominal amount (RM'000)	–	–	111,011	927,628	1,383,079
Average fixed interest rate	–	–	1.87%	1.65%	1.16%
Interest rate swaps (USD)					
Nominal amount (RM'000)	–	46,207	277,704	3,026,014	852,881
Average fixed interest rate	–	2.06%	1.47%	1.88%	2.13%
Interest rate swaps (IDR)					
Nominal amount (RM'000)	–	–	120,540	85,794	–
Average fixed interest rate	–	–	8.45%	7.55%	–
Interest rate swaps (THB)					
Nominal amount (RM'000)	–	–	–	147,533	–
Average fixed interest rate	–	–	–	2.33%	–
Foreign currency risk					
Cross currency interest rate swaps (HKD:MYR)					
Nominal amount (RM'000)	–	–	453,007	103,663	–
Average HKD:MYR exchange rate	–	–	0.56	0.53	–
Average fixed interest rate	–	–	1.66%	1.82%	–

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

The Group uses the following items as hedging instruments in fair value hedges: (Continued)

	The Group				
	Maturity				
31 December 2019	**Less than 1 month**	**1-3 months**	**More than 3 months to less than 1 year**	**1-5 years**	**More than 5 years**
Interest rate risk					
Interest rate swaps (MYR)					
Nominal amount (RM'000)	–	–	4,330,430	9,345,438	2,945,000
Average fixed interest rate	–	–	4.41%	4.07%	4.30%
Interest rate swaps (SGD)					
Nominal amount (RM'000)	–	82,860	221,975	545,814	687,969
Average fixed interest rate	–	1.76%	2.28%	1.92%	2.22%
Interest rate swaps (USD)					
Nominal amount (RM'000)	–	–	306,975	2,890,495	2,658,876
Average fixed interest rate	–	–	1.89%	2.34%	2.50%
Interest rate swaps (IDR)					
Nominal amount (RM'000)	–	–	–	212,982	–
Average fixed interest rate	–	–	–	8.08%	–
Foreign currency risk					
Cross currency interest rate swaps (HKD:MYR)					
Nominal amount (RM'000)	–	–	–	564,486	–
Average HKD:MYR exchange rate	–	–	–	0.54	–
Average fixed interest rate	–	–	–	2.33%	–

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

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

The Group

31 December 2020	Nominal amount RM'000	Fair values* Assets RM'000	Fair values* Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	National amount directly impacted by IBOR reform RM'000
Interest rate risk						
Interest rate swaps (MYR)	**13,313,038**	**382,527**	**(244,608)**	**81,888**	**7,413**	**13,313,038**
Interest rate swaps (SGD)	**2,421,718**	**32**	**(129,028)**	**(83,179)**	**(3,891)**	**2,421,718**
Interest rate swaps (USD)	**4,202,806**	**72,253**	**(202,144)**	**(106,978)**	**(15,008)**	**4,202,806**
Interest rate swaps (IDR)	**206,334**	**–**	**(10,060)**	**(1,268)**	**125**	**206,334**
Interest rate swaps (THB)	**147,533**	**–**	**(120)**	**(67)**	**–**	**–**
Foreign currency risk						
Cross currency interest rate swaps (HKD:MYR)	**556,670**	**4,794**	**(23,702)**	**10,301**	**(6,815)**	**556,670**

Of the RM13,313,038,000 nominal amount of MYR interest rate swaps above, RM3,250,000,000 will mature before the anticipated MYR KLIBOR replacement in 2021

Of the RM2,421,718,000 nominal amount of SGD interest rate swaps above, RM111,011,000 will mature before the anticipated SGD SOR replacement in 2021

Of the RM4,202,806,000 nominal amount of USD interest rate swaps above, RM323,911,000 will mature before the anticipated USD LIBOR replacement in 2021

Of the RM206,334,000 nominal amount of IDR interest rate swaps above, RM120,540,000 will mature before the anticipated IDR JIBOR replacement in 2021

Of the RM556,670,000 nominal amount of HKD cross currency interest rate swaps above, RM453,007,000 will mature before the anticipated USD LIBOR replacement in 2021

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

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

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

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

	The Group				
		Fair values*			
31 December 2019	Nominal amount RM'000	Assets RM'000	Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000
Interest rate risk					
Interest rate swaps (HKD)	–	–	–	1,746	(8,258)
Interest rate swaps (MYR)	16,620,868	175,147	(132,768)	94,317	(8,346)
Interest rate swaps (SGD)	1,538,618	468	(42,377)	(22,596)	(1,180)
Interest rate swaps (USD)	5,856,346	57,184	(108,834)	76,871	6,489
Interest rate swaps (IDR)	212,982	–	(8,621)	(5,748)	349
Foreign currency risk					
Cross currency interest rate swaps (AUD:MYR)	–	–	–	(29,656)	(22,676)
Cross currency interest rate swaps (CNH:MYR)	–	–	–	(96)	(4,708)
Cross currency interest rate swaps (HKD:MYR)	564,486	–	(29,269)	15,107	73

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position. However, the amounts presented here is netted off with the partial unwind interest rate swaps but the disclosure in Note 8 are presented on gross basis.

** All hedge ineffectiveness are recognised in the "Net non-interest income" in the statement of income.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

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

The Group

31 December 2020	Carrying amount Assets RM'000	Carrying amount Liabilities RM'000	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Assets RM'000	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item Liabilities RM'000	Line item in the Statement of Financial Position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness RM'000	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses RM'000
Hedged items							
SGD fixed rate loans	306,509	-	2,368	-	Loans, advances and financing	2,372	-
MYR fixed rate loans	-	-	-	-	Loans, advances and financing	(7,633)	-
USD fixed rate loans	92,496	-	4,226	(98)	Loans, advances and financing	3,368	41
MYR fixed rate liabilities	-	(101,830)	-	(347)	Deposits and placement of bank and other financial institutions	353	-
MYR fixed rate liabilities	-	(870,091)	-	(71,100)	Recourse obligation on loans and financing sold to Cagamas	(29,818)	-
MYR fixed rate liabilities	-	(4,732,459)	-	(88,435)	Subordinated obligations	(27,734)	-
HKD fixed rate bonds	-	(578,795)	29,170	(5,457)	Bonds, Sukuk and debentures	(17,115)	2,341
MYR fixed rate bonds	-	(3,812,353)	-	(188,401)	Bonds, Sukuk and debentures	(121,604)	-
USD fixed rate bonds	-	(1,452,258)	-	(32,447)	Bonds, Sukuk and debentures	(39,710)	544
MYR fixed rate bonds	4,755,321	-	236,465	(1,170)	Debt instruments at fair value through other comprehensive income	111,961	4,929
SGD fixed rate bonds	2,319,310	-	112,709	(1,443)	Debt instruments at fair value through other comprehensive income	76,916	(1,327)
USD fixed rate bonds	3,045,505	-	157,971	(420)	Debt instruments at fair value through other comprehensive income	128,312	-
IDR fixed rate bonds	206,334	-	9,531	-	Debt instruments at fair value through other comprehensive income	1,393	-
THB fixed rate bonds	151,516	-	67	-	Debt instruments at fair value through other comprehensive income	67	-

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(I) FAIR VALUE HEDGES (CONTINUED)

The amounts relating to items designated as hedged items were as follows: (Continued)

The Group

31 December 2019	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the Statement of Financial Position in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000		RM'000	RM'000
Hedged items							
MYR fixed rate loans	1,920,779	–	7,857	(224)	Loans, advances and financing	(26,639)	1,449
USD fixed rate loans	184,054	–	1,746	(951)	Loans, advances and financing	4,960	–
MYR fixed rate liabilities	–	(102,175)	–	(700)	Deposits and placement of bank and other financial institutions	(296)	–
MYR fixed rate liabilities	–	(885,464)	–	(41,282)	Recourse obligation on loans and financing sold to Cagamas	(21,496)	–
MYR fixed rate liabilities	–	(6,711,796)	281	(60,982)	Subordinated obligations	(43,596)	(4,048)
AUD fixed rate bonds	–	–	–	–	Bonds, Sukuk and debentures	6,980	–
CNH fixed rate bonds	–	–	–	–	Bonds, Sukuk and debentures	(4,612)	–
HKD fixed rate bonds	–	(561,884)	40,828	–	Bonds, Sukuk and debentures	(25,038)	–
MYR fixed rate bonds	–	(3,765,035)	–	(66,798)	Bonds, Sukuk and debentures	(85,112)	–
USD fixed rate bonds	–	(3,011,865)	22,251	(14,988)	Bonds, Sukuk and debentures	(180,460)	1,000
MYR fixed rate bonds	3,644,870	–	125,084	(1,236)	Debt instruments at fair value through other comprehensive income	74,476	(610)
SGD fixed rate bonds	1,539,881	–	39,303	(2,138)	Debt instruments at fair value through other comprehensive income	21,416	(1,541)
USD fixed rate bonds	2,802,585	–	95,596	(4,606)	Debt instruments at fair value through other comprehensive income	105,118	–
IDR fixed rate bonds	212,982	–	8,416	–	Debt instruments at fair value through other comprehensive income	6,097	–

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(II) NET INVESTMENT HEDGE

The Group uses non-derivative financial liability and currency swaps to hedge the foreign exchange rate exposure arising from net investment in foreign operations that have a different functional currency from the Group. The Group has investment in foreign operations which is consolidated in its financial statements and whose functional currencies are GBP, HKD, SGD and USD.

The risk arises from the fluctuation in spot exchange rates between the functional currency of the foreign operations and the Group's functional currency. The hedged risk is the risk of weakening foreign currencies against MYR that will result in reduction in the carrying amount of the Group's net investment in foreign operations.

The Group assesses effectiveness by comparing past changes in the carrying amount of the financial liability that attributable to a change in the spot rate (the offset method). The Group only designates the spot element of the forward foreign exchange contract. Changes in the fair value of the hedging instrument attributable to changes in forward points and the effect of discounting are recognised in profit and loss account which does not included in the hedge effectiveness assessment.

The Group establishes the hedging ratio by matching the notional of the forward contracts with the designated net assets of the foreign operation. There is no ineffectiveness arises from hedge of net investment in foreign operations. The foreign currency risk component is determined as the change in the carrying amount of net assets of the foreign operations arising solely from changes in spot foreign currency exchange rates.

The Group uses the following items as hedging instruments in net investment hedges:

	The Group				
	Maturity				
31 December 2020	**Less than 1 month**	**1-3 months**	**More than 3 months – less than 1 year**	**1-5 years**	**More than 5 years**
Fixed rate bond (USD)					
Nominal amount (RM'000)	–	–	–	1,205,400	–
Average USD:MYR exchange rate	–	–	–	4.198	–
Fixed rate borrowings (USD)					
Nominal amount (RM'000)	401,800	–	1,319,913	–	–
Average MYR:USD exchange rate	4.198	–	4.198	–	–
Currency swaps (GBP:MYR)					
Nominal amount (RM'000)	137,129	–	–	–	–
Average GBP:MYR exchange rate	5.388	–	–	–	–
Currency swaps (HKD:MYR)					
Nominal amount (RM'000)	–	65,826	10,366	–	–
Average HKD:MYR exchange rate	–	0.534	0.575	–	–
Currency swaps (SGD:MYR)					
Nominal amount (RM'000)	–	322,934	811,510	–	–
Average SGD:MYR exchange rate	–	3.065	3.064	–	–
Currency swaps (USD:MYR)					
Nominal amount (RM'000)	–	128,576	845,789	–	–
Average USD:MYR exchange rate	–	4.179	4.142	–	–

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(II) NET INVESTMENT HEDGE (CONTINUED)

The Group uses the following items as hedging instruments in net investment hedges: (Continued)

31 December 2019	The Group Maturity Less than 1 month	1-3 months	More than 3 months – less than 1 year	1-5 years	More than 5 years
Fixed rate bond (USD)					
Nominal amount (RM'000)	–	–	–	1,227,900	–
Average USD:MYR exchange rate	–	–	–	4.141	–
Currency swaps (GBP:MYR)					
Nominal amount (RM'000)	–	102,065	16,116	–	–
Average GBP:MYR exchange rate	–	5.127	5.387	–	–
Currency swaps (HKD:MYR)					
Nominal amount (RM'000)	–	83,569	87,248	–	–
Average HKD:MYR exchange rate	–	0.540	0.535	–	–
Currency swaps (SGD:MYR)					
Nominal amount (RM'000)	462,518	624,775	1,254,084	–	–
Average SGD:MYR exchange rate	3.008	3.075	3.054	–	–
Currency swaps (USD:MYR)					
Nominal amount (RM'000)	1,064,180	613,950	1,371,155	–	–
Average USD:MYR exchange rate	4.154	4.230	4.200	–	–

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

31 December 2020	The Group Nominal amount RM'000	Fair values* Assets RM'000	Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	Amount reclassified from hedge reserve to profit or loss** RM'000
Foreign exchange risk							
Fixed rate bonds (USD)	**1,205,400**	**-**	**-**	**22,500**	**(22,500)**	**-**	**-**
Fixed rate borrowings (USD)	**1,721,713**	**-**	**-**	**132,812**	**(132,812)**	**-**	**-**
Currency swaps (GBP:MYR)	**137,129**	**8,054**	**(10,352)**	**(2,572)**	**2,572**	**-**	**-**
Currency swaps (HKD:MYR)	**76,192**	**2,990**	**(28)**	**(2,628)**	**2,628**	**-**	**-**
Currency swaps (SGD:MYR)	**1,134,444**	**39,388**	**(34,261)**	**(6,991)**	**6,991**	**-**	**-**
Currency swaps (USD:MYR)	**974,365**	**28,475**	**(515)**	**(97,092)**	**97,092**	**-**	**-**
31 December 2019							
Foreign exchange risk							
Fixed rate bonds (USD)	1,227,900	–	–	13,350	(13,350)	–	–
Currency swaps (GBP:MYR)	118,181	2,757	(6,929)	(2,289)	2,289	–	–
Currency swaps (HKD:MYR)	170,817	4,567	(989)	771	(771)	–	–
Currency swaps (SGD:MYR)	2,341,377	47,537	(42,580)	(3,444)	3,444	–	–
Currency swaps (USD:MYR)	3,049,285	66,096	–	34,602	(34,602)	–	–

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.
** All hedge ineffectiveness and reclassification from the "net investment hedge reserve" to profit or loss are recognised in the "Net non-interest income" in the statement of income.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(II) NET INVESTMENT HEDGE (CONTINUED)

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

	The Group		
31 December 2020	**Change in value used for calculating hedge ineffectiveness RM'000**	**Net investment hedge reserve RM'000**	**Balance remaining in the net investment hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000**
GBP net investment	**2,572**	**525**	**–**
HKD net investment	**2,628**	**25,506**	**–**
SGD net investment	**6,991**	**198,146**	**–**
USD net investment	**(58,220)**	**458,840**	**–**
31 December 2019			
GBP net investment	2,289	(2,047)	–
HKD net investment	(771)	22,877	–
SGD net investment	3,444	191,154	–
USD net investment	(47,952)	517,060	–

(III) CASH FLOWS HEDGE

The Group uses cross currency swaps and interest rate swaps to hedge the foreign currency risks (mainly USD) from floating rate inter branch lending denominated in USD. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange floating rate payments in USD for floating rate payments in MYR and it is determined as the change in cash flows of the USD inter branch lending arising solely from changes in USD.

The effectiveness is assessed by comparing the changes in fair value of the cross currency swap with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follow:

- Differences in timing of cash flows between hedged item and cross currency swaps,
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument and
- Counterparty credit risk which impacts the fair value of cross currency swaps but not the hedged items.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(III) CASH FLOWS HEDGE (CONTINUED)

The Group uses the following items as hedging instruments in cash flow hedges:

	The Group				
	Maturity				
31 December 2020	Less than 1 month	1-3 months	More than 3 months – less than 1 year	1-5 years	More than 5 years
Interest rate risk					
Interest rate swaps					
Nominal amount (RM'000)	–	–	–	328,597	–
Average fixed interest rate	–	–	–	2.00%	–
Foreign exchange risk					
Cross currency interest rate swaps (USD:MYR)					
Nominal amount (RM'000)	–	–	451,287	103,198	–
Average USD-MYR exchange rate	–	–	4.349	4.135	–
Cross currency interest rate swaps (USD:THB)					
Nominal amount (RM'000)	–	–	–	696,772	318,260
Average USD-THB exchange rate	–	–	–	32.430	34.813
Currency forward (USD:MYR)					
Nominal amount (RM'000)	–	3,707	3,426	–	–
Average USD:MYR exchange rate	–	4.160	4.177	–	–
31 December 2019					
Interest rate risk					
Interest rate swaps					
Nominal amount (RM'000)	–	–	–	336,144	–
Average fixed interest rate	–	–	–	2.00%	–
Foreign exchange risk					
Cross currency interest rate swaps (USD:MYR)					
Nominal amount (RM'000)	–	–	–	564,834	–
Average USD-MYR exchange rate	–	–	–	4.242	–

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(III) CASH FLOWS HEDGE (CONTINUED)

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

The Group

31 December 2020	Nominal amount RM'000	Fair values* Assets RM'000	Fair values* Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	Amount reclassified from hedge reserve to profit or loss** RM'000	National amount directly impacted by IBOR reform RM'000
Interest rate risk								
Interest rate swaps	328,597	8,322	-	(3,837)	3,837	-	-	-
Foreign exchange risk								
Cross currency interest rate swaps (USD:MYR)	554,485	36,023	(927)	2,401	(5,376)	-	-	554,485
Cross currency interest rate swaps (USD:THB)	1,015,032	38,390	(56,217)	(5,573)	5,573	(627)	-	1,015,032
Currency forward (USD:MYR)	7,133	-	(230)	(230)	230	-	-	-

Of the RM554,485,000 nominal amount of USD/MYR cross currency interest rate swaps above, RM451,287,000 will mature before the anticipated USD LIBOR replacement in 2021

Of the RM1,015,032,000 nominal amount of USD/THB cross currency interest rate swaps above, RMNil will mature before the anticipated USD LIBOR replacement in 2021

In calculating the change in fair value attributable to the hedged risk for the floating loans, the Group has made the following assumptions that reflect its current expectations:

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

The Group

31 December 2019	Nominal amount RM'000	Fair values* Assets RM'000	Fair values* Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Changes in fair value recognised in OCI RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	Amount reclassified from hedge reserve to profit or loss** RM'000
Interest rate risk							
Interest rate swaps	336,144	5,639	–	(7,875)	7,875	–	–
Foreign exchange risk							
Cross currency interest rate swaps (USD:MYR)	564,834	31,283	–	5,312	(1,074)	7,075	7,075
Cross currency interest rate swaps (USD:THB)	1,092,215	39,446	63,491	6,035	(6,035)	–	–

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

** All hedge ineffectiveness and reclassification from the "Hedging reserve – cash flows hedge" to profit or loss are recognised in the "Net non-interest income" in the statement of income.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(III) CASH FLOWS HEDGE (CONTINUED)

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

	The Group			
31 December 2020	**Line item in the statement of financial position in which the hedged item is included**	**Change in value used for calculating hedge ineffectiveness RM'000**	**Cash flow hedge reserve RM'000**	**Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000**
THB floating rate loans	**Loans, advances and financing**	**3,837**	**8,329**	**–**
Interest rate/foreign exchange risk				
USD floating rate loans	**Loans, advances and financing**	**(3,348)**	**(6,078)**	**–**
USD capital expenditures	**Other liabilities**	**215**	**(215)**	**–**
USD operating expenditures	**Other liabilities**	**15**	**(15)**	**–**
MYR fixed rate subdebts	**Subordinated obgliations**	**26,736**	**20,743**	**–**
USD floating rate notes	**Bonds and debentures**	**6,698**	**11,747**	**–**
31 December 2019				
Interest rate/foreign exchange risk				
USD floating rate loans	Loans, advances and financing	11,031	(562)	–
Credit-linked Notes	Bills and acceptances payable	(7,427)	5,165	–

(IV) RECONCILIATION OF COMPONENTS OF EQUITY

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

	The Group	
	Net investment hedge RM'000	**Cash flows hedge RM'000**
At 1 January 2020	**(1,073,452)**	**7,212**
Effective portion of changes in fair value:		
– Interest rate risk	**–**	**3,837**
– Interest rate/USD foreign currency risk	**–**	**605**
– Interest rate/MYR foreign currency risk		**(1,764)**
Net gain on hedge of net investment in foreign operations:		
– GBP currency swaps	**(2,572)**	**–**
– HKD currency swaps	**(2,628)**	**–**
– SGD currency swaps	**(6,991)**	**–**
– USD currency swaps	**58,220**	**–**
Cost of hedging	**12,522**	**(3,033)**
Income tax effects	**–**	**(204)**
Exchange fluctuation	**–**	**(69)**
Share of joint venture	**457**	**–**
At 31 December 2020	**(1,014,444)**	**6,584**

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(IV) RECONCILIATION OF COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting: (Continued)

	The Group	
	Net investment hedge RM'000	**Cash flows hedge RM'000**
At 1 January 2019	(1,164,753)	6,097
Effective portion of changes in fair value:		
– Interest rate risk	–	7,875
– Interest rate/USD foreign currency risk	–	(14,458)
Net amount reclassified to profit or loss:		
– Interest rate/USD foreign currency risk	–	7,075
Net gain on hedge of net investment in foreign operations:		
– GBP currency swaps	(2,289)	–
– HKD currency swaps	771	–
– SGD currency swaps	(3,444)	–
– USD currency swaps	47,952	–
Cost of hedging	48,167	–
Income tax effects	–	(19)
Exchange fluctuation	–	642
Share of joint venture	144	–
At 31 December 2019	(1,073,452)	7,212

9 LOANS, ADVANCES AND FINANCING

(I) BY TYPE:

	The Group 2020 RM'000	The Group 2019 RM'000
At amortised cost		
Overdrafts	**4,861,624**	5,616,337
Term loans/financing		
– Housing loans/financing	**113,351,042**	106,700,354
– Syndicated term loans	**16,162,906**	15,933,611
– Hire purchase receivables	**24,285,568**	23,619,588
– Lease receivables	**182,150**	221,544
– Factoring receivables	**3,594**	4,379
– Other term loans/financing	**149,553,388**	150,679,676
Bills receivable	**7,062,222**	9,640,557
Trust receipts	**2,151,261**	1,723,214
Claims on customers under acceptance credits	**3,369,336**	4,849,992
Staff loans [of which RM4,041,922 (2019: RM4,785,624) are loans to Directors (including Directors of subsidiaries)]	**1,559,344**	1,516,800
Credit card receivables	**8,402,871**	9,830,984
Revolving credits	**34,134,850**	37,974,859
Share margin financing	**54,010**	74,873
Gross loans, advances and financing at amortised cost	**365,134,166**	368,386,768
Fair value changes arising from fair value hedge	**6,497**	8,428
	365,140,663	368,395,196
Less:		
– Expected credit losses	**(11,934,932)**	(9,159,831)
Net loans, advances and financing at amortised cost	**353,205,731**	359,235,365
At fair value through profit or loss		
Term loans/financing		
– Syndicated term loan	**710,235**	1,104,735
Gross loans, advances and financing at fair value through profit or loss	**710,235**	1,104,735
Total net loans, advances and financing	**353,915,966**	360,340,100
Total gross loans, advances and financing:		
– At amortised cost	**365,134,166**	368,386,768
– At fair value through profit or loss	**710,235**	1,104,735
	365,844,401	369,491,503

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(I) BY TYPE: (CONTINUED)

(a) Included in the Group's loans, advances and financing balances are RM26,839,000 (2019: RM28,568,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM392,508,000 (2019: RM2,082,954,000) loans, advances and financing using interest rate swaps.

(c) Included in the loans, advances and financing of the Group at 31 December 2020 is financing which is disclosed as "Restricted Agency Investment Account" ("RAIA") in the financial statements of CIMB Islamic amounting to RM5,030,980,000 (2019: RM6,231,742,000). RAIA arrangement is with CIMB Bank's wholly owned subsidiary, CIMB Islamic, and the contract is based on the Wakalah principle where CIMB Bank solely provide the funds, whilst the assets are managed by CIMB Islamic (as the Wakeel or agent). In the arrangement, CIMB Islamic has transferred substantially all the risk and rewards of ownership of the Investment (i.e the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and expected credit losses arising thereon, if any, are recognised and accounted for by CIMB Bank.

(II) BY TYPE OF CUSTOMER:

	The Group	
	2020 RM'000	**2019 RM'000**
Domestic banking financial institutions	**804,586**	235,071
Domestic non-bank financial institutions		
– Stockbroking companies	**139,043**	11,158
– Others	**5,956,144**	5,112,261
Domestic business enterprises		
– Small medium enterprises	**49,710,154**	50,626,877
– Others	**60,886,556**	67,513,024
Government and statutory bodies	**8,053,764**	8,282,375
Individuals	**190,815,561**	186,024,831
Other domestic entities	**9,950,233**	10,573,517
Foreign entities	**39,528,360**	41,112,389
Gross loans, advances and financing	**365,844,401**	369,491,503

(III) BY INTEREST/PROFIT RATE SENSITIVITY:

	The Group	
	2020 RM'000	**2019 RM'000**
Fixed rate		
– Housing loans	**4,027,481**	2,312,496
– Hire-purchase receivables	**18,852,955**	17,446,300
– Other fixed rate loans	**36,132,877**	37,225,079
Variable rate		
– BLR plus/BFR plus	**129,644,383**	138,649,711
– Cost plus	**50,761,558**	55,089,415
– Other variable rates	**126,425,147**	118,768,502
Gross loans, advances and financing	**365,844,401**	369,491,503

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(IV) BY ECONOMIC PURPOSES:

	The Group	
	2020 RM'000	**2019 RM'000**
Personal use	**20,851,531**	20,449,002
Credit card	**8,402,871**	9,830,984
Purchase of consumer durables	**154,415**	92,706
Construction	**14,813,140**	15,438,083
Residential property (Housing)	**114,174,338**	107,330,786
Non-residential property	**30,268,939**	29,210,702
Purchase of fixed assets other than land and building	**12,880,836**	15,644,141
Mergers and acquisitions	**3,089,307**	2,718,911
Purchase of securities	**24,712,110**	25,835,806
Purchase of transport vehicles	**24,262,083**	23,898,884
Working capital	**81,372,027**	85,646,730
Other purpose	**30,862,804**	33,394,768
Gross loans, advances and financing	**365,844,401**	369,491,503

(V) BY GEOGRAPHICAL DISTRIBUTION:

	The Group	
	2020 RM'000	**2019 RM'000**
Malaysia	**226,808,035**	220,789,619
Indonesia	**53,791,508**	61,368,318
Thailand	**34,193,244**	37,432,449
Singapore	**29,661,648**	29,577,312
United Kingdom	**4,887,590**	4,427,631
Hong Kong	**1,467,910**	1,418,757
China	**4,065,305**	3,832,132
Other countries	**10,969,161**	10,645,285
Gross loans, advances and financing	**365,844,401**	369,491,503

(VI) BY RESIDUAL CONTRACTUAL MATURITY:

	The Group	
	2020 RM'000	**2019 RM'000**
Within one year	**84,796,499**	93,505,979
One year to less than three years	**31,196,200**	30,859,641
Three years to less than five years	**29,310,907**	34,417,884
Five years and more	**220,540,795**	210,707,999
Gross loans, advances and financing	**365,844,401**	369,491,503

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(VII) BY ECONOMIC SECTOR

	The Group	
	2020 RM'000	**2019 RM'000**
Primary agriculture	**12,414,462**	13,121,135
Mining and quarrying	**4,727,278**	6,297,286
Manufacturing	**26,359,046**	29,015,451
Electricity, gas and water supply	**5,593,468**	5,998,603
Construction	**13,864,622**	13,582,106
Transport, storage and communications	**9,630,242**	10,640,872
Education, health and others	**15,890,873**	15,974,414
Wholesale and retail trade, and restaurants and hotels	**31,938,904**	30,552,748
Finance, insurance/takaful, real estate and business activities	**47,144,075**	51,040,767
Household	**179,953,874**	174,978,092
Others	**18,327,557**	18,290,029
Gross loans, advances and financing	**365,844,401**	369,491,503

(VIII) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY ECONOMIC PURPOSE:

	The Group	
	2020 RM'000	**2019 RM'000**
Personal use	**529,728**	457,443
Credit card	**141,049**	147,712
Purchase of consumer durables	**737**	1,017
Construction	**1,472,079**	1,481,518
Residential property (Housing)	**2,257,797**	1,895,947
Non-residential property	**544,050**	402,209
Purchase of fixed assets other than land and building	**1,170,038**	1,017,105
Mergers and acquisitions	**310,512**	50,833
Purchase of securities	**289,926**	126,078
Purchase of transport vehicles	**253,514**	239,419
Working capital	**5,231,998**	4,555,951
Other purpose	**825,631**	968,616
Gross credit impaired loans, advances and financing	**13,027,059**	11,343,848

(IX) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHICAL DISTRIBUTION:

	The Group	
	2020 RM'000	**2019 RM'000**
Malaysia	**5,586,430**	4,600,622
Indonesia	**4,090,533**	3,475,766
Thailand	**1,766,911**	2,209,126
Singapore	**1,424,273**	848,895
United Kingdom	**9,618**	8,967
Hong Kong	**3,167**	–
China	**15,311**	158
Other countries	**130,816**	200,314
Gross credit impaired loans, advances and financing	**13,027,059**	11,343,848

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(X) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY ECONOMIC SECTOR

	The Group	
	2020 RM'000	2019 RM'000
Primary agriculture	**123,808**	254,633
Mining and quarrying	**765,199**	1,263,292
Manufacturing	**2,116,127**	2,590,026
Electricity, gas and water supply	**257,463**	273,370
Construction	**290,279**	255,427
Transport, storage and communications	**1,429,520**	1,353,742
Education, health and others	**210,998**	181,020
Wholesale and retail trade, and restaurants and hotels	**3,123,828**	1,573,334
Finance, insurance/takaful, real estate and business activities	**1,012,592**	635,650
Household	**3,252,921**	2,671,744
Others	**444,324**	291,610
Gross credit impaired loans, advances and financing	**13,027,059**	11,343,848

(XI) MOVEMENTS IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING ARE AS FOLLOWS:

	The Group				
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Loans, advances and financing at amortised cost					
At 1 January 2020	**1,905,723**	**1,814,592**	**5,436,768**	**2,748**	**9,159,831**
Changes in expected credit losses due to transfer within stages:	**(251,612)**	**(229,003)**	**480,615**	**–**	**–**
Transferred to Stage 1	**904,885**	**(757,647)**	**(147,238)**	**–**	**–**
Transferred to Stage 2	**(1,146,027)**	**1,595,287**	**(449,260)**	**–**	**–**
Transferred to Stage 3	**(10,470)**	**(1,066,643)**	**1,077,113**	**–**	**–**
Total charge to Statement of Income:	**1,041,172**	**1,182,839**	**3,642,446**	**574**	**5,867,031**
New financial assets originated	**707,835**	**84,707**	**131,001**	**–**	**923,543**
Financial assets that have been derecognised	**(470,951)**	**(162,785)**	**–**	**–**	**(633,736)**
Writeback in respect of full recoveries	**–**	**–**	**(191,185)**	**–**	**(191,185)**
Change in credit risk	**804,288**	**1,260,917**	**3,702,630**	**574**	**5,768,409**
Write-offs	**(665)**	**(728)**	**(2,390,047)**	**–**	**(2,391,440)**
Disposal of loans, advances and financing	**–**	**–**	**(361,487)**	**–**	**(361,487)**
Exchange fluctuation	**(402,521)**	**21,922**	**(40,373)**	**(63)**	**(421,035)**
Other movements	**(7,500)**	**(179)**	**89,711**	**–**	**82,032**
At 31 December 2020	**2,284,597**	**2,789,443**	**6,857,633**	**3,259**	**11,934,932**

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(XI) MOVEMENTS IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING ARE AS FOLLOWS: (CONTINUED)

	The Group				
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Loans, advances and financing at amortised cost					
At 1 January 2019	2,407,561	1,218,564	5,543,688	2,552	9,172,365
Changes in expected credit losses due to transfer within stages:	685,324	(500,176)	(185,148)	–	–
Transferred to Stage 1	1,171,767	(953,247)	(218,520)	–	–
Transferred to Stage 2	(478,437)	954,464	(476,027)	–	–
Transferred to Stage 3	(8,006)	(501,393)	509,399	–	–
Total charge to Income Statement:	(1,161,037)	1,041,943	2,338,775	–	2,219,681
New financial assets originated	1,910,413	531,331	194,989	–	2,636,733
Financial assets that have been derecognised	(1,444,711)	(783,164)	–	–	(2,227,875)
Writeback in respect of full recoveries	–	–	(290,128)	–	(290,128)
Change in credit risk	(1,626,739)	1,293,776	2,433,914	–	2,100,951
Write-offs	(1,269)	(2,616)	(2,337,556)	–	(2,341,441)
Exchange fluctuation	(23,803)	56,358	77,514	196	110,265
Other movements	(1,053)	519	(505)	–	(1,039)
At 31 December 2019	1,905,723	1,814,592	5,436,768	2,748	9,159,831

(XII) MOVEMENTS IN CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING

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

	The Group		
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
At 1 January 2020	**11,335,824**	**8,024**	**11,343,848**
Transfer within stages	**5,621,052**	**–**	**5,621,052**
New financial assets originated	**449,831**	**–**	**449,831**
Write-offs	**(2,390,544)**	**–**	**(2,390,544)**
Amount fully recovered	**(681,932)**	**–**	**(681,932)**
Other changes in loans, advances and financing	**(893,801)**	**(28)**	**(893,829)**
Disposal of loans, advances and financing	**(431,602)**	**-**	**(431,602)**
Exchange fluctuation	**10,415**	**(180)**	**10,235**
At 31 December 2020	**13,019,243**	**7,816**	**13,027,059**

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(XII) MOVEMENTS IN CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	The Group		
	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
At 1 January 2019	10,069,160	7,553	10,076,713
Transfer within stages	2,498,105	–	2,498,105
New financial assets originated	1,133,204	–	1,133,204
Write-offs	(2,337,556)	–	(2,337,556)
Amount fully recovered	(1,150,055)	–	(1,150,055)
Other changes in loans, advances and financing	624,877	(108)	624,769
Exchange fluctuation	498,089	579	498,668
At 31 December 2019	11,335,824	8,024	11,343,848

	The Group	
	2020	**2019**
Ratio of credit impaired loans to total loans, advances and financing	**3.56%**	3.07%

Impact of movements in gross carrying amount on expected credit losses

2020:

Stage 1 ECL increased by RM379 million as a result of loans, advances and financing that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement, offset by RM145,772 million of loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM975 million as a result of loans, advances and financing migrating into Stage 2 arising from escalation of credit risk on certain segments of the targeted repayment assistance loan, selected exposures to the oil and gas industry and additional disbursement, offset by RM25,910 million of loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 2 to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL increased by RM1,421 million as a result of RM8,516 million of loans, advances and financing that were transferred into Stage 3 due to credit quality deterioration, including selected exposures to the oil and gas industry. This is offsetted by loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and transferred to Stage 1 or Stage 2. Changes in S3 ECL is also due to loans, advances and financing which ECL mostly fully provided for that were written off during the financial year.

Total ECL movements in 2020 is also affected by the changes in forward-looking economic inputs, increased weighting of a downside economic scenario and increased overlay provisions from estimated impacts of COVID-19 pandemic, as disclosed in Note 58.1.8.

The amount of loans, advances and financing whose cash flows were modified of the Group during the financial year was RM129,358,723,000.

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

(XII) MOVEMENTS IN CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING (CONTINUED)

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

2019:

Stage 1 ECL decreased by RM1,161 million during the financial year mainly due to derecognition of GCA for loans, advances and financing from full settlement and write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from Stage 2 to Stage 1.

Stage 2 ECL increased by RM1,042 million mainly due to higher ECL for GCA transferred from Stage 1 to Stage 2.

Stage 3 ECL increased by RM2,339 million for the Group mainly due to higher ECL for GCA transferred from Stage 1 and 2 to Stage 3.

The write-off loans with a total GCA of RM2,338 million for the Group resulted in the reduction of Stage 3 ECL.

10 OTHER ASSETS

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Due from brokers		**16,498**	69,261	**–**	–
Other debtors net of expected credit losses of RM481,329,919 (2019: RM110,147,298), deposits and prepayments	(a)	**4,086,157**	3,927,213	**83,516**	133,440
Settlement accounts		**2,147,072**	145,619	**–**	–
Treasury related receivables		**1,206,091**	279,434	**–**	–
Structured financing		**677,899**	1,018,852	**–**	–
Foreclosed assets net of allowance for impairment losses of RM64,096,453 (2019: RM68,122,155)	(b)	**212,891**	150,558	**–**	–
Collateral pledged for derivative transactions		**3,916,392**	3,086,528	**–**	–
Due from joint ventures	(c)	**1,815,458**	1,324,765		–
Deferred consideration		**25,480**	98,983	**–**	–
		14,103,938	10,101,213	**83,516**	133,440

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

	The Group	
	2020 RM'000	2019 RM'000
At 1 January	**110,147**	53,143
Recoveries	**(84)**	–
Expected credit losses made/(written back) during the financial year	**48,973**	(801)
Write off	**(2,197)**	(14,683)
Exchange fluctuation	**(2,679)**	72,488
At 31 December	**154,160**	110,147

At 31 December 2020, the expected credit losses on other debtors using general approach under stage 2 and stage 3 are RM73,434,000 and RM253,736,000 respectively (2019: RM Nil).

Gross carrying amount on other debtors classified as credit impaired at 31 December 2020 is RM253,756,000 for the Group. This general approach of ECL is arising from matured derivatives trade receivables from the aviation industry.

10 OTHER ASSETS (CONTINUED)

(b) Foreclosed assets are stated at the lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2020. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Movements of allowance for impairment losses on foreclosed assets are as follows:

	The Group	
	2020 RM'000	**2019 RM'000**
At 1 January	**68,122**	69,434
Net allowance made during the financial year	**145,349**	121,557
Recoveries	**(8,814)**	4,424
Disposal during the financial year	**(148,525)**	(126,760)
Exchange fluctuation	**7,964**	(533)
At 31 December	**64,096**	68,122

(c) These comprises hire-purchase receivables belonging to Proton Commerce Sdn. Bhd. ("PCSB") that were derecognised from the Group's loans, advances and financing as the risks and rewards relating to the cash flows of these hire-purchase receivables have been substantially transferred to PCSB. The derecognised hire-purchase receivables are regarded as amount due from joint venture.

11 DEFERRED TAXATION

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

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deferred tax assets	**1,039,057**	882,623	**–**	–
Deferred tax liabilities	**(35,881)**	(36,578)	**(374)**	(377)
	1,003,176	846,045	**(374)**	(377)

11 DEFERRED TAXATION (CONTINUED)

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deferred tax assets (before offsetting)				
Expected credit losses	**872,125**	641,086	**–**	–
Unutilised tax losses	**12,383**	63,109	**–**	–
Post employment benefits obligations	**84,772**	87,151	**–**	–
Provision for expenses	**258,807**	297,312	**–**	–
Property, plant and equipment	**13,655**	33,918	**–**	–
EOP reserves	**11,355**	11,091	**–**	–
Lease liabilities	**128,791**	166,899	**–**	–
Unutilised capital allowance	**4,192**	2,706	**–**	–
	1,386,080	1,303,272	**–**	–
Offsetting	**(347,023)**	(420,649)	**–**	–
Deferred tax assets (after offsetting)	**1,039,057**	882,623	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(90,301)**	(98,753)	**(374)**	(377)
Right-of-use assets	**(117,252)**	(143,655)	**–**	–
Fair value reserve – Debt instruments at fair value through other comprehensive income	**(79,743)**	(13,191)	**–**	–
Fair value reserve – Equity instruments at fair value through other comprehensive income	**(32,897)**	(32,580)	**–**	–
Intangible assets	**(32,597)**	(38,125)	**–**	–
Cash flow hedge	**(1,940)**	(1,752)	**–**	–
Other temporary differences	**(28,174)**	(129,171)	**–**	–
	(382,904)	(457,227)	**(374)**	(377)
Offsetting	**347,023**	420,649	**–**	–
Deferred tax liabilities (after offsetting)	**(35,881)**	(36,578)	**(374)**	(377)

11 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows:

The Group	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Fair value reserve: Debt instruments at fair value through other comprehensive income RM'000	Fair value reserve: Equity instruments at fair value through other comprehensive income RM'000	Right-of-use assets RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Cash flow hedge RM'000	Post employment benefit obligations RM'000	Lease liabilities RM'000	Total RM'000
Deferred tax assets/ (liabilities)													
At 1 January 2020		**641,086**	**(64,835)**	**(13,191)**	**(32,580)**	**(143,655)**	**(52,265)**	**(38,125)**	**297,312**	**(1,752)**	**87,151**	**166,899**	**846,045**
Credited/(charged) to statements of income	45	**262,945**	**(20,908)**	**302**	**-**	**44,554**	**31,097**	**4,793**	**(35,899)**	**-**	**(308)**	**(40,012)**	**246,564**
(Under)/over provision in prior year		**(3,701)**	**(8,345)**	**-**	**-**	**(2,075)**	**8,378**	**735**	**518**	**-**	**(9)**	**2,148**	**(2,351)**
Transferred to equity		**-**	**-**	**(67,889)**	**(317)**	**-**	**-**	**-**	**-**	**(204)**	**248**	**-**	**(68,162)**
Exchange difference		**(28,205)**	**17,442**	**1,035**	**-**	**(16,076)**	**12,546**	**-**	**(3,124)**	**16**	**(2,310)**	**(244)**	**(18,920)**
At 31 December 2020		**872,125**	**(76,646)**	**(79,743)**	**(32,897)**	**(117,252)**	**(244)**	**(32,597)**	**258,807**	**(1,940)**	**84,772**	**128,791**	**1,003,176**
At 1 January 2019		749,295	(52,085)	79,553	(32,399)	(182,403)	21,320	(118,848)	295,198	(1,574)	82,173	182,403	1,022,633
Credited/(charged) to statements of income	45	90,360	3,228	780	-	38,613	(75,583)	86,099	1,104	-	741	(15,504)	129,838
(Under)/over provision in prior year		(216,281)	(13,394)	-	-	-	2,714	(5,376)	(1,900)	-	765	-	(233,472)
Transferred to equity		-	-	(94,569)	(181)	-	-	-	-	(19)	784	-	(93,985)
Exchange difference		17,712	(2,584)	1,045	-	135	(716)	-	2,910	(159)	2,688	-	21,031
At 31 December 2019		641,086	(64,835)	(13,191)	(32,580)	(143,655)	(52,265)	(38,125)	297,312	(1,752)	87,151	166,899	846,045

11 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows (Continued):

		Accelerated tax depreciation	Total
The Company	Note	RM'000	RM'000
Deferred tax liabilities			
At 1 January 2020		**(377)**	**(377)**
Charged to statements of income	45	**3**	**3**
At 31 December 2020		**(374)**	**(374)**
At 1 January 2019		(374)	(374)
Charged to statements of income	45	(3)	(3)
At 31 December 2019		(377)	(377)

12 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the bank subsidiary are maintained with respective central banks in compliance with the applicable legislation.

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

13 INVESTMENT IN SUBSIDIARIES

		The Company	
	Note	2020 RM'000	2019 RM'000
Ordinary shares	(i)	**13,291,607**	12,975,807
Redeemable preference shares*		**19,183,781**	19,183,781
		32,475,388	32,159,588
Less: Allowance for impairment loss of subsidiaries		**(6,813)**	(1,275)
		32,468,575	32,158,313

* Classified as cost of investment in subsidiaries due to the terms of the instruments

(i) During the financial year, capital injection was made to CIMB Group Sdn Bhd and Touch'n Go Sdn Bhd amounted to RM211,760,000 and RM104,040,000 respectively.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries:

The direct subsidiaries of the Company are:

Name of Subsidiary	Principal activities	Percentage of equity held 2020 %	2019 %
CIMB Berhad	Investment holding	**100**	100
CIMB Group Sdn. Bhd.	Investment holding	**100**	100
Commerce MGI Sdn. Bhd.	Dormant	**51**	51
CIMB Active Ventures Sdn. Bhd. (formerly known as Commerce Asset Realty Sdn. Bhd.)	Providing IT support and business process insourcing services	**100**	100
iCIMB (MSC) Sdn. Bhd.	Provision of management and outsourcing services	**100**	100
SBB Berhad	Dormant	**100**	100
CIMB Foundation ∞	Charitable foundation	**–**	–
Premier Fidelity Sdn. Bhd.	Promoting, arranging and managing all kinds of sports and entertainment events of the Group	**100**	100
SP Charitable Trust Fund ∞ #	Special purpose vehicle	**–**	–
SP Charitable Trust Fund 2 ∞ #	Special purpose vehicle	**–**	–

∞ Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company

\# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

		Percentage of equity held			
		Directly by the Company		Indirectly by the Company	
		2020 %	2019 %	2020 %	2019 %
The direct subsidiary of the Company is:					
Touch'n Go Sdn. Bhd. ("TnG")	Establishment, operation and management of an electronic collection system for toll and transport operators	**85.8**	81.2	**14.2**	18.8

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMB Berhad are:

		Percentage of equity held			
		Directly by CIMB Berhad		Indirectly by the Company's subsidiary	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
CIMB Islamic Trustee Berhad	Trustee services	**20**	20	**80**	80
CIMB Commerce Trustee Berhad	Trustee services	**20**	20	**80**	80

The subsidiaries held through TnG are:

		Percentage of equity held			
		Directly by TnG		Indirectly by TnG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
TNG Digital Sdn Bhd	Issuer of electronic money (e-money)	**51**	51	**–**	–
Numoni DFS Sdn Bhd	e-Money and remittance services	**–**	–	**51**	–

The subsidiaries held through CIMB Group Sdn. Bhd. ("CIMBG") are:

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
CIMB Bank Berhad ("CIMB Bank")	Commercial banking and related financial services	**99.9**	99.9	**–**	–
CIMB Investment Bank Berhad ("CIMB Investment Bank")	Investment banking and the provision of related financial services	**100**	100	**–**	–
PT Bank CIMB Niaga Tbk + (Incorporated in the Republic of Indonesia)	Commercial banking and related financial services	**91.5**	91.5	**1.0**	1.0
PT Commerce Kapital # (Incorporated in the Republic of Indonesia)	Investment holding	**99.0**	99.0	**1.0**	1.0
CIMB SI Sdn. Bhd.	Trading in securities and direct principal investments	**100**	100	**–**	–
CIMB SI 1 Sdn. Bhd.	Investment holding	**–**	–	**100**	100
CIMB SI II Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Asia Security (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Investment holding	**–**	–	**100**	100

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
CIMB Real Estate Sdn. Bhd.	Real estate investment	**100**	100	**–**	–
CIMB-Mapletree Management Sdn. Bhd.^^	Real estate fund management	**–**	–	**60**	60
Sathorn Asset Management Company Limited + (Incorporated in the Kingdom of Thailand)	Asset Management	**–**	–	**99.9**	99.9
i-Wealth Advisors Sdn. Bhd. ^^	Provision of management services and distribution of products and services	**60**	60	**–**	–
CIMB Strategic Assets Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMB Private Equity Advisors Sdn. Bhd.	Investment advisory	**100**	100	**–**	–
CIG Berhad	Insurance holding company	**100**	100	**–**	–
Commerce Asset Ventures Sdn. Bhd. ("CAV")	Investment holding company	**100**	100	**–**	–
Southeast Asia Special Asset Management Berhad	To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts	**100**	100	**–**	–
Lot A Sentral Sdn. Bhd.	Property investment	**–**	–	**100**	100

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG are (Continued):

		Percentage of equity held			
		Directly by CIMBG		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
CIMB (Hong Kong) Limited[+^] (formerly known as CIMB Securities (HK) Nominees Ltd) (Incorporated in Hong Kong)	Nominee services	**–**	100	**–**	–
CIMB Southeast Asia Research Sdn. Bhd. (CARI)[^^]	Public advocacy through research, publication and events	**100**	100	**–**	–
PT CIMB ASEAN Research[#^^] (Incorporated in the Republic of Indonesia)	Public advocacy through research, publication and events	**–**	–	**100**	100
PT Synergy Dharma Nayaga[~] (Incorporated in the Republic of Indonesia)	Management consultancy	**–**	–	**100**	100
CIMB Investment Bank (Private) Limited[+^^] (Incorporated in Sri Lanka)	Stock and share broking	**45**	45	**–**	–
CIMB Capital Markets (Australia) PTY Ltd[+] (Incorporated in Australia)	Equity capital markets business	**100**	100	**–**	–
CSI Investment Limited[+] (Incorporated in British Virgin Island)	Investment holding	**100**	100	**–**	–
MinorCap Pte. Ltd.[+] (Incorporated in the Republic of Singapore)	Dormant	**–**	–	**100**	100
Southeast Asia Special Asset Vehicle Limited	Special purpose vehicle	**–**	–	**100**	100
CIMB Bancom Capital Corporation	Investment banking	**60**	60	**–**	–

\# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited
\+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT
^ Disposed/striked off/liquidated during the financial year
^^ Under disposal/strike off/liquidation process
~ Not being audited

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Investment Bank are:

		Percentage of equity held			
		Directly by CIMB Investment Bank		Through CIMB Investment Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	**2019 %**	**2020 %**	**2019 %**
CIMB Holdings Sdn. Bhd.	Investment holding	**100**	100	**–**	–
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB EOP Management Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100	**–**	–
CIMB Commerce Trustee Berhad	Trustee services	**–**	–	**20**	20
CIMB Islamic Trustee Berhad	Trustee services	**–**	–	**20**	20

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are:

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
CIMB FactorLease Berhad	Leasing, hire purchase financing, debt factoring, loan management and property management	**100**	100	**–**	–
CIMB Islamic Trustee Berhad	Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts	**20**	20	**40**	40
CIMB Bank (L) Limited (Incorporated in the Federal Territory of Labuan)	Carrying on the business of a Labuan bank	**100**	100	**–**	–
iCIMB (Malaysia) Sdn. Bhd.	Provision of outsourcing services	**100**	100	**–**	–
CIMB Group Nominees Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–
CIMB Group Nominees (Tempatan) Sdn Bhd	Providing of nominee services	**100**	100	**–**	–
CIMB Group Nominees (Asing) Sdn. Bhd.	Providing of nominee services	**100**	100	**–**	–
CIMB Islamic Bank Berhad	Islamic banking and related financial services	**100**	100	**–**	–
CIMB Trust Ltd. (Incorporated in the Federal Territory of Labuan)	Trustee services	**100**	100	**–**	–
Bumiputra-Commerce Corporate Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**100**	100

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are (Continued):

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	2019 %	**2020 %**	2019 %
BC Management Services Limited (Incorporated in the Federal Territory of Labuan)	Nominee services	**–**	–	**100**	100
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**–**	–	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Provision of nominee services	**–**	–	**100**	100
S.B. Venture Capital Corporation Sdn. Bhd.	Investment holding and provision of management services	**100**	100	**–**	–
BHLB Properties Sdn. Bhd.	To own and manage premises and other immovable properties	**100**	100	**–**	–
SBB Nominees (Tempatan) Sdn. Bhd. ^^	Provision of nominee services	**100**	100	**–**	–
CIMB Nominees (S) Pte. Ltd. +^^ (Incorporated in the Republic of Singapore)	Provision of nominee services	**100**	100	**–**	–
SFB Auto Berhad	Financial services	**100**	100	**–**	–
CIMB Bank (Vietnam) Limited + (Incorporated in Vietnam)	Banking activities	**100**	100	**–**	–
CIMB Bank PLC + (Incorporated in Cambodia)	Commercial banking and related financial services	**100**	100	**–**	–
CIMB Commerce Trustee Berhad	Provision of trustee, custodian and nominees services	**20**	20	**40**	40
S.B. Properties Sdn. Bhd.	Property ownership and management	**100**	100	**–**	–
SFB Development Sdn. Bhd.	Property investment	**100**	100	**–**	–

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are (Continued):

		Percentage of equity held			
		Directly by CIMB Bank		Through CIMB Bank's subsidiary company	
Name of Subsidiary	Principal activities	2020 %	2019 %	2020 %	2019 %
SIBB Berhad	Investment dealing	**80**	80	**–**	–
Perdana Nominees (Tempatan) Sdn. Bhd.	Provision of nominee services	**–**	–	**80**	80
Commerce Returns Berhad ^^	Investment holding	**100**	100	**–**	–
CIMB Thai Bank Public Company Limited + (Incorporated in the Kingdom of Thailand)	Commercial banking	**94.8**	94.8	**–**	–
Merdeka Kapital Berhad **	Engaged in the purchase from multi originators of receivables and the raising of funds and related activities	**–**	–	**–**	–
Ziya Capital Bhd. ***	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**–**	–	**–**	–

** Consolidation of the silo of Merdeka Kapital Berhad
In 2011, CIMB Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad ("MKB"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements" in 2013, CIMB Bank has consolidated the silo of MKB in relation to CIMB Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The securitisation transaction was completed in 2016.

On 31 March 2017, the Bank obtained new funding through securitisation of its hire purchase receivables to MKB.

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

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

^^ Under strike off/liquidation process

All the above subsidiaries, unless otherwise stated, are incorporated in Malaysia.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Information about principal subsidiaries (Continued):

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

		Percentage of equity held			
		Directly by CIMB Niaga		Through CIMBG's subsidiary company	
Name of Subsidiary	**Principal activities**	**2020 %**	**2019 %**	**2020 %**	**2019 %**
PT CIMB Auto Finance + (Incorporated in the Republic of Indonesia)	Financing services	**99.9**	99.9	**–**	–
PT CIMB Niaga Sekuritas # (Incorporated in the Republic of Indonesia)	Capital market business	**94.8**	94.8	**5.2**	5.2

The subsidiaries held through CIMB Thai Bank Public Company Limited are:

		Percentage of equity held	
Name of Subsidiary	**Principal activities**	**2020 %**	**2019 %**
CT Coll Co. Ltd. + (Incorporated in the Kingdom of Thailand)	Services of debt collection and debt restructuring	**99.9**	99.9
CIMB Thai Auto Company Ltd + (Incorporated in the Kingdom of Thailand)	Hire purchase sale & leaseback and financial lease	**99.9**	99.9
Worldlease Co. Ltd. + (Incorporated in the Kingdom of Thailand)	Hire purchase of motorcycles	**99.9**	99.9

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.
# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited

All the subsidiaries, unless otherwise stated, are incorporated in Malaysia.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Details of subsidiaries that have material non-controlling interests:

Set out below are the Group's subsidiaries that have material non-controlling interests:

Name of subsidiaries	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2020 %	2019 %	**2020 RM'000**	2019 RM'000	**2020 RM'000**	2019 RM'000
CIMB Thai Bank Public Company Limited Group (Incorporated in the Kingdom of Thailand)	**5.2**	5.2	**6,075**	18,802	**288,398**	285,514
PT Bank CIMB Niaga Tbk Group (Incorporated in the Republic of Indonesia)	**7.5**	7.5	**40,195**	57,715	**685,188ß**	679,073ß
TnG Group	**–**	–	**(92,913)***	(155,576)*	**52,428***	45,382*
Individually immaterial subsidiaries with non-controlling interests					**22,467**	21,936
					1,048,481	1,031,905

* The loss allocated to non-controlling interest and accumulated non-controlling interest arises from a subsidiary held through TnG, namely TNG Digital Sdn. Bhd. ("TNGD"). The interest and voting rights held by non-controlling interest in TNGD is 49%. Refer to Note 13(a)

ß Inclusive of shares purchased arising from Employee benefit scheme of RM85 million.

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Details of subsidiaries that have material non-controlling interests: (Continued)

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	CIMB Thai Bank Public Company Limited Group		PT Bank CIMB Niaga Tbk Group		TnG Group	
	2020 RM'000	2019 RM'000	**2020 RM'000**	2019 RM'000	**2020 RM'000**	2019 RM'000
Total assets	**55,150,320**	54,101,986	**79,155,691**	78,935,285	**1,240,256**	1,097,698
Total liabilities	**(49,556,020)**	(48,519,735)	**(68,512,072)**	(68,399,859)	**(992,602)**	(902,851)
Net assets	**5,594,300**	5,582,251	**10,643,619**	10,535,426	**247,654**	194,847
Equity attributable to owners of the Company	**(5,594,300)**	(5,582,251)	**(10,639,590)**	(10,530,921)	**(195,226)**	(149,465)
Non-controlling interests ("NCI")	**–**	–	**(4,029)**	(4,505)	**(52,428)**	(45,382)
Revenue	**1,890,296**	2,024,045	**4,734,782**	4,770,183	**151,487**	121,873
Profit/(loss) before taxation	**140,055**	465,013	**829,369**	1,040,880	**(144,002)**	(264,958)
Taxation	**(22,552)**	(101,346)	**(298,311)**	(280,762)	**(8,720)**	(7,471)
Other comprehensive (expense)/ income	**(81,810)**	398,228	**4,293**	450,346	**–**	–
Total comprehensive income/(expense)	**35,693**	761,895	**535,351**	1,210,464	**(152,722)**	(272,429)
Net cash generated from/(used in) operating activities	**1,420,134**	(3,118,358)	**7,946,200**	975,090	**(44,231)**	(31,511)
Net cash (used in)/generated from investing activities	**(866,249)**	2,218,879	**(7,728,551)**	511,583	**(63,528)**	(101,079)
Net cash (used in)/generated from financing activities	**(421,874)**	899,957	**(1,882,781)**	327,701	**154,000**	263,118
Net increase/(decrease) in cash and cash equivalents	**132,011**	478	**(1,665,132)**	1,814,374	**46,241**	130,528
Profit/(loss) allocated to NCI of the Group	**6,075**	18,802	**40,195**	57,715	**(92,913)**	(155,576)
Dividends paid to NCI of the Group	**–**	–	**31,091**	15,353	**–**	–

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Effect of change in ownership interest in subsidiary that do not result in loss of control in 2019

(i) On 25 April 2019, Touch'n Go Sdn Bhd ("TnG"), a subsidiary of CIMBGH, proposed increase of its share via an issuance and allotment of ordinary shares in two tranches to the shareholders of TnG proportionate to their shareholdings ("Capital Call").

CIMBGH fully subscribed to the first tranche of the Capital Call on 17 May 2019 which included the subscription of excess shares not taken up by the other TnG shareholders. Subsequent to the completion of the first tranche of the Capital Call, the Group's effective shareholding in TnG increased from 52.22% to 66.58%.

On 26 July 2019, CIMBGH entered into a Sales & Purchase Agreement to purchase 19.43% of TnG shares from MTD Equity Sdn Bhd ("MTD"). Subsequent to the completion of the acquisition on 21 August 2019, the Group's effective shareholding in TnG increased from 66.58% to 86.01%.

On 24 October 2019, CIMBGH entered into a Share Purchase Agreement to purchase 13.99% of TnG shares from PLUS Malaysia Berhad ("PLUS"). The transaction was completed on the same day, resulting in TnG being a wholly owned subsidiary of the Group.

On 29 October 2019, CIMBGH had fully subscribed to the second tranche of the Capital Call.

The effect on the equity attributable to the owners of the Group during the year is summarised as follows:

	2019 RM'000
Carrying amount of non-controlling interests acquired	62,372
Consideration paid to non-controlling interests	(258,000)
Excess of consideration paid recognised in equity attributable to owners of the Group	(195,628)

14 INVESTMENT IN ASSOCIATES

	The Group	
	2020 RM'000	**2019 RM'000**
At 1 January	**45,756**	74,896
Share of loss for the financial year	**(2,339)**	(751)
Additional investment in associates	**1,981**	17,766
Share of other comprehensive (expense)/income for the financial year	**(92)**	902
Disposal of associates	**–**	(43,640)
Dividend payment	**–**	(3,417)
At 31 December	**45,306**	45,756

(a) Information about associates:

The principal place of business and country of incorporation of the associates is Malaysia unless stated otherwise. All associates are measured using the equity method. There are no available quoted market prices of the associates.

14 INVESTMENT IN ASSOCIATES

(a) Information about associates: (Continued)

The associate held through CIMB Group's subsidiary, CIG Berhad is:

Name of Associate	Principal activities	Percentage of equity held 2020 %	2019 %
CIMB Howden Insurance Brokers Sdn. Bhd. ("CHIB") (formerly known as CIMB Insurance Brokers Sdn. Bhd.) @	Insurance broking	**–**	–

@ With effect from 30 December 2014, due to the change of the Board of Directors following the disposal of 49% stake to a third party, the Group has lost control over CHIB. Therefore, CHIB has ceased to be a subsidiary and was classified as an associate of the Group as at 31 December 2014.

With effect from 31 January 2019, CHIB ceased to be an associate of CIG Berhad and the Group with the disposal of its entire 51% stake.

The associates held through CIMBG's subsidiary, CIMB Real Estate Sdn Bhd are:

Name of Associate	Principal activities	Percentage of equity held 2020 %	2019 %
CMREF 1 Sdn. Bhd. ^^	Investment holding	**24.9**	24.9
Project Asia City Sdn. Bhd. ^^	Property investment and management	**24.9**	24.9

^^Under liquidation process

The associates held through CIMBG's subsidiary, CIMB Strategic Assets Sdn Bhd are:

Name of Associates	Principal activities	Percentage of equity held 2020 %	2019 %
Capital Advisors Partners Asia Sdn. Bhd.	Investment advisory services	**40.0**	40.0
Capital Advisors Partners Asia Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment advisory services	**40.0**	40.0
Capasia Islamic Infrastructure Fund (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	Managing private fund	**40.0**	40.0
Capasia Asean Infrastructure Fund III (General Partner) Limited (Incorporated in the Federal Territory of Labuan)	General Partner of The CapAsia Asean Infrastructure Fund III L.P	**40.0**	40.0
PT Cap Asia Indonesia (Incorporated in the Republic of Indonesia)	Business management consultancy services	**40.0**	40.0
AIGF Sponsor LP	Investment holding	**26.3**	26.3

14 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Information about associates: (Continued)

There is no individual associate that is material to the Group. The financial information in aggregate for all individually immaterial associates are:

	2020 RM'000	2019 RM'000
The Group's share of loss for the financial year	**(2,339)**	(751)
The Group's share of other comprehensive (expense)/income for the financial year	**(92)**	902
The Group's share of total comprehensive (expense)/income for the financial year	**(2,431)**	151
Aggregate carrying amount of the Group's interest in these associates	**45,306**	45,756

15 INVESTMENT IN JOINT VENTURES

	The Group	
	2020 RM'000	2019 RM'000
At 1 January	**2,382,005**	1,639,470
Share of profit for the financial year	**118,834**	31,401
Share of other comprehensive (expense)/income for the financial year	**(10,038)**	13,545
Acquisition of joint venture	**–**	751,589
Additional investment in joint ventures	**44,918**	–
Dividend payment	**(84,502)**	(54,000)
At 31 December	**2,451,217**	2,382,005

(a) Details of joint ventures

The principal place of business and country of incorporation of the joint ventures is Malaysia unless stated otherwise. All joint ventures are measured using the equity method. There are no available quoted market prices of the joint ventures.

		Percentage of equity held through subsidiary company	
Name of Joint Ventures	**Principal activities**	**2020 %**	**2019 %**
Proton Commerce Sdn. Bhd.	Development management and marketing of hire purchase or leasing facilities in respect of the purchase or use of Proton and other vehicles	**50**	50
Principal Islamic Asset Management Sdn. Bhd. (formerly known as CIMB-Principal Islamic Asset Management Sdn. Bhd.)	Establishment and management of unit trust fund and fund management business in accordance with shariah principles	**40**	40
CIMB-MC Capital Ltd. (Incorporated in the Cayman Islands)	Investment holding	**50**	50

15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(a) Details of joint ventures (Continued)

Name of Joint Ventures	Principal activities	Percentage of equity held through subsidiary company 2020 %	2019 %
AIGF Advisors Pte. Ltd. (formerly known as CIMB Capital Pte. Ltd.) (Incorporated in the Republic of Singapore)	Investment advisory services	**–**	50
AIGF Management Company Ltd. (Incorporated in the Cayman Islands)	General Partner	**45**	45
CGS-CIMB Securities International Pte. Ltd. (Incorporated in the Republic of Singapore)	Investment holding	**50**	50
CGS-CIMB Securities (Singapore) Pte. Ltd. (Incorporated in the Republic of Singapore)	Stock and sharebroking	**50**	50
CGS-CIMB Securities (UK) Ltd. (Incorporated in the United Kingdom)	Securities related business	**50**	50
CGS-CIMB Securities (USA) Inc. (Incorporated in the United States of America)	Securities related business	**50**	50
PT CGS-CIMB Sekuritas Indonesia (Incorporated in the Republic of Indonesia)	Stockbroking	**50**	50
PT CGS-Konsultan Manajemen (Incorporated in Indonesia)	Management consultant	**50**	50
PT CGS-CIMB Futures Indonesia (Incorporated in Indonesia)	Trading commodity future	**50**	50
CGS-CIMB Capital Pte Ltd (Incorporated in the Republic of Singapore)	Providing financing services	**50**	50
CGS-CIMB Securities (Hong Kong) Limited (Incorporated in Hong Kong)	Securities broking, dealing and trading	**50**	50
CGS-CIMB Securities (India) Private Limited (Incorporated in India)	Stock and share broking	**50**	50
CGS-CIMB Research Pte. Ltd. (Incorporated in the Republic of Singapore)	Research and advisory	**50**	50
CGS-CIMB Securities (Mauritius) Ltd. (Incorporated in Mauritius)	Dormant	**50**	50
CGS-CIMB Securities (Thailand) Co. Ltd. (Incorporated in the Kingdom of Thailand)	Stock and share broking	**50**	50
Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad)	Establishment and management of unit trust fund and fund management business	**40**	40

15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(a) Details of joint ventures (Continued)

Name of Joint Ventures	Principal activities	Percentage of equity held through subsidiary company 2020 %	2019 %
Principal Asset Management Company Limited (formerly known as CIMB-Principal Asset Management Company Limited (Incorporated in the Kingdom of Thailand)	Investment and fund management and other related services	**40**	40
PT Principal Asset Management (formerly known as PT CIMB-Principal Asset Management) (Incorporated in the Republic of Indonesia)	Establishment and management of unit trust fund and fund management business	**39.6**	39.6
Principal Asset Management (S) Pte. Ltd. (formerly known as CIMB Principal Asset Management (S) Pte. Ltd.) (Incorporated in the Republic of Singapore)	Provision of management and investment analysis services	**40**	40
CIMB Wealth Advisors Berhad	Distribution of unit trust funds	**40**	40
CGS-CIMB Holdings Sdn Bhd *	Investment holding	**50**	50
CGS-CIMB Securities Sdn Bhd * (formerly known as Jupiter Securities Sdn Bhd)	Securities and stock broking	**50**	50
CGS-CIMB Capital Sdn Bhd * (formerly known as Jupiter Equities Sdn Bhd	Money lending but not commence operations	**50**	50
CGS-CIMB Nominees (Tempatan) Sdn Bhd * (formerly known as JS Nominees (Tempatan) Sdn Bhd)	Nominee services	**50**	50
CGS-CIMB Nominees (Asing) Sdn Bhd) * (formerly known as JS Nominees (Asing) Sdn Bhd)	Nominee services	**50**	50
CGS-CIMB Research Sdn Bhd * (formerly known as Jupiter Research Sdn Bhd	Investment advisory	**50**	50
CGS-CIMB Futures Sdn Bhd * (formerly known as CIMB Futures Sdn. Bhd.)	Futures broking	**50**	50

* Turned joint venture during the previous financial year

15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(b) Details of material joint venture:

(i) Proton Commerce Sdn. Bhd.

On 22 October 2003, Bumiputra-Commerce Finance Berhad ("BCF") (now known as Mutiara Aset Berhad) entered into a joint venture agreement with Proton Edar Sdn. Bhd. ("PESB") for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint venture was incorporated under the name of Proton Commerce Sdn. Bhd. ("PCSB") which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares ("PPS") which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to CIMB Bank and the subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank issued RM200 million PPS to PCSB.

(ii) CIMB-Principal Asset Management Bhd ("CPAM")

On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equity stake in CPAM to PIA ("Proposed Divestment"). On 25 May 2018, the proposed divestment was completed, and CPAM ceased to be a subsidiary of the Group.

(iii) CGS-CIMB Securities International Pte. Ltd. (formerly known as CIMB Securities International Pte. Ltd.) ("CSI")

On 17 October 2016, CIMBG, a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal"). The Proposed Disposal was completed on 18 January 2018.

(iv) CGS-CIMB Holdings Sdn Bhd

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV HoldCo") entered into a Share Subscription Agreement in connection with the subscription of new shares in the Malaysia JV Entity by CIMBG and CGI ("Proposed MY Share Subscription"). At completion, CIMBG and CGI will be 50:50 shareholders in Malaysia JV HoldCo. Following the signing of the Share Subscription Agreement, the parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of CIMB Group, including 100% interest in CIMB Futures Sdn Bhd, to Jupiter Securities ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of Malaysia JV HoldCo and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration for the Proposed Business Transfer will be satisfied in cash, and is subject to completion audit adjustment, if any.

On 9 May 2019, the Group announced that the High Court of Malaya has granted the necessary court orders for the Proposed Business Transfer with effective from 1 July 2019.

On 28 June 2019, the Group announced the completion of the Proposed MY Share Subscription. The proceeds from the subscription was utilised to satisfy the purchase consideration in connection with the Proposed Business Transfer, which was effective on 1 July 2019. This new JV was rebranded as "CGS-CIMB Securities" on the effective date.

15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(c) The summarised financial information below represents amounts shown in the material joint venture's Financial Statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

	PCSB		CPAM		CGS-CIMB Securities International Pte. Ltd.		CGS-CIMB Holdings Grp	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets	**1,995,395**	1,507,276	**488,357**	476,091	**105,057**	93,952	**392,394**	474,274
Current assets	**531,873**	512,535	**1,734,646**	1,095,555	**12,151,409**	7,798,615	**2,880,226**	2,427,205
Current liabilities (non-trade)	**(2,237,628)**	(1,663,865)	**(1,267,067)**	(643,925)	**(9,267,561)**	(5,227,141)	**(1,690,061)**	(1,410,385)
Non-current liabilities (non-trade)	**(9,325)**	(5,147)	**(15,036)**	(7,316)	**(2,079,961)**	(1,882,399)	**(15,868)**	–
Net assets	**280,315**	350,799	**940,900**	920,405	**908,944**	783,027	**1,566,691**	1,491,094
The above amounts of assets and liabilities include the following:								
Cash and cash equivalents	**7,216**	2,205	**855,874**	543,321	**473,192**	1,028,500	**228,115**	675,297
Revenue	**47,843**	63,980	**364,460**	353,159	**713,227**	571,409	**334,335**	91,274
(Loss)/profit for the financial year	**(20,484)**	7,072	**140,817**	110,363	**53,394**	(29,329)	**75,597**	(12,084)
Other comprehensive (expense)/income for the financial year	**-**	–	**(3,322)**	4,180	**(16,877)**	23,763	**-**	–
Total comprehensive (expense)/income for the financial year	**(20,484)**	7,072	**137,495**	114,543	**36,517**	(5,566)	**75,597**	(12,084)
The above (loss)/profit for the financial year include the following:								
Interest income	**85,533**	63,824	**4,425**	6,390	**265,227**	285,910	**70,934**	34,024
Interest expense	**(34,357)**	(34,013)	**(248)**	(371)	**(107,412)**	(147,974)	**(3,816)**	–
Taxation	**5,862**	(1,310)	**(16,657)**	(21,506)	**(35,796)**	(12,766)	**(32,025)**	(3,593)
Dividend received from joint ventures	**25,000**	–	**46,800**	52,000	**-**	–	**-**	–

15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(d) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint venture recognised in the consolidated financial statements:

	PCSB		CPAM		CGS-CIMB Securities International Pte. Ltd.		CGS-CIMB Holdings Grp	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At 1 January	**350,799**	343,727	**2,227,491**	2,242,948	**1,109,097**	1,114,663	**1,491,094**	–
Additions during the year	**-**	–	**-**	–	**89,400**	–	**-**	1,503,178
(Loss)/profit for the financial year	**(20,484)**	7,072	**140,817**	110,363	**53,394**	(29,329)	**75,597**	(12,084)
Other comprehensive (expense)/income	**-**	–	**(3,322)**	4,180	**(16,877)**	23,763	**-**	–
Dividend payment	**(50,000)**	–	**(117,000)**	(130,000)	**-**	–	**-**	–
At 31 December	**280,315**	350,799	**2,247,986**	2,227,491	**1,235,014**	1,109,097	**1,566,691**	1,491,094
Fair value adjustments and effect of change from subsidiaries to joint ventures	**-**	–	**(1,307,086)**	(1,307,086)	**(326,070)**	(326,070)	**-**	–
	280,315	350,799	**940,900**	920,405	**908,944**	783,027	**1,566,691**	1,491,094
Interest in joint venture (%)	**50%**	50%	**40%**	40%	**50%**	50%	**50%**	50%
Interest in joint venture	**140,158**	175,400	**376,360**	368,162	**454,472**	391,514	**783,346**	745,547
Goodwill	**-**	–	**522,834**	522,834	**163,035**	163,035	**-**	–
Carrying value	**140,158**	175,400	**899,194**	890,996	**617,507**	554,549	**783,346**	745,547

(e) Aggregate information of joint ventures that are not individually material:

	2020 RM'000	**2019 RM'000**
The Group's share of profit for the financial year	**55,316**	23,478
The Group's share of other comprehensive (expense)/income for the financial year	**(935)**	828
The Group's share of total comprehensive income for the financial year	**54,381**	24,306
Aggregate carrying amount of the Group's interest in these joint ventures	**11,012**	15,513

16 PROPERTY, PLANT AND EQUIPMENT

The Group 2020	Note	Freehold land RM'000	Leasehold land 50 years or more* RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Renovations, work-in-progress, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost										
At 1 January		247,248	32,847	1,336,031	71,520	43,324	2,100,189	1,201,415	71,801	5,104,375
Additions		1,802	-	61,547	-	-	342,500	56,051	3,629	465,529
Additions arising from acquisition of a subsidiary	55	-	-	-	-	-	36	4,764	-	4,800
Reclassified to right-of-use assets		-	(8,038)	-	-	-	-	-	-	(8,038)
Disposals/Written off		(663)	-	(37,784)	-	-	(156,264)	(226,156)	(6,472)	(427,339)
Transfer/reclassifications		18,609	(18,610)	7,135	(7,135)	(30,012)	2,285	26,772	956	-
Reclassified to intangible assets	21	-	-	-	-	-	(16,050)	(47,838)	-	(63,888)
Reclassified to non-current assets held for sale		(2,764)	(6,199)	(6,185)	(2,964)	-	(489)	(35)	-	(18,636)
Exchange fluctuation		(5,772)	-	(16,672)	315	(932)	(38,409)	(4,490)	(785)	(66,745)
At 31 December		258,460	-	1,344,072	61,736	12,380	2,233,798	1,010,483	69,129	4,990,058
Accumulated depreciation and impairment loss										
At 1 January		1,532	9,889	436,847	24,748	38,177	1,180,711	1,014,421	54,543	2,760,868
Charge for the financial year		-	-	36,765	1,547	159	143,579	89,487	6,388	277,925
Depreciation arising from acquisition of a subsidiary	55	-	-	-	-	-	27	4,758	-	4,785
Reclassified to right-of-use assets		-	(3,487)	-	-	-	-	-	-	(3,487)
Disposals/Written off		-	-	(14,418)	-	-	(118,214)	(212,594)	(5,443)	(350,669)
Transfer/reclassifications		6,079	(6,077)	2,590	(4,233)	(26,086)	77,810	(51,709)	1,626	-
Reclassified to intangible assets	21	-	-	-	-	-	-	(29,545)	-	(29,545)
Reclassified to non-current assets held for sale		-	(325)	(1,775)	(155)	-	(339)	(26)	-	(2,620)
Exchange fluctuation		(171)	-	(10,537)	88	(702)	(17,644)	(4,075)	(517)	(33,558)
At 31 December		7,440	-	449,472	21,995	11,548	1,265,930	810,717	56,597	2,623,699
Net book value at 31 December 2020		251,020	-	894,600	39,741	832	967,868	199,766	12,532	2,366,359

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group 2019	Note	Freehold land RM'000	Leasehold land 50 years or more* RM'000	Leasehold land less than 50 years* RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on easehold land less than 50 years RM'000	Renovations, work-in-progress, office equipment, plant and machinery and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost											
At 1 January		253,443	30,595	1,804	1,311,410	58,476	43,920	2,069,243	1,275,655	90,207	5,134,753
Additions		6,319	227	–	28,985	319	99	505,584	65,706	4,111	611,350
Disposals/Written off		(3,719)	(218)	–	(20,046)	(414)	(5,348)	(365,812)	(105,862)	(24,789)	(526,208)
Transfer/reclassifications		–	1,804	(1,804)	1,469	(1,469)	1,655	66,064	(67,719)	–	–
Reclassified (to)/from intangible assets	21	–	–	–	–	–	–	(223,996)	17,496	–	(206,500)
Reclassified to investment properties		(18,609)	–	–	(7,135)	–	–	–	–	–	(25,744)
Reclassified from/(to) non-current assets held for sale		1,165	439	–	(4,585)	14,334	–	–	–	–	11,353
Exchange fluctuation		8,649	–	–	25,933	274	2,998	49,106	16,139	2,272	105,371
At 31 December		247,248	32,847	–	1,336,031	71,520	43,324	2,100,189	1,201,415	71,801	5,104,375
Accumulated depreciation and impairment loss											
At 1 January		7,069	8,391	1,004	394,016	15,715	32,950	1,365,444	982,943	70,021	2,877,553
Charge for the financial year		–	422	–	35,692	4,339	5,512	135,349	100,515	7,142	288,971
Disposals/Written off		–	(111)	–	(5,221)	(267)	(3,683)	(343,181)	(92,870)	(24,087)	(469,420)
Transfer/reclassifications		–	1,004	(1,004)	(1,442)	(2,086)	1,315	(5,737)	8,065	–	115
Reclassified (to)/from intangible assets	21	–	–	–	–	–	–	(20)	1,575	–	1,555
Reclassified to investment properties		(6,079)	–	–	(2,331)	–	–	–	–	–	(8,410)
Reclassified from non-current assets held for sale		–	183	–	863	6,974	–	–	–	–	8,020
Exchange fluctuation		542	–	–	15,270	73	2,083	28,856	14,193	1,467	62,484
At 31 December		1,532	9,889	–	436,847	24,748	38,177	1,180,711	1,014,421	54,543	2,760,868
Net book value at 31 December 2019		245,716	22,958	–	899,184	46,772	5,147	919,478	186,994	17,258	2,343,507

* This is the right-of-use assets within the scope of MFRS 16

Work-in-progress amounted to RM479,006,977 (2019: RM447,694,813) for the Group.

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company 2020	Leasehold land 50 years or more* RM'000	Buildings on leasehold land 50 years or more RM'000	Renovations, work-in-progress, office equipment and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 January	**869**	**15,159**	**779**	**6**	**2,216**	**19,029**
Reclassified to right-of-use assets	**(869)**	**–**	**–**	**–**	**–**	**(869)**
Disposals/written off	**–**	**–**	**(108)**	**–**	**–**	**(108)**
At 31 December	**–**	**15,159**	**671**	**6**	**2,216**	**18,052**
Accumulated depreciation						
At 1 January	**253**	**10,706**	**534**	**6**	**1,632**	**13,131**
Charge for the financial year	**–**	**441**	**22**	**–**	**138**	**601**
Reclassified to right-of-use assets	**(253)**	**–**	**–**	**–**	**–**	**(253)**
At 31 December	**–**	**11,147**	**556**	**6**	**1,770**	**13,479**
Net book value at 31 December 2020	**–**	**4,012**	**115**	**–**	**446**	**4,573**
2019						
Cost						
At 1 January	648	864	1,095	6	2,216	4,829
Disposals	(218)	(414)	(316)	–	–	(948)
Reclassified from non-current assets held for sale	439	14,709	–	–	–	15,148
At 31 December	869	15,159	779	6	2,216	19,029
Accumulated depreciation						
At 1 January	109	705	812	6	1,494	3,126
Charge for the financial year	72	3,170	35	–	138	3,415
Disposals	(111)	(267)	(313)	–	–	(691)
Reclassified from non-current assets held for sale	183	7,098	–	–	–	7,281
At 31 December	253	10,706	534	6	1,632	13,131
Net book value at 31 December 2019	616	4,453	245	–	584	5,898

* This is the rights-of-use assets within the scope of MFRS 16

17 RIGHT-OF-USE ASSETS

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

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Buildings	**531,017**	725,677	**–**	–
Leasehold land	**75,731**	–	**603**	–
Computer equipment	**62,209**	50,147	**–**	–
Motor vehicles	**264**	18	**–**	–
	669,221	775,842	**603**	–

Additions to the right-of-use assets and depreciation charge during the financial year for the Group and the Company are as follows:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Additions	**93,428**	144,108	**–**	–
Charge for the financial year:				
Buildings	**217,455**	221,248	**–**	–
Leasehold land	**10,242**	–	**11**	–
Computer equipment	**19,402**	17,634	**–**	–
Motor vehicles	**73**	78	**–**	–
	247,172	238,960	**11**	–

Short-term leases expenses, low-value leases expenses and variable lease payments expenses that are not included in lease liabilities for the Group and the Company are as follows:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Short-term lease expenses	**45,108**	65,097	**–**	–
Low-value lease expenses	**7,411**	7,450	**–**	–
Variable lease payment expenses	**35,046**	12,048	**–**	–

18 INVESTMENT PROPERTIES

	Leasehold land RM'000	Buildings on leasehold land RM'000	Total RM'000
The Group			
2020			
Fair value at 31 December 2020	**36,196**	**4,804**	**41,000**
2019			
Fair value at 31 December 2019	12,530	4,804	17,334

	Freehold land RM'000	Buildings on freehold land RM'000	Total RM'000
The Company			
2020			
Cost			
At 1 January/31 December	**235**	**561**	**796**
Accumulated depreciation			
At 1 January	**–**	**415**	**415**
Charge for the financial year	**–**	**18**	**18**
At 31 December	**–**	**433**	**433**
Net book value at 31 December 2020	**235**	**128**	**363**
Fair value as at 31 December 2020	**1,450**	**1,210**	**2,660**
2019			
Cost			
At 1 January/31 December	235	561	796
Accumulated depreciation			
At 1 January	–	397	397
Charge for the financial year	–	18	18
At 31 December	–	415	415
Net book value at 31 December 2019	235	146	381
Fair value as at 31 December 2019	1,350	1,350	2,700

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

19 PREPAID LEASE PAYMENTS

	Leasehold land less than 50 years* RM'000	Total RM'000
The Group		
2020		
Cost		
At 1 January	**286,973**	**286,973**
Disposals/Write-off	**(2,231)**	**(2,231)**
Reclassified to right-of-use assets	**(284,680)**	**(284,680)**
Exchange fluctuation	**(62)**	**(62)**
At 31 December	**–**	**–**
Amortisation and impairment loss		
At 1 January	**205,545**	**205,545**
Disposals/Write-off	**(2,231)**	**(2,231)**
Reclassified to right-of-use assets	**(203,254)**	**(203,254)**
Exchange fluctuation	**(60)**	**(60)**
At 31 December	**–**	**–**
Net book value at 31 December 2020	**–**	**–**
2019		
Cost		
At 1 January	286,774	286,774
Exchange fluctuation	199	199
At 31 December	286,973	286,973
Amortisation and impairment loss		
At 1 January	195,088	195,088
Amortisation during the financial year	10,268	10,268
Exchange fluctuation	189	189
At 31 December	205,545	205,545
Net book value at 31 December 2019	81,428	81,428

* This is the right-of-use assets within the scope of MFRS 16.

19 PREPAID LEASE PAYMENTS (CONTINUED)

Future amortisation of prepaid land lease is as follows:

Leasehold land less than 50 years	2020 RM'000	2019 RM'000
The Group		
– Not later than one year	**–**	10,268
– Later than one year and not later than five years	**–**	41,072
– More than five years	**–**	30,088
	–	81,428

20 GOODWILL

	The Group	
	2020 RM'000	**2019 RM'000**
Cost		
At 1 January	**7,857,539**	7,680,096
Exchange fluctuation	**(99,116)**	177,443
At 31 December	**7,758,423**	7,857,539
Impairment		
At 1 January/31 December	**–**	–
Net book value at 31 December	**7,758,423**	7,857,539

20 GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating-units

Goodwill has been allocated to the following cash-generating-units ("CGUs"). These CGUs do not carry any intangible assets with indefinite useful lives:

	2020 RM'000	2019 RM'000
CGU		
Consumer Banking		
Retail Finance Services	**1,262,272**	1,262,272
Islamic Banking	**136,000**	136,000
Group Cards	**425,803**	425,803
Commercial Banking	**911,000**	911,000
Wholesale Banking		
Corporate Banking	**419,000**	419,000
Treasury	**537,000**	537,000
Foreign Banking Operations		
Indonesia	**2,578,349**	2,578,349
Thailand	**1,199,277**	1,199,277
Others		
TnG	**51,082**	51,082
Exchange fluctuation	**238,640**	337,756
	7,758,423	7,857,539

Impairment test for goodwill

Value-in-use

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

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

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

20 GOODWILL (CONTINUED)

The estimated terminal growth rates and discount rates used for value-in-use calculations are as follows:

	2020		2019	
	Terminal Growth rate	**Discount rate**	**Terminal Growth rate**	**Discount rate**
Retail Finance Services	**3.31%**	**8.85%**	4.22%	7.50%
Islamic Banking	**3.31%**	**8.85%**	4.22%	7.50%
Group Cards	**3.31%**	**8.85%**	4.22%	7.50%
Commercial Banking	**3.31%**	**8.85%**	4.22%	7.50%
Corporate Banking	**3.31%**	**8.85%**	4.22%	7.50%
Treasury	**3.31%**	**8.85%**	4.22%	7.50%
Foreign banking operations				
– Indonesia	**2.00%**	**15.63%**	2.00%	12.95%
– Thailand	**2.00%**	**8.00%**	2.00%	6.80%
Others – TnG	**3.31%**	**8.85%**	4.22%	7.50%

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

Impairment charge

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

21 INTANGIBLE ASSETS

The Group	Note	Customer relationship RM'000	Core deposits RM'000	Computer software and work-in-progress RM'000	License fee RM'000	Total RM'000
2020						
Cost						
At 1 January		212,082	1,348,558	4,039,903	398	5,600,941
Arising from acquisition of a subsidiary	55	–	–	–	12,555	12,555
Additions during the financial year		–	–	663,852	–	663,852
Reclassified to non-current assets held for sale	57	–	–	(8)	–	(8)
Disposals/write off during the financial year		(760)	–	(51,227)	(390)	(52,377)
Net reclassification from property, plant and equipment	16	–	–	63,888	–	63,888
Exchange fluctuation		(407)	–	(35,372)	(8)	(35,787)
At 31 December		210,915	1,348,558	4,681,036	12,555	6,253,064
Accumulated amortisation and impairment						
At 1 January		212,082	1,348,558	2,354,734	398	3,915,772
Amortisation during the financial year		–	–	367,427	–	367,427
Impairment during the financial year		–	–	18,629	–	18,629
Disposals/write off during the financial year		(760)	–	(44,168)	(390)	(45,318)
Net reclassification to property, plant and equipment	16	–	–	29,545	–	29,545
Reclassified to non-current assets held for sale	57	–	–	(5)	–	(5)
Exchange fluctuation		(407)	–	(19,181)	(8)	(19,596)
At 31 December		210,915	1,348,558	2,706,981	–	4,266,454
Net book value at 31 December 2020		–	–	1,974,055	12,555	1,986,610

21 INTANGIBLE ASSETS (CONTINUED)

The Group	Note	Customer relationship RM'000	Core deposits RM'000	Computer software and work-in-progress RM'000	License fee RM'000	Total RM'000
2019						
Cost						
At 1 January		211,998	1,348,558	3,517,896	370	5,078,822
Additions during the financial year		–	–	345,868	–	345,868
Disposals/write off during the financial year		–	–	(70,436)	–	(70,436)
Net reclassification from property, plant and equipment	16	–	–	206,500	–	206,500
Exchange fluctuation		84	–	40,075	28	40,187
At 31 December		212,082	1,348,558	4,039,903	398	5,600,941
Accumulated amortisation and impairment						
At 1 January		211,998	1,046,673	2,111,297	370	3,370,338
Amortisation during the financial year		–	30,699	275,633	–	306,332
Impairment during the financial year		–	271,186	–	–	271,186
Disposals/write off during the financial year		–	–	(56,238)	–	(56,238)
Net reclassification to property, plant and equipment	16	–	–	(1,555)	–	(1,555)
Exchange fluctuation		84	–	25,597	28	25,709
At 31 December		212,082	1,348,558	2,354,734	398	3,915,772
Net book value at 31 December 2019		–	–	1,685,169	–	1,685,169

The above intangible assets include software under construction at cost of RM489,159,199 (2019: RM361,936,008).

The valuation of customer relationship was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing credit card, revolving credit, overdraft and trade finance loan base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

The valuation of core deposits acquired in a business combination was derived by discounting the anticipated future benefits from core deposits. The discount rate used was 8.0%-8.4%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

The remaining amortisation period of the intangible assets with finite life is as follows:

Computer software	1 – 15 years

21 INTANGIBLE ASSETS (CONTINUED)

Impairment charge

During the financial year ended 31 December 2020, a subsidiary of the Group has made impairment of RM18.6 million for computer software as it no longer generates future economic benefits.

During the financial year ended 31 December 2019, the Group has made impairment of RM271.2 million for the remaining intangible assets in relation to core deposits. The impairment was made as a result of acceleration in the attrition rate for these core deposits, which led to deterioration in the overall recoverable amount for the core deposits. The Group applied the value-in-use method to derive the recoverable amount for the core deposits. The discount rate used to determine the recoverable amount is 11.9%.

22 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	The Group	
	2020 RM'000	**2019 RM'000**
Demand deposits	**102,464,353**	86,750,438
Savings deposits	**66,289,180**	50,899,104
Fixed deposits	**156,085,535**	180,046,303
Negotiable instruments of deposit	**199,022**	116,121
Others	**78,012,547**	74,537,501
	403,050,637	392,349,467

The maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

	The Group	
	2020 RM'000	**2019 RM'000**
Due within six months	**130,126,679**	147,756,119
Six months to less than one year	**25,689,520**	30,201,941
One year to less than three years	**380,773**	2,111,227
Three years to less than five years	**87,585**	93,137
	156,284,557	180,162,424

(ii) By type of customer

	The Group	
	2020 RM'000	**2019 RM'000**
Government and statutory bodies	**13,374,541**	11,939,258
Business enterprises	**128,933,199**	131,117,482
Individuals	**182,755,722**	183,864,980
Others	**77,987,175**	65,427,747
	403,050,637	392,349,467

23 INVESTMENT ACCOUNTS OF CUSTOMERS

		The Group	
	Note	2020 RM'000	2019 RM'000
Unrestricted investment accounts	59(p)	**2,678,870**	3,448,964

24 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2020 RM'000	2019 RM'000
Licensed banks	**25,865,604**	20,678,566
Licensed finance companies	**2,138,885**	747,051
Licensed investment banks	**23,761**	237,091
Bank Negara Malaysia ("BNM")	**671,953**	5,423
Other financial institutions	**3,091,042**	1,998,591
	31,791,245	23,666,722

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

	The Group	
	2020 RM'000	2019 RM'000
Due within six months	**29,166,993**	23,133,281
Six months to less than one year	**1,806,872**	432,333
One year to less than three years	**–**	101,108
Three years to five years	**155,517**	–
More than five years	**661,863**	–
	31,791,245	23,666,722

(i) The Group has undertaken a fair value hedge on the interest rate risk of the negotiable instruments of deposit amounting to RM100,000,000 (2019: RM100,000,000) using interest rate swaps.

(ii) Included in deposits and placements of BNM are amounts received by the Group under government financing scheme as part of the government support measures in response to COVID-19 pandemic for the purpose of SME lending/financing at a below market rate with a maturity period ranging between 6 to 8.6 years.

25 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2020 RM'000	**2019 RM'000**
Deposits from customers – structured investments	**134,285**	299,930
Debentures	**1,072,150**	1,534
Bills payable	**2,810,495**	3,349,276
	4,016,930	3,650,740

The Group has issued structured investments, bills payables and debentures, and have designated them at fair value in accordance with MFRS 9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of financial liabilities designated at fair value through profit or loss of the Group as at 31 December 2020 were RM479,000 higher (2019: RM27,583,000 lower) than the contractual amount at maturity for the structured investments, RM1,611,000 (2019: RM20,000) higher than the contractual amount at maturity for the debentures and RM520,836,000 (2019: RM643,889,000) higher than the contractual amount at maturity for the bills payable.

26 OTHER LIABILITIES

		The Group		The Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Due to brokers		**9,856**	61,062	**–**	–
Expenditure payable		**2,305,158**	2,606,502	**5,829**	2,405
Provision for legal claims		**52,069**	65,840	**–**	–
Sundry creditors		**1,266,006**	1,301,273	**818**	818
Treasury related payables		**2,957,041**	1,403,078	**–**	–
Structured deposits		**5,920,785**	6,366,281	**–**	–
Expected credit losses for loan commitments and financial guarantee contracts	(a)	**668,621**	498,392	**–**	–
Post employment benefit obligations	29	**492,882**	491,269	**–**	–
Credit card expenditure payable		**158,023**	277,591	**–**	–
Collateral pledged for derivative transactions		**2,888,876**	2,272,687	**–**	–
Prepayment		**694,863**	622,579	**–**	–
Others		**1,042,169**	773,763	**–**	–
		18,456,349	16,740,317	**6,647**	3,223

26 OTHER LIABILITIES (CONTINUED)

(a) The movements in the expected credit losses for loan commitments and financial guarantee contracts are as follows:

	The Group			
	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**304,686**	**43,046**	**150,660**	**498,392**
Changes in expected credit losses due to transfer within stages:	**19,652**	**(23,675)**	**4,023**	**–**
Transferred to Stage 1	**131,745**	**(84,651)**	**(47,094)**	**–**
Transferred to Stage 2	**(76,584)**	**93,955**	**(17,371)**	**–**
Transferred to Stage 3	**(35,509)**	**(32,979)**	**68,488**	**–**
Total charge to Statement of Income:	**65,140**	**113,048**	**13,332**	**191,520**
New exposures	**302,168**	**41,662**	**40,124**	**383,954**
Exposures derecognised or matured	**(188,462)**	**(34,426)**	**(42,326)**	**(265,214)**
Change in credit risk	**(48,566)**	**105,812**	**15,534**	**72,780**
Exchange fluctuation	**(24,234)**	**7,776**	**(1,899)**	**(18,357)**
Other movements	**(862)**	**(2,217)**	**145**	**(2,934)**
At 31 December 2020	**364,382**	**137,978**	**166,261**	**668,621**
At 1 January 2019	333,672	58,862	109,803	502,337
Changes in expected credit losses due to transfer within stages:	100,843	(93,492)	(7,351)	–
Transferred to Stage 1	127,298	(110,156)	(17,142)	–
Transferred to Stage 2	(18,790)	32,344	(13,554)	–
Transferred to Stage 3	(7,665)	(15,680)	23,345	–
Total charge to Statement of Income:	(126,232)	76,991	37,222	(12,019)
New exposures	333,698	6,071	4,699	344,468
Exposures derecognised or matured	(116,895)	(15,525)	(27,609)	(160,029)
Change in credit risk	(343,035)	86,445	60,132	(196,458)
Exchange fluctuation	1,806	485	5,802	8,093
Other movements	(5,403)	200	5,184	(19)
At 31 December 2019	304,686	43,046	150,660	498,392

As at 31 December 2020, the gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM294,844,000 (2019: RM228,338,000).

27 LEASE LIABILITIES

	The Group	
	2020 RM'000	**2019 RM'000**
Buildings	**491,658**	648,181
Computer equipment	**51,290**	62,988
Motor vehicles	**276**	19
	543,224	711,188

28 RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

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

29 POST EMPLOYMENT BENEFIT OBLIGATIONS

		The Group	
	Note	**2020 RM'000**	**2019 RM'000**
Defined contribution plan – EPF	(a)	**35,776**	56,805
Defined benefit plans	(b)	**457,106**	434,464
		492,882	491,269

(a) Defined contribution plan

Group companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Defined benefit plans

The Group operates final salary defined benefit plans for its employees in Indonesia and Thailand under Labor Law of respectively countries, the assets of which are held in separate trustee-administered funds that are governed by local authorities and practice in each country. The plan calls for benefits to be paid to eligible employee at retirement or when the employees resign. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefits payments are from trustee-administrated funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due.

The latest actuarial valuations of the plans in Indonesia and Thailand were carried out in 2020.

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The amount recognised in the statements of financial position in respect of defined benefit plans is as follows:

	The Group 2020 RM'000	The Group 2019 RM'000
Present value of funded obligations	**402,891**	419,763
Fair value of plan assets	**(187,918)**	(239,421)
Status of funded plan	**214,973**	180,342
Present value of unfunded obligations	**242,133**	254,122
Status of defined benefit pension plans	**457,106**	434,464
Liability in statement of financial position	**457,106**	434,464

The movements in the defined benefit obligation over the financial year are as follows:

The Group	Present value of obligations RM'000	Fair value of plan assets RM'000	Total RM'000	Impact of minimum funding requirement/ asset ceiling RM'000	Total RM'000
At 1 January 2020	**673,885**	**(239,421)**	**434,464**	**–**	**434,464**
Current service costs	**45,857**	**–**	**45,857**	**–**	**45,857**
Underprovision in prior year	**(877)**	**–**	**(877)**	**–**	**(877)**
Interest expense/(income)	**25,956**	**(16,143)**	**9,813**	**–**	**9,813**
Components of defined benefits costs recognised in statement of income	**70,936**	**(16,143)**	**54,793**	**–**	**54,793**
Remeasurement:					
– Return on plan assets, excluding amounts included in interest expense	**–**	**15,414**	**15,414**	**–**	**15,414**
– Gain from changes in financial assumptions	**(6,031)**	**–**	**(6,031)**	**–**	**(6,031)**
– Experience gains	**955**	**–**	**955**	**–**	**955**
Components of defined benefits costs recognised in statement of comprehensive (income)/expense	**(5,076)**	**15,414**	**10,338**	**–**	**10,338**
Exchange fluctuation	**(18,602)**	**6,967**	**(11,635)**	**–**	**(11,635)**
Contributions:					
– Employer contributions	**–**	**(1,482)**	**(1,482)**	**–**	**(1,482)**
– Plan participant	**–**	**(3,183)**	**(3,183)**	**–**	**(3,183)**
Receivables	**(33)**	**–**	**(33)**	**–**	**(33)**
Payments from plans – benefits paid	**(76,086)**	**49,930**	**(26,156)**	**–**	**(26,156)**
At 31 December 2020	**645,024**	**(187,918)**	**457,106**	**–**	**457,106**

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The movements in the defined benefit obligation over the financial year are as follows (Continued):

The Group	Present value of obligations RM'000	Fair value of plan assets RM'000	Total RM'000	Impact of minimum funding requirement/ asset ceiling RM'000	Total RM'000
At 1 January 2019	588,663	(266,783)	321,880	–	321,880
Current service costs	41,583	–	41,583	–	41,583
Over provision in prior year	18,342	–	18,342	–	18,342
Interest expense/(income)	47,505	(21,261)	26,244	–	26,244
Components of defined benefits costs recognised in statement of income	107,430	(21,261)	86,169	–	86,169
Remeasurement:					
– Return on plan assets, excluding amounts included in interest expense	–	(2,589)	(2,589)	–	(2,589)
– Loss from changes in demographic assumptions	(8,834)	–	(8,834)	–	(8,834)
– Gain from changes in financial assumptions	41,650	–	41,650	–	41,650
– Experience losses	(30)	–	(30)	–	(30)
Components of defined benefits costs recognised in statement of comprehensive expense/(income)	32,786	(2,589)	30,197	–	30,197
Exchange fluctuation	28,446	(8,262)	20,184	–	20,184
Contributions:					
– Employer contributions	–	(1,555)	(1,555)	–	(1,555)
– Plan participant	–	(3,873)	(3,873)	–	(3,873)
Payments from plans – benefits paid	(83,440)	64,902	(18,538)	–	(18,538)
At 31 December 2019	673,885	(239,421)	434,464	–	434,464

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The significant principal actuarial assumptions used in respect of the Group's defined benefit plans are as follows:

The Group	2020 Thailand %	2020 Indonesia %	2019 Thailand %	2019 Indonesia %
Discount rates	**1.80**	**6.90**	1.50	7.80
Expected return on plan assets	**N/A**	**4.00**	N/A	7.80
Future salary increases	**6.00**	**5.00**	6.00	6.00
Rate of price inflation – other fixed allowance	**1.25**	**N/A**	1.75	N/A

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The sensitivity of defined benefit obligation to changes in the weighted principal assumption is:

2020	Change in assumption	Impact on defined benefit obligation Increase in assumption	Decrease in assumption
Discount rates	**0.5% – 1%**	**Decreased by 10.1%**	**Increased by 7.9%**
Expected return on plan assets	**1.0%**	**Decreased by 0.4%**	**Increased by 0.4%**
Future salary increases	**1.0%**	**Increased by 10.9%**	**Decreased by 12.7%**

2019	Change in assumption	Impact on defined benefit obligation Increase in assumption	Decrease in assumption
Discount rates	0.5% – 1.0%	Decreased by 8.5%	Increased by 8.5%
Expected return on plan assets	1.0%	Decreased by 0.4%	Increased by 0.4%
Future salary increases	1.0%	Increased by 11.7%	Decreased by 11.3%

Projected unit credit method is used in calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The Group's plan assets are comprised as follows:

	The Group					
	2020			2019		
	Quoted RM'000	Unquoted RM'000	Total RM'000	Quoted RM'000	Unquoted RM'000	Total RM'000
Equity instruments (by geography)						
Indonesia	**24,474**	**43,432**	**67,906**	29,151	44,564	73,715
Debt instruments (by type)						
Government bonds	**53,071**	**–**	**53,071**	52,787	–	52,787
Corporate bonds (investment grade)	**9,966**	**–**	**9,966**	12,787	–	12,787
Cash and cash equivalent	**–**	**37,027**	**37,027**	–	58,534	58,534
Mutual funds	**9,906**	**–**	**9,906**	33,167	–	33,167
Others	**–**	**10,042**	**10,042**	–	8,431	8,431
	97,417	**90,501**	**187,918**	127,892	111,529	239,421

The expected contribution to post employment benefits plan for the financial year ending 31 December 2021 is RM26,493,000 to the Group.

The weighted average duration of the defined benefit obligation is 11.0 years (2019: 11.0 years).

29 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

Expected maturity analysis of undiscounted defined benefits plans:

	Less than a year RM'000	Between 1-2 years RM'000	Between 2-5 years RM'000	Over 5 years RM'000	Total RM'000
2020					
Defined benefits plan	**50,390**	**27,184**	**157,256**	**1,352,125**	**1,586,956**
2019					
Defined benefits plan	56,457	28,077	150,643	1,616,790	1,851,967

30 BONDS, SUKUK AND DEBENTURES

	Note	The Group 2020 RM'000	The Group 2019 RM'000
USD313 million notes (2015/2045; callable in 2020)	(a)	**–**	1,572,815
Ziya Capital Berhad Sukuk (2016/2021)	(b)	**186,155**	266,222
IDR1,000,000 million bonds (Series A: 2016/2017; Series B: 2016/2019; Series C: 2016/2021)	(c)	**52,642**	54,214
USD15 million bonds (2017/2022)	(d)	**60,318**	61,507
USD600 million notes (2017/2020)	(e)	**–**	2,458,740
USD500 million bonds (2017/2022)	(f)	**2,028,302**	2,066,162
Merdeka Kapital (2017/2024)	(g)	**607,461**	681,746
THB2.0 billion Debenture (2017/2020)	(h)	**–**	275,394
HKD874 million notes (2017/2021)	(i)	**495,160**	495,342
RM1.0 billion notes (2017/2022)	(j)	**1,005,304**	1,005,304
RM1.2 billion notes (2017/2024)	(j)	**1,206,654**	1,206,654
RM800 million notes (2017/2027)	(j)	**804,533**	804,533
IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(k)	**236,912**	356,165
IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022)	(l)	**243,890**	447,706
THB Structured debentures	(m)	**328,734**	1,054,351
Short term debentures	(m)	**94,067**	–
IDR1,021,000 million bonds (Series A: 2018/2019; Series B: 2018/2021; Series C: 2018/2023)	(n)	**72,998**	75,248
IDR1,000,000 million Sukuk (Series A: 2018/2019; Series B: 2018/2021)	(o)	**161,391**	166,233
USD88 million bonds (2019/2024)	(p)	**353,702**	360,542
HKD700 million bonds (2019/2020)	(q)	**–**	373,343
USD30 million notes (2019/2024)	(r)	**120,811**	123,535
HKD200 million notes (2019/2024)	(s)	**107,348**	107,370
USD20 million notes (2019/2024)	(t)	**80,334**	82,006
USD680 million notes (2019/2024)	(u)	**2,738,676**	2,801,372
USD40 million notes (2019/2022)	(v)	**160,884**	164,252
IDR2,000,000 million Sukuk (Series A: 2019/2020; Series B: 2019/2022, Series C:2019/2024)	(w)	**392,879**	593,539
IDR1,823,000 million bonds (Series A: 2019/2020; Series B: 2019/2022, Series C:2019/2024)	(x)	**442,072**	536,919
IDR83,000 million notes (2019/2024)	(y)	**–**	22,789
IDR1,000,000 million bonds (Series A: 2020/2021; Series B: 2020/2023; Series C: 2020/2025)	(z)	**285,602**	–
		12,266,829	18,214,003
Fair value changes arising from fair value hedges		**197,135**	18,707
		12,463,964	18,232,710

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(a) USD313 million notes

On 5 May 2015, CIMB Bank issued USD313 million 30-year callable zero coupon notes ("the Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 5 May 2045, and are callable from 5 May 2020 and every two years thereafter up to 5 May 2044. The Notes have a yield to maturity of 4.50% per annum. CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD313 million notes using interest rate swaps.

On 5 May 2020, CIMB Bank has redeemed its USD313 million 30-years callable zero coupon notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(b) Ziya Capital Berhad Sukuk

On 12 August 2016, Ziya Capital Bhd ("Ziya"), a special purpose vehicle consolidated by CIMB Islamic Bank, issued a RM630 million Sukuk that bears a profit distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021.

Ziya is a special purpose vehicle set up to undertake multi securitisation transactions. During the financial year, RM80 million was partially redeemed (2019: RM92 million).

(c) IDR1,000,000 million bonds

On 3 November 2016, CIMB Niaga issued unsecured IDR1,000,000 million bonds. The bonds are divided into three series:

(i) Series A Bond

The nominal value of the bonds amounted to IDR432,000 million with a tenor of 1 year which has matured on 13 November 2017. It bears fixed interest rate of 7.25% per annum.

(ii) Series B Bond

The nominal value of the bonds amounted to IDR386,000 million with a tenor of 3 years which has matured on 3 November 2019. It bears fixed interest rate of 8.00% per annum.

(iii) Series C Bond

The nominal value of the bonds amounted to IDR182,000 million with a tenor of 5 years which will mature on 3 November 2021. It bears fixed interest rate of 8.25% per annum.

(d) USD15 million bonds

On 8 March 2017, CIMB Bank issued USD15 million 5-year senior floating rate notes ("the Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on 8 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly.

(e) USD600 million bonds

On 15 March 2017, CIMB Bank issued USD600 million 3-year senior floating rate notes ("the Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to March 2020 and bears a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly.

On 15 March 2020, CIMB Bank has redeemed its USD600 million 3-year senior floating rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

(f) USD500 million bonds

On 15 March 2017, CIMB Bank issued USD500 million 5-year senior fixed rate notes ("the FXD Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes will mature on 15 March 2022 (subject to adjustment in accordance with the modified following business day convention) and bears a coupon rate of 3.263% per annum payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD500 million notes using interest rate swaps.

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(g) Merdeka Kapital

On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, there is a partial redemption of the MTN amounting to RM74.4 million (2019: RM74.4 million).

CIMB Bank has undertaken fair value hedge on the interest rate risk of the MTN using interest rate swaps.

(h) THB2.0 billion Debenture

On 8 May 2017, CIMB Thai Auto Co., Ltd, a subsidiary of CIMB Thai Bank issued THB2 billion debentures. The debenture bears a coupon rate of 2.44% per annum payable semi annually, and is guaranteed by CIMB Thai Bank. The debentures has matured on 8 May 2020.

(i) HKD874 million notes

On 9 May 2017, CIMB Bank issued HKD874 million 4-year senior fixed rate notes ("the Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes will mature on the interest payment date falling in or nearest to May 2021 and bears a coupon rate of 2.31% per annum payable annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD874 million notes using cross currency interest rate swaps.

(j) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes

On 18 May 2017, CIMB Bank issued RM1.0 billion 5-year senior medium term notes (the "MTN"), RM1.2 billion 7-year MTN and RM800.0 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTNs will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM3.0 billion notes using interest rate swaps.

(k) IDR2,000,000 million bonds

On 23 August 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR802,000 million, IDR376,000 million and IDR822,000 million respectively, with fixed interest rate of 6.75%, 7.70% and 8.15% per annum respectively.

On 3 September 2018, CIMB Niaga redeemed its Series A Bond amounted to IDR802,000 million.

On 23 August 2020, CIMB Niaga redeemed its Series B amounted to IDR376,000 million.

(l) IDR2,000,000 million bonds

On 2 November 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR500,000 million, IDR657,000 million and IDR843,000 million respectively, with fixed interest rate of 6.20%, 7.50% and 7.75% per annum respectively.

On 12 November 2018, CIMB Niaga redeemed its Series A Bond amounted to IDR500,000 million.

On 2 November 2020, CIMB Niaga redeemed its Series B Bond amounted to IDR657,000 million.

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(m) Structured and short-term debentures

i. CIMB Thai Bank issued various unsecured structured debentures with embedded foreign exchange derivatives and early redemption option. The debentures will mature between 1 month to 3 years from the respective issuance dates. It bears variable interest rates, depending on the underlying foreign exchange rates movements, payable at respective maturity dates.

ii. In 2020, CIMB Thai Bank issued various unsecured short term debentures with tenures of 9 months. The debentures carry fixed interest rates of 0.97%, payable at respective maturity dates.

(n) IDR1,021,000 million bonds

On 20 September 2018, CIMB Niaga issued IDR1,021,000 million bonds. The bonds are divided into three series. Nominal value of 1-year Series A Bond, 3-year Series B Bond and 5-year Series C Bond amounted to IDR766,000 million, IDR137,000 million and IDR118,000 million respectively, with fixed interest rate of 7.50%, 8.50% and 8.80% per annum respectively.

On 30 September 2019, CIMB Niaga redeemed its 1-year Series A Bond amounted to IDR766,000 million.

(o) IDR1,000,000 million Sukuk

On 15 November 2018, CIMB Niaga issued IDR1,000,000 million Sukuk. The Sukuk is divided into two series. Nominal value of 1-year Series A Sukuk and 3-year Series B Sukuk amounted to IDR441,000 million and IDR559,000 million respectively, with fixed interest rate of 8.35% and 9.25% per annum respectively.

On 25 November 2019, CIMB Niaga redeemed its 1-year Series A Sukuk amounted to IDR441,000 million.

(p) USD88 million bonds

On 19 March 2019, CIMB Bank issued USD88 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.85% per annum payable quarterly, will mature on 19 March 2024.

(q) HKD700 million bonds

On 4 April 2019, CIMB Bank, acting through its Hong Kong branch, issued HKD700 million 1-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 1.98% per annum payable annually, will mature on 4 April 2020 (subject to adjustment in accordance with the modified following business day convention).

On 4 April 2020, CIMB Bank has redeemed its HKD700 million 1-year fixed rate notes issued.

(r) USD30 million bonds

On 15 April 2019, CIMB Bank, acting through its Labuan Offshore Branch, issued USD30 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly, will mature on 15 April 2024 (subject to adjustment in accordance with the modified following business day convention).

(s) HKD200 million bonds

On 12 July 2019, CIMB Bank issued HKD200 million of a 5-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 2.35% per annum payable annually in arrears, will mature on 12 July 2024.

(t) USD20 million bonds

On 8 August 2019, CIMB Bank issued USD20 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.73% per annum payable quarterly, will mature on 8 August 2024.

30 BONDS, SUKUK AND DEBENTURES (CONTINUED)

(u) USD680 million bonds

On 9 October 2019, CIMB Bank issued USD680 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.78% per annum payable quarterly, will mature on the interest payment date falling in or nearest to 9 October 2024.

(v) USD40 million bonds

On 15 November 2019, CIMB Bank issued USD40 million 3-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.58% per annum payable quarterly, will mature on the interest payment date falling in or nearest to 15 November 2022.

(w) IDR2,000,000 million Sukuk

On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively.

On 31 August 2020, CIMB Niaga redeemed its Series A Sukuk amounted to IDR635,000 million.

(x) IDR1,823,000 million bonds

On 19 December 2019, CIMB Niaga issued IDR1,823,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR276,000 million, IDR1,066,000 million, and IDR481,000 million respectively, with fixed interest rate of 6.50%, 7.55% and 7.80% per annum respectively.

On 29 December 2020, CIMB Niaga redeemed its Series A Sukuk amounted to IDR276,000 million.

(y) IDR83,000 million notes

On 19 December 2019, CIMB Niaga issued IDR83,000 million bonds with fixed interest rate of 8.05% per annum and maturity date of 19 December 2024. The IDR83,000 million notes is recognised as subordinated bonds in 2020 following approval obtained from Otoritas Jasa Keuangan ("OJK"). Refer Note 32(t).

(z) IDR1,000,000 million bonds

On 27 March 2020, CIMB Niaga issued IDR1,000,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR322,000 million, IDR287,000 million, and IDR391,000 million respectively, with fixed interest rate of 5.80%, 7.00% and 7.25% per annum respectively.

31 OTHER BORROWINGS

		The Group		The Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Commercial Papers/Medium Term Notes	(a)	**1,706,918**	1,002,144	**1,706,918**	1,002,144
Term loan	(b)	**8,431,624**	8,648,849	**3,001,975**	3,002,695
Others	(c)	**267,417**	807,249	**–**	200,492
		10,405,959	10,458,242	**4,708,893**	4,205,331

31 OTHER BORROWINGS (CONTINUED)

(a) CPs and MTNs of the Company

The Conventional Commercial Papers ("CPs"), Islamic Commercial Papers ("iCPs"), Conventional Medium Term Notes ("MTNs") and Islamic Medium Term Notes ("iMTNs") were issued by the Company.

The CPs and iCPs are unsecured. The aggregate outstanding nominal value of the CPs and iCPs at any point in time shall not exceed RM6 billion.

The MTNs and iMTNs are unsecured. The aggregate outstanding nominal value of the MTN and iMTN at any point in time shall not exceed RM6 billion.

On 11 June 2018, the Company issued RM350 million MTNs. The MTNs carry an interest rate of 4.25% per annum payable semi-annually in arrears. On 12 June 2019, the Company redeemed its RM350 million MTNs.

On 10 May 2019, the Company issued RM550 million 3-month CPs under its Conventional Commercial Papers Programme. The CPs bear a discount rate of 3.76%. The Company redeemed the RM550 million Conventional CPs on 9 August 2019.

On 12 June 2019, the Company issued RM250 million 1-year MTN and RM750 million 3-year iMTN which will mature on 10 June 2022. The MTN and iMTN carry interest rate of 3.80% and 3.95% per annum respectively, payable semi-annually in arrears.

On 12 June 2020, the Company redeemed its RM250 million MTN.

On 3 April 2020, the Company issued RM600 million 5-year MTN which will mature on 3 April 2025. The MTN was issued out of its existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value.

On 12 June 2020, the Company issued RM350 million 3-year Medium Term Notes ("MTN") which will mature on 12 June 2023. The MTN was issued out of its existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value.

(b) Term loans of the Company

In 2017, the Company secured an unsecured term loan amounting RM1.0 billion to refinance its existing borrowings. The term loan is repayable in full on 27 October 2022. It bears a floating interest rate of 2.43% (2019: 3.63%) per annum. The term loan was drawn down in October 2017.

In 2018, the Company secured an unsecured term loan amounting RM2.0 billion to refinance its existing borrowings. The term loan is repayable in full on 26 June 2023 and 21 December 2023 respectively. They bear floating interest rates of 2.45% each per annum (2019: 3.65% each). The term loan was drawn down in June and December 2018 respectively.

Term loans of the Group

Included in term loans of the Group are term loans of RM5,429,649,000 (2019: RM5,646,154,000) undertaken by CIMB Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 22 June 2021 (2019: 2 January 2020) being the earliest to mature and 4 November 2022 (2019: 4 November 2022) being the latest to mature. Interest rates charged are between 0.88% to 1.15% per annum (2019: 2.31% to 5.00% per annum).

(c) In 2019, the Company secured a revolving credit amounting to RM200 million from its subsidiary which bears an interest rate of 2.68% (2019: 4.08%) per annum. The facility is unsecured, roll over on monthly basis. Partial repayment amounting to RM100 million was made on 13 January 2020. On 10 March 2020, another partial repayment was made amounting to RM50 million. The remaining RM50 million was fully repaid on 12 June 2020.

Included in others of the Group are short term and long term borrowing of RM266,942,870 (2019: RM781,380,081) undertaken by CIMB Niaga and its subsidiaries. The maturity dates ranges from less than 3 months to 5 years (2019: 1 month to 3 years), with interest rates charged ranging from 5.80% to 9.50% per annum (2019: 7.00% to 9.50% per annum).

32 SUBORDINATED OBLIGATIONS

		The Group		The Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Subordinated notes 2010/2020 IDR1,600,000 million	(a)	**–**	473,100	**–**	–
Subordinated debt 2010/2025 RM2.0 billion, (1st tranche redeemed in 2015; 2nd tranche redeemed in 2020)	(b)	**–**	1,005,150	**–**	–
Subordinated notes 2010/2060 RM150 million and RM600 million, callable with step-up in 2020	(c)	**–**	533,166	**–**	608,977
Subordinated debt RM1.5 billion (1st tranche due in 2021, redeemed in 2016; 2nd tranche due in 2026, callable in 2021)	(d)	**101,033**	98,053	**–**	–
Subordinated debts 2015/2025 RM2 billion	(e)	**–**	2,002,542	**–**	2,002,542
Additional Tier I Securities RM1.0 billion	(f)	**1,004,608**	1,000,374	**1,005,878**	1,005,878
Subordinated debts 2016/2026 RM570 million	(g)	**100,934**	105,250	**–**	–
Subordinated debts 2016/2026 RM1.35 billion	(h)	**1,375,405**	1,375,758	**–**	–
Additional Tier I Securities RM400 million	(i)	**399,632**	400,400	**400,964**	400,964
Subordinated debts 2017/2027 RM1.5 billion	(j)	**1,506,444**	1,506,645	**1,506,444**	1,506,645
Subordinated debts 2018/2028 RM700 million	(k)	**708,924**	708,829	**708,924**	708,829
Subordinated debts 2018/2028 RM390 million	(l)	**90,132**	93,017	**–**	–
Subordinated debts 2018/2029 RM1.2 billion	(m)	**1,217,488**	1,217,648	**1,217,488**	1,217,648
Additional Tier I Securities RM1.0 billion	(n)	**1,005,376**	1,014,258	**1,010,356**	1,010,356
Subordinated debts 2018/2023 IDR75 billion	(o)	**10,933**	11,001	**–**	–
Subordinated debts 2018/2025 IDR75 billion	(p)	**10,831**	10,951	**–**	–
Subordinated loans 2019/2024 RM1.0 billion	(q)	**995,195**	1,000,267	**1,000,535**	1,000,267
Subordinated notes 2019/2029 RM550 million	(r)	**100,489**	104,603	**–**	–
Subordinated debts 2019/2029 RM800 million	(s)	**803,122**	803,122	**803,122**	803,122
Subordinated bonds IDR83,000 million	(t)	**22,365**	–	**–**	–
Subordinated debts 2020/2025 RM2.5 billion	(u)	**2,514,955**	–	**2,510,788**	–
Subordinated debts 2020/2025 RM550 million	(v)	**551,573**	–	**551,573**	–
Subordinated debts 2020/2030 RM200 million	(v)	**200,636**	–	**200,636**	–
		12,720,075	13,464,134	**10,916,708**	10,265,228
Fair value changes arising from fair value hedges		**88,435**	56,735	**–**	–
		12,808,510	13,520,869	**10,916,708**	10,265,228

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(a) Subordinated notes 2010/2020 IDR1,600,000 million

The unsecured subordinated notes 2010/2020 IDR1,600,000 million ("the Notes") were issued by CIMB Niaga on 23 December 2010. The Notes were issued at scriptless, with term of 10 years from the emission date and with fixed interest rate of 10.85% per annum. The Notes were listed on the Indonesia Stock Exchange on 27 December 2010.

On 23 December 2020, CIMB Niaga has fully redeemed its IDR1,600,000 million subordinated notes.

(b) Subordinated debts 2010/2025 RM2.0 billion

On 23 December 2010, CIMB Bank completed the issuance of RM2.0 billion unsecured subordinated debt.

The RM2.0 billion subordinated debt issuance was issued under the RM5.0 billion subordinated debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The subordinated debt was issued in 2 separate tranches, a RM1.0 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter ("10 years tranche"), and another RM1.0 billion tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter ("15 years tranche"). Redemption of the subordinated debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the subordinated debt is 4.3% and 4.8% for the 10 years tranche and the 15 years tranche respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

The RM2.0 billion subordinated debts qualify as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

On 23 December 2015, CIMB Bank redeemed in full the RM1.0 billion 10 years tranche subordinated debt on its first optional redemption date of 23 December 2015.

On 23 December 2020, CIMB Bank redeemed its existing RM1.0 billion Tier II subordinated debt issued from the RM5 billion Tier II subordinated debt Programme on the first optional redemption date.

(c) Subordinated notes 2010/2060 RM150 million and RM600 million

The RM750 million unsecured Cumulative Subordinated Fixed Rate Notes ("the RM750 million Notes") issued by the Company on 5 April 2010, comprising a callable 5 year tranche and 10 year tranche, amounting to RM150 million and RM600 million respectively, was part of the Subordinated Notes Programme which was approved by the Securities Commission on 12 June 2009. Under the programme, the Company is allowed to issue subordinated fixed rate notes of up to RM3.0 billion in nominal value.

In 2019, included in the RM600 million subordinated notes was RM75,811,000 subordinated notes which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

Both tranches have a maturity of 50 years, with call option for the Issuer to redeem at year 5 and on each subsequent coupon payment date, and year 10 and on each subsequent coupon payment date respectively.

The 5 year Tranche pays a semi annual coupon rate of 5.3% per annum whilst the 10 year Tranche pays a coupon of 6.35% per annum. The coupon will be stepped up by 2.0% in the event the Company does not redeem the RM750 million Notes on the respective first call date.

On 3 April 2015, the Company has fully redeemed the RM150 million subordinated notes.

On 3 April 2020, the Company exercised its option to redeem its existing RM600 million Subordinated Fixed Rate Notes on the first optional redemption date.

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(d) Subordinated debt RM1.5 billion

On 8 August 2011, CIMB Bank completed the issuance of RM1.5 billion unsecured subordinated debt.

The RM1.5 billion subordinated debt issuance was the second issuance under the RM5.0 billion subordinated debt Programme which was approved by the Securities Commission on 2 March 2009 and 24 September 2010 (for certain variation of terms).

The subordinated debt was issued in 2 separate tranches, a RM1.35 billion tranche with a maturity of 10 years callable at the end of year 5 and on each subsequent coupon payment dates thereafter ("Tranche 1"), and another RM150 million tranche with a maturity of 15 years callable at the end of year 10 and on each subsequent coupon payment dates thereafter ("Tranche 2"). Redemption of the subordinated debt on the call dates shall be subject to Bank Negara Malaysia's approval.

The coupon rate for the subordinated debt is 4.15% and 4.70% for Tranche 1 and Tranche 2 respectively. There is no step up coupon after call dates. Proceeds from the issuance will be used for CIMB Bank's working capital purposes.

CIMB Bank redeemed its RM1.35 billion (Tranche II) Basel II-compliant Tier II subordinated debt on its first optional redemption date of 8 August 2016.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM150 million subordinated debts using interest rate swaps.

Included in the subordinated debt was RM49,785,000 (2019: RM54,205,000) subordinated debt which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

The subordinated debt qualifies as Tier II Capital for the purpose of the total capital ratio computation (subject to the gradual phase-out treatment under Basel III).

(e) Subordinated debts 2015/2025 RM2 billion

On 23 December 2015, the Company issued RM2.0 billion 10 years non-callable 5 years Tier II subordinated debt ("RM2.0 billion subordinated debt") bearing a fixed rate coupon of 5.15% per annum. The said subordinated debt was issued out of a newly established RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM2.0 Billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM2.0 billion subordinated debt qualifies as Tier II capital under BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

On 23 December 2020, the Company redeemed its existing RM2.0 billion Tier II subordinated debt issued from the RM10 billion Tier II subordinated debt Programme on the first optional redemption date.

(f) Additional Tier I Securities RM1.0 billion

On 25 May 2016, the Company issued a nominal value RM1.0 billion perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.80% per annum. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.0 billion Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(g) Subordinated notes 2016/2026 RM570 million

On 11 July 2016, CIMB Thai issued RM570 million 10-years non-callable 5 years Basel III compliant Tier II subordinated notes ("RM570 million Notes") to their overseas investors. The RM570 million Notes carry fixed interest rate of 5.35% per annum payable every six months.

The RM570 million Notes will mature on 10 July 2026. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after the issue date, on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

CIMB Thai has an approval from Bank of Thailand to classify the RM570 million Notes (equivalent to THB4,710,435,721) as Tier II capital according to the correspondence For Kor Kor (02) 414/2559. Included in the RM570 million subordinated notes was RM470 million (2019: RM470 million) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(h) Subordinated debts 2016/2026 RM1.35 billion

On 8 August 2016, CIMB Bank completed the fourth issuance of a RM1.35 billion subordinated debt under the Basel III subordinated debt Programme. The subordinated debt was issued as a single tranche of RM1.35 billion at 4.77% per annum with a maturity of 10 years non-callable at the end of year 5.

The RM1.35 billion subordinated debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

Redemption of the subordinated debts on the call dates shall be subject to BNM's approval. There is no step up coupon after call dates. The proceeds of the subordinated debts shall be made available to CIMB Bank, without limitation for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by CIMB Bank.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM1.35 billion subordinated debts using interest rate swaps.

(i) Additional Tier I Securities RM400 million

On 16 December 2016, the Company issued a nominal value RM400 million perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.50% per annum. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from the BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

The Group has undertaken fair value hedge on the interest rate risk of the RM400 million Additional Tier I Securities using interest rate swaps.

The Additional Tier I Securities qualify as Tier I Capital for the purpose of the total capital ratio computation.

(j) Subordinated debts 2017/2027 RM1.5 billion

On 30 November 2017, the Company issued RM1.5 billion 10 years non-callable 5 years Tier II subordinated debt ("RM1.5 billion subordinated debt") bearing a fixed rate coupon of 4.90% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM1.5 Billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM1.5 billion subordinated debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(k) Subordinated debts 2018/2028 RM700 million

On 29 March 2018, the Company issued RM700 million 10 years non-callable 5 years Tier II subordinated debt bearing a fixed rate coupon of 4.95% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM700 million Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

(l) Subordinated debts 2018/2028 RM390 million

On 29 March 2018, CIMB Thai issued RM390 million 10-years non-callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 milion Notes carry fixed interest rate of 5.20% per annum payable every six months. The RM390 million Notes will mature on 29 March 2028. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand. CIMB Thai has an approval from Bank of Thailand to classify the RM390 million Notes (equivalent to THB3,157,479,000) as Tier II capital according to the correspondence For Kor Kor 221/2561.

Included in the RM390 million subordinated notes was RM300 million (2019: RM300 million) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(m) Subordinated debts 2018/2029 RM1.2 billion

On 13 September 2018, the Company issued RM1.2 billion 11 years, on a non-callable 6 years basis, Tier II subordinated debt bearing a fixed rate coupon of 4.88% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM1.2 billion Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

(n) Additional Tier I Securities RM1.0 billion

On 23 October 2018, the Company issued RM1.0 billion perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.40% per annum. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

(o) Subordinated debts 2018/2023 IDR75 billion

On 15 November 2018, CIMB Niaga issued Series A Subordinated Bond of IDR75 billion with fixed interest rate of 9.85% per annum and maturity date of 15 November 2023. Included in the IDR75 billion subordinated notes was IDR36 billion (2019: IDR36 billion) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(p) Subordinated debts 2018/2025 IDR75 billion

On 15 November 2018, CIMB Niaga issued Series B Subordinated Bond of IDR75 billion with fixed interest rate of 10.00% per annum and maturity date of 15 November 2025. Included in the IDR75 billion subordinated notes was IDR36 billion (2019: IDR36 billion) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

(q) Subordinated loans 2019/2024 RM1.0 billion

On 28 June 2019, the Company issued RM1.0 billion Basel III-compliant Additional Tier I Capital Securities under the RM10 billion Basel III AT1 Programme, at 4.88% per annum with an Issuer's call option to redeem at the end of year 5 and on each coupon payment date thereafter, subject to approval from BNM.

32 SUBORDINATED OBLIGATIONS (CONTINUED)

(r) Subordinated notes 2019/2029 RM550 million

On 8 July 2019, CIMB Thai issued RM550 million Basel III compliant Tier II subordinated notes. The subordinated notes carry fixed interest rate of 4.15% per annum payable every six months. The subordinated notes will mature on 6 July 2029. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand ("BOT").

Included in the RM550 million subordinated notes is RM450 million which was held by CIMB Bank, hence the amount was eliminated at consolidated level.

(s) Subordinated debts 2019/2029 RM800 million

On 25 November 2019, the Company issued RM800 million 10 years non-callable 5 years Tier II subordinated debts bearing a fixed rate coupon of 3.85% per annum, payable on a semi-annual basis. The said subordinated debt was issued out of the RM10.0 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM800 million Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

(t) Subordinated bonds IDR83,000 million

On 19 December 2019, CIMB Niaga issued IDR83,000 million subordinated bonds with fixed interest rate of 8.05% per annum and maturity date of 19 December 2024. In 2019, the IDR83,000 million notes was recognised as bonds and subsequently transferred to subordinated bonds in 2020, following approval obtained from OJK. Refer Note 30(y).

(u) Subordinated loans 2020/2025 RM2.5 billion

On 12 November 2020, the Company issued RM2.5 billion 10 years non-callable 5 years Tier II subordinated debts bearing a fixed rate coupon of 3.15% per annum, payable on a semi-annual basis. The said subordinated debt was issued out of the RM10.0 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM2.45 billion Tier II subordinated notes issued by CIMB Bank on the same day and the RM50 million Tier II subordinated debt issued by CIMB Bank on 23 December 2020, based on similar terms.

(v) Subordinated loans 2020/2025 RM550 million and 2020/2030 RM200 million

On 3 December 2020, the Company issued RM550 million perpetual non-callable 5 years Additional Tier I Capital Securities and RM200 million perpetual non-callable 10 years Additional Tier I Capital Securities bearing a fixed rate coupon of 3.60% per annum and 4.00% per annum respectively, payable on a semi-annual basis. The said capital securities were issued from the existing RM10 billion AT1 Capital Securities Programme. The proceeds from the issuances were used to subscribe to AT1 Capital Securities issued by CIMB Bank, based on similar terms.

33 SHARE CAPITAL

		The Group and the Company	
	Note	2020 RM'000	2019 RM'000
Issued and fully paid shares:			
At 1 January		**25,843,808**	24,131,750
Issued during the financial year:			
– Dividend reinvestment scheme issued on:			
– 25 April 2019	(a)(i)	**–**	806,674
– 7 November 2019	(a)(ii)	**–**	905,384
At 31 December		**25,843,808**	25,843,808

(A) INCREASE IN ISSUED AND PAID-UP CAPITAL

In respect of the financial year 31 December 2019, the Company increased its issued and paid-up capital from 9,564,459,418 to 9,922,971,258 shares via:

(i) Issuance of 162,964,518 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the second interim dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2018, as disclosed in Note 47(b); and

(ii) Issuance of 195,547,322 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 14.00 sen per ordinary share in respect of the financial year ended 31 December 2019, as disclosed in Note 47(c).

(B) DIVIDEND REINVESTMENT SCHEME

On 18 January 2013, the Company announced the proposal to put in place a dividend reinvestment scheme that would allow the shareholders of the Company ("Shareholders") to have the option to elect to reinvest their cash dividends in new ordinary shares ("New CIMB Shares") ("Dividend Reinvestment Scheme").

The Dividend Reinvestment Scheme has received the necessary approval from Bursa Securities on 5 February 2013, its shareholders via an Extraordinary General Meeting held on 25 February 2013 and from Bank Negara Malaysia on 25 March 2013.

The scheme would allow the Board, at its absolute discretion, to offer either the Dividend Reinvestment Scheme or full cash for the Group's dividends as and when it deems appropriate vis-à-vis the Group's capital strategy and plans.

The rationale of the Dividend Reinvestment Scheme are as follows:

(i) CIMB's capital management strategy

As part of the Company's capital management strategy, the Dividend Reinvestment Scheme would provide the Company additional flexibility in managing its capital position.

(ii) Enhancing shareholder value with reasonable dividend yield

The Dividend Reinvestment Scheme will provide an opportunity for shareholders to enjoy dividend yield while preserving capital for the Company.

Since the announcement of Basel III, many global banks have taken a cautious stance in capital management including that of reducing dividend payments. Whilst this stance will improve a banks' capital ratios, such actions may result in lower dividend yields and may eventually reduce investors' interest in the banking industry.

The Dividend Reinvestment Scheme provides an alternative for banks to balance the demand of its investors and its capital objective.

33 SHARE CAPITAL (CONTINUED)

(B) DIVIDEND REINVESTMENT SCHEME (CONTINUED)

The rationale of the Dividend Reinvestment Scheme are as follows: (continued)

(iii) Alternative mode of payment of Dividends

The implementation of the Dividend Reinvestment Scheme will provide an avenue for shareholders to elect to exercise the option to reinvest all or part of their dividends into New CIMB Shares in lieu of receiving cash dividend.

The shareholders shall have the following options in respect of an option to reinvest announced by the Board under the Dividend Reinvestment Scheme:

(i) to elect to participate by reinvesting the whole or part of the Electable Portion at the issue price for New CIMB Shares.

In the event that only part of the Electable Portion is reinvested, the shareholders shall receive cash for the remaining portion of the Electable Portion not reinvested; or

(ii) to elect not to participate in the option to reinvest and thereby receive the entire dividend entitlement wholly in cash.

34 PERPETUAL PREFERENCE SHARES

	The Group	
	2020 RM'000	**2019 RM'000**
Issued and fully paid perpetual preference shares		
At 1 January/31 December	**200,000**	200,000

The main features of the perpetual preference shares ("PPS") are as follows:

(i) The PPS has no right to dividends.

(ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.

(iii) The PPS rank *pari passu* in all aspects among themselves.

(iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act 2016 and as approved by Bank Negara Malaysia.

35 RESERVES

		The Group		The Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Statutory reserve	(a)	**148,117**	130,901	**–**	–
Regulatory reserve	(b)	**233,441**	2,133,166	**–**	–
Capital reserve	(c)	**207,419**	137,104	**55,982**	55,982
Exchange fluctuation reserve	(d)	**421,265**	1,071,570	**–**	–
Fair value reserve					
– Debt intruments at fair value through other comprehensive income	(e)	**465,293**	170,758	**103,514**	101,432
– Equity instruments at fair value through other comprehensive income	(f)	**(248,084)**	(231,725)	**–**	–
Retained earnings	(g)	**29,950,496**	28,136,798	**1,398,626**	1,042,263
Share–based payment reserve	(h)	**75,612**	75,905	**–**	–
Other reserves					
– Hedging reserve – net investment hedge	(i)	**(1,122,506)**	(1,168,991)	**–**	–
– Hedging reserve – cash flow hedge	(j)	**9,618**	7,212	**–**	–
– Hedging reserve – deferred hedging cost	(k)	**105,028**	95,539	**–**	–
– Own credit risk reserve	(l)	**(10,849)**	2,380	**–**	–
– EOP reserve – shares purchased pending release	(m)	**(104,941)**	(102,414)	**–**	–
– Defined benefits reserves	(n)	**(47,470)**	(64,234)	**–**	–
		30,082,439	30,393,969	**1,558,122**	1,199,677

(a) The statutory reserves of the Group are maintained by certain banking subsidiaries in Malaysia in compliance with the BNM guidelines and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. Effective 3 May 2018, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities. These reserves are not distributable by way of cash dividends.

(b) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

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

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

(c) The capital reserve of the Group arose from the dilution of equity interest in subsidiaries resulted from the shares option scheme undertaken by the subsidiary in previous years.

In 2020, a foreign subsidiary of the Group has transferred balance from retained earnings to capital reserve in order to meet the regulatory capital ratio calculation, as retained earnings is capped for the purpose of calculation at 20% of Tier I capital following the local regulatory requirement.

35 RESERVES (CONTINUED)

(d) Exchange translation differences have arisen from translation of net assets of Labuan offshore subsidiaries, foreign branches and foreign subsidiaries. These translation differences are shown under exchange fluctuation reserves.

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

(f) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(g) As at 31 December 2020, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2019: RM477,522,037) out of its retained earnings.

(h) The share-based payment reserve arose from the Equity Ownership Plan ("EOP"), the Group's share-based compensation benefit, Employee Stock Option Management Program ("MESOP") and Employees' Share Option Scheme ("ESOS").

(i) Hedging reserve arises from net investment hedge activities undertaken by the Group on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed.

(j) The Group has entered into cash flow hedges on senior bond issued and interbranch lending.

The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

(k) The Group designates the spot component of foreign currency swap contracts as hedging instruments in net investment hedge relationships. The Group defers changes in the forward element of foreign currency swap contracts and the basis from the cross currency interest rate swaps contracts in the cost of hedging reserve.

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

(m) EOP reserve reflects the Group's shares purchased for EOP under share-based compensation benefits, pending release to its employees.

(n) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.

36 SHARES HELD UNDER TRUST AND TREASURY SHARES

(A) SHARES HELD UNDER TRUST

	The Group	
	2020 RM'000	**2019 RM'000**
At 1 January/31 December	**563**	563

As an integral part of the CIMB Berhad's ("CIMBB") restructuring exercise in 2005, the then existing CIMBB's ESOS and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

36 SHARES HELD UNDER TRUST AND TREASURY SHARES (CONTINUED)

(A) SHARES HELD UNDER TRUST (CONTINUED)

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following:

(i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.

(ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS.

(iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.

(iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

As at 31 December 2020, there are 258,000 (2019: 258,000) units remain unexercised.

(B) TREASURY SHARES, AT COST

	The Group and The Company			
	2020		2019	
	Units '000	RM'000	Units '000	RM'000
At 1 January/31 December	**5**	**43**	5	43

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 22 April 2019, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buyback can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2020, there were 4,908 ordinary shares held as treasury shares (2019: 4,908). Treasury shares have no rights to vote, dividends and participation in other distribution.

37(a) INTEREST INCOME

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans, advances and financing:				
– Interest income other than recoveries	**13,767,115**	15,499,247	**–**	–
– Unwinding income^	**176,920**	252,928	**–**	–
Money at call and deposits with financial institutions	**481,955**	754,126	**7,245**	18,272
Reverse repurchase agreements	**160,883**	292,258	**–**	–
Debt instruments at fair value through other comprehensive income	**1,329,165**	1,093,862	**136,576**	134,000
Debt instruments at amortised cost	**1,583,690**	1,387,466	**309,861**	273,287
Equity instruments at fair value through other comprehensive income	**1,266**	11,556	**–**	–
Others	**1,198**	30,041	**–**	–
	17,502,192	19,321,484	**453,682**	425,559
Accretion of discounts less amortisation of premiums	**(172,579)**	9,052	**1**	–
	17,329,613	19,330,536	**453,683**	425,559

^ Unwinding income is interest income earned on credit impaired financial assets

37(b) INTEREST INCOME FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2020 RM'000	2019 RM'000
Financial investments at fair value through profit or loss	**594,848**	677,055
Reverse repurchase agreements at fair value through profit or loss	**–**	4,540
Loan, advances and financing at fair value through profit or loss	**31,477**	43,888
	626,325	725,483
Accretion of discounts, net of amortisation of premiums	**6,851**	187,776
	633,176	913,259

38 INTEREST EXPENSE

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deposits and placements of banks and other financial institutions	**295,846**	523,270	**–**	–
Deposits from customers	**5,287,950**	6,971,933	**–**	–
Repurchase agreements/collateralised commodity murabahah	**269,217**	397,446	**–**	–
Bonds, Sukuk and debentures	**429,450**	559,027	**–**	–
Subordinated obligations	**600,323**	675,251	**504,799**	519,062
Financial liabilities designated at fair value through profit or loss	**42,536**	107,578	**–**	–
Negotiable certificates of deposits	**14,122**	105,433	**–**	–
Other borrowings	**252,051**	355,051	**142,105**	146,153
Recourse obligation on loan and financing sold to Cagamas	**83,965**	123,557	**–**	–
Structured deposits	**206,861**	291,459	**–**	–
Lease liabilities	**25,989**	30,893	**–**	–
Others	**14,438**	18,979	**–**	–
	7,522,748	10,159,877	**646,904**	665,215

39 MODIFICATION LOSS

		The Group
	Note	**2020 RM'000**
Loss on modification of cash flows	(i)	**364,103**
Benefits recognised under the various Government scheme	(ii)	**(143,038)**
Net loss on modification of cash flows		**221,065**

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

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

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

40 NET NON-INTEREST INCOME

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Net fee and commission income:				
Commissions	**1,060,030**	1,159,958	**–**	–
Fee on loans, advances and financing	**373,249**	660,936	**–**	–
Service charges and fees	**543,457**	654,424	**–**	–
Corporate advisory and arrangement fees	**23,301**	19,555	**–**	–
Guarantee fees	**71,579**	73,171	**–**	–
Other fee income	**202,636**	292,368	**–**	–
Placement fees	**12,107**	12,730	**–**	–
Underwriting commission	**85,142**	97,141	**–**	–
Fee and commission income	**2,371,501**	2,970,283	**–**	–
Fee and commission expense	**(622,689)**	(752,008)	**–**	–
Net fee and commission income	**1,748,812**	2,218,275	**–**	–
Gross dividend income from:				
In Malaysia				
– Subsidiaries	**–**	–	**1,760,139**	3,079,584
– Financial investments at fair value through profit or loss	**66,937**	63,038	**–**	–
– Equity instruments at fair value through other comprehensive income	**1,259**	3,757	**–**	–
Outside Malaysia				
– Equity instruments at fair value through other comprehensive income	**1,376**	1,125	**–**	–
	69,572	67,920	**1,760,139**	3,079,584
Net gain arising from financial investments at fair value through profit or loss				
– Realised	**351,298**	205,303	**–**	–
– Unrealised	**124,067**	653,123	**–**	–
	475,365	858,426	**–**	–
Net gain/(loss) arising from derivative financial instruments:				
– Realised	**151,812**	963,205	**–**	–
– Unrealised	**(151,900)**	(372,871)	**–**	–
	(88)	590,334	**–**	–

40 NET NON-INTEREST INCOME (CONTINUED)

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss:				
– Realised	**(157,174)**	51,885	**–**	–
– Unrealised	**64,750**	(367,133)	**–**	–
	(92,424)	(315,248)	**–**	–
Net loss arising from hedging activities	**(18,803)**	(31,870)	**–**	–
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**285,502**	283,011	**–**	–
Net gain/(loss) arising from loans, advances and financing at fair value through profit or loss:				
– Unrealised	**1,440**	(1,626)	**–**	–
Income from assets management and securities services	**15,995**	16,564	**–**	–
Brokerage income	**3,104**	54,355	**–**	–
Other non-interest income:				
Foreign exchange gain/(loss)	**1,271,804**	394,575	**(115)**	(7)
Gain on disposal of interests in subsidiaries	**-**	235,828	**–**	–
Rental income	**33,416**	36,019	**307**	307
Gain on disposal of property, plant and equipment/ assets held for sale	**21,526**	19,274	**–**	708
Gain on disposal of associates and joint ventures	**-**	15,985	**–**	–
Other non-operating income	**145,515**	45,130	**88**	–
Gain on disposal of loans, advances and financing	**64,143**	178,151	**–**	–
Gain on disposal of foreclosed assets	**7,635**	6,195	**–**	–
	1,544,039	931,157	**280**	1,008
	4,032,514	4,671,298	**1,760,419**	3,080,592

41 OVERHEADS

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Personnel costs				
– Salaries, allowances and bonus	**4,033,536**	4,309,096	**–**	–
– Pension costs (defined contribution plan)	**393,387**	363,173	**–**	–
– Pension costs (defined benefit plans (Note 29(b))	**54,793**	86,169	**–**	–
– Overtime	**18,547**	28,335	**–**	–
– Staff incentives and other staff payments	**317,388**	281,857	**–**	3
– Medical expenses	**86,039**	118,510	**–**	–
– Transformation initiative expenses	**–**	365,806	**–**	–
– Others	**240,380**	211,728	**2**	–
Establishment costs				
– Depreciation of property, plant and equipment	**277,925**	288,971	**601**	3,415
– Depreciation of right-of-use assets	**247,172**	238,960	**11**	–
– Amortisation of intangible assets	**367,427**	306,332	**–**	–
– Depreciation of investment properties	**–**	–	**18**	18
– Amortisation of prepaid lease payments	**–**	10,268	**–**	–
– Rental	**149,470**	169,270	**–**	–
– Repair and maintenance	**623,333**	542,191	**84**	313
– Outsourced services	**81,927**	83,111	**–**	–
– Security expenses	**104,147**	108,095	**–**	–
– Others	**222,071**	261,236	**54**	98
Marketing expenses				
– Advertisement	**177,944**	363,784	**–**	–
– Others	**36,105**	60,151	**–**	116
Administration and general expenses				
– Legal and professional fees	**332,399**	311,481	**6,669**	15,051
– Stationery	**31,183**	50,542	**–**	–
– Communication	**163,231**	145,302	**2**	19
– Incidental expenses on banking operations	**44,519**	48,570	**–**	–
– Insurance	**247,673**	317,899	**3,788**	2,831
– Others	**726,198**	802,068	**12,053**	7,811
	8,976,794	9,872,905	**23,282**	29,675

41 OVERHEADS (CONTINUED)

The above expenditure includes the following:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Directors' remuneration (Note 44)	**8,958**	14,441	**3,354**	3,567
Rental of premises	**14,641**	32,767	**–**	–
Hire of equipment	**43,162**	42,504	**–**	–
Lease rental	**55**	216	**–**	–
Auditors' remuneration				
PricewaterhouseCoopers PLT* (audit)				
– statutory audit	**6,480**	6,651	**632**	632
– limited review	**1,147**	1,052	**25**	25
– other audit related	**136**	598	**28**	28
PricewaterhouseCoopers PLT* (non-audit)	**1,631**	1,682	**57**	57
Other member firms of PwC International Limited* (audit)				
– statutory audit	**6,106**	6,788	**–**	–
– limited review	**1,069**	1,751	**–**	–
– other audit related	**322**	605	**–**	–
Other member firms of PwC International Limited* (non-audit)	**902**	844	**–**	–
Property, plant and equipment written off	**4,701**	7,614	**–**	–
Intangible assets written off	**–**	5,873	**–**	–

* PricewaterhouseCoopers PLT and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

42 EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group	
	2020 RM'000	**2019 RM'000**
Expected credit losses on loans, advances and financing at amortised cost	**5,867,031**	2,219,681
Credit impaired loans, advances and financing:		
– Recovered	**(538,813)**	(592,101)
– Written off	**13,991**	11,205
	5,342,209	1,638,785

43 OTHER EXPECTED CREDIT LOSSES AND IMPAIRMENT ALLOWANCES

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Other expected credit losses and impairment allowances made/ (written back):				
– Debt instrument at fair value through other comprehensive income	**38,122**	1,715	**678**	4,225
– Debt instrument at amortised cost	**692,594**	(44,551)	**(10,502)**	17,961
– Money at call and deposits and placements with banks and other financial institutions	**(6,191)**	3,134	**–**	–
– Other assets	**521,492**	120,534	**–**	–
– Intangible assets	**18,629**	271,186	**–**	–
– Investment in a subsidiary	**–**	-	**5,537**	–
	1,264,646	352,018	**(4,287)**	22,186

44 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

Executive Directors

Dato' Abdul Rahman Ahmad (Appointed on 10 June 2020)
Tengku Dato' Sri Zafrul Tengku Abdul Aziz (Resigned 9 March 2020)

Non-Executive Directors

Datuk Mohd Nasir Ahmad
Teoh Su Yin
Robert Neil Coombe
Dato' Lee Kok Kwan
Dato' Mohamed Ross Mohd Din
Ahmad Zulqarnain Che On (Resigned on 30 June 2020)
Afzal Abdul Rahim
Didi Syafruddin Yahya
Shulamite N K Khoo (Appointed on 15 May 2020)
Serena Tan Mei Shwen (Appointed on 30 September 2020)

44 DIRECTORS' REMUNERATION (CONTINUED)

	The Group 2020 RM'000	The Group 2019 RM'000	The Company 2020 RM'000	The Company 2019 RM'000
Executive Directors				
– Salary and remuneration	**2,995**	8,533	**–**	–
– Benefits-in-kind	**6**	8	**–**	–
	3,001	8,541	**–**	–
Non-Executive Directors				
– Fees	**2,330**	2,643	**1,163**	1,264
– Other remuneration	**3,546**	3,191	**2,156**	2,268
– Benefits-in-kind	**81**	66	**35**	35
	5,957	5,900	**3,354**	3,567
	8,958	14,441	**3,354**	3,567

			Other remuneration						Other remuneration			
2020	Fees RM'000	Salary and remuneration RM'000	Chairperson's Premium RM'000	Meeting Allowance RM'000	Benefits-in-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and remuneration RM'000	Chairperson's Premium RM'000	Meeting Allowance RM'000	Benefits-in-kind RM'000	The Company Total RM'000
Executive Director												
Dato' Abdul Rahman Ahmad	-	2,405	-	-	4	2,409	-	-	-	-	-	-
Tengku Dato' Sri Zafrul Tengku Abdul Aziz	-	590	-	-	2	592	-	-	-	-	-	-
	-	2,995	-	-	6	3,001	-	-	-	-	-	-
Non-Executive Directors												
Datuk Mohd Nasir Ahmad	348	-	648	482	35	1,513	158	-	475	249	35	917
Teoh Su Yin	158	-	94	241	-	493	158	-	94	241	-	493
Robert Neil Coombe	158	-	94	182	-	434	158	-	94	182	-	434
Dato' Lee Kok Kwan	300	-	-	229	-	529	158	-	-	107	-	265
Dato' Mohamed Ross Mohd Din	290	-	225	393	46	954	158	-	94	251	-	503
Ahmad Zulqarnain Che On	83	-	-	103	-	186	83	-	-	103	-	186
Afzal Abdul Rahim	-	-	-	-	-	-	-	-	-	-	-	-
Didi Syafruddin Yahya	720	-	-	632	-	1,352	158	-	-	162	-	320
Shulamite N K Khoo	94	-	-	60	-	154	94	-	-	60	-	154
Serena Tan Mei Shwen	179	-	-	163	-	342	38	-	-	44	-	82
	2,330	-	1,061	2,485	81	5,957	1,163	-	757	1,399	35	3,354
	2,330	2,995	1,061	2,485	87	8,958	1,163	-	757	1,399	35	3,354

44 DIRECTORS' REMUNERATION (CONTINUED)

2019	Fees RM'000	Salary and/ or other remuneration RM'000	Benefits-in-kind RM'000	The Group Total RM'000	Fees RM'000	Salary and/ or other remuneration RM'000	Benefits-in-kind RM'000	The Company Total RM'000
Executive Director								
Tengku Dato' Sri Zafrul Tengku Abdul Aziz	–	8,533	8	8,541	–	–	–	–
	–	8,533	8	8,541	–	–	–	–
Non-Executive Directors								
Datuk Mohd Nasir Ahmad	325	1,145	35	1,505	170	790	35	995
Teoh Su Yin	170	355	–	525	170	355	–	525
Robert Neil Coombe	170	272	–	442	170	272	–	442
Dato' Lee Kok Kwan	333	245	–	578	170	120	–	290
Dato' Mohamed Ross Mohd Din	310	708	31	1,049	170	385	–	555
Ahmad Zulqarnain Che On	170	165	–	335	170	165	–	335
Afzal Abdul Rahim	–	–	–	–	–	–	–	–
Didi Syafruddin Yahya	326	215	–	541	111	95	–	206
Glenn Muhammad Surya Yusuf	566	16	–	582	11	16	–	27
Watanan Petersik	162	10	–	172	11	10	–	21
Tongurai Limpiti	111	60	–	171	111	60	–	171
	2,643	3,191	66	5,900	1,264	2,268	35	3,567
	2,643	11,724	74	14,441	1,264	2,268	35	3,567

The Directors and officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Company amounted to RM1,069,623 (2019: RM1,018,690) and RM Nil (2019: RM Nil).

45 TAXATION AND ZAKAT

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Taxation based on the profit for the financial year:				
– Malaysian income tax	**521,994**	1,036,903	**1,836**	5,186
– Foreign tax	**327,469**	533,433	**–**	–
	849,463	1,570,336	**1,836**	5,186
Deferred taxation (Note 11)	**(246,564)**	(129,838)	**(3)**	3
(Over)/under provision in prior years	**(222,039)***	75,455	**(749)**	(97)
	380,860	1,515,953	**1,084**	5,092
Zakat	**2,900**	3,700	**–**	–
	383,760	1,519,653	**1,084**	5,092

Reconciliation between tax charge and the Malaysian tax rate:

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit before taxation and zakat:	**1,530,329**	5,974,840	**1,548,203**	2,789,075
Less: Share of results of joint ventures	**(118,834)**	(31,401)	**–**	–
Share of results of associates	**2,339**	751	**–**	–
	1,413,834	5,944,190	**1,548,203**	2,789,075
Tax calculated at a rate of 24% (2019: 24%)	**339,320**	1,426,606	**371,569**	669,378
Income not subject to tax	**(118,696)**	(252,432)	**(369,736)**	(664,189)
Effects of different tax rates in other countries	**(25,727)**	9,610	**–**	–
Effects on deferred tax assets arising from change in tax rates	**91,564**	–	**–**	–
Expenses not deductible for tax purposes	**277,254**	184,045	**–**	–
Utilisation of previously unrecognised deferred tax assets	**(17,067)**	(6)	**–**	–
Deferred tax assets not recognised	**56,251**	72,675	**–**	–
(Over)/under provision in prior years	**(222,039)***	75,455	**(749)**	(97)
Tax expense	**380,860**	1,515,953	**1,084**	5,092

* There was significant reversal of over provision during the year mainly due to the reversal of estimated tax provisions made in the past following the resolution of a subsidiary's prior years' tax appeals, as well as the finalisation of the prior years' tax audit with the Inland Revenue Board.

As at end of the financial year, the unutilised tax losses and other temporary differences for which no deferred tax assets are recognised in the statements of financial position is RM500 million and RM140 million (2019: RM400 million and RM117 million) respectively.

The tax losses that are available for set off against future taxable profit with a time limit of utilisation are as below:

	2020 RM'000	**2019 RM'000**
Expiring in the financial year ending:		
– 2023	**–**	87,000
– 2025	**53,399**	53,399
– 2026	**259,924**	259,924
– 2027	**186,977**	–
	500,300	400,323

46 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

	2020	2019
Net profit attributable to equity holders of the parent (RM'000)	**1,194,424**	4,559,656
Weighted average number of ordinary shares in issue ('000)	**9,922,966**	9,705,987
Basic earnings per share (expressed in sen per share)	**12.04**	46.98

(b) Diluted earnings per share

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

47 DIVIDENDS PER ORDINARY SHARE

	The Group and the Company			
	2020		2019	
	Gross per share sen	Amount of dividend net of tax RM'000	Gross per share sen	Amount of dividend net of tax RM'000
Interim dividend in respect of previous year	**12.00**	**1,190,756**[a]	12.00	1,147,735[b]
Interim dividend in respect of current year	**–**	**–**	14.00	1,361,839[c]
	12.00	**1,190,756**	26.00	2,509,574

[a] The dividend consists of 12.00 sen per ordinary shares amounting to RM1,190,756,962 in respect of the financial year ended 31 December 2019 was paid on 13 April 2020.

[b] The dividend consists of electable portion of 12.00 sen per ordinary shares, of which 8.43 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM806,674,364 and a total of RM341,060,177 cash dividend was paid on 24 April 2019.

[c] The dividend consists of electable portion of 14.00 sen per ordinary shares, of which 9.31 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM905,384,101 and a total of RM456,454,563 cash dividend was paid on 6 November 2019.

Dividends recognised as distributions to owners:

The single-tier second interim dividend for the previous financial year was approved by the Board of Directors on 30 January 2020 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have proposed a single-tier interim dividend of 4.81 sen per ordinary share, on 9,922,966,350 ordinary shares amounting to RM477 million in respect of the financial year ended 31 December 2020, to be paid in 2021. The single-tier interim dividend was approved by the Board of Directors on 29 January 2021.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2021.

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

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 13	Subsidiaries
Associates of the Company as disclosed in Note 14	Associates
Joint ventures as disclosed in Note 15	Joint ventures
Key management personnel	See below

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

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at agreed rates.

Related party transactions	Subsidiaries 2020 RM'000	Subsidiaries 2019 RM'000	Associates and joint ventures 2020 RM'000	Associates and joint ventures 2019 RM'000	Key management personnel 2020 RM'000	Key management personnel 2019 RM'000
The Group						
Income earned						
Interest on deposits and placements with financial institutions	**-**	–	**1,603**	1,765	**-**	–
Interest on loans, advances and financing	**-**	–	**3,876**	4,617	**2,319**	151
Fee income	**-**	–	**6,030**	4,275	**-**	–
Placement commission	**-**	–	**15,969**	7,494	**-**	–
Others	**-**	–	**62,424**	48,051	**1**	88
Expenditure incurred						
Interest on deposits from customers and securities sold under repurchase agreements/collateralised commodity murabahah	**-**	–	**2,586**	3,956	**2,861**	865
Brokerage expenses	**-**	–	**-**	10,109	**-**	–
Others	**-**	–	**17,005**	6,519	**-**	–

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party transactions (Continued)

Related party transactions	Subsidiaries 2020 RM'000	Subsidiaries 2019 RM'000	Associates and joint ventures 2020 RM'000	Associates and joint ventures 2019 RM'000	Key management personnel 2020 RM'000	Key management personnel 2019 RM'000
The Company						
Income earned						
Interest on fixed deposits and money market	**7,245**	18,272	**–**	–	**–**	–
Dividend income	**1,760,139**	3,079,584	**–**	–	**–**	–
Interest income on debt instruments at amortised cost	**309,862**	273,287	**–**	–	**–**	–
Interest income on debt instruments at fair value through other comprehensive income	**136,576**	134,000	**–**	–	**–**	–
Expenditure incurred						
Interest on revolving credit	**1,118**	492	**–**	–	**–**	–
Interest on subordinated obligations	**1,361**	5,584	**–**	–	**–**	–
Professional fees	**329**	8,161	**–**	–	**–**	–
Group services expense	**5,850**	3,247	**–**	–	**–**	–
Others	**226**	226	**–**	–	**–**	–

The breakdown of expenditure by geographical is as follows:

2020

	The Group Interest expense RM'000	The Group Brokerage expense RM'000	The Group Others RM'000	The Company Interest expense RM'000	The Company Others RM'000	The Company Group services expense RM'000
Malaysia	**2,433**	**–**	**–**	**2,479**	**555**	**5,850**
Singapore	**153**	**–**	**17,005**	**–**	**–**	**–**
	2,586	**–**	**17,005**	**2,479**	**555**	**5,850**

2019

	The Group Interest expense RM'000	The Group Brokerage expense RM'000	The Group Others RM'000	The Company Interest expense RM'000	The Company Others RM'000	The Company Group services expense RM'000
Malaysia	2,891	–	–	6,076	8,387	3,247
Singapore	1,065	10,109	6,509	–	–	–
Others	–	–	10	–	–	–
	3,956	10,109	6,519	6,076	8,387	3,247

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Related party balances

Related party balances	Subsidiaries 2020 RM'000	Subsidiaries 2019 RM'000	Associates and joint ventures 2020 RM'000	Associates and joint ventures 2019 RM'000	Key management personnel 2020 RM'000	Key management personnel 2019 RM'000
The Group						
Amount due from						
Loans, advances and financing	**–**	–	**222,023**	221,975	**7,251**	21,292
Others	**–**	–	**1,712,146**	1,219,911	**–**	–
Amount due to						
Deposits from customers and securities sold under repurchase agreements/ collateralised commodity murabahah	**–**	–	**526,832**	384,156	**37,328**	53,459
Others	**–**	–	**4,625**	8,120	**–**	–
The Company						
Amount due from						
Demand deposits, savings and fixed deposits	**344,603**	370,546	**–**	–	**–**	–
Debt instruments at fair value through other comprehensive income	**3,246,974**	2,493,362	**–**	–	**–**	–
Debt instruments at amortised cost	**6,752,548**	6,248,907	**–**	–	**–**	–
Amount due to						
Revolving credit	**–**	200,492	**–**	–	**–**	–
Subordinated obligations	**12,978**	77,988	**–**	–	**–**	–
Others	**427**	9,826	**–**	–	**–**	–

Other inter-company balances are unsecured, non-interest bearing and repayable on demand.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Key management personnel

Key management compensation

	The Group		The Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Salaries and other employee benefits #	**57,243**	103,261	**5,767**	12,107
Shares of the Company (units)	**3,734,824**	4,587,230	**–**	465,632

includes compensation paid by other related companies

Included in the above table is the Executive Directors' compensation which is disclosed in Note 44. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 49 to the Financial Statements.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group.

(e) Credit transactions and exposures with connected parties

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

	The Group	
	2020 RM'000	**2019 RM'000**
Outstanding credit exposures with connected parties	**9,952,583**	11,521,577
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**2.0%**	2.5%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	**0.0%**	0.0%

(f) Transactions with shareholders and Government

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

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

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

These transactions are conducted in the ordinary course of the Group's business on agreed terms and consistently applied in accordance with the Group's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

49 EMPLOYEE BENEFITS

EQUITY OWNERSHIP PLAN ("EOP")

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

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

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM66,188,000 (2019: RM67,916,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM3.53 per ordinary share (2019: RM5.23), based on observable market price.

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

	2020 Total Shares (units '000)	2019 Total Shares (units '000)
At 1 January	**17,386**	17,561
Awarded	**17,036**	12,147
Released	**(11,273)**	(12,322)
At 31 December	**23,149**	17,386

EMPLOYEE STOCK OPTION MANAGEMENT PROGRAM ESTABLISHED USING THE SHARES OF SUBSIDIARY OF THE COMPANY – PT BANK CIMB NIAGA ("MESOP")

The MESOP is a one-time program to reward performance and loyalty of management and selected employees. The amount implemented is 208,216,392 sheets which was approved at the Extraordinary General Meeting of Shareholders on 24 August 2017. This program was launched on 26 February 2018.

The amount of shares allocated to each employees is determined by considering the compensation received, current positions in the company, and performance of the past 2 years. The total amount of shares allocated to the MESOP program is 208.2 million shares, in which 12 millions of shares will be allocated for the share grants and 196.2 millions of shares for the share options. The first 40% of the share options are vested on 26 February 2018 (with condition of lock-up period up to 25 October 2018), another 30% of options are vested on 25 April 2019, and the last 30% of options are vested on 25 April 2020. Every share options corridor has different strike prices.

There are no dividends paid to share option holders before the option is exercised. All treasury shares that were repurchased on 22 February 2018 but not transferred up to 22 February 2021, must be made at the latest within 2 years and will be extended for another 1 year ending 22 February 2024, should the shares not fully transferred, based on POJK No.30/POJK.04/2017

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM356,000 (2019: RM1,790,000).

49 EMPLOYEE BENEFITS (CONTINUED)

MATERIAL RISK TAKERS PROGRAMME ("MRT") ESTABLISHED USING THE SHARES OF SUBSIDIARY OF THE COMPANY – PT BANK CIMB NIAGA

In accordance with POJK No. 45/POJK.03/2015 concerning the Implementation of Governance in Providing Remuneration for Commercial Banks, Banks are required to provide variable remuneration in the form of shares or stock-based instruments to parties that have been designated as Material Risk Takers (MRT), which is a remuneration policy in attracting, motivating and retaining the best employees in order to provide qualified human resources. The remuneration policy includes and applies to employees in businesses, operational and support functions.

In 2018, CIMB Niaga has conducted share buyback of 2,677,900 shares. On August 2018, Bank CIMB Niaga had distributed all shares from the share buyback to the management and employee who are eligible Material Risk Takers.

On 25 March 2019, CIMB Niaga has obtained the OJK approval through letter No.S-19/PB.33/2019 dated March 25, 2019 to repurchase shares of a maximum of 20,000,000 (full amount) shares at a cost of up to Rp25,000 (including transaction fees and taxes).

Upon the approval, CIMB Niaga has conducted share buyback of 7,211,500 shares.

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM575,000.

EMPLOYEES' SHARE OPTION SCHEME ESTABLISHED USING THE SHARES OF SUBSIDIARY OF THE COMPANY – TNG DIGITAL SDN BHD ("TNGD") ("ESOS")

The TNGD ESOS was approved by the Board of Directors of TNGD on 24 October 2018, and is implemented and administered by a committee comprising such persons as may be appointed by the Board in accordance to the ESOS By-Laws ("ESOS Committee"). The ESOS is designed to provide long-term incentives for employees to remain in employment with TNGD. Under the plan, participants are granted options which may only be vested if the vesting conditions are satisfied. Eligibility and participation in the ESOS is subject to the ESOS By-Laws and at the discretion of the ESOS Committee, and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options are granted under this ESOS for no consideration, and carry no dividend or voting rights.

Upon the vesting conditions being met, each option is exercisable to be exchanged for one redeemable convertible preference shares ("RCPS"). The exercise price of each option is to be determined by the ESOS Committee at its discretion in accordance to the ESOS By-Laws.

The total number of shares allocated to the ESOS is 10.5 million RCPS. There are no options that has vested and exercisable at 31 December 2020. The total share-based payment expenses recognised in statement of income during the financial year amounted to RM1,529,000 (2019: RM1,328,000).

50 CAPITAL COMMITMENTS

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

	The Group	
	2020 RM'000	**2019 RM'000**
Capital expenditure:		
Authorised and contracted for	**267,927**	255,328
Authorised but not contracted for	**1,462,620**	1,422,566
	1,730,547	1,677,894

Analysed as follows:

	The Group	
	2020 RM'000	**2019 RM'000**
Property, plant and equipment	**877,146**	970,781
Subscription for investments	**–**	12,787
Computer software	**853,401**	694,326
	1,730,547	1,677,894

51 COMMITMENTS AND CONTINGENCIES

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

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

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively. Refer to Note 8.

The notional or principal amount of the credit-related commitments and contingencies constitute the following:

The Group	**2020 Principal RM'000**	**2019 Principal RM'000**
Credit-related		
Direct credit substitutes	**7,054,851**	6,834,852
Certain transaction-related contingent items	**7,557,071**	8,540,770
Short-term self-liquidating trade-related contingencies	**2,763,854**	5,590,237
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	**72,322,919**	61,502,883
– Maturity exceeding one year	**31,691,945**	34,992,846
Miscellaneous commitments and contingencies	**2,578,701**	2,215,223
Total credit-related commitments and contingencies	**123,969,341**	119,676,811
Total treasury-related commitments and contingencies (Note 8)	**1,000,026,427**	1,026,346,675
	1,123,995,768	1,146,023,486

51 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Included under irrevocable commitments to extend credit are the amount related to the Restricted Agency Investment Account (refer to Note 9 for more details) as follows:

	The Group	
	2020 Principal RM'000	**2019 Principal RM'000**
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	**3,700,000**	–

(ii) CIMB Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB Bank (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

52 SEGMENT REPORTING

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

Segment information is presented in respect of the Group's business segment and geographical segment.

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

(A) BUSINESS SEGMENT REPORTING

Definition of segments

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

(i) Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering both conventional and Islamic financial products and services such as residential property loans, non-residential property loans, secured personal loans, motor vehicle financing, credit cards, unsecured personal financing, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services.

(ii) Commercial Banking

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

52 SEGMENT REPORTING (CONTINUED)

(A) BUSINESS SEGMENT REPORTING (CONTINUED)

(iii) Wholesale Banking

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

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

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

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

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

- Equities provides broking services to corporate, institutional and retail clients.

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

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

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

52 SEGMENT REPORTING (CONTINUED)

(A) BUSINESS SEGMENT REPORTING (CONTINUED)

31 December 2020

Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	CIMB Digital Assets & Group Funding RM'000	Total RM'000
Net interest income					
– External income	4,436,510	2,144,767	2,701,781	935,918	10,218,976
– Inter-segment (expense)/income	309,699	50,763	86,492	(446,954)	–
	4,746,209	2,195,530	2,788,273	488,964	10,218,976
Income from Islamic Banking operations	1,172,724	630,752	727,978	406,059	2,937,513
Net non-interest income	1,503,055	464,474	1,381,074	683,911	4,032,514
	7,421,988	3,290,756	4,897,325	1,578,934	17,189,003
Overheads of which:	(4,288,579)	(1,718,050)	(2,022,732)	(947,433)	(8,976,794)
– Depreciation of property, plant and equipment	(116,947)	(5,024)	(14,651)	(141,303)	(277,925)
– Amortisation of intangible assets	(88,077)	(3,579)	(33,025)	(242,746)	(367,427)
Profit before expected credit losses	3,133,409	1,572,706	2,874,593	631,501	8,212,209
Expected credit losses on loans, advances and financing	(2,224,244)	(1,605,210)	(1,489,574)	(23,181)	(5,342,209)
Expected credit losses (made)/written back on commitments and contingencies	(123,479)	5,657	(72,122)	(1,576)	(191,520)
Other expected credit losses and impairment allowances made	(144,325)	(7,021)	(1,025,217)	(88,083)	(1,264,646)
Segment results	641,361	(33,868)	287,680	518,661	1,413,834
Share of results of joint ventures	(10,242)	–	64,496	64,580	118,834
Share of results of associates	–	–	–	(2,339)	(2,339)
Profit before taxation and zakat	631,119	(33,868)	352,176	580,902	1,530,329
Taxation and zakat					(383,760)
Profit for the financial year					1,146,569
Segment assets	188,176,345	61,392,914	240,955,673	91,542,432	582,067,364
Investment in associates and joint ventures	140,158	–	1,400,853	955,512	2,496,523
	188,316,503	61,392,914	242,356,526	92,497,944	584,563,887
Unallocated assets	–	–	–	–	17,791,012
Total assets	188,316,503	61,392,914	242,356,526	92,497,944	602,354,899
Segment liabilities	171,435,818	71,794,619	245,112,043	38,786,987	527,129,467
Unallocated liabilities	–	–	–	–	18,051,310
Total liabilities	171,435,818	71,794,619	245,112,043	38,786,987	545,180,777
Other segment items					
Capital expenditure	407,446	20,357	73,451	628,127	1,129,381
Investment in joint ventures	140,158	–	1,400,853	910,206	2,451,217
Investment in associates	–	–	–	45,306	45,306

52 SEGMENT REPORTING (CONTINUED)

(A) BUSINESS SEGMENT REPORTING (CONTINUED)

Group	Consumer Banking RM'000	Commercial Banking RM'000	Wholesale Banking RM'000	CIMB Digital Assets & Group Funding RM'000	Total RM'000
	31 December 2019				
Net interest income					
– External income	4,740,242	2,525,579	2,511,401	306,696	10,083,918
– Inter-segment (expense)/income	(173,857)	(305,952)	(48,128)	527,937	–
	4,566,385	2,219,627	2,463,273	834,633	10,083,918
Income from Islamic Banking operations	1,114,326	571,279	739,207	615,851	3,040,663
Net non-interest income	1,756,835	620,154	1,700,549	341,947	4,419,485
Gain on disposal of subsidiaries and associates	–	–	–	251,813	251,813
	7,437,546	3,411,060	4,903,029	2,044,244	17,795,879
Overheads of which:	(4,495,225)	(1,797,182)	(2,289,514)	(1,290,984)	(9,872,905)
– Depreciation of property, plant and equipment	(127,478)	(5,080)	(15,919)	(140,494)	(288,971)
– Amortisation of prepaid lease payments	–	(49)	–	(10,219)	(10,268)
– Amortisation of intangible assets	(68,526)	(2,494)	(26,272)	(209,040)	(306,332)
Profit before expected credit losses	2,942,321	1,613,878	2,613,515	753,260	7,922,974
Expected credit losses (made)/written back on loans, advances and financing	(881,971)	(29,199)	(728,915)	1,300	(1,638,785)
Expected credit losses (made)/written back for commitments and contingencies	(44,529)	24,822	31,586	140	12,019
Other expected credit losses and impairment allowances (made)/written back	(137,769)	10,783	39,974	(265,006)	(352,018)
Segment results	1,878,052	1,620,284	1,956,160	489,694	5,944,190
Share of results of joint ventures	3,536	–	(20,707)	48,572	31,401
Share of results of associates	–	–	–	(751)	(751)
Profit before taxation and zakat	1,881,588	1,620,284	1,935,453	537,515	5,974,840
Taxation and zakat					(1,519,653)
Profit for the financial year					4,455,187
Segment assets	184,739,646	64,198,919	240,391,766	67,798,402	557,128,733
Investment in associates and joint ventures	175,400	–	1,300,096	952,265	2,427,761
	184,915,046	64,198,919	241,691,862	68,750,667	559,556,494
Unallocated assets	–	–	–	–	13,689,161
Total assets	184,915,046	64,198,919	241,691,862	68,750,667	573,245,655
Segment liabilities	171,502,959	65,865,217	224,949,122	35,509,855	497,827,153
Unallocated liabilities	–	–	–	–	17,949,426
Total liabilities	171,502,959	65,865,217	224,949,122	35,509,855	515,776,579
Other segment items					
Capital expenditure	392,612	13,562	72,158	478,886	957,218
Investment in joint ventures	175,400	–	1,300,096	906,509	2,382,005
Investment in associates	–	–	–	45,756	45,756

52 SEGMENT REPORTING (CONTINUED)

(A) BUSINESS SEGMENT REPORTING (CONTINUED)

Basis of pricing for inter-segment transfers:

Inter-segmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

(B) GEOGRAPHICAL SEGMENT REPORTING

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Indonesia, the areas of operation in this country include all the business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.
- Thailand, the areas of operation in this country include all the business segments of a subsidiary bank, CIMB Thai.
- Other countries include branch and subsidiary operations in Singapore, United Kingdom, China, Cambodia, Hong Kong, Vietnam and Philippines. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

The Group	Net interest income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000
2020				
Malaysia	**4,588,055**	**13,053,398**	**379,071,795**	**343,702,720**
Indonesia	**3,337,447**	**1,546,744**	**79,258,649**	**68,512,200**
Thailand	**1,515,178**	**367,373**	**55,347,016**	**49,570,884**
Other countries	**778,296**	**350,621**	**88,677,439**	**83,394,973**
	10,218,976	**15,318,136**	**602,354,899**	**545,180,777**
2019				
Malaysia	4,239,679	12,927,859	363,599,128	331,799,288
Indonesia	3,336,915	1,439,483	79,312,300	68,401,558
Thailand	1,587,187	409,782	54,301,249	48,536,200
Other countries	920,137	411,456	76,032,978	67,039,533
	10,083,918	15,188,580	573,245,655	515,776,579

53 SIGNIFICANT EVENTS

53.1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The World Health Organisation declared the outbreak of COVID-19 as a global pandemic in March 2020. The direct and indirect effects of the COVID-19 outbreak have impacted the global economy, markets and the Group's and the Company's counterparties and clients.

In particular, the process to determine ECL requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in ECL. The Group and the Company are not able to predict the COVID-19's potential future direct or indirect effects. However, the Group and the Company will continuously assess the extent of the impact of the COVID-19 pandemic to the economic activities as the severity and duration of the global economic downturn remains uncertain.

Other than as mentioned above, other significant events during the financial year are disclosed in the following note.

(a) Issuance of RM200 million Basel-III compliant Additional Tier 1 Perpetual Preference Shares

On 30 January 2020, CIMB Islamic issued RM200 million Basel-III compliant Additional Tier 1 Perpetual Preference Shares which was subscribed by CIMB Bank. The issuance was approved by CIMB Islamic's shareholder and BNM on 19 November 2019 and 26 December 2019 respectively.

(b) Acquisition of 100% shareholding interest of Numoni DFS Sdn Bhd ("NUDFS") by TNG Digital Sdn Bhd ("TNGD")

On 25 September 2019, TNGD, an indirect subsidiary of CIMBGH, entered into a Share Sale Agreement with Insas Berhad ("Insas") to acquire 100% shareholding interest of its indirect subsidiary Numoni DFS Sdn Bhd ("NUDFS"), a fintech company incorporated in Malaysia and is licensed by BNM to conduct e-Money and remittance services through its Money Service Business and e-Wallet issuer licenses. Approval from Bank Negara Malaysia in relation to the proposed acquisition was received by TNGD on 25 February 2020. On 9 June 2020, the proposed acquisition has been completed with final acquisition price of RM14 million and resulted in NUDFS being a wholly-owned subsidiary of TNGD.

The acquisition has no material financial effects on the financial statements for the financial year ended 31 December 2020.

(c) Closure of CIMB Bank's Representative Office in Mumbai, India

On 11 August 2020, CIMB Bank's Representative Office in Mumbai, India completed its closure process. The closure was approved by the Registrar of Companies of India on 5 March 2020, and by the Reserve Bank of India on 11 August 2020. CIMB Group will continue to maintain a presence in India via its joint-venture partnership with China Galaxy International Financial Holdings Pte Ltd ("CGS-CIMB").

(d) Full redemption of bonds and Sukuk

The redemptions during the financial year are as follows:

(i) On 15 March 2020, CIMB Bank has redeemed its USD600 million 3-year senior floating rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014 as disclosed in Note 30(e);

(ii) On 4 April 2020, CIMB Bank has redeemed its HKD700 million 1-year fixed rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014 as disclosed in Note 30(q);

(iii) On 5 May 2020, CIMB Bank has redeemed its USD313 million 30-years callable zero coupon notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014 as disclosed in Note 30(a);

(iv) On 8 May 2020, CIMB Thai Auto Co., Ltd, a subsidiary of CIMB Thai Bank has redeemed its THB2 billion debenture as disclosed in Note 30(h);

(v) On 23 August 2020, CIMB Niaga redeemed its Series B of IDR2,000,000 million bonds amounted to IDR376,000 million as disclosed in Note 30(k);

(vi) On 31 August 2020, CIMB Niaga redeemed its Series A of IDR2,000,000 million Sukuk amounted to IDR635,000 million as disclosed in Note 30(w);

53 SIGNIFICANT EVENTS (CONTINUED)

53.1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Full redemption of bonds and Sukuk (Continued)

The redemptions during the financial year are as follows: (Continued)

(vii) On 2 November 2020, CIMB Niaga redeemed its Series B of IDR2,000,000 million bond amounted to IDR657,000 million as disclosed in Note 30(l);

(viii) On 29 December 2020, CIMB Niaga redeemed its Series A Sukuk of IDR1,823,000 million bonds amounted to IDR276,000 million as disclosed in Note 30(x).

(e) Full redemption of subordinated obligations of the Group

The redemptions during the financial year are as follows:

(i) On 3 April 2020, the Company exercised its option to redeem its existing RM600 million Subordinated Fixed Rate Notes on the first optional redemption date as disclosed in Note 32(c);

(ii) On 23 December 2020, CIMB Bank redeemed its existing RM1.0 billion Tier II Subordinated Debt on the first optional redemption date as disclosed in Note 32(b);

(iii) On 23 December 2020, the Company redeemed its existing RM2.0 billion Tier II Subordinated Debt on the first optional redemption date as disclosed in Note 32(e);

(iv) On 23 December 2020, CIMB Niaga has fully redeemed its existing IDR1,600,000 million Subordinated Notes as disclosed in Note 32(a).

(f) Redemption of RM250 million MTNs

On 12 June 2020, the Company redeemed its RM250 million MTN issued under the existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value as disclosed in Note 31(a).

(g) Issuance of subordinated obligations

Issuance during the financial year are as follows:

(i) On 23 March 2020, CIMB Bank PLC issued USD10 million subordinated loan which qualified as Tier II capital for CIMB Bank PLC. The subordinated loan was issued as a single tranche at a fixed rate of 3.45% per annum, with a maturity of 10 years from the issue date with a call option starting at the end of year 5 and on each relevant coupon payment date thereafter. As the subordinated loan was subscribed by CIMB Bank, hence the amount was eliminated;

(ii) On 12 November 2020, the Company issued RM2.5 billion 10 years non-callable 5 years Tier II Subordinated debts bearing a fixed rate coupon of 3.15% p.a., payable on a semi-annual basis. The proceeds from the issuances were used to subscribe to AT1 Capital Securities issued by CIMB Bank, based on similar terms (see Note 32(u));

(iii) On 3 December 2020, the Company issued RM550 million perpetual non-callable 5 years Additional Tier 1 Capital Securities and RM200 million perpetual non-callable 10 years Additional Tier 1 Capital Securities bearing a fixed rate coupon of 3.60% p.a. and 4.00% p.a. respectively, payable on a semi-annual basis. The proceeds from the issuances were used to subscribe to AT1 Capital Securities issued by CIMB Bank, based on similar terms. (See Note 32(v)).

(h) Issuance of bonds and Sukuk

On 27 March 2020, CIMB Niaga issued IDR1,000,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR322,000 million, IDR287,000 million, and IDR391,000 million respectively, with fixed interest rate of 5.80%, 7.00% and 7.25% per annum respectively. (see Note 30 (z)).

53 SIGNIFICANT EVENTS (CONTINUED)

53.1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(i) Issuance of MTN

(i) On 3 April 2020, the Company issued RM600 million 5-year Medium Term Notes ("MTN") which will mature on 3 April 2025. The MTN was issued out of its existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value (See Note 31(a));

(ii) On 12 June 2020, the Company issued RM350 million 3-year Medium Term Notes ("MTN") which will mature on 12 June 2023. The MTN was issued out of its existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value (See Note 31(a)).

(j) Capital injection of VND264 billion into new ordinary shares of CIMB Bank (Vietnam) Limited

On 15 April 2020, CIMB Bank completed the capital injection of VND264 billion into new ordinary shares of CIMB Bank (Vietnam) Limited. The new ordinary shares were issued by CIMB Bank (Vietnam) Limited at an issue price of VND1 each to CIMB Bank.

53.2 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

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

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

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

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

Other than as mentioned above, other events subsequent to the balance sheet date are disclosed in the following note.

(a) On 27 January 2021, Bow Wave Capital Management ("Bow Wave"), a New York-based investment firm had completed the subscription of new ordinary shares in TNGD, a subsidiary of TnG. Following the investment by Bow Wave, TNG's shareholding in TNGD will dilute from 51.0% to approximately 47.0%. Consequently, TNGD will cease to become a subsidiary of TnG and cease to become an indirect subsidiary of the Group. Management is still in the midst of assessing the gain on disposal arising from this loss of control.

(b) On 4 February 2021, CIMB Group Sdn Bhd ("CIMBG"), a direct subsidiary of the Company, has completed its disposal of 100% equity interest in CIMB Southeast Asia Research Sdn Bhd ("CARI").

54 CAPITAL ADEQUACY

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

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

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

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

On 5 February 2020, BNM issued the policy document on Domestic Systemically Important Banks (D-SIB) Framework, which sets out BNM's assessment methodology to identify D-SIBs in Malaysia, following which CIMB Group Holdings Berhad has been identified as a D-SIB. A D-SIB is required to maintain additional capital buffers to regulatory capital requirements that include a higher loss absorbency (HLA) requirement which came into effect on 31 January 2021. The applicable HLA requirements will be in accordance to the list of D-SIBs published and updated by BNM on an annual basis.

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

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

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand (BOT) Notification No. SorNorSor. 12/2555 Re: Regulations on Supervision of Capital for Commercial Banks, dated 8 November 2012. Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The capital adequacy ratios of Bank CIMB Niaga is based on Otoritas Jasa Keuangan (OJK)'s requirements. The approach for Credit Risk and Market Risk is based on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

The capital adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam (SBV) in Circular 41/2016/TT-NHNN (dated 30 December 2016), which requires banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk. Prior to 2020, the capital adequacy ratio of CIMB Bank (Vietnam) Ltd. was calculated and managed according to local regulations as per the requirement of (SBV) in circular 36/2014/TT-NHNN dated 20 November 2014 with minimum compliance of 9%, amended by circular 06/2016/TT-NHNN dated 27 May 2016 and circular 19/2017/TT-NHNN dated 28 December 2017.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2020 and 31 December 2019. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, that qualify as capital pursuant to the CAF and CAFIB issued by BNM.

54 CAPITAL ADEQUACY (CONTINUED)

(a) The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2020 and 31 December 2019.

	The Group	
	2020	**2019**
Before deducting proposed dividend		
Common equity tier 1 ratio	**13.315%**	13.254%
Tier 1 ratio	**14.634%**	14.364%
Total capital ratio	**17.624%**	17.126%
After deducting proposed dividend		
Common equity tier 1 ratio	**13.167%**	12.878%
Tier 1 ratio	**14.486%**	13.988%
Total capital ratio	**17.476%**	16.750%

The Group implemented a Dividend Reinvestment Scheme ("DRS") for the single-tier interim dividend in respect of the financial year ended 31 December 2020, which would increase the capital adequacy ratios of the Group above those stated above.

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

	The Group	
	2020 RM'000	**2019 RM'000**
Credit risk [1]	**271,321,905**	264,587,009
Market risk	**19,145,332**	19,573,008
Large exposure risk requirements	**910,107**	866,895
Operational risk	**31,233,381**	31,614,069
Total risk-weighted assets	**322,610,725**	316,640,981

[1] The RWA for credit risk relating to the Restricted Agency Investment Account (refer Note 9(i)(c) for more details) are as follows:

	The Group	
	RM'000	**RM'000**
Under Restricted Agency Investment Account arrangement	**209,266**	**343,110**

54 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier I and Tier II capital for the financial year ended 31 December 2020 and 31 December 2019 are as follows:

	2020 RM'000	2019 RM'000
Common Equity Tier I capital		
Ordinary share capital	**25,843,808**	25,843,808
Other reserves	**30,081,833**	30,393,360
Qualifying non-controlling interests	**468,913**	500,647
Less: Proposed dividends	**(477,295)**	(1,190,756)
Common Equity Tier I capital before regulatory adjustments	**55,917,259**	55,547,059
Less: Regulatory adjustments		
Goodwill	**(7,758,423)**	(7,857,539)
Intangible assets	**(1,986,610)**	(1,685,169)
Deferred tax assets	**(1,003,176)**	(846,045)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	**(2,354,415)**	(2,245,817)
Regulatory reserve	**(233,441)**	(2,133,166)
Others	**(101,558)**	(1,787)
Common Equity Tier I capital after regulatory adjustments	**42,479,636**	40,777,536
Additional Tier I capital		
Perpetual subordinated capital securities	**4,150,000**	3,400,000
Qualifying capital instruments held by third parties	**116,948**	117,575
	4,266,948	3,517,575
Less: Regulatory adjustments		
Investments in own Additional Tier 1 capital instruments	**(12,400)**	(2,100)
Additional Tier I capital after regulatory adjustments	**4,254,548**	3,515,475
Total Tier I capital	**46,734,184**	44,293,011
Tier II capital		
Subordinated notes	**6,700,000**	6,200,000
Qualifying capital instruments held by third parties	**912,962**	1,001,965
Surplus eligible provisions over expected loss	**683,264**	202,020
General provisions √	**1,348,071**	1,341,694
Tier II capital before regulatory adjustments	**9,644,297**	8,745,679
Less: Regulatory adjustments		
Investments in own Tier II capital instruments	**–**	–
Total Tier II capital	**9,644,297**	8,745,679
Total capital	**56,378,481**	53,038,690

54 CAPITAL ADEQUACY (CONTINUED)

(c) The capital adequacy of the banking subsidiary companies of the Group are as follows:

	CIMB Bank Group	CIMB Bank**	CIMB Islamic Bank	CIMB Investment Bank Group	CIMB Thai Bank	Bank CIMB Niaga	CIMB Bank PLC	CIMB Bank (Vietnam) Ltd
2020								
Before deducting proposed dividend								
Common equity tier 1 ratio	**13.607%**	**13.126%**	**13.307%**	**91.131%**	**14.938%**	**20.115%**	**N/A**	**N/A**
Tier 1 ratio	**14.860%**	**14.760%**	**14.100%**	**91.131%**	**14.938%**	**20.115%**	**N/A**	**N/A**
Total capital ratio	**18.571%**	**18.564%**	**16.760%**	**91.131%**	**20.749%**	**21.239%**	**17.491%**	**73.436%**
After deducting proposed dividend								
Common equity tier 1 ratio	**13.607%**	**13.126%**	**13.307%**	**83.181%**	**14.938%**	**20.115%**	**N/A**	**N/A**
Tier 1 ratio	**14.860%**	**14.760%**	**14.100%**	**83.181%**	**14.938%**	**20.115%**	**N/A**	**N/A**
Total capital ratio	**18.571%**	**18.564%**	**16.760%**	**83.181%**	**20.749%**	**21.239%**	**17.491%**	**73.436%**
2019								
Before deducting proposed dividend								
Common equity tier 1 ratio	13.964%	13.753%	13.351%	69.095%	12.378%	19.644%	N/A	N/A
Tier 1 ratio	14.994%	15.158%	13.777%	69.095%	12.378%	19.644%	N/A	N/A
Total capital ratio	18.885%	19.446%	16.979%	69.095%	17.417%	20.918%	17.596%	87.875%
After deducting proposed dividend								
Common equity tier 1 ratio	13.483%	13.028%	13.351%	61.549%	12.378%	19.644%	N/A	N/A
Tier 1 ratio	14.514%	14.433%	13.777%	61.549%	12.378%	19.644%	N/A	N/A
Total capital ratio	18.405%	18.720%	16.979%	61.549%	17.417%	20.918%	17.596%	87.875%

** Includes the operations of CIMB Bank (L) Limited.

√ Total Capital of CIMB Group as at 31 December 2020 has excluded general provisions restricted from Tier II capital of RM581 million (2019: RM502 million).

55 ACQUISITION

On 25 September 2019, TNG Digital Sdn Bhd ("TNGD"), an indirect subsidiary of CIMBGH, entered into a Share Sale Agreement with Insas Berhad ("Insas") to acquire 100% shareholding interest of its indirect subsidiary Numoni DFS Sdn Bhd ("NUDFS"), a fintech company incorporated in Malaysia and is licensed by BNM to conduct e-Money and remittance services through its Money Service Business and e-Wallet issuer licenses. Approval from Bank Negara Malaysia in relation to the proposed acquisition was received by TNGD on 25 February 2020. On 9 June 2020, the proposed acquisition has been completed with final acquisition price of RM14 million and resulted in NUDFS being a wholly-owned subsidiary of TNGD.

55 ACQUISITION (CONTINUED)

The following table summarises the consideration paid for the acquisition of NUDFS, identifiable assets acquired and liabilities assumed at the acquisition date:

	Note	RM'000
Cash and short-term funds		**2,199**
Other assets		**99**
Property, plant and equipments	16	**15**
Intangible assets	21	**12,555**
Other liabilities		**(398)**
Net assets acquired		**14,470**
Total purchase consideration		**14,470**
Less: Cash and cash equivalents acquired		**(2,199)**
Cash outflow on acquisition		**12,271**

The acquired subsidiary contributed revenue of RM18,336 and net loss of RM232,260 to the Group for the period from 9 June 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, the subsidiary would have contributed revenue and net loss of RM18,336 and RM232,260 respectively.

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

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

In determining ECL, management judgement and overlay is applied to reflect the expectation of credit risk. Forward looking macroeconomic information and assumptions relating to COVID-19 have been considered in these estimation, including the uncertainty in relation to resurgence of COVID-19 cases and the anticipated impact of government stimulus and development of vaccines.

Consistent with industry practices, customer support payment deferrals as part of COVID-19 support packages in isolation will not necessarily trigger a stage movement if the customer is assessed to be viable or the deferral packages increase the survival possibility or prevent further credit deterioration. Where there is an indicator of SICR, a lifetime expected credit losses will be considered. Nevertheless, the Group will continue to monitor the ECL impact on an on-going basis throughout the COVID-19 period to ensure sufficient level of provisions are made for the targeted portfolios based on the best available information.

Refer to Section 58.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

56 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(b) *Goodwill impairment*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M(a) of the Summary of Significant Group Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various cash-generating-units ("CGU"). The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. The assessment of the value in use of each CGU has considered the impact of COVID-19 on earnings. Refer to Note 20 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.

(c) *Fair value of financial instruments*

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 58.4.

(d) *Provision of taxation*

The Group is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Group's positions, propose adjustments or changes to its tax filings and have differing interpretations of tax law for which the final outcome is not determined until a later date. As a result, the Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Group's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The Group reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Group's provisions. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. However, based on currently enacted legislation, information currently known by the Group and after consultation with external tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Group's financial condition taken as a whole.

57 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

		The Group		The Company	
		2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Non-current assets held for sale:					
Property, plant and equipment and investment property	(a)	**7,112**	7,467	**–**	–
Disposal group held for sale	(b)	**1,293**	–	**–**	–
Total non–current assets held for sale		**8,405**	7,467	**–**	–
Non-current liabilities held for sale:					
Disposal group held for sale	(b)	**474**	–	**–**	–
Total non–current liabilities held for sale		**474**	–	**–**	–

(a) Property, plant and equipment of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2021.

Fair value of property plant and equipment held for sale

In accordance with MFRS 5, the non-current assets held for sale were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2020, the property, plant and equipment held for sale that were stated at fair value less cost to sell was RM7,112,000 (2019: RM7,467,000). This is a non-recurring fair value which has been measured using observable inputs under sales comparison approach performed by independent valuers. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. Therefore, it is within Level 2 of the fair value hierarchy.

(b) Disposal group held for sale

During the financial year

The assets and liabilities of the disposal group as at 31 December 2020 are as follows:

	The Group
	RM'000
Assets classified as held for sale	
Cash and short term funds	**513**
Other assets	**249**
Property, plant and equipment	**159**
Intangible assets	**3**
Right-of-use assets	**369**
	1,293
Liabilities classified as held for sale	
Other liabilities	**81**
Lease liabilities	**393**
	474

58 FINANCIAL RISK MANAGEMENT

(A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group embraces risk management as an integral part of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

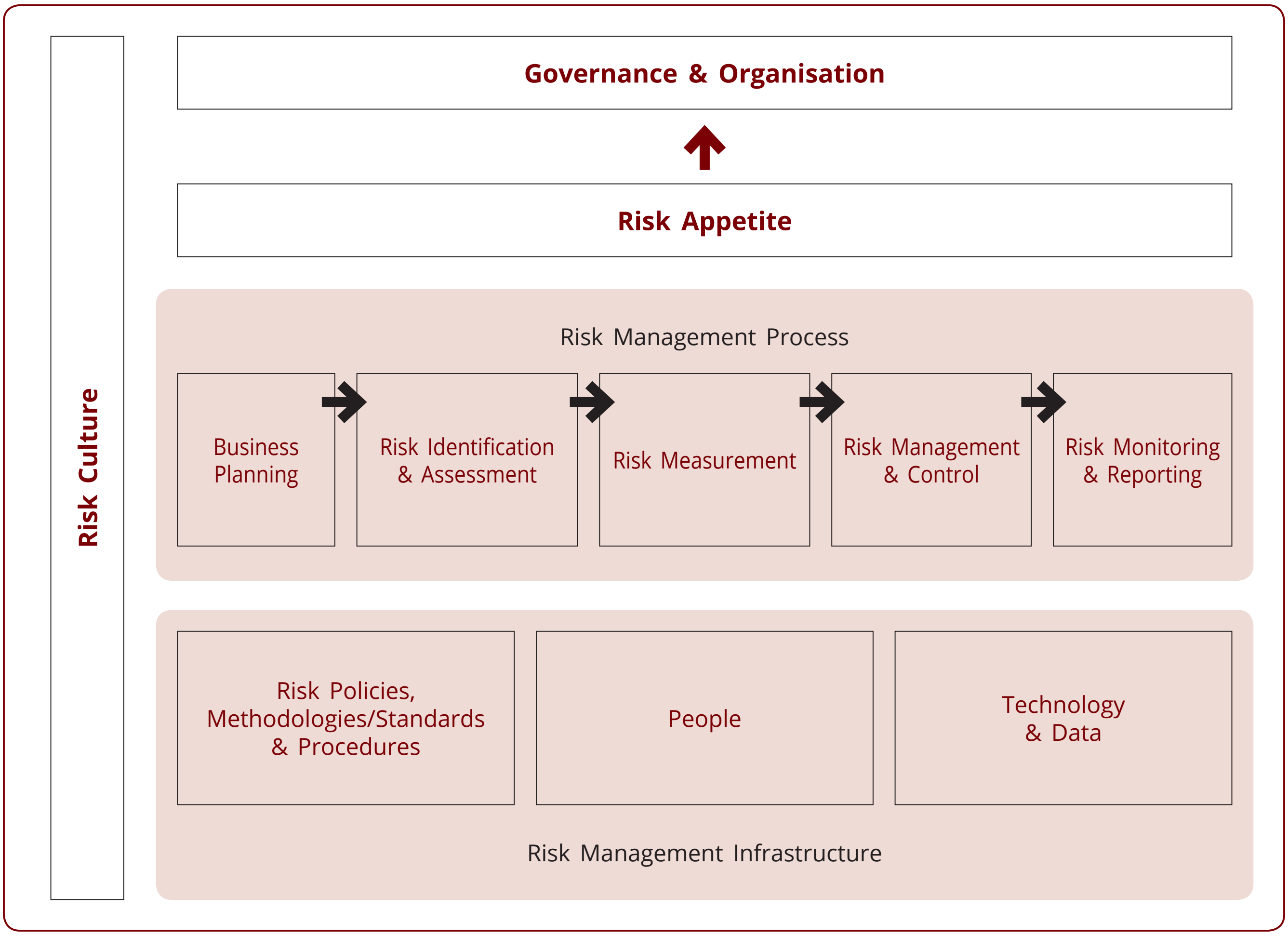
Generally, the objectives of the Group's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position is within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

(B) ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK (EWRM)

The Group employs a Group EWRM framework as a standardised approach to effectively manage its risks and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:



58 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK (EWRM) (CONTINUED)

The design of the Group EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

The key features of the Group EWRM framework include:

(i) Risk Culture

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are managed at the point of risk-taking activities. There is clear accountability of risk ownership across the Group.

(ii) Governance & Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic directions, which is supported by the risk appetite and risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

(iii) Risk Appetite

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

(iv) Risk Management Process

- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk policies, methodologies/standards and procedures.
- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

(v) Risk Management Infrastructure

- Risk Frameworks Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) RISK GOVERNANCE

At the a apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each Board Risk and Compliance Committee (BRCC) reports directly into the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. The BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of Group Risk and Compliance Committee (GRCC).

To facilitate the effective implementation of the Group EWRM framework, BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of risk management supervision and control is delegated to GRCC, which reports directly to BRCC. GRCC, comprised of senior management of the Group, performs the oversight function for the overall management of risks. GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee (GCC), Group Market Risk Committee (GMRC), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee (GALMC) and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, defined as any fluctuations in the value of the trading or investment exposure arising from changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(iii) Liquidity and funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates/profit rates;

(vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;

(viii) Shariah Non-Compliance (SNC) risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from possible failure to comply with the rulings of the Shariah Advisory Council (SAC) of BNM and Securities Commission (SC), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA, or decisions or advice of the Board Shariah Committee (BSC) of the Group and other Shariah authorities/committees of the jurisdictions in which the Group operates;

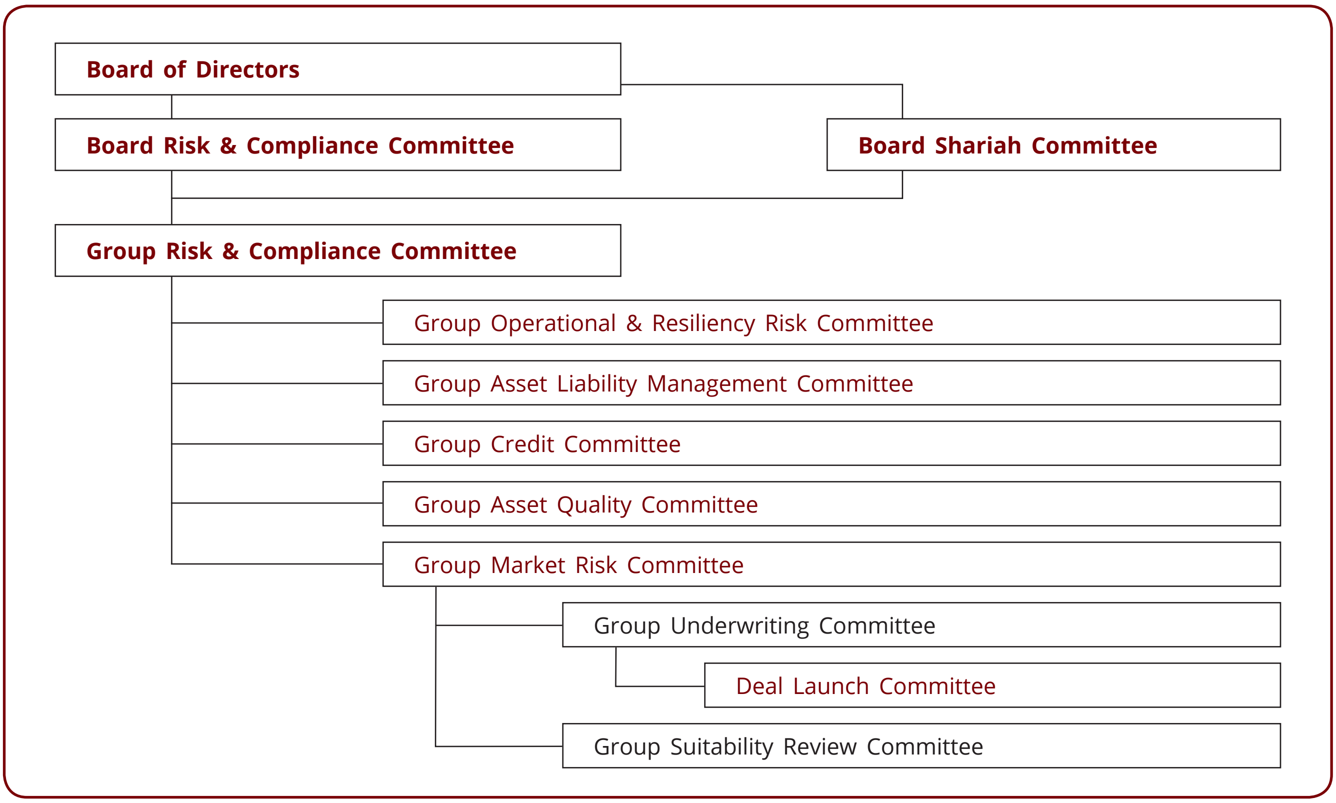
(viii) Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another; and

(ix) Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) RISK GOVERNANCE (CONTINUED)

The structure of CIMB Group Risk Committees is depicted in the following chart:



The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the Group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

Three Lines-of-Defence

The Group's risk management culture is embodied through the adoption of the Three Lines-of-Defence philosophy, whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line-of-defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line-of-defence provides oversight and performs independent monitoring of business activities and reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line-of-defence is Group Corporate Assurance Division which provides independent assurance on the adequacy and effectiveness of the internal controls and risk management processes.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) RISK GOVERNANCE (CONTINUED)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD)

Within the second line-of-defence is Group Risk, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions including implementation of the Group EWRM framework. The Group CRO:

(i) actively engages the respective boards and senior management on risk management issues and initiatives; and
(ii) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

The organisational structure of Group Risk is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE"):

(i) CRO

- CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/ entity under his/her purview.
- The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(ii) Risk Centres of Excellence

- These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
- The Risk CoEs consist of Risk Analytics & Credit Risk Infrastructure, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Asset Liability Management and Credit Risk CoEs.

(1) Risk Analytics CoE

Risk Analytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

(2) Credit Risk Infrastructure CoE

The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of loan decision engine and rating system which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) RISK GOVERNANCE (CONTINUED)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD)(Continued)

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers ("CRO") and the Risk Centres of Excellence ("CoE") (Continued):

(ii) Risk Centres of Excellence (Continued)

(3) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value-at-Risk ("VaR") and market risk capital as well as performing stress testing.

(4) Non-Financial Risk Management CoE

The Non-Financial Risk Management (NFRM) CoE ensures the first line-of-defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line-of-defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

(5) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

(6) Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk (and alternate underwriting) models; underwriting; and portfolio analytics.

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) RISK GOVERNANCE (CONTINUED)

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

58.1 CREDIT RISK

Credit risk is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

Credit Risk Management

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three lines-of-defence model on risk management where risks are managed from the point of risk-taking activities, the Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlines a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit submitted to joint delegated authority and relevant committees for approval.

The GRCC with the support of Group Credit Committee (GCC), Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy reviews. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Management (Continued)

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support, form an integral part of the credit risk management process. Credit risk mitigants are taken where possible, and are considered secondary recourse to the obligor for the credit risk underwritten.

(i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's Capital Adequacy Framework (CAF) (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

(ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Mitigation (Continued)

(iii) Netting

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

(iv) Portfolio diversification for better clarity

The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement of the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk ('SICR')

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

Retail

A retail loan, advances and financing is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Habitual delinquent;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (AKPK) scheme and subject to monitoring period.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Measurement (Continued)

(i) Significant increase in credit risk ('SICR') (Continued)

Non-retail

The stage allocation will be performed at borrower level. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment;
- Habitual delinquent.

Treasury

A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Margin call or force selling trigger not regularalised within the stipulated period (applicable to option premium financing only).

The Group has not used the low credit risk exemption for any financial instruments for the year ended 31 December 2020 and 31 December 2019. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

(ii) Definition of credit impaired

Loans, advances and financing

The Group classifies a loan, advances and financing as impaired when it meets one or more of the following criteria:

(a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;

(b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or

(d) As soon as a default occurs where the principal and/or interest/profit repayments/payments are scheduled on intervals of 3 months or longer.

For the purpose of ascertaining the period in arrears:

- Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

Loans, advances and financing (Continued)

(e) Force Impaired Credit Facilities

The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

(f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

Bonds and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

- Bond that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded/classified with the appropriate regulatory financing grading(s).
- Bonds which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple loans/bonds with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual loan/bond level instead of consolidated obligor/counterparty level.

(iii) Definition of default

Loans, advances and financing

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off/charged-off accounts;
- Repossessed accounts (applicable for hire purchase receivables only);
- Force disposed accounts (applicable for non-voluntary ASB loans, advances and financing only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations for loans, advances and financing.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Measurement (Continued)

(iii) Definition of default (Continued)

Bonds and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or interest/profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

(iv) Measuring ECL – inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the applicaton of survival probabilities up to maturity of the loan facility.

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Measurement (Continued)

(iv) Measuring ECL – inputs, assumptions and estimation techniques (Continued)

Loss Given Default

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team and external research house.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which is aligned with information used by the Group for other purposes such as budgeting and stress testing.

Best and Worst case: This represent the 'upside' and 'downside' outcome of future economic conditions.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

The Group and the Company have also identified the key economic variables and carried out sensitivity assessment of ECL for loans, advances and financing (including undrawn loans, advances and financing) and treasury bonds in relation to the changes in these key economic variables whilst keeping other variables unchanged.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Credit Risk Measurement (Continued)

(v) Forward-looking information incorporated into the ECL models (Continued)

The key economic variables used for the ECL sensitivity assessment:

Key variables:	**Changes (+/- bps)**
GDP growth	50
Equity market index	50-100
Housing Price Index (HPI)	150
Overnight policy rate (OPR)	50
Exchange Rate	10
Interbank rate	10
Crude oil price	10

	The Group (Writeback)/made	
	RM'000	**RM'000**
	+	**–**
Impact from expected credit losses	**(40,345)**	**42,172**

The impact captures the non-linearity and offsetting effect arising from the correlation of variables with the ECL and does not reflect any overlay or adjustment which could potentially be put in place as a result of the change in the macroeconomics.

(vi) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modeling team.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

Write-off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group may write-off loan or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2020 was RM2,018 million (2019: RM1,712 million).

Modification of loans

Where the original contractual terms of a financial asset have been modified and the instrument has not been derecognised, the resulting modification loss is recognised in the income statements with a corresponding decrease in the gross carrying value of the asset.

If the modification involved a concession that the Group and the Company would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne. ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk.

These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Group and the Company monitor the subsequent performance of modified assets. The Group and the Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

(i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swaps and Derivatives Association Agreement (CSA) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

(ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2020 and 31 December 2019 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

All financial assets of the Group are subject to credit risk except for cash in hands, securities instruments in financial investments at fair value through profit or loss, unit trust in debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, statutory deposits with central banks as well as non-financial assets.

	The Group Maximum exposure	
	2020 RM'000	**2019 RM'000**
Financial guarantees	**8,093,422**	8,104,258
Credit related commitments and contingencies	**83,461,419**	80,893,636
	91,554,841	88,997,894

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group is 73% (2019: 71%) while the financial effect of collateral for derivatives for the Group is 79% (2019: 76%). The financial effect of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 31 December 2020 for the Group is 75% (2019: 73%).

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group					
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Net amounts of financial assets RM'000	Financial instruments RM'000	Financial collateral received RM'000	Net amount RM'000
Financial assets						
2020						
Derivatives	**16,008,365**	**-**	**16,008,365**	**(9,727,225)**	**(2,122,664)**	**4,158,476**
Reverse repurchase agreements	**6,832,920**	**-**	**6,832,920**	**(116,921)**	**(5,732,590)**	**983,409**
Loans, advances and financing						
– Share margin financing	**54,010**	**-**	**54,010**	**-**	**(53,474)**	**536**
Total	**22,895,295**	**-**	**22,895,295**	**(9,844,146)**	**(7,908,728)**	**5,142,421**
2019						
Derivatives	11,589,897	–	11,589,897	(6,843,619)	(1,478,169)	3,268,109
Reverse repurchase agreements	9,014,453	–	9,014,453	(176,025)	(8,067,612)	770,816
Loans, advances and financing						
– Share margin financing	74,873	–	74,873	–	(72,779)	2,094
Total	20,679,223	–	20,679,223	(7,019,644)	(9,618,560)	4,041,019

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.2 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements – by type

	The Group					
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets in the statement of financial position RM'000	Net amounts of financial liabilities RM'000	Financial instruments RM'000	Financial collaterals pledged RM'000	Net amount RM'000
Financial liabilities						
2020						
Derivatives	**16,340,770**	**-**	**16,340,770**	**(9,690,581)**	**(2,770,360)**	**3,879,829**
Repurchase agreements/Collateralised commodity murabahah	**28,146,581**	**-**	**28,146,581**	**(27,913,685)**	**-**	**232,896**
Amount due to brokers	**45,309**	**(35,453)**	**9,856**	**-**	**-**	**9,856**
Total	**44,532,660**	**(35,453)**	**44,497,207**	**(37,604,266)**	**(2,770,360)**	**4,122,581**
2019						
Derivatives	11,337,869	–	11,337,869	(6,782,189)	(2,519,930)	2,035,750
Repurchase agreements/Collateralised commodity murabahah	14,320,131	–	14,320,131	(14,296,469)	–	23,662
Total	25,658,000	–	25,658,000	(21,078,658)	(2,519,930)	2,059,412

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows:

The Group 2020	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	21,763,955	527,720	202,754	1,783,740	3,424,386	2,583,330	136,992	668,820	3,826,784	34,918,481
Reverse repurchase agreements	1,901,241	672,801	241,428	1,352,928	12,958	396,992	7,723	29,676	2,217,173	6,832,920
Deposits and placements with banks and other financial institutions	1,090,736	1,430,131	-	46	-	-	25,921	309,158	706,572	3,562,564
Financial investments at fair value through profit or loss	13,008,114	2,570,996	4,747,304	11,866,421	341,034	273,170	73,822	887,226	6,320,329	40,088,416
Debt instruments at fair value through other comprehensive income	25,766,800	11,437,470	5,638,476	2,848,300	-	627,975	442,842	553,141	410,777	47,725,781
Debt instruments at amortised cost	41,762,122	6,198,718	2,902,403	4,971,745	-	-	-	218,305	74,792	56,128,085
Derivative financial instruments	3,205,744	386,222	6,434,796	742,867	50	2,568,355	830,239	26,469	1,813,623	16,008,365
Loans, advances and financing	222,215,153	49,285,312	32,963,081	28,464,162	319,967	4,870,226	1,379,189	4,032,874	10,386,002	353,915,966
Other assets	4,484,526	1,073,980	2,006,795	745,434	406,421	837,179	47,390	14,028	944,120	10,559,873
Financial guarantees	2,932,633	840,697	12,758	3,161,046	-	36,290	96,207	11,132	1,002,659	8,093,422
Credit related commitments and contingencies	67,418,656	5,944,572	1,482,705	5,277,483	397,444	273,127	945,851	496,482	1,225,099	83,461,419
Total credit exposures	405,549,680	80,368,619	56,632,500	61,214,172	4,902,260	12,466,644	3,986,176	7,247,311	28,927,930	661,295,292

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows (Continued):

The Group 2019	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Hong Kong RM'000	China RM'000	Others RM'000	Total RM'000
Cash and short-term funds	22,770,760	137,173	104,628	1,145,293	3,329,395	2,138,876	394,316	598,341	1,652,437	32,271,219
Reverse repurchase agreements	2,163,085	162,517	110,391	1,470,597	105,916	185,931	19,758	36,303	4,759,955	9,014,453
Deposits and placements with banks and other financial institutions	1,756,648	1,728,420	-	41,008	-	-	214,379	791,643	267,071	4,799,169
Financial investments at fair value through profit or loss	18,021,103	1,231,276	4,818,399	6,720,299	8,224	407,238	996,157	929,048	2,864,641	35,996,385
Debt instruments at fair value through other comprehensive income	17,904,927	5,883,088	5,034,154	2,302,906	-	600,646	710,565	427,911	454,215	33,318,412
Debt instruments at amortised cost	30,469,838	3,408,895	2,678,513	3,236,279	-	-	-	-	39,966	39,833,491
Derivative financial instruments	2,349,185	235,259	5,317,655	753,086	2,127	1,640,920	450,293	2,778	838,594	11,589,897
Loans, advances and financing	217,258,383	57,401,166	35,851,205	29,168,670	472,739	4,412,301	1,382,278	3,821,118	10,572,240	360,340,100
Other assets	4,049,436	1,117,077	1,943,290	628,372	72,212	441,696	121,929	82	352,937	8,727,031
Financial guarantees	4,617,329	698,158	41,861	1,534,186	8,535	55,887	105,335	16,958	1,026,009	8,104,258
Credit related commitments and contingencies	62,966,399	5,859,572	1,922,838	5,114,822	614,846	759,354	1,117,551	580,788	1,957,466	80,893,636
Total credit exposures	384,327,093	77,862,601	57,822,934	52,115,518	4,613,994	10,642,849	5,512,561	7,204,970	24,785,531	624,888,051

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows (Continued):

The Company 2020	Malaysia RM'000	Indonesia RM'000	Hong Kong RM'000	Total RM'000
Cash and short-term funds	**344,601**	**2**	**–**	**344,603**
Debt instruments at fair value through other comprehensive income	**3,246,974**	**–**	**–**	**3,246,974**
Debt instruments at amortised cost	**6,701,694**	**–**	**–**	**6,701,694**
Other assets	**82,649**	**–**	**–**	**82,649**
Amount owing by subsidiaries	**12**	**–**	**–**	**12**
	10,375,930	**2**	**–**	**10,375,932**

The Company 2019	Malaysia RM'000	Indonesia RM'000	Hong Kong RM'000	Total RM'000
Cash and short-term funds	370,544	2	–	370,546
Debt instruments at fair value through other comprehensive income	2,493,362	–	–	2,493,362
Debt instruments at amortised cost	6,183,386	–	–	6,183,386
Other assets	82,644	–	50,770	133,414
Amount owing by subsidiaries	12	–	–	12
	9,129,948	2	50,770	9,180,720

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows:

The Group 2020	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000
Primary agriculture	-	-	-	-	405,376	-	36,635	12,220,750	361	12,663,122
Mining and quarrying	-	-	-	215,224	595,555	640,818	130,439	4,134,893	-	5,716,929
Manufacturing	-	-	-	70,418	705,281	582	141,565	24,604,735	4,611	25,527,192
Electricity, gas and water	-	-	-	333,906	4,706,038	1,117,179	627,968	5,498,596	2,246	12,285,933
Construction	-	-	-	152,641	1,185,239	660,156	44,126	13,460,876	390	15,503,428
Transport, storage and communications	-	-	-	180,206	3,192,080	2,094,936	292,706	8,392,168	216,244	14,368,340
Education and health	-	-	-	-	82,268	-	3,350	15,825,240	62	15,910,920
Wholesale and retail trade, and restaurant	-	-	-	29,538	48,948	-	81,179	29,615,223	16,418	29,791,306
Finance, insurance, real estate business:										
Finance, insurance/takaful, real estate and business	34,918,481	5,524,852	3,562,564	21,596,367	15,411,580	16,310,023	13,765,273	46,563,405	9,644,785	167,298,330
Real estate										
Others:										
Household	-	-	-	-	-	-	-	175,937,892	33	175,937,925
Others	-	1,308,068	-	17,510,116	21,393,416	35,304,391	885,124	17,662,188	673,723	94,737,026
	34,918,481	6,832,920	3,562,564	40,088,416	47,725,781	56,128,085	16,008,365	353,915,966	10,559,873	569,740,451

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows (Continued):

The Group 2019	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Derivative financial instruments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000
Primary agriculture	–	–	–	8,130	432,402	–	247,470	12,879,808	177	13,567,987
Mining and quarrying	–	–	–	214,415	491,233	1,176,133	95,926	5,926,181	–	7,903,888
Manufacturing	–	–	–	474,325	439,823	604	169,154	27,508,219	269	28,592,394
Electricity, gas and water	–	–	–	383,502	3,778,353	1,285,132	525,132	5,947,540	3,051	11,922,710
Construction	–	–	–	203,789	1,448,722	569,589	50,402	13,387,495	558	15,660,555
Transport, storage and communications	–	–	–	428,567	2,764,437	1,773,790	431,203	9,508,011	402	14,906,410
Education and health	–	–	–	–	57,100	–	3,554	16,079,306	594	16,140,554
Wholesale and retail trade, and restaurant	–	–	–	55,854	22,403	–	132,011	30,525,415	16,137	30,751,820
Finance, insurance, real estate business:										
Finance, insurance/takaful, real estate and business	32,271,219	8,021,217	4,799,169	21,208,765	15,055,957	15,106,685	9,606,605	48,438,447	8,409,498	162,917,562
Real estate										
Others:										
Household	–	–	–	–	–	–	194	172,703,947	587	172,704,728
Others	–	993,236	–	13,019,038	8,827,982	19,921,558	328,246	17,435,731	295,758	60,821,549
	32,271,219	9,014,453	4,799,169	35,996,385	33,318,412	39,833,491	11,589,897	360,340,100	8,727,031	535,890,157

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows (Continued):

The Company 2020	Cash and short term funds RM'000	Other financial assets* RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Total RM'000
Finance, insurance/takaful, real estate and business activities	**344,603**	**82,661**	**3,246,974**	**6,701,694**	**10,375,932**
	344,603	**82,661**	**3,246,974**	**6,701,694**	**10,375,932**

The Company 2019	Cash and short term funds RM'000	Other financial assets* RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Total RM'000
Finance, insurance/takaful, real estate and business activities	370,546	133,426	2,493,362	6,183,386	9,180,720
	370,546	133,426	2,493,362	6,183,386	9,180,720

* Other financial assets include amount owing by subsidiaries and other financial assets

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations for financial guarantees and credit related commitments and contingencies based on the industry sectors of the counterparty are as follows:

	The Group			
	Financial guarantees 2020 RM'000	Credit related commitments and contingencies 2020 RM'000	Financial guarantees 2019 RM'000	Credit related commitments and contingencies 2019 RM'000
Primary agriculture	**57,919**	**2,308,642**	49,409	2,158,459
Mining and quarrying	**105,436**	**1,963,744**	49,367	1,314,256
Manufacturing	**1,163,789**	**4,718,339**	695,614	3,395,555
Electricity, gas and water	**526,378**	**4,570,406**	371,052	1,800,570
Construction	**588,128**	**6,593,244**	671,618	6,195,613
Transport, storage and communications	**292,715**	**3,327,138**	200,454	2,905,566
Education and health	**66,416**	**3,051,682**	73,306	2,082,336
Wholesale and retail trade, and restaurant	**1,546,781**	**6,566,991**	1,960,328	5,501,502
Finance, insurance/takaful, real estate and business activities	**3,558,488**	**12,557,628**	3,849,447	10,389,746
Others:				
Household	**73,647**	**37,308,281**	78,338	44,803,417
Others	**113,725**	**495,324**	105,325	346,616
	8,093,422	**83,461,419**	8,104,258	80,893,636

58.1.4 Credit quality of financial assets

(a) Financial assets using General 3-stage approach

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

Loans, advances and financing and loans commitment and financial guarantees

Rating classification	Internal rating
Good	1 to 10b
Satisfactory	11a to 13e
Impaired	14

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

Other financial instruments

Rating classification	Internal rating
Investment grade (IG)	1 to 6
Non-investment grade	7 to 13e
Impaired	14

Other financial instruments include cash and short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements at amortised cost, debt instruments at FVOCI, debt instruments at amortised cost, amount owing by subsidiary and other assets.

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

Impaired – Refers to the asset that is being impaired.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised.

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Cash and short-term fund and Deposits and placement with Banks and other Financial Institutions					
2020					
Sovereign	**24,567,293**	**–**	**–**	**–**	**24,567,293**
Investment grade	**9,419,788**	**–**	**–**	**–**	**9,419,788**
Non-investment grade	**8,999**	**–**	**–**	**–**	**8,999**
Impaired	**–**	**–**	**2,316**	**–**	**2,316**
No rating	**4,485,084**	**–**	**–**	**–**	**4,485,084**
Gross carrying amount	**38,481,164**	**–**	**2,316**	**–**	**38,483,480**
Total ECL	**(119)**	**–**	**(2,316)**	**–**	**(2,435)**
Net carrying amount	**38,481,045**	**–**	**–**	**–**	**38,481,045**
2019					
Sovereign	21,825,546	–	–	–	21,825,546
Investment grade	11,881,726	–	–	–	11,881,726
Non-investment grade	60,220	–	–	–	60,220
Impaired	–	–	2,873	–	2,873
No rating	3,308,818	–	–	–	3,308,818
Gross carrying amount	37,076,310	–	2,873	–	37,079,183
Total ECL	(5,922)	–	(2,873)	–	(8,795)
Net carrying amount	37,070,388	–	–	–	37,070,388
Reverse repurchase agreements, at amortised cost					
2020					
Sovereign	**670,231**	**–**	**–**	**–**	**670,231**
Investment grade	**1,105,990**	**–**	**–**	**–**	**1,105,990**
Non-investment grade	**270,190**	**–**	**–**	**–**	**270,190**
No rating	**4,786,509**	**–**	**–**	**–**	**4,786,509**
Gross carrying amount	**6,832,920**	**–**	**–**	**–**	**6,832,920**
Total ECL	**–**	**–**	**–**	**–**	**–**
Net carrying amount	**6,832,920**	**–**	**–**	**–**	**6,832,920**
2019					
Sovereign	330,689	–	–	–	330,689
Investment grade	947,340	–	–	–	947,340
Non-investment grade	123,527	–	–	–	123,527
No rating	7,612,897	–	–	–	7,612,897
Gross carrying amount	9,014,453	–	–	–	9,014,453
Total ECL	–	–	–	–	–
Net carrying amount	9,014,453	–	–	–	9,014,453

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Debt instruments at FVOCI					
2020					
Sovereign	**24,102,421**	**–**	**–**	**–**	**24,102,421**
Investment grade	**15,049,867**	**–**	**–**	**–**	**15,049,867**
Non-investment grade	**7,270,077**	**50,946**	**–**	**–**	**7,321,023**
No rating	**1,252,471**	**–**	**–**	**–**	**1,252,471**
Gross carrying amount*	**47,674,836**	**50,946**	**–**	**–**	**47,725,782**
Total ECL^^	**(40,076)**	**(24,223)**	**(20,849)**	**–**	**(85,148)**
2019					
Sovereign	12,020,030	–	–	–	12,020,030
Investment grade	13,941,136	–	–	–	13,941,136
Non-investment grade	6,163,031	40,709	–	–	6,203,740
No rating	1,153,507	–	–	–	1,153,507
Gross carrying amount*	33,277,704	40,709	–	–	33,318,413
Total ECL^^	(27,447)	(179)	(21,030)	–	(48,656)

* This represents the fair value of the securities

^^ The ECL is recognised in OCI reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Debt instruments at amortised cost					
2020					
Sovereign	**48,880,541**	**–**	**–**	**–**	**48,880,541**
Investment grade	**4,687,623**	**–**	**–**	**–**	**4,687,623**
Non-investment grade	**1,622,459**	**1,608,912**	**–**	**–**	**3,231,371**
Impaired	**–**	**–**	**11,471**	**–**	**11,471**
No rating	**73,568**	**–**	**–**	**–**	**73,568**
Gross carrying amount	**55,264,191**	**1,608,912**	**11,471**	**–**	**56,884,574**
Total ECL	**(9,096)**	**(735,922)**	**(11,471)**	**–**	**(756,489)**
Net carrying amount	**55,255,095**	**872,990**	**–**	**–**	**56,128,085**
2019					
Sovereign	32,477,959	–	–	–	32,477,959
Investment grade	4,757,826	–	–	–	4,757,826
Non-investment grade	2,238,987	357,246	–	–	2,596,233
Impaired	–	–	11,613	–	11,613
No rating	66,712	–	–	–	66,712
Gross carrying amount	39,541,484	357,246	11,613	–	39,910,343
Total ECL	(9,884)	(55,355)	(11,613)	–	(76,852)
Net carrying amount	39,531,600	301,891	–	–	39,833,491
Loans, advances and financing at amortised cost (i)					
2020					
Good	**187,682,892**	**13,463,790**	**–**	**–**	**201,146,682**
Satisfactory	**31,414,984**	**13,960,900**	**–**	**–**	**45,375,884**
Impaired	**–**	**–**	**13,019,243**	**7,816**	**13,027,059**
No rating	**100,177,837**	**5,413,201**	**–**	**–**	**105,591,038**
Gross carrying amount	**319,275,713**	**32,837,891**	**13,019,243**	**7,816**	**365,140,663**
Total ECL	**(2,284,597)**	**(2,789,443)**	**(6,857,633)**	**(3,259)**	**(11,934,932)**
Net carrying amount	**316,991,116**	**30,048,448**	**6,161,610**	**4,557**	**353,205,731**
2019					
Good	190,538,796	5,200,253	–	–	195,739,049
Satisfactory	36,914,904	7,637,742	–	–	44,552,646
Impaired	–	–	11,335,824	8,024	11,343,848
No rating	111,787,845	4,971,808	–	–	116,759,653
Gross carrying amount	339,241,545	17,809,803	11,335,824	8,024	368,395,196
Total ECL	(1,905,723)	(1,814,592)	(5,436,768)	(2,748)	(9,159,831)
Net carrying amount	337,335,822	15,995,211	5,899,056	5,276	359,235,365

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Other assets					
2020					
Sovereign	**6,249**	**–**	**–**	**–**	**6,249**
Investment grade	**3,294,030**	**–**	**–**	**–**	**3,294,030**
Non-investment grade	**783,549**	**238,882**	**253,736**	**–**	**1,276,167**
No rating	**1,156,418**	**–**	**–**	**–**	**1,156,418**
Gross carrying amount	**5,240,246**	**238,882**	**253,736**	**–**	**5,732,864**
Total ECL	**–**	**(73,434)**	**(253,736)**	**–**	**(327,170)**
Net carrying amount	**5,240,246**	**165,448**	**–**	**–**	**5,405,694**
2019					
Investment grade	2,595,213	–	–	–	2,595,213
Non-investment grade	939,216	–	–	–	939,216
No rating	883,184	–	–	–	883,184
Gross carrying amount	4,417,613	–	–	–	4,417,613
Total ECL	–	–	–	–	–
Net carrying amount	4,417,613	–	–	–	4,417,613

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

The Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Loan commitments and Financial guarantee contracts					
2020					
Good	**62,054,936**	**1,485,633**	**–**	**–**	**63,540,569**
Satisfactory	**3,950,433**	**1,071,743**	**–**	**–**	**5,022,176**
Impaired	**–**	**–**	**286,497**	**–**	**286,497**
No rating	**23,157,177**	**203,666**	**13,377**	**–**	**23,374,220**
Gross exposure	**89,162,546**	**2,761,042**	**299,874**	**–**	**92,223,462**
Total ECL	**(364,382)**	**(137,978)**	**(166,261)**	**–**	**(668,621)**
Net exposure	**88,798,164**	**2,623,064**	**133,613**	**–**	**91,554,841**
2019					
Good	57,552,232	1,184,826	–	–	58,737,058
Satisfactory	5,240,484	512,402	–	–	5,752,886
Impaired	–	–	199,630	–	199,630
No rating	24,450,330	320,999	35,383	–	24,806,712
Gross exposure	87,243,046	2,018,227	235,013	–	89,496,286
Total ECL	(304,686)	(43,046)	(150,660)	–	(498,392)
Net exposure	86,938,360	1,975,181	84,353	–	88,997,894

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of loans, advances and financing by product

The Group 2020	Overdraft RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff loans RM'000	Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
	Loans and advances at amortised cost									
12-month ECL (Stage 1)	3,848,770	265,229,252	5,890,029	1,083,208	2,730,119	1,526,479	7,914,745	30,999,101	54,010	319,275,713
- Good	1,299,475	160,978,293	4,558,680	680,029	1,203,021	1,040,050	3,468,765	14,454,579	-	187,682,892
- Satisfactory	384,134	27,154,936	83,794	45,730	129,799	5,817	1,903,135	1,706,466	1,173	31,414,984
- No rating	2,165,161	77,096,023	1,247,555	357,449	1,397,299	480,612	2,542,845	14,838,056	52,837	100,177,837
Lifetime ECL not credit-impaired (Stage 2)	768,842	27,691,590	956,545	136,194	448,551	30,442	379,615	2,426,112	-	32,837,891
- Good	212,327	11,996,423	408,083	67,517	133,249	28,173	6,079	611,939	-	13,463,790
- Satisfactory	456,814	10,677,643	542,333	68,661	170,591	239	244,573	1,800,046	-	13,960,900
- No rating	99,701	5,017,524	6,129	16	144,711	2,030	128,963	14,127	-	5,413,201
Lifetime ECL credit-impaired (Stage 3)	244,012	10,616,487	215,648	931,859	190,666	2,423	108,511	709,637	-	13,019,243
- Impaired	244,012	10,616,487	215,648	931,859	190,666	2,423	108,511	709,637	-	13,019,243
Purchased credit impaired	-	7,816	-	-	-	-	-	-	-	7,816
- Impaired	-	7,816	-	-	-	-	-	-	-	7,816
Total	4,861,624	303,545,145	7,062,222	2,151,261	3,369,336	1,559,344	8,402,871	34,134,850	54,010	365,140,663

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of loans, advances and financing by product (Continued)

The Group 2019	Overdraft RM'000	Term loans/ financing RM'000	Bills receivable RM'000	Trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff loans RM'000	Credit card receivables RM'000	Revolving credits RM'000	Share margin financing RM'000	Total gross carrying amount RM'000
	Loans and advances at amortised cost									
12-month ECL (Stage 1)	4,695,901	273,630,160	8,446,986	1,580,080	4,051,856	1,514,280	9,343,250	35,966,377	12,655	339,241,545
- Good	1,785,500	154,106,814	6,370,567	1,237,558	1,769,233	992,022	4,096,313	20,180,789	–	190,538,796
- Satisfactory	484,163	32,292,839	291,864	30,173	114,696	8,315	2,304,787	1,388,067	–	36,914,904
- No rating	2,426,238	87,230,507	1,784,555	312,349	2,167,927	513,943	2,942,150	14,397,521	12,655	111,787,845
Lifetime ECL not credit-impaired (Stage 2)	647,376	14,011,865	955,671	74,398	590,934	389	335,364	1,132,125	61,681	17,809,803
- Good	222,711	3,756,011	380,031	63,464	199,522	–	9,368	569,146	–	5,200,253
- Satisfactory	341,526	5,878,299	569,179	10,934	143,259	–	269,567	424,978	–	7,637,742
- No rating	83,139	4,377,555	6,461	–	248,153	389	56,429	138,001	61,681	4,971,808
Lifetime ECL credit-impaired (Stage 3)	273,060	9,517,531	237,900	68,736	207,202	2,131	152,370	876,357	537	11,335,824
- Impaired	273,060	9,517,531	237,900	68,736	207,202	2,131	152,370	876,357	537	11,335,824
Purchased credit impaired	–	8,024	–	–	–	–	–	–	–	8,024
- Impaired	–	8,024	–	–	–	–	–	–	–	8,024
Total	5,616,337	297,167,580	9,640,557	1,723,214	4,849,992	1,516,800	9,830,984	37,974,859	74,873	368,395,196

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

The Company	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Cash and short-term fund					
2020					
No rating	**344,603**	**–**	**–**	**–**	**344,603**
Gross carrying amount	**344,603**	**–**	**–**	**–**	**344,603**
Total ECL	**–**	**–**	**–**	**–**	**–**
Net carrying amount	**344,603**	**–**	**–**	**–**	**344,603**
2019					
No rating	370,546	–	–	–	370,546
Gross carrying amount	370,546	–	–	–	370,546
Less: ECL	–	–	–	–	–
Net carrying amount	370,546	–	–	–	370,546
Debt instruments at FVOCI					
2020					
No rating	**3,246,974**	**–**	**–**	**–**	**3,246,974**
Gross carrying amount	**3,246,974**	**–**	**–**	**–**	**3,246,974**
Total ECL^^	**(25,947)**	**–**	**–**	**–**	**(25,947)**
2019					
No rating	2,493,362	–	–	–	2,493,362
Gross carrying amount	2,493,362	–	–	–	2,493,362
Total ECL^^	(25,269)	–	–	–	(25,269)

^^ The ECL is recognised in OCI reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

The Company	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchased credit impaired RM'000	Total RM'000
Debt instruments at amortised cost					
2020					
No rating	**6,756,716**	**–**	**–**	**–**	**6,756,716**
Gross carrying amount	**6,756,716**	**–**	**–**	**–**	**6,756,716**
Total ECL	**(55,022)**	**–**	**–**	**–**	**(55,022)**
Net carrying amount	**6,701,694**	**–**	**–**	**–**	**6,701,694**
2019					
No rating	6,248,910	–	–	–	6,248,910
Gross carrying amount	6,248,910	–	–	–	6,248,910
Total ECL	(65,524)	–	–	–	(65,524)
Net carrying amount	6,183,386	–	–	–	6,183,386
Amount owing by subsidiaries					
2020					
Investment grade	**12**	**–**	**–**	**–**	**12**
Impaired	**–**	**–**	**775**	**–**	**775**
Gross carrying amount	**12**	**–**	**775**	**–**	**787**
Total ECL	**–**	**–**	**(775)**	**–**	**(775)**
Net carrying amount	**12**	**–**	**–**	**–**	**12**
2019					
Investment grade	12	–	–	–	12
Impaired	–	–	775	–	775
Gross carrying amount	12	–	775	–	787
Total ECL	–	–	(775)	–	(775)
Net carrying amount	12	–	–	–	12

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

Analysis of other assets by credit rating

The credit quality of other assets are assessed by reference to internal rating system adopted by the Group. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

The Group and the Company

Rating classification	Internal rating	External credit rating
Investment grade (IG)	1 to 6	AAA to BBB-
Non-investment grade	7 to 14	BB+ and below

Credit quality description can be summarised below:
Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures where ratings are not available and portfolio average were applied.

The following tables are analysis of the credit risk exposure of other assets using simplified approach:

The Group	Sovereig RM'000	Investment grade RM'000	Non-investment grade RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
2020							
Other assets	**424,478**	**295,481**	**6,737**	**4,581,643**	**5,308,339**	**(154,160)**	**5,154,179**
Total	**424,478**	**295,481**	**6,737**	**4,581,643**	**5,308,339**	**(154,160)**	**5,154,179**
2019							
Other assets	3,328	372,113	4,616	4,039,508	4,419,565	(110,147)	4,309,418
Total	3,328	372,113	4,616	4,039,508	4,419,565	(110,147)	4,309,418

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

Analysis of other assets by credit rating (Continued)

The following tables are analysis of the credit risk exposure of other assets using simplified approach (Continued):

The Company	Sovereign RM'000	Investment grade RM'000	Non-investment grade RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
2020							
Other assets	**–**	**–**	**–**	**82,649**	**82,649**	**–**	**82,649**
Total	**–**	**–**	**–**	**82,649**	**82,649**	**–**	**82,649**
2019							
Other assets	–	–	–	133,414	133,414	–	133,414
Total	–	–	–	133,414	133,414	–	133,414

58.1.5 Repossessed collateral

The Group obtained assets by taking possession of collateral held as security as at 31 December 2020 and 31 December 2019 are as follows:

	The Group Carrying amount RM'000	The Company Carrying amount RM'000
2020		
Nature of assets		
Industrial and residential properties, development land and motor vehicles	**212,891**	**–**
2019		
Nature of assets		
Industrial and residential properties, development land and motor vehicles	150,558	–

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.6 Modification of loans, advances and financing

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime expected credit loss – not credit impaired (stage 2):

	The Group RM'000
Amortised cost before modification	**6,855,701**
Modification loss	**(38,364)**
Amortised cost after modification	**6,817,337**

Gross carrying amounts of loans, advances and financing of the Group as at 31 December 2020 for which loss allowance has changed to 12-month measurement (stage 1) of the Group during the financial year amounting to RM578,321,000.

58.1.7 Exposures to COVID-19 impacted sectors and COVID-19 customer relief and support measures

As at 31 December 2020, total non-retails loans, advances and financing (net of expected credit losses) in economic sectors that are most affected (mainly wholesale and retail trade, construction, hospitality, manufactured goods, oil and gas, real estate, services, transport and storage) amounting to RM82,630,500,000 and retail portfolio which are directly impacted by COVID-19 sectors of RM7,509,648,000 for the Group.

The following table is the status as at 31 December 2020 in Malaysia for borrowers that were under the automatic moratorium between April – September 2020, and opted in for the targeted assistance programme ("TAP") subsequently, as well as corporate customers who underwent further rescheduling and restructuring.

	Retail customers						Non-retail customers
2020	**Mortgages RM'000**	**Hire purchase RM'000**	**Credit card RM'000**	**Personal financing RM'000**	**Others RM'000**	**Total RM'000**	**Total RM'000**
Total payment moratoriums, repayment assistances, rescheduling and restructuring granted	**81,245,727**	**15,085,938**	**378,456**	**4,179,337**	**16,253,277**	**117,142,735**	**23,292,026**
Resumed repayments	**65,366,480**	**12,009,517**	**4,628**	**3,291,514**	**14,794,930**	**95,467,069**	**14,299,358**
Extended and repaying as per revised schedules	**12,016,131**	**1,881,263**	**348,211**	**523,847**	**819,071**	**15,588,523**	**8,563,085**
Missed payments	**3,863,116**	**1,195,158**	**25,617**	**363,976**	**639,276**	**6,087,143**	**429,583**
As a percentage of total:							
Resumed repayments	**80%**	**80%**	**1%**	**78%**	**91%**	**82%**	**61%**
Extended and repaying as per revised schedules	**15%**	**12%**	**92%**	**13%**	**5%**	**13%**	**37%**
Missed payments	**5%**	**8%**	**7%**	**9%**	**4%**	**5%**	**2%**
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.1 CREDIT RISK (CONTINUED)

58.1.7 Overlays and adjustments for expected credit losses amid COVID-19 environment (Continued)

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2020.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments for retail customers were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 with a gradual recovery, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM1,781.0 million of the Group's ECL on loans, advances and financing as at 31 December 2020.

58.2 MARKET RISK

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market Risk Management (MRM)

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

Market Risk Management (MRM) (Continued)

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2020 is shown in Note 58.2.1.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Market's trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

58.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures are set out as below:

	The Group	
	2020 RM'000	**2019 RM'000**
Foreign exchange risk	**18,923**	6,982
Interest rate risk	**41,186**	21,884
Equity risk	**3,703**	2,985
Commodity risk	**441**	1,104
Total	**64,253**	32,955
Total shareholder's fund	**55,925,641**	56,237,171
Percentage of shareholder's fund	**0.11%**	0.06%

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk

Interest rate risk relates to the potential adverse impact on net interest income arising from changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk ("EaR").

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

The Group 2020	Non-trading book: Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	31,880,518	-	-	-	-	-	7,682,850	-	39,563,368
Reverse repurchase agreements	4,195,040	380,504	1,541,007	10,187	-	-	706,182	-	6,832,920
Deposits and placements with banks and other financial institutions	1,732,076	1,198,231	376,146	250,576	-	-	5,535	-	3,562,564
Financial investments at fair value through profit or loss	-	-	-	-	-	-	1,603,285	41,109,848	42,713,133
Debt instruments at fair value through other comprehensive income	793,283	1,243,597	1,529,422	2,028,203	20,191,235	21,651,800	288,242	-	47,725,782
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	308,971	-	308,971
Debt instruments at amortised cost	2,030,614	2,939,108	1,584,487	3,098,236	23,417,238	22,604,949	453,453	-	56,128,085
Derivative financial instruments	8,054	23,285	57,082	64,133	317,660	122,483	-	15,415,668	16,008,365
Loans, advances and financing	252,429,835	17,842,195	9,865,917	10,480,343	25,716,805	37,572,463	8,408	-	353,915,966
Other assets	2,299,292	492,438	260,087	8,071	49,679	26,319	7,423,987	-	10,559,873
Total financial assets	**295,368,712**	**24,119,358**	**15,214,148**	**15,939,749**	**69,92,617**	**81,978,014**	**18,480,913**	**56,525,516**	**577,319,027**

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	Non-trading book								
The Group 2020	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities									
Deposits from customers	222,238,975	64,850,706	46,796,632	32,396,407	961,789	157,647	35,648,481	-	403,050,637
Investment accounts of customers	1,284,991	454,947	508,606	416,091	-	-	14,235	-	2,678,870
Deposits and placements of banks and other financial institutions	15,757,001	9,102,115	3,267,683	1,133,102	913,980	408	1,616,956	-	31,791,245
Repurchase agreements/Collateralised commodity murabahah	13,411,194	11,301,154	920,549	10,187	-	-	2,503,497	-	28,146,581
Derivative financial instruments	10,867	11,500	11,571	10,191	339,177	308,146	-	15,649,318	16,340,770
Bills and acceptances payable	1,060,055	634,902	323,974	144,086	9,188	-	37,511	-	2,209,716
Financial liabilities designated at fair value through profit or loss	530,884	1,569,016	1,267,336	-	122,638	-	4,130	522,926	4,016,930
Other liabilities	3,529,926	1,551,744	543,400	653,816	2,810,011	125,060	8,028,637	-	17,242,594
Lease liabilities	6,259	3,476	14,990	18,897	303,124	196,478	-	-	543,224
Recourse obligation on loans and financing sold to Cagamas	1,074,015	160,018	-	-	581,761	284,371	10,503	-	2,110,668
Bonds, Sukuk and debentures	2,879,555	814,659	600,241	1,813,003	4,689,422	1,602,140	64,944	-	12,463,964
Other borrowings	817,816	2,611,700	2,009,061	2,086	4,950,578	-	14,718	-	10,405,959
Subordinated obligations	-	1,302	2,017,046	2,319,094	7,947,930	365,780	157,358	-	12,808,510
Total financial liabilities	262,601,538	93,067,239	58,281,089	38,916,960	23,629,598	3,040,030	48,100,970	16,172,244	543,809,668
Net interest sensitivity gap	32,767,174	(68,947,881)	(43,066,941)	(22,977,211)	46,063,019	78,937,984		40,353,272	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	8,093,422	-	8,093,422
Credit related commitments and contingencies	-	-	-	-	-	-	83,461,419	-	83,461,419
Treasury related commitments and contingencies (hedging)	-	242,328	1,234,057	4,989,260	11,416,398	7,870,876	-	-	25,752,919
Net interest sensitivity gap	-	242,328	1,234,057	4,989,260	11,416,398	7,870,876	91,554,841	-	117,307,760

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	Non-trading book								
The Group 2019	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	30,198,604	–	–	–	–	–	7,566,488	–	37,765,092
Reverse repurchase agreements	6,381,335	2,141,761	275,709	41,160	–	–	174,488	–	9,014,453
Deposits and placements with banks and other financial institutions	2,414,026	1,141,408	1,100,113	136,914	–	–	6,708	–	4,799,169
Financial investments at fair value through profit or loss	–	–	–	–	–	–	1,542,100	36,595,173	38,137,273
Debt instruments at fair value through other comprehensive income	995,871	1,481,484	1,773,490	1,803,616	17,567,836	9,473,611	222,505	–	33,318,413
Equity instruments at fair value through other comprehensive income	–	–	75,133	–	–	1,080	379,547	–	455,760
Debt instruments at amortised cost	1,683,737	1,532,472	1,368,238	4,630,378	26,739,962	3,460,009	418,695	–	39,833,491
Derivative financial instruments	18,189	45,830	74,939	10,907	156,325	140,812	–	11,142,895	11,589,897
Loans, advances and financing	259,017,607	13,765,202	12,604,168	11,893,063	28,438,084	34,621,976	–	–	360,340,100
Other assets	1,622,564	705,246	13,130	42,564	127,838	24,235	6,191,454	–	8,727,031
Total financial assets	302,331,933	20,813,403	17,284,920	18,558,602	73,030,045	47,721,723	16,501,985	47,738,068	543,980,679

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

The Group 2019	Non-trading book: Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	203,024,869	70,517,340	48,596,378	38,548,162	2,321,344	118,185	29,223,189	–	392,349,467
Investment accounts of customers	703,908	520,265	1,947,696	250,244	–	–	26,851	–	3,448,964
Deposits and placements of banks and other financial institutions	11,975,586	8,539,284	1,609,648	431,869	101,108	–	1,009,227	–	23,666,722
Repurchase agreements/Collateralised commodity murabahah	8,952,501	2,252,341	–	–	–	–	3,115,289	–	14,320,131
Derivative financial instruments	7,301	18,954	60,372	1,714	249,684	284,139	–	10,715,705	11,337,869
Bills and acceptances payable	906,967	870,218	748,718	2,349	13,420	–	42,497	–	2,584,169
Financial liabilities designated at fair value through profit or loss	222,998	1,101,938	1,467,399	14,891	220,053	–	7,135	616,326	3,650,740
Other liabilities	3,039,086	1,421,489	487,776	1,396,544	2,557,974	158,666	6,496,003	–	15,557,538
Lease liabilities	66	1,239	3,779	11,867	447,840	246,397	–	–	711,188
Recourse obligation on loans and financing sold to Cagamas	1,736,802	354,074	–	1,564,339	320,351	496,643	30,975	–	4,503,184
Bonds, Sukuk and debentures	2,933,334	3,254,945	2,221,359	952,653	6,797,794	1,685,144	387,481	–	18,232,710
Other borrowings	2,025,752	4,176,329	277,147	8,707	3,941,611	–	28,696	–	10,458,242
Subordinated obligations	–	–	628,983	5,492,221	7,044,688	228,357	126,620	–	13,520,869
Total financial liabilities	235,529,170	93,028,416	58,049,255	48,675,560	24,015,867	3,217,531	40,493,963	11,332,031	514,341,793
Net interest sensitivity gap	66,802,763	(72,215,013)	(40,764,335)	(30,116,958)	49,014,178	44,504,192		36,406,037	
Financial guarantees and commitments and contingencies									
Financial guarantees	–	–	–	–	–	–	8,104,258	–	8,104,258
Credit related commitments and contingencies	–	–	–	–	–	–	80,893,636	–	80,893,636
Treasury related commitments and contingencies (hedging)	–	157,860	6,967,901	6,714,140	13,674,921	8,987,021	–	–	36,501,843
Net interest sensitivity gap	–	157,860	6,967,901	6,714,140	13,674,921	8,987,021	88,997,894	–	125,499,737

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Company's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	Non-trading book								
The Company 2020	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	331,936	-	-	-	-	-	12,667	-	344,603
Debt instruments at fair value through other comprehensive income	-	-	1,010,630	408,943	1,602,903	205,089	19,409	-	3,246,974
Debt instruments at amortised cost	-	-	-	9,917	6,645,062	-	46,715	-	6,701,694
Other assets	-	-	-	-	-	-	82,649	-	82,649
Amount owing by subsidiaries	-	-	-	-	-	-	12	-	12
Total financial assets	331,936	-	1,010,630	418,860	8,247,965	205,089	161,452	-	10,375,932
Financial liabilities									
Other liabilities	-	-	-	-	-	-	6,647	-	6,647
Amount owing to subsidiaries	-	-	-	-	-	-	427	-	427
Other borrowings	-	-	-	-	4,700,000	-	8,893	-	4,708,893
Subordinated obligations	-	-	1,000,000	400,000	9,250,000	200,000	66,708	-	10,916,708
Total financial liabilities	-	-	1,000,000	400,000	13,950,000	200,000	82,675	-	15,632,675
Net interest sensitivity gap	331,936	-	(10,630)	18,860	(5,702,035)	5,089		-	

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)

The table below summarises the Company's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	Non-trading book								
The Company 2019	**Up to 1 month RM'000**	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	363,494	–	–	–	–	–	7,052	–	370,546
Debt instruments at fair value through other comprehensive income	–	–	–	–	2,476,162	–	17,200	–	2,493,362
Debt instruments at amortised cost	–	–	–	1,978,915	4,165,562	–	38,909	–	6,183,386
Other assets	–	–	–	–	–	–	133,414	–	133,414
Amount owing by subsidiaries	–	–	–	–	–	–	12	–	12
Total financial assets	363,494	–	–	1,978,915	6,641,724	–	196,587	–	9,180,720
Financial liabilities									
Other liabilities	–	–	–	–	–	–	3,223	–	3,223
Amount owing to subsidiaries	–	–	–	–	–	–	9,826	–	9,826
Other borrowings	200,000	–	250,000	–	3,750,000	–	5,331	–	4,205,331
Subordinated obligations	–	–	600,000	2,000,000	7,600,000	–	65,228	–	10,265,228
Total financial liabilities	200,000	–	850,000	2,000,000	11,350,000	–	83,608	–	14,483,608
Net interest sensitivity gap	163,494	–	(850,000)	(21,085)	(4,708,276)	–		–	

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

	The Group		The Company	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2020				
Impact to profit (after tax)	**(440,956)**	**440,956**	**2,825**	**(2,825)**
2019				
Impact to profit (after tax)	(218,020)	218,020	(3,343)	3,343

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

(c) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

	The Group		The Company	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2020				
Impact to fair value reserves-debt instruments at fair value through other comprehensive income	**(1,934,801)**	**1,934,801**	**(77,472)**	**77,472**
Impact to fair value reserves-equity instruments at fair value through other comprehensive income	**–**	**–**	–	–

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.2 Interest rate risk (Continued)

(c) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates (Continued):

	The Group Increase/(decrease)		The Company Increase/(decrease)	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2019				
Impact to fair value reserves- debt instruments at fair value throug other comprehensive income	(1,149,999)	1,149,999	(58,067)	58,067
Impact to fair value reserves- equity instruments at fair value through other comprehensive income	(184)	184	–	–

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments at fair value through other comprehensive income following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group would take to mitigate the impact of this interest rate risk. In practice, the Group proactively seeks to mitigate the effect of prospective interest movements.

58.2 MARKET RISK (CONTINUED)

58.2.3 Foreign exchange risk

The Group and the Company are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company.

The Group 2020	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	21,595,169	1,707,310	248,036	606,673	8,137,872	386,794	2,036,105	835,597	223,368	536,984	966,638	2,282,822	17,968,199	39,563,368
Reverse repurchase agreements	1,608,127	670,231	241,428	965,570	2,992,487	82,857	108,200	56,022	-	51,192	26,961	29,845	5,224,793	6,832,920
Deposits and placements with banks and other financial institutions	1,411,661	1,430,131	-	66,999	182,886	-	-	-	252,942	25,921	34,560	157,464	2,150,903	3,562,564
Financial investments at fair value through profit or loss	14,573,940	2,362,577	4,731,813	11,568,545	2,751,655	2,403,733	287,334	3,287,436	474,946	39,263	107,373	124,518	28,139,193	42,713,133
Debt instruments at fair value through other comprehensive income	24,549,807	9,891,859	5,351,796	2,563,787	4,018,854	303,361	138,309	302,866	261,003	258,898	85,242	-	23,175,975	47,725,782
Equity instruments at fair value through other comprehensive income	283,310	4,146	10,418	182	8,459	-	-	-	-	-	2,456	-	25,661	308,971
Debt instruments at amortised cost	41,904,062	5,151,079	1,688,105	4,956,598	1,824,167	-	-	341,032	193,005	-	49,207	20,830	14,224,023	56,128,085
Derivative financial instruments	27,665,455	863,766	82,387,483	14,305,220	(182,251,123)	12,849,274	4,748,910	29,861,338	3,751,765	2,979,914	9,731,639	9,114,724	(11,657,090)	16,008,365
Loans, advances and financing	215,073,860	41,226,495	28,371,936	26,839,476	31,511,078	498,861	4,537,373	1,459,446	1,158,892	1,444,541	641,295	1,152,713	138,842,106	353,915,966
Other assets	3,697,155	938,549	1,559,266	393,665	3,682,272	166	14,785	-	3,519	75,145	59,088	136,263	6,862,718	10,559,873
	352,362,546	64,246,143	124,590,281	62,266,715	(127,141,393)	16,525,046	11,871,016	36,143,737	6,319,440	5,411,858	11,704,459	13,019,179	224,956,481	577,319,027

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Group 2020	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities														
Deposits from customers	249,031,450	46,433,951	25,072,169	35,163,134	39,062,362	1,372,403	2,334,470	212,426	289,457	1,473,611	583,842	2,021,362	154,019,187	403,050,637
Investment accounts of customers	2,678,870	-	-	-	-	-	-	-	-	-	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	2,456,424	380,669	4,696,957	2,951,563	17,375,295	30,289	516,022	23,966	857,500	997,359	534,082	971,119	29,334,821	31,791,245
Repurchase agreements/ Collateralised commodity murabahah	13,020,997	2,476,718	1,322,681	5,029,230	4,261,324	630,847	-	1,150,249	254,535	-	-	-	15,125,584	28,146,581
Financial liabilities designated at fair value through profit or loss	134,285	-	3,882,645	-	-	-	-	-	-	-	-	-	3,882,645	4,016,930
Derivatives financial instruments	31,967,413	749,733	83,728,026	16,533,505	(200,726,476)	14,307,089	8,905,228	34,609,382	4,202,976	2,085,513	10,457,017	9,521,364	(15,626,643)	16,340,770
Bills and acceptances payable	683,121	381,498	287,737	132,990	707,358	-	55	3,002	2,533	-	9,822	1,600	1,526,595	2,209,716
Other liabilities	5,648,963	5,455,686	1,401,201	2,054,102	2,277,792	35,459	36,846	6,103	4,589	140,391	68,570	112,892	11,593,631	17,242,594
Lease liabilities	332,895	64,232	40,343	54,159	19,331	-	619	-	-	25,502	-	6,143	210,329	543,224
Recourse obligation on loans and financing sold to Cagamas	2,110,668	-	-	-	-	-	-	-	-	-	-	-	-	2,110,668
Other borrowings	4,708,893	267,417	-	-	5,429,649	-	-	-	-	-	-	-	5,697,066	10,405,959
Bonds, Sukuk and debentures	3,998,508	1,888,388	339,862	-	5,658,411	-	-	-	-	578,795	-	-	8,465,456	12,463,964
Subordinated obligations	12,764,380	44,130	-	-	-	-	-	-	-	-	-	-	44,130	12,808,510
	329,536,867	58,142,422	120,771,621	61,918,683	(125,934,954)	16,376,087	11,793,240	36,005,128	5,611,590	5,301,171	11,653,333	12,634,480	214,272,801	543,809,668
Financial guarantees	2,440,829	382,640	8,342	2,764,563	2,217,272	-	38,143	10,970	6,143	93,519	74,279	56,722	5,652,593	8,093,422
Credit related commitments and contingencies	65,465,404	4,186,942	1,406,435	4,984,697	5,155,660	76,699	558,330	66,721	344,311	932,966	28,811	254,443	17,996,015	83,461,419
	67,906,233	4,569,582	1,414,777	7,749,260	7,372,932	76,699	596,473	77,691	350,454	1,026,485	103,090	311,165	23,648,608	91,554,841

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Group 2019	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets														
Cash and short-term funds	21,135,893	1,564,443	216,936	1,346,291	9,662,806	339,556	1,133,721	321,634	176,790	98,336	943,819	824,867	16,629,199	37,765,092
Reverse repurchase agreements	1,437,156	154,664	110,391	1,372,954	3,540,088	2,025,532	127,247	148,215	-	2,342	37,541	58,323	7,577,297	9,014,453
Deposits and placements with banks and other financial institutions	1,498,212	1,728,420	-	45	869,597	229	-	-	383,112	10,530	-	309,024	3,300,957	4,799,169
Financial investments at fair value through profit or loss	14,108,005	966,258	4,503,279	6,637,152	8,407,303	355,102	80,406	1,772,566	487,834	744,233	25,005	50,130	24,029,268	38,137,273
Debt instruments at fair value through other comprehensive income	16,701,763	4,745,362	4,736,761	2,261,292	4,290,082	150,581	216,137	-	18,285	115,609	82,541	-	16,616,650	33,318,413
Equity instruments at fair value through other comprehensive income	368,580	4,585	12,652	59	67,433	-	-	-	-	-	2,451	-	87,180	455,760
Debt instruments at amortised cost	30,156,891	2,837,310	1,913,868	3,236,279	1,663,557	-	-	-	-	-	-	25,586	9,676,600	39,833,491
Derivative financial instruments	22,901,219	466,781	89,430,918	10,749,671	(115,441,412)	4,109,696	2,529,748	(2,499,703)	(2,835,333)	4,083,451	(8,651,183)	6,746,044	(11,311,322)	11,589,897
Loans, advances and financing	210,258,062	49,335,587	30,551,398	25,465,403	33,797,956	328,544	5,363,658	1,360,595	560,086	1,096,158	755,303	1,467,350	150,082,038	360,340,100
Other assets	3,799,869	893,060	1,625,900	258,879	2,005,335	27,711	50,178	1,438	6	19,731	10,940	33,984	4,927,162	8,727,031
	322,365,650	62,696,470	133,102,103	51,328,025	(51,137,255)	7,336,951	9,501,095	1,104,745	(1,209,220)	6,170,390	(6,793,583)	9,515,308	221,615,029	543,980,679

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.3 Foreign exchange risk

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Group 2019	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	GBP RM'000	JPY RM'000	RMB RM'000	HKD RM'000	EUR RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities														
Deposits from customers	235,630,769	44,618,580	26,832,768	32,780,597	42,795,265	2,349,330	3,151,201	519,069	457,867	1,504,553	615,010	1,094,458	156,718,698	392,349,467
Investment accounts of customers	3,448,964	-	-	-	-	-	-	-	-	-	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	3,773,723	284,828	2,005,149	2,555,659	11,369,179	620	712,696	28,785	639,941	1,642,246	252,609	401,287	19,892,999	23,666,722
Repurchase agreements/ Collateralised commodity murabahah	6,143,914	3,092,646	3,908,141	352,175	823,255	-	-	-	-	-	-	-	8,176,217	14,320,131
Financial liabilities designated at fair value through profit or loss	299,930	-	3,350,810	-	-	-	-	-	-	-	-	-	3,350,810	3,650,740
Derivatives financial instruments	25,369,524	365,800	90,272,477	12,535,678	(117,194,976)	3,846,677	2,260,202	(1,498,703)	(4,489,533)	1,000,228	(7,841,851)	6,712,346	(14,031,655)	11,337,869
Bills and acceptances payable	428,408	581,010	303,569	102,667	1,125,949	-	54	2,912	11,386	-	22,892	5,322	2,155,761	2,584,169
Other liabilities	5,490,692	3,956,816	1,060,783	1,065,302	2,855,793	135,615	199,299	55,439	4,859	626,610	57,644	48,686	10,066,846	15,557,538
Lease liabilities	399,727	92,912	42,285	86,481	30,753	-	3,005	-	-	44,578	-	11,447	311,461	711,188
Recourse obligation on loans and financing sold to Cagamas	4,503,184	-	-	-	-	-	-	-	-	-	-	-	-	4,503,184
Other borrowings	4,029,842	381,015	-	-	5,749,860	-	-	-	-	297,525	-	-	6,428,400	10,458,242
Bonds, Sukuk and debentures	4,031,257	2,252,813	1,115,115	-	9,898,298	-	-	-	-	935,227	-	-	14,201,453	18,232,710
Subordinated obligations	13,025,817	495,052	-	-	-	-	-	-	-	-	-	-	495,052	13,520,869
	306,575,751	56,121,472	128,891,097	49,478,559	(42,546,624)	6,332,242	6,326,457	(892,498)	(3,375,480)	6,050,967	(6,893,696)	8,273,546	207,766,042	514,341,793
Financial guarantees	2,229,880	360,868	13,291	3,012,262	2,254,005	-	56,409	3,312	3,599	94,607	48,668	27,357	5,874,378	8,104,258
Credit related commitments and contingencies	61,692,348	4,684,856	1,941,815	3,676,654	5,201,860	6,154	1,284,065	63,211	528,929	1,366,541	165,219	281,984	19,201,288	80,893,636
	63,922,228	5,045,724	1,955,106	6,688,916	7,455,865	6,154	1,340,474	66,523	532,528	1,461,148	213,887	309,341	25,075,666	88,997,894

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company. (Continued)

The Company 2020	MYR RM'000	IDR RM'000	USD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets					
Cash and short-term funds	**332,163**	**2**	**12,438**	**12,440**	**344,603**
Debt instruments at fair value through other comprehensive income	**3,246,974**	**–**	**–**	**–**	**3,246,974**
Debt instruments at amortised cost	**6,701,694**	**–**	**–**	**–**	**6,701,694**
Other assets	**82,649**	**–**	**–**	**–**	**82,649**
Amount owing by subsidiaries	**12**	**–**	**–**	**–**	**12**
	10,363,492	**2**	**12,438**	**12,440**	**10,375,932**
Financial liabilities					
Other liabilities	**6,647**	**–**	**–**	**–**	**6,647**
Amount due to subsidiaries	**427**	**–**	**–**	**–**	**427**
Other borrowings	**4,708,893**	**–**	**–**	**–**	**4,708,893**
Subordinated obligations	**10,916,708**	**–**	**–**	**–**	**10,916,708**
	15,632,675	**–**	**–**	**–**	**15,632,675**

The Company 2019	MYR RM'000	IDR RM'000	USD RM'000	SGD RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	364,054	2	6,490	–	6,492	370,546
Debt instruments at fair value through other comprehensive income	2,493,362	–	–	–	–	2,493,362
Debt instruments at amortised cost	6,183,386	–	–	–	–	6,183,386
Other assets	82,644	–	–	50,770	50,770	133,414
Amount owing by subsidiaries	12	–	–	–	–	12
	9,123,458	2	6,490	50,770	57,262	9,180,720
Financial liabilities						
Other liabilities	3,223	–	–	–	–	3,223
Amount due to subsidiaries	9,826	–	–	–	–	9,826
Other borrowings	4,205,331	–	–	–	–	4,205,331
Subordinated obligations	10,265,228	–	–	–	–	10,265,228
	14,483,608	–	–	–	–	14,483,608

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.2 MARKET RISK (CONTINUED)

58.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit and reserves

The table below shows the sensitivity of the Group's and the Company's profit and reserves to movement in foreign exchange rates:

	The Group		The Company	
	1% appreciation in foreign currency Increase/(decrease) RM'000	**1% depreciation in foreign currency Increase/(decrease) RM'000**	**1% appreciation in foreign currency Increase/(decrease) RM'000**	**1% depreciation in foreign currency Increase/(decrease) RM'000**
2020				
Impact to profit (after tax)	**(13,424)**	**13,424**	**165**	**(165)**
Impact to reserves	**(52,492)**	**52,492**	**–**	**–**
2019				
Impact to profit (after tax)	(2,514)	2,514	86	(86)
Impact to reserves	(69,076)	69,076	–	–

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK

Liquidity risk is defined as the current and prospective risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business-as-usual (BAU) and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising retail transactions accounts, savings, demand, and term deposits, thus providing the Group with a stable large funding base. The Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business as usual and stress scenarios, regulatory liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR") are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient high quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-calendar-days horizon. The Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. The effective date for NSFR is 1 July 2020. As part of its ordinary course of business, the Group maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain.

In addition to regulatory limits, liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. Management Action Triggers ("MATs") have been established to alert the Management to potential and emerging liquidity pressures. Our Group's liquidity risk management policy is subjected to periodic review. The assumptions, risk limits and appetite are regularly reviewed in response to regulatory changes, changing business needs and market conditions.

The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Group Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Overseas branches and subsidiaries should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs.

The Group's Contingency Funding Plan (CFP) is in place to alert and enable the senior management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing and review.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.1 Contractual maturity of assets and liabilities

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

The Group 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	39,563,368	–	–	–	–	–	–	39,563,368
Reverse repurchase agreements	4,426,393	522,014	1,561,686	317,024	–	5,803	–	6,832,920
Deposits and placements with banks and other financial institutions	1,642,565	1,292,438	377,342	250,219	–	–	–	3,562,564
Financial investments at fair value through profit or loss	4,579,828	7,685,301	7,811,079	2,657,386	8,394,944	8,972,364	2,612,231	42,713,133
Debt instruments at fair value through other comprehensive income	618,645	1,109,018	1,609,988	2,020,473	20,625,246	21,742,411	1	47,725,782
Equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	308,971	308,971
Debt instruments at amortised cost	1,752,561	3,013,668	1,698,095	2,670,299	26,556,754	20,436,708	–	56,128,085
Derivative financial instruments	1,435,871	2,008,718	1,414,986	1,954,595	5,770,485	3,423,710	–	16,008,365
Loans, advances and financing	36,313,693	13,928,641	13,524,239	17,436,384	58,838,142	213,874,867	–	353,915,966
Other assets	9,335,900	16,317	485,803	12,407	202,606	2,031,182	2,019,723	14,103,938
Tax recoverable	–	–	–	–	–	–	714,620	714,620
Deferred tax assets	–	–	–	–	–	–	1,039,057	1,039,057
Statutory deposits with central banks	–	–	–	–	–	–	4,411,589	4,411,589
Investment in associates	–	–	–	–	–	–	45,306	45,306
Investment in joint ventures	–	–	–	–	–	–	2,451,217	2,451,217
Property, plant and equipment	–	–	–	–	–	–	2,366,359	2,366,359
Right-of-use assets	–	–	–	–	–	–	669,221	669,221
Investment properties	–	–	–	–	–	–	41,000	41,000
Goodwill	–	–	–	–	–	–	7,758,423	7,758,423
Intangible assets	–	–	–	–	–	–	1,986,610	1,986,610
Non-current assets held for sale	–	–	–	–	–	–	8,405	8,405
Total assets	99,668,824	29,576,115	28,483,218	27,318,787	120,388,177	270,487,045	26,432,733	602,354,899

58.3 LIQUIDITY RISK (CONTINUED)

58.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Group 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	257,024,208	60,943,873	46,407,034	35,058,127	1,799,783	1,817,612	–	403,050,637
Investment accounts of customers	1,299,227	454,947	508,605	416,091	–	–	–	2,678,870
Deposits and placements of banks and other financial institutions	16,249,189	9,740,703	3,270,944	954,566	913,980	661,863	–	31,791,245
Repurchase agreements/Collateralised commodity murabahah	15,898,295	11,326,661	921,328	297	–	–	–	28,146,581
Derivatives financial instruments	1,847,105	1,862,877	1,807,299	1,995,872	5,778,597	3,049,020	–	16,340,770
Bills and acceptances payable	1,026,656	320,969	25,857	144,086	130,107	562,041	–	2,209,716
Other liabilities	11,201,592	690,531	550,080	860,626	3,032,999	1,251,795	868,726	18,456,349
Lease liabilities	13,092	1,486	16,736	21,050	305,568	185,292	–	543,224
Recourse obligation on loans and financing sold to Cagamas	6,116	396	3,991	1,074,015	581,762	444,388	–	2,110,668
Deferred tax liabilities	–	–	–	–	–	–	35,881	35,881
Provision for taxation and zakat	120,999	–	–	–	–	–	–	120,999
Financial liabilities designated at fair value through profit or loss	3,635	540	468,333	–	1,813,723	1,730,699	–	4,016,930
Bonds, Sukuk and debentures	12,487	128,461	591,533	565,775	10,289,232	876,476	–	12,463,964
Other borrowings	18,103	2,960	2,016,481	805,690	7,562,725	–	–	10,405,959
Subordinated obligations	25,370	69,291	2,080,439	2,321,056	6,513,117	1,799,237	–	12,808,510
Non-current liabilities held for sale	–	–	–	–	–	–	474	474
Total liabilities	304,746,074	85,543,695	58,668,660	44,217,251	38,721,593	12,378,423	905,081	545,180,777
Net liquidity gap	(205,077,250)	(55,967,580)	(30,185,442)	(16,898,464)	81,666,584	258,108,622	25,527,652	57,174,122

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Group 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	37,765,092	–	–	–	–	–	–	37,765,092
Reverse repurchase agreements	6,556,064	2,140,365	276,779	41,245	–	–	–	9,014,453
Deposits and placements with banks and other financial institutions	2,095,545	1,462,842	1,102,389	138,393	–	–	–	4,799,169
Financial investments at fair value through profit or loss	8,410,759	9,192,779	3,794,525	2,845,753	3,168,229	8,645,696	2,079,532	38,137,273
Debt instruments at fair value through other comprehensive income	2,731,319	1,103,121	1,940,513	1,824,034	16,694,802	9,024,623	1	33,318,413
Equity instruments at fair value through other comprehensive income	–	–	76,432	–	–	–	379,328	455,760
Debt instruments at amortised cost	692,726	1,564,380	1,379,716	4,671,224	23,459,424	8,066,021	–	39,833,491
Derivative financial instruments	968,074	916,132	1,225,373	1,086,740	4,406,021	2,987,557	–	11,589,897
Loans, advances and financing	40,602,932	15,246,356	12,114,789	20,263,496	63,682,225	208,430,302	–	360,340,100
Other assets	5,790,757	35,183	63,933	147,428	695,375	1,339,986	2,028,551	10,101,213
Tax recoverable	–	–	–	–	–	–	312,126	312,126
Deferred tax assets	–	–	–	–	–	–	882,623	882,623
Statutory deposits with central banks	–	–	–	–	–	–	11,499,998	11,499,998
Investment in associates	–	–	–	–	–	–	45,756	45,756
Investment in joint ventures	–	–	–	–	–	–	2,382,005	2,382,005
Property, plant and equipment	–	–	–	–	–	–	2,343,507	2,343,507
Right-of-use assets	–	–	–	–	–	–	775,842	775,842
Investment properties	–	–	–	–	–	–	17,334	17,334
Prepaid lease payment	–	–	–	–	–	–	81,428	81,428
Goodwill	–	–	–	–	–	–	7,857,539	7,857,539
Intangible assets	–	–	–	–	–	–	1,685,169	1,685,169
Non-current assets held for sale	–	–	–	–	–	–	7,467	7,467
Total assets	105,613,268	31,661,158	21,974,449	31,018,313	112,106,076	238,494,185	31,378,206	573,245,655

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Group 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	228,718,380	70,853,366	49,927,966	40,063,654	2,667,916	118,185	–	392,349,467
Investment accounts of customers	730,760	520,265	1,947,695	250,244	–	–	–	3,448,964
Deposits and placements of banks and other financial institutions	12,971,947	8,549,307	1,612,079	432,281	101,108	–	–	23,666,722
Repurchase agreements/Collateralised commodity murabahah	12,062,160	2,257,754	–	217	–	–	–	14,320,131
Derivatives financial instruments	1,131,425	908,534	1,282,573	856,556	4,352,484	2,806,297	–	11,337,869
Bills and acceptances payable	874,823	551,809	443,852	2,349	13,420	697,916	–	2,584,169
Other liabilities	9,196,962	739,599	495,675	1,496,015	2,828,271	1,157,511	826,284	16,740,317
Lease liabilities	4,173	8,584	14,881	33,672	411,621	238,257	–	711,188
Recourse obligation on loans and financing sold to Cagamas	22,614	1,838	6,523	2,421,197	1,394,353	656,659	–	4,503,184
Deferred tax liabilities	–	–	–	–	–	–	36,578	36,578
Provision for taxation and zakat	215,429	–	–	–	–	–	–	215,429
Financial liabilities designated at fair value through profit or loss	34,055	56,833	–	14,987	1,308,728	2,236,137	–	3,650,740
Bonds, Sukuk and debentures	19,325	2,480,391	1,940,551	1,049,737	11,457,153	1,285,553	–	18,232,710
Other borrowings	402,752	1,530,066	302,144	827,327	7,395,953	–	–	10,458,242
Subordinated obligations	25,724	60,246	649,906	5,474,196	5,684,904	1,625,893	–	13,520,869
Total liabilities	266,410,529	88,518,592	58,623,845	52,922,432	37,615,911	10,822,408	862,862	515,776,579
Net liquidity gap	(160,797,261)	(56,857,434)	(36,649,396)	(21,904,119)	74,490,165	227,671,777	31,515,344	57,469,076

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Company 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	**344,603**	**–**	**–**	**–**	**–**	**–**	**–**	**344,603**
Debt instruments at fair value through other comprehensive income	**–**	**–**	**1,030,039**	**408,943**	**1,602,903**	**205,089**	**–**	**3,246,974**
Debt instruments at amortised cost	**–**	**26,538**	**20,177**	**9,917**	**6,645,062**	**–**	**–**	**6,701,694**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**83,516**	**83,516**
Tax recoverable	**–**	**–**	**–**	**–**	**–**	**–**	**184,023**	**184,023**
Investment in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**32,468,575**	**32,468,575**
Amount owing from subsidiaries	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**12**
Property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**4,573**	**4,573**
Right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**603**	**603**
Investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**363**	**363**
Total assets	**344,615**	**26,538**	**1,050,216**	**418,860**	**8,247,965**	**205,089**	**32,741,653**	**43,034,936**
Liabilities								
Other liabilities	**6,647**	**–**	**–**	**–**	**–**	**–**	**–**	**6,647**
Amount owing to subsidiaries	**427**	**–**	**–**	**–**	**–**	**–**	**–**	**427**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**374**	**374**
Other borrowings	**1,975**	**–**	**6,918**	**–**	**4,700,000**	**–**	**–**	**4,708,893**
Subordinated obligations	**–**	**26,411**	**1,040,297**	**400,000**	**9,250,000**	**200,000**	**–**	**10,916,708**
Total liabilities	**9,049**	**26,411**	**1,047,215**	**400,000**	**13,950,000**	**200,000**	**374**	**15,633,049**
Net liquidity gap	**335,566**	**127**	**3,001**	**18,860**	**(5,702,035)**	**5,089**	**32,741,279**	**27,401,887**

58.3 LIQUIDITY RISK (CONTINUED)

58.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

The Company 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	370,546	–	–	–	–	–	–	370,546
Debt instruments at fair value through other comprehensive income	–	–	17,200	–	2,476,162	–	–	2,493,362
Debt instruments at amortised cost	–	26,602	12,307	1,978,915	4,165,562	–	–	6,183,386
Other assets	–	–	–	–	–	–	133,440	133,440
Tax recoverable	–	–	–	–	–	–	182,089	182,089
Investment in subsidiaries	–	–	–	–	–	–	32,158,313	32,158,313
Amount owing from subsidiaries	12	–	–	–	–	–	–	12
Property, plant and equipment	–	–	–	–	–	–	5,898	5,898
Investment properties	–	–	–	–	–	–	381	381
Total assets	370,558	26,602	29,507	1,978,915	6,641,724	–	32,480,121	41,527,427
Liabilities								
Other liabilities	3,223	–	–	–	–	–	–	3,223
Amount owing to subsidiaries	9,826	–	–	–	–	–	–	9,826
Deferred tax liabilities	–	–	–	–	–	–	377	377
Other borrowings	203,187	–	252,144	–	3,750,000	–	–	4,205,331
Subordinated obligations	–	26,477	638,751	2,000,000	7,600,000	–	–	10,265,228
Total liabilities	216,236	26,477	890,895	2,000,000	11,350,000	–	377	14,483,985
Net liquidity gap	154,322	125	(861,388)	(21,085)	(4,708,276)	–	32,479,744	27,043,442

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	257,631,117	65,701,817	47,881,246	33,158,325	1,822,958	91,491	–	406,286,954
Investment accounts of customers	1,299,739	456,474	513,276	422,617	–	–	–	2,692,106
Deposits and placements of banks and other financial institutions	16,267,314	9,743,763	3,276,109	959,155	914,556	661,921	–	31,822,818
Repurchase agreements/ Collateralised commodity murabahah	15,900,409	11,328,008	921,328	685	–	–	–	28,150,430
Bills and acceptances payable	1,026,686	321,492	27,907	149,082	168,969	579,234	–	2,273,370
Financial liabilities designated at fair value through profit or loss	7,212	2,360	473,200	6,415	1,867,041	1,837,940	–	4,194,168
Other liabilities	9,895,840	691,503	550,587	862,269	3,049,471	1,506,888	898,080	17,454,638
Lease liabilities	11,714	33,675	36,987	74,749	297,713	107,218	–	562,056
Recourse obligation on loans and financing sold to Cagamas	6,895	1,000	21,167	1,109,120	754,416	536,706	–	2,429,304
Other borrowings	22,731	18,603	2,070,394	876,207	7,855,970	–	–	10,843,905
Bonds, Sukuk and debentures	13,818	144,195	565,698	527,077	9,449,405	2,475,768	–	13,175,961
Subordinated obligations	26,785	130,975	2,376,104	2,830,233	8,910,888	2,138,436	–	16,413,421
Financial guarantees	3,014,747	693,925	145,186	1,166,920	303,784	725	2,775,225	8,100,512
Credit related commitments and contingencies	50,302,330	1,362,562	638,562	3,035,120	7,803,664	19,743,070	3,110,225	85,995,533
	355,427,337	90,630,352	59,497,751	45,177,974	43,198,835	29,679,397	6,783,530	630,395,176

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Group 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	229,429,934	71,997,419	50,775,366	41,748,863	3,456,035	181,085	–	397,588,702
Investment accounts of customers	730,776	524,737	1,976,976	255,585	–	–	–	3,488,074
Deposits and placements of banks and other financial institutions	12,995,435	8,566,947	1,619,288	437,982	101,119	–	–	23,720,771
Repurchase agreements/ Collateralised commodity murabahah	12,063,421	2,362,853	–	501	–	–	–	14,426,775
Bills and acceptances payable	885,536	573,419	474,523	58,855	175,385	750,119	–	2,917,837
Financial liabilities designated at fair value through profit or loss	34,136	60,437	1,958	18,651	1,390,852	2,541,764	–	4,047,798
Other liabilities	8,631,600	742,071	497,414	1,499,541	2,864,401	1,559,341	815,090	16,609,458
Lease liabilities	5,188	38,520	41,511	93,717	457,014	168,997	–	804,947
Recourse obligation on loans and financing sold to Cagamas	27,568	2,786	49,802	2,510,553	1,593,566	773,593	–	4,957,868
Other borrowings	614,770	1,564,712	356,894	920,767	8,071,630	–	–	11,528,773
Bonds, Sukuk and debentures	21,998	2,688,549	2,082,479	1,395,778	11,749,586	1,240,121	–	19,178,511
Subordinated obligations	27,150	142,516	1,007,581	6,125,150	8,150,698	1,735,302	–	17,188,397
Financial guarantees	2,754,253	708,226	243,085	872,416	406,132	342,934	2,777,212	8,104,258
Credit related commitments and contingencies	47,859,621	1,233,968	2,539,387	3,387,878	4,464,521	20,994,208	414,053	80,893,636
	316,081,386	91,207,160	61,666,264	59,326,237	42,880,939	30,287,464	4,006,355	605,455,805

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Company 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Other liabilities	6,647	–	–	–	–	–	–	6,647
Amount owing to subsidiaries	427	–	–	–	–	–	–	427
Other borrowings	6,321	11,655	48,228	66,705	4,907,480	–	–	5,040,389
Subordinated obligations	–	46,638	1,196,905	615,573	10,299,895	240,022	–	12,399,033
	13,395	58,293	1,245,133	682,278	15,207,375	240,022	–	17,446,496

The Company 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Other liabilities	3,223	–	–	–	–	–	–	3,223
Amount owing to subsidiaries	9,826	–	–	–	–	–	–	9,826
Other borrowings	210,298	17,967	297,273	69,653	4,061,966	–	–	4,657,157
Subordinated obligations	–	46,733	815,350	2,243,017	8,574,282	–	–	11,679,382
	223,347	64,700	1,112,623	2,312,670	12,636,248	–	–	16,349,588

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis.

The Group 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange derivatives	**(2,554,632)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,554,632)**
– Interest rate derivatives	**(5,863,351)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,863,351)**
– Equity related derivatives	**(161,335)**	**–**	**–**	**–**	**–**	**–**	**–**	**(161,335)**
– Commodity related derivatives	**(489,999)**	**–**	**–**	**–**	**–**	**–**	**–**	**(489,999)**
– Credit related contracts	**(42,409)**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,409)**
– Bond contract	**(397,770)**	**–**	**–**	**–**	**–**	**–**	**–**	**(397,770)**
Hedging derivatives								
– Interest rate derivatives	**180,562**	**(20,800)**	**(51,213)**	**(84,684)**	**(1,165,002)**	**(159,742)**	**–**	**(1,300,879)**
	(9,328,934)	**(20,800)**	**(51,213)**	**(84,684)**	**(1,165,002)**	**(159,742)**	**–**	**(10,810,375)**

The Group 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
– Foreign exchange derivatives	(1,043,858)	–	–	–	–	–	–	(1,043,858)
– Interest rate derivatives	(3,627,363)	–	–	–	–	–	–	(3,627,363)
– Equity related derivatives	(64,735)	–	–	–	–	–	–	(64,735)
– Commodity related derivatives	(228,965)	–	–	–	–	–	–	(228,965)
– Credit related contracts	(57,654)	–	–	–	–	–	–	(57,654)
– Bond contract	(515,868)	–	–	–	–	–	–	(515,868)
Hedging derivatives								
– Interest rate derivatives	72,696	19,469	(80,217)	(38,329)	(896,038)	(96,607)	–	(1,019,026)
	(5,465,747)	19,469	(80,217)	(38,329)	(896,038)	(96,607)	–	(6,557,469)

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.3 LIQUIDITY RISK (CONTINUED)

58.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	**(6,139,822)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,139,822)**
Hedging derivatives								
Foreign exchange derivatives								
- Outflow	**(203,059)**	**(451,854)**	**(763,548)**	**(694,717)**	**(1,294,269)**	**(389,565)**	**–**	**(3,797,012)**
- Inflow	**183,350**	**437,264**	**742,483**	**584,683**	**1,218,294**	**340,289**	**–**	**3,506,363**
	(6,159,531)	**(14,590)**	**(21,065)**	**(110,034)**	**(75,975)**	**(49,276)**	**–**	**(6,430,471)**

The Group 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(5,177,262)	–	–	–	–	–	–	(5,177,262)
Hedging derivatives								
Foreign exchange derivatives								
- Outflow	(2,024,633)	(2,226,565)	(4,065,598)	(57,039)	(3,187,602)	(553,809)	–	(12,115,246)
- Inflow	2,039,269	2,341,506	4,109,839	65,910	3,062,205	497,433	–	12,116,162
	(5,162,626)	114,941	44,241	8,871	(125,397)	(56,376)	–	(5,176,346)

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

58.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgement may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.1 Determination of fair value and fair value hierarchy (Continued)

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;

- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMRC for approval;

- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;

- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the GMRC;

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;

- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group				The Company			
	Fair Value				Fair Value			
2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements								
Financial assets								
Financial investments at fair value through profit or loss								
– Money market instruments	–	30,248,033	433,546	30,681,579	–	–	–	–
– Quoted securities	1,299,407	–	–	1,299,407	–	–	–	–
– Unquoted securities	–	9,506,386	1,225,761	10,732,147	–	–	–	–
Debt instruments at fair value through other comprehensive income								
– Money market instruments	–	11,647,532	–	11,647,532	–	–	–	–
– Unquoted securities	–	36,078,249	1	36,078,250	–	3,246,974	–	3,246,974
Equity instruments at fair value through other comprehensive income								
– Quoted securities	37,935	–	–	37,935	–	–	–	–
– Unquoted securities	–	–	271,036	271,036	–	–	–	–
Derivative financial instruments								
– Trading derivatives	12,399	15,245,968	157,301	15,415,668	–	–	–	–
– Hedging derivatives	–	592,697	–	592,697	–	–	–	–
Loans, advances and financing at fair value through profit or loss	–	710,235	–	710,235	–	–	–	–
Total	**1,349,741**	**104,029,100**	**2,087,645**	**107,466,486**	**–**	**3,246,974**	**–**	**3,246,974**
Recurring fair value measurements								
Financial liabilities								
Derivative financial instruments								
– Trading derivatives	522,577	15,118,428	8,313	15,649,318	–	–	–	–
– Hedging derivatives	–	691,452	–	691,452	–	–	–	–
Financial liabilities designated at fair value through profit or loss	–	4,016,930	–	4,016,930	–	–	–	–
Total	**522,577**	**19,826,810**	**8,313**	**20,357,700**	**–**	**–**	**–**	**–**

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

	The Group Fair Value				The Company Fair Value			
2019	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Recurring fair value measurements								
Financial assets								
Financial investments at fair value through profit or loss								
– Money market instruments	–	29,713,786	414,063	30,127,849	–	–	–	–
– Quoted securities	857,580	–	–	857,580	–	–	–	–
– Unquoted securities	–	5,968,745	1,183,099	7,151,844	–	–	–	–
Debt instruments at fair value through other comprehensive income								
– Money market instruments	–	6,325,148	–	6,325,148	–	–	–	–
– Unquoted securities	–	26,993,264	1	26,993,265	–	2,493,362	–	2,493,362
Equity instruments at fair value through other comprehensive income								
– Quoted securities	48,683	–	–	48,683	–	–	–	–
– Unquoted securities	–	76,435	330,642	407,077	–	–	–	–
Derivative financial instruments								
– Trading derivatives	58,959	11,014,817	69,119	11,142,895	–	–	–	–
– Hedging derivatives	–	447,002	–	447,002	–	–	–	–
Loans, advances and financing at fair value through profit or loss	–	1,104,735	–	1,104,735	–	–	–	–
Total	965,222	81,643,932	1,996,924	84,606,078	–	2,493,362	–	2,493,362
Recurring fair value measurements								
Financial liabilities								
Derivative financial instruments								
– Trading derivatives	122,146	10,578,007	15,552	10,715,705	–	–	–	–
– Hedging derivatives	–	622,164	–	622,164	–	–	–	–
Financial liabilities designated at fair value through profit or loss	–	3,650,740	–	3,650,740	–	–	–	–
Total	122,146	14,850,911	15,552	14,988,609	–	–	–	–

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2020 and 31 December 2019 for the Group:

	Financial Assets					Financial Liabilities	
	Financial investments at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Derivative financial instruments		Derivative financial instruments	
The Group	Money market instruments and unquoted securities RM'000	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	Trading derivatives RM'000	Total RM'000
2020							
At 1 January	1,597,162	1	330,642	69,119	1,996,924	(15,552)	(15,552)
Total gains recognised in statement of income	78,233	-	-	84,930	163,163	4,306	4,306
Total losses recognised in other comprehensive income	-	-	(11,408)	-	(11,408)	-	-
Purchases	2,159	-	297	6,531	8,987	(9,834)	(9,834)
Sales and redemption	(7,370)	-	(47,501)	-	(54,871)	-	-
Settlements	-	-	-	(3,276)	(3,276)	12,765	12,765
Exchange fluctuation	(10,877)	-	(994)	(3)	(11,874)	2	2
At 31 December	1,659,307	1	271,036	157,301	2,087,645	(8,313)	(8,313)
Total gains recognised in Statement of Income for financial year ended 31 December under: – net non-interest income	78,233	-	-	84,930	163,163	4,306	4,306
Total losses recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	-	-	(11,408)	-	(11,408)	-	-
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	79,729	-	-	450,820	530,549	(65,574)	(65,574)

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2020 and 31 December 2019 for the Group (Continued):

	Financial Assets					Financial Liabilities	
	Financial investments at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Derivative financial instruments		Derivative financial instruments	
The Group	Money market instruments and unquoted securities RM'000	Unquoted securities RM'000	Unquoted securities RM'000	Trading derivatives RM'000	Total RM'000	Trading derivatives RM'000	Total RM'000
2019							
At 1 January	1,672,205	1	359,182	216,280	2,247,668	(109,144)	(109,144)
Total gains/(losses) recognised in statement of income	50,346	–	–	(91,564)	(41,218)	20,671	20,671
Total losses recognised in other comprehensive income	–	–	(25,280)	–	(25,280)	–	–
Purchases	3,951	–	4,874	2,337	11,162	(118)	(118)
Sales and redemption	(121,697)	–	(7,910)	–	(129,607)	–	–
Settlements	–	–	–	(57,980)	(57,980)	73,068	73,068
Exchange fluctuation	(7,643)	–	(224)	46	(7,821)	(29)	(29)
At 31 December	1,597,162	1	330,642	69,119	1,996,924	(15,552)	(15,552)
Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under:							
– net non-interest income	50,346	–	–	(91,564)	(41,218)	20,671	20,671
Total losses recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves"	–	–	(25,280)	–	(25,280)	–	–
Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income"	47,980	–	–	61,099	109,079	(8,023)	(8,023)

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.2 Fair value of financial assets and liabilities measured at amortised cost

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities' fair value at 31 December 2020 and 31 December 2019, where the fair value does not approximate to carrying amount in the statement of financial position:

	The Group					The Company				
		Fair Value					Fair Value			
2020	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets										
Reverse repurchase agreements at amortised cost	6,832,920	-	6,833,177	-	6,833,177	-	-	-	-	-
Deposits and placement with banks and other financial institutions	3,562,564	-	3,563,235	-	3,563,235	-	-	-	-	-
Debt instruments at amortised cost	56,128,085	-	55,740,371	-	55,740,371	6,701,694	-	6,927,407	-	6,927,407
Loans, advances and financing at amortised cost	353,205,731	-	353,431,633	-	353,431,633	-	-	-	-	-
Total	419,729,300	-	419,568,416	-	419,568,416	6,701,694	-	6,927,407	-	6,927,407
Financial liabilities										
Deposits from customers	403,050,637	-	402,178,767	-	402,178,767	-	-	-	-	-
Investment accounts of customers	2,678,870	-	2,498,513	-	2,498,513	-	-	-	-	-
Deposits and placements of banks and other financial institutions	31,791,245	-	31,743,342	-	31,743,342	-	-	-	-	-
Repurchase agreements/Collateralised commodity murabahah	28,146,581	-	28,146,819	-	28,146,819	-	-	-	-	-
Recourse obligation on loans and financing sold to Cagamas	2,110,668	-	2,189,448	-	2,189,448	-	-	-	-	-
Bonds, Sukuk and debentures	12,463,964	-	12,483,348	-	12,483,348	-	-	-	-	-
Other borrowings	10,405,959	-	10,704,799	-	10,704,799	4,708,893	-	4,983,078	-	4,983,078
Subordinated obligations	12,808,510	-	13,305,215	-	13,305,215	10,916,708	-	11,258,400	-	11,258,400
Total	503,456,434	-	503,250,251	-	503,250,251	15,625,601	-	16,241,478	-	16,241,478

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities' fair value at 31 December 2020 and 31 December 2019, where the fair value does not approximate to carrying amount in the statement of financial position (Continued):

		The Group Fair Value					The Company Fair Value			
2019	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets										
Reverse repurchase agreements at amortised cost	9,014,453	–	9,016,958	–	9,016,958	–	–	–	–	–
Deposits and placement with banks and other financial institutions	4,799,169	–	4,577,632	–	4,577,632	–	–	–	–	–
Debt instruments at amortised cost	39,833,491	–	41,123,066	–	41,123,066	6,183,386	–	6,338,289	–	6,338,289
Loans, advances and financing at amortised cost	359,235,365	–	350,771,808	–	350,771,808	–	–	–	–	–
Total	412,882,478	–	405,489,464	–	405,489,464	6,183,386	–	6,338,289	–	6,338,289
Financial liabilities										
Deposits from customers	392,349,467	–	393,391,808	–	393,391,808	–	–	–	–	–
Investment accounts of customers	3,448,964	–	3,423,018	–	3,423,018	–	–	–	–	–
Deposits and placements of banks and other financial institutions	23,666,722	–	23,640,865	–	23,640,865	–	–	–	–	–
Repurchase agreements/Collateralised commodity murabahah	14,320,131	–	14,320,445	–	14,320,445	–	–	–	–	–
Recourse obligation on loans and financing sold to Cagamas	4,503,184	–	4,587,058	–	4,587,058	–	–	–	–	–
Bonds, Sukuk and debentures	18,232,710	–	18,423,302	–	18,423,302	–	–	–	–	–
Other borrowings	10,458,242	–	10,790,253	–	10,790,253	4,205,331	–	4,586,949	–	4,586,949
Subordinated obligations	13,520,869	–	14,083,364	–	14,083,364	10,265,228	–	10,523,536	–	10,523,536
Total	480,500,289	–	482,660,113	–	482,660,113	14,470,559	–	15,110,485	–	15,110,485

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions and reverse repurchase agreements

For short-term funds, placements with financial institutions and reverse repurchase agreements with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Debt instruments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of expected credit losses, being the expected recoverable amount.

Amount due (to)/from subsidiaries and related companies

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Investment accounts of customers

The estimated fair values of investment accounts of customers with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

Obligations on securities sold under repurchase agreements/collateralised commodity murabahah

The estimated fair values of obligations on securities sold under repurchase agreements/collateralised commodity murabahah with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements/collateralised commodity murabahah with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Recourse obligation on loans and financing sold to Cagamas

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

Bonds, Sukuk and debentures and other borrowings

The estimated fair values of bonds, Sukuk and debentures and other borrowings with maturities of less than six months approximate the carrying values. For bonds, Sukuk and debentures and other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Subordinated obligations

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:

- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit and FX correlation (reserve on a Level 3 input) –
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation

- FX Volatility (reserve on valuation model) –
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

Fund derivatives which primarily include over-the-counter options on funds (mutual funds, unit trusts etc.) are valued using option pricing models such as Black-Scholes.

These models utilise pricing inputs which include underlying fund prices, dividend and yield curves. A Level 3 input for fund options is historical volatility i.e. volatility derived from the funds' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Lower volatility will result in higher fair value for net short positions

The fair values of structured deposits are typically valued using valuation techniques that incorporate observable market inputs. Certain credit linked structured deposits are fair valued using Level 3 inputs as the internal deposit rates of the relevant tenures are not observable.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Group

2020 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments						
- Trading derivatives						
Credit derivatives	**145**	**(458)**	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/FX Correlation	-55.00% to +10.00%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
Equity derivatives	**157,156**	**(7,855)**	Option pricing	Equity Volatility	15.82% to 100.68%	Higher volatility results in higher/lower fair value depending on the net long/short positions.
Financial investments at fair value through profit or loss						
Promissory notes	**433,546**	**Not applicable**	Weighted probability valuation based on market comparables and discounted cash flow	Estimated revenue of underlying asset, discount factor and probability assigned to each scenario	Not applicable	Higher estimated revenue and lower discount factor would results in higher valuation. Probability assigned would result in higher/ lower fair value depending on the amount of cash flows generated for each scenario.
Unquoted shares and private equity funds	**1,225,761**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
Debt instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	**1**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
Equity instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	**271,036**	**Not applicable**	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Group

2019 Description	Fair value Assets RM'000	Fair value (Liabilities) RM'000	Valuation technique(s)	Unobservable input	Range (Weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments						
- Trading derivatives						
Credit derivatives	118	(384)	Discounted Cash Flow, Stochastic Default and FX Correlation Model	Credit Default/FX Correlation	-55.00% to +13.45%	Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement.
Fund derivatives	–	(1,246)	Option pricing	Fund Volatility	1.29% to 2.18%	Higher volatility results in lower fair value based on a net short fund option position.
Equity derivatives	69,001	(13,922)	Option pricing	Equity Volatility	8.69% to 92.09%	Higher volatility results in higher/lower fair value depending on the net long/short positions.
Financial investments at fair value through profit or loss						
Promissory notes	414,063	Not applicable	Weighted probability valuation based on market comparables and discounted cash flow	Estimated revenue of underlying asset, discount factor and probability assigned to each scenario	Not applicable	Higher estimated revenue and lower discount factor would results in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each scenario.
Unquoted shares and private equity funds	1,183,099	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
Debt instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	1	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.
Equity instruments at fair value through other comprehensive income						
Unquoted shares and private equity funds	330,642	Not applicable	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value.

58 FINANCIAL RISK MANAGEMENT (CONTINUED)

58.4 FAIR VALUE ESTIMATION (CONTINUED)

58.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Sensitivity analysis for level 3

The Group 2020	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss — Favourable changes RM'000	Effect of reasonably possible alternative assumptions to: Profit or loss — Unfavourable changes RM'000
Derivative financial instruments – trading			
– Credit derivatives	**+10%**	**5**	**–**
	-10%	**–**	**(6)**
– Equity derivatives	**+25%**	**18,206**	**–**
	-25%	**–**	**(20,447)**
Financial investments at fair value through profit or loss			
– Promissory notes	**+10%**	**29,160**	**–**
	-10%	**–**	**(29,160)**
Total		**38,973**	**(44,611)**

The Group 2019	Sensitivity of significant unobservable input	Effect of reasonably possible alternative assumptions to: Profit or loss — Favourable changes RM'000	Effect of reasonably possible alternative assumptions to: Profit or loss — Unfavourable changes RM'000
Derivative financial instruments – trading			
– Credit derivatives	+10%	6	–
	-10%	–	(8)
– Fund derivatives*	+25%	–	–
	-25%	–	–
– Equity derivatives	+25%	24,905	–
	-25%	–	(29,289)
Financial investments at fair value through profit or loss			
– Promissory notes	+10%	22,645	–
	-10%	–	(22,645)
Total		47,556	(51,942)

* The sensitivity of the fair value of fund derivatives to the movement in significant unobservable input is insignificant for the financial year 31 December 2019.

59 THE OPERATIONS OF ISLAMIC BANKING

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Cash and short-term funds	(a)	**13,176,836**	8,415,481
Deposits and placements with banks and other financial institutions	(b)	**2,364,137**	2,652,505
Financial investments at fair value through profit or loss	(c)	**5,144,152**	5,158,036
Debt instruments at fair value through other comprehensive income	(d)	**4,623,981**	4,508,828
Debt instruments at amortised cost	(e)	**9,648,264**	8,594,615
Islamic derivative financial instruments	(f)(i)	**559,340**	497,609
Financing, advances and other financing/loans	(g)	**97,342,038**	93,049,318
Other assets	(h)	**2,105,072**	1,759,967
Deferred tax assets	(i)	**93,895**	22,238
Tax recoverable		**4,252**	8,547
Amount due from conventional operations		**7,336,644**	6,146,418
Statutory deposits with central banks	(j)	**377,067**	2,506,166
Property, plant and equipment	(k)	**3,037**	5,003
Right-of-use assets	(l)	**5,343**	3,986
Goodwill	(m)	**136,000**	136,000
Intangible assets	(n)	**60,139**	66,698
Total assets		**142,980,197**	133,531,415
Liabilities			
Deposits from customers	(o)	**109,001,344**	99,505,430
Investment accounts of customers	(p)	**2,678,870**	3,448,964
Deposits and placements of banks and other financial institutions	(q)	**2,395,807**	2,572,666
Investment accounts due to designated financial institutions	(r)	**4,751,241**	5,021,974
Collateralised commodity murabahah		**299,236**	–
Financial liabilities designated at fair value through profit or loss	(s)	**71,610**	95,499
Islamic derivative financial instruments	(f)(i)	**595,587**	504,605
Bills and acceptances payable		**18,897**	36,331
Other liabilities	(t)	**8,983,878**	6,851,238
Lease liabilities	(u)	**5,067**	3,619
Recourse obligation on loans and financing sold to Cagamas	(v)	**–**	1,510,390
Amount due to conventional operations		**1,970,848**	2,620,453
Provision for taxation and zakat		**4,918**	55,749
Sukuk	(w)	**1,026,028**	1,025,994
Subordinated Sukuk	(x)	**1,118,336**	1,118,255
		132,921,667	124,371,167
Total liabilities		**132,921,667**	124,371,167

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	2020 RM'000	2019 RM'000
Equity			
Islamic banking funds		**55,696**	55,696
Ordinary share capital	(y)	**1,000,000**	1,000,000
Perpetual preference shares	(y)	**420,000**	220,000
Reserves	(z)	**8,495,210**	7,821,684
		9,970,906	9,097,380
Non-controlling interests		**87,624**	62,868
Total equity		**10,058,530**	9,160,248
Total equity and liabilities		**142,980,197**	133,531,415
Restricted Agency Investment Account(*)	(aa)	**8,730,980**	6,231,742
Total Islamic Banking Assets		**151,711,177**	139,763,157
Commitments and contingencies	(f)(ii)	**53,778,744**	58,954,249

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

STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Income derived from investment of depositors' funds and others	(ab)	**4,936,466**	5,233,556
Income derived from investment of investment account	(ac)	**360,106**	415,670
Net income derived from investment of shareholders' funds	(ad)	**475,208**	573,836
Modification loss	(ae)	**(185,804)**	–
Expected credit loss on financing, advances and other financing/loans	(af)	**(809,110)**	(71,303)
Expected credit losses (made)/written back for commitments and contingencies		**(46,123)**	21,941
Other expected credit losses written back	(ag)	**411**	812
Total distributable income		**4,731,154**	6,174,512
Income attributable to depositors and others	(ah)	**(2,610,329)**	(3,209,765)
Profit distributed to investment account holder	(ai)	**(219,351)**	(307,968)
Total net income		**1,901,474**	2,656,779
Personnel expenses	(aj)	**(60,691)**	(73,043)
Other overheads and expenditures	(ak)	**(931,742)**	(965,893)
Profit before taxation and zakat		**909,041**	1,617,843
Taxation and zakat	(al)	**(132,651)**	(342,498)
Profit for the financial year		**776,390**	1,275,345
Profit attributable to:			
Owners of the Parent		**749,281**	1,251,490
Non-controlling interests		**27,109**	23,855
		776,390	1,275,345

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	2020 RM'000	2019 RM'000
Profit for the financial year	**776,390**	1,275,345
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss		
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	**31**	(31)
	31	(31)
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income	**8,388**	38,784
– Net gain from change in fair value	**107,940**	138,742
– Realised gain transferred to statement of income on disposal	**(96,879)**	(91,680)
– Changes in expected credit losses	**(18)**	362
– Income tax effects	**(2,655)**	(8,640)
Exchange fluctuation reserve	**(26,522)**	21,254
Other comprehensive (expense)/income for the financial year, net of tax	**(18,103)**	60,007
Total comprehensive income for the financial year	**758,287**	1,335,352
Total comprehensive income attributable to:		
Owners of the Parent	**733,531**	1,310,024
Non-controlling interests	**24,756**	25,328
	758,287	1,335,352
Income from Islamic Banking operations:		
Total net income	**1,901,474**	2,656,779
Add: Expected credit losses on financing, advances and other financing/loans	**809,110**	71,303
Add: Expected credit losses made/(written back) for commitments and contingencies	**46,123**	(21,941)
Add: Other expected credit losses written back	**(411)**	(812)
	2,756,296	2,705,329
Elimination for transaction with conventional operations	**181,217**	335,334
	2,937,513	3,040,663

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Debt instruments at fair value through other comprehensive income RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2020												
At 1 January 2020	1,000,000	220,000	55,696	30,083	6,311	513,533	(31)	1,231	7,270,557	9,097,380	62,868	9,160,248
Net profit for the financial year	-	-	-	-	-	-	-	-	749,281	749,281	27,109	776,390
Other comprehensive income/ (expense) (net of tax)	-	-	-	8,388	(24,169)	-	31	-	-	(15,750)	(2,353)	(18,103)
– debt instruments at fair value through other comprehensive income	-	-	-	8,388	-	-	-	-	-	8,388	-	8,388
– fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	-	31	-	-	31	-	31
– currency translation difference	-	-	-	-	(24,169)	-	-	-	-	(24,169)	(2,353)	(26,522)
Total comprehensive income/ (expense) for the financial year	-	-	-	8,388	(24,169)	-	31	-	749,281	733,531	24,756	758,287
Special dividend paid in respect of the financial year ended 31 December 2019	-	-	-	-	-	-	-	-	(60,000)	(60,000)	-	(60,000)
Share-based payment expense	-	-	-	-	-	-		1,336	-	1,336	-	1,336
Shares released under Equity Ownership plan	-	-	-	-	-	-	-	(1,341)	-	(1,341)	-	(1,341)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	-	(5)	(60,000)	(60,005)	-	(60,005)
Transfer from regulatory reserve	-	-	-	-	-	(300,501)	-	-	300,501	-	-	-
Issuance of perpetual preference shares	-	200,000	-		-	-		-	-	200,000	-	200,000
At 31 December 2020	1,000,000	420,000	55,696	38,471	(17,858)	213,032	-	1,226	8,260,339	9,970,906	87,624	10,058,530

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Share capital RM'000	Perpetual preference shares RM'000	Islamic Banking funds RM'000	Debt instruments at fair value through other comprehensive income RM'000	Exchange fluctuation reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
2019												
At 1 January 2019	1,000,000	220,000	55,696	(8,701)	(13,470)	345,676	–	963	6,402,914	8,003,078	37,540	8,040,618
Net profit for the financial year	–	–	–	–	–	–	–	–	1,251,490	1,251,490	23,855	1,275,345
Other comprehensive income/ (expense) (net of tax)	–	–	–	38,784	19,781	–	(31)	–	–	58,534	1,473	60,007
– debt instruments at fair value through other comprehensive income	–	–	–	38,784	–	–	–	–	–	38,784	–	38,784
– fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	–	–	–	–	–	–	(31)	–	–	(31)	–	(31)
– currency translation difference	–	–	–	–	19,781	–	–	–	–	19,781	1,473	21,254
Total comprehensive income/ (expense) for the financial year	–	–	–	38,784	19,781	–	(31)	–	1,251,490	1,310,024	25,328	1,335,352
Interim dividend paid in respect of the financial year ended 31 December 2018	–	–	–	–	–	–	–	–	(15,990)	(15,990)	–	(15,990)
Special dividend paid in respect of the financial year ended 31 December 2019	–	–	–	–	–	–	–	–	(200,000)	(200,000)	–	(200,000)
Share-based payment expense	–	–	–	–	–	–		1,272	–	1,272	–	1,272
Shares released under Equity Ownership plan	–	–	–	–	–	–	–	(1,004)	–	(1,004)	–	(1,004)
Total transactions with owners recognised directly in equity	–	–	–	–	–	–	–	268	(215,990)	(215,722)	–	(215,722)
Transfer to regulatory reserve	–	–	–	–	–	167,857	–	–	(167,857)	–	–	–
At 31 December 2019	1,000,000	220,000	55,696	30,083	6,311	513,533	(31)	1,231	7,270,557	9,097,380	62,868	9,160,248

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000
Operating activities		
Profit before taxation and zakat	**909,041**	1,617,843
Adjustments for:		
Depreciation of property, plant and equipment	**2,221**	3,363
Depreciation of right-of-use assets	**1,804**	1,583
Amortisation of intangible assets	**9,532**	9,139
Net unrealised loss on derivatives	**43,720**	11,669
Accretion of discount less amortisation of premium	**(54,463)**	(91,490)
Net gain from sale of debt instruments at fair value through other comprehensive income	**(96,879)**	(91,680)
Profit income from debt instruments at amortised cost	**(397,155)**	(355,522)
Profit income on debt instruments at fair value through other comprehensive income	**(188,649)**	(153,908)
Profit expense on Subordinated Sukuk	**44,678**	35,409
Profit expense on Sukuk	**7,782**	10,710
Profit expense on recourse obligation on loans and financing sold to Cagamas	**47,369**	69,188
Share-based payment expense	**1,336**	268
Unrealised loss/(gain) from financial liabilities designated at fair value through profit or loss	**2,426**	(1,840)
Unrealised gain from financial investments at fair value through profit or loss	**(7,315)**	(9,523)
Net (gain)/loss from foreign exchange transactions	**(78,407)**	36,036
Expected credit losses made/(written back) for commitments and contingencies	**46,123**	(21,941)
Net (gain)/loss from hedging activities	**(565)**	2,169
Other expected credit losses written back	**(411)**	(812)
Expected credit losses on financing, advances and other financing/loans	**867,763**	140,262
Interest expense on lease liabilities	**102**	142
Net unrealised loss arising from financing	**2,524**	2,631
Modification loss	**185,804**	–
	439,340	(404,147)
	1,348,381	1,213,696
(Increase)/decrease in operating assets		
Deposits and placements with banks and other financial institutions	**–**	1,748,523
Financial assets at fair value through profit or loss	**102,400**	(2,015,086)
Equity instruments at fair value through other comprehensive income	**–**	575
Islamic derivative financial instruments	**(13,904)**	(36,108)
Financing, advances and other financing/loans	**(5,315,259)**	(9,145,041)
Statutory deposits with central banks	**2,129,099**	(429,744)
Other assets	**(341,752)**	718,946
Amount due from conventional operations	**(1,190,226)**	(2,399,022)
Right-of-use assets	**(3,633)**	119
	(4,633,275)	(11,556,838)
Increase/(decrease) in operating liabilities		
Deposits from customers	**9,495,914**	12,654,322
Deposits and placements of banks and other financial institutions	**(176,859)**	(592,297)
Other liabilities	**2,161,114**	2,161,519
Lease liabilities	**1,937**	(142)
Financial liabilities designated at fair value through profit or loss	**(26,315)**	75,421
Bills and acceptance payable	**(17,434)**	8,903
Collateralised commodity murabahah	**299,236**	–
Amount due to conventional operations	**(649,605)**	(1,706,096)
Investment accounts of customers	**(1,040,827)**	(1,515,141)
	10,047,161	11,086,489
Cash flows generated from/(used in) operations	**6,762,267**	743,347
Taxation and zakat paid	**(253,987)**	(376,098)
Net cash flows generated from/(used in) operating activities	**6,508,280**	367,249

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020 RM'000	2019 RM'000
Investing activities			
Purchase of property, plant and equipment		**(3,805)**	(4,144)
Purchase of intangible assets		**(8,287)**	(4,027)
Profit income from debt instruments at fair value through other comprehensive income		**155,986**	148,741
Profit income from debt instruments at amortised cost		**345,071**	331,298
Net purchase of debt instruments at amortised cost		**(1,010,423)**	(1,615,311)
Net proceeds/(purchase) of debt instruments at fair value through other comprehensive income		**7,554**	(869,706)
Purchase of right-of-use assets		**–**	(37)
Proceeds from disposal of property, plant and equipment		**3,494**	707
Proceeds from disposal of intangible assets		**5,278**	98
Net cash flows used in investing activities		**(505,132)**	(2,012,381)
Financing activities			
Proceeds from issuance of subordinated Sukuk (i)		**–**	800,000
Repayment of subordinated Sukuk (i)		**–**	(300,000)
Repayment of other borrowing (i)		**–**	(29,519)
Profit expense paid on subordinated Sukuk (i)		**(44,597)**	(32,185)
Profit expense paid on Sukuk (i)		**(79,468)**	(53,414)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas (i)		**(57,748)**	(74,298)
Profit expense paid on other borrowings (i)		**–**	(342)
Dividends paid		**(60,000)**	(215,990)
Issuance of Sukuk (i)		**285,979**	590,386
Redemption of Sukuk (i)		**(261,596)**	(222,180)
Repayment of lease liabilities (i)		**(591)**	(1,954)
Repayment of recourse obligation on loans and financing sold to Cagamas (i)		**(1,500,011)**	(400,003)
Issuance of preference shares		**200,000**	–
Net cash flows (used in)/generated from financing activities		**(1,518,032)**	60,501
Net increase/(decrease) in cash and cash equivalents		**4,485,116**	(1,584,631)
Cash and cash equivalents at beginning of financial year		**11,067,986**	12,595,979
Effect of exchange rate changes		**(12,129)**	56,638
Cash and cash equivalents at end of financial year		**15,540,973**	11,067,986
Cash and cash equivalents comprise:			
Cash and short-term funds	(a)	**13,176,836**	8,415,481
Deposits and placement with banks and other financial institutions	(b)	**2,364,137**	2,652,505
		15,540,973	11,067,986

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(i) An analysis of changes in liabilities arising from financing activities is as follows:

	Sukuk RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Subordinated Sukuk RM'000	Other borrowings RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2020	**1,025,994**	**1,510,390**	**1,118,255**	**–**	**3,619**	**3,658,258**
Proceeds from issuance	**285,979**	**–**	**–**	**–**	**–**	**285,979**
Repayment and redemption	**(261,596)**	**(1,500,011)**	**–**	**–**	**(591)**	**(1,762,198)**
Profit expense paid	**(79,468)**	**(57,748)**	**(44,597)**	**–**	**–**	**(181,813)**
Exchange fluctuation	**47,337**	**–**	**–**	**–**	**–**	**47,337**
Other non-cash movement	**7,782**	**47,369**	**44,678**	**–**	**2,039**	**101,869**
At 31 December 2020	**1,026,028**	**–**	**1,118,336**	**–**	**5,067**	**2,149,432**
At 1 January 2019	645,773	1,915,503	615,033	28,604	5,573	3,210,486
Proceeds from issuance	590,386	–	800,000	–	–	1,390,386
Repayment and redemption	(222,180)	(400,003)	(300,000)	(29,519)	(1,954)	(953,656)
Profit expense paid	(53,414)	(74,298)	(32,185)	(342)	–	(160,239)
Exchange fluctuation	54,719	–	–	1,257	–	55,976
Other non-cash movement	10,710	69,188	35,407	–	–	115,305
At 31 December 2019	1,025,994	1,510,390	1,118,255	–	3,619	3,658,258

(a) CASH AND SHORT-TERM FUNDS

	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	**1,600,239**	1,615,697
Money at call and deposit placements maturing within one month	**11,576,597**	6,799,784
	13,176,836	8,415,481
Less: Expected credit loss	**–**	–
	13,176,836	8,415,481

(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 RM'000	2019 RM'000
Licensed banks	**934,006**	1,514,410
Other central banks	**1,430,131**	1,138,104
	2,364,137	2,652,514
Less: Expected credit loss	**–**	(9)
	2,364,137	2,652,505

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(c) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RM'000	2019 RM'000
Money market instruments:		
Unquoted		
Malaysian Government treasury bills	**288,829**	8,582
Cagamas bonds	**7,545**	25,221
Islamic negotiable instruments of deposit	**1,195,653**	2,492,770
Government Investment Issues	**396,416**	1,261,461
Islamic Commercial Paper	**2,809,208**	1,193,234
	4,697,651	4,981,268
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	**336,778**	67,764
Outside Malaysia:		
Private equity and unit trusts funds	**109,723**	109,004
	446,501	176,768
	5,144,152	5,158,036

(d) DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RM'000	2019 RM'000
Fair value		
Money market instruments:		
Unquoted		
Malaysian Government Securities	**20,997**	–
Islamic Cagamas bonds	**57,150**	76,277
Government Investment Issues	**819,518**	700,678
Islamic Commercial Paper	**24,803**	101,838
	922,468	878,793
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	**2,926,007**	2,842,616
Outside Malaysia:		
Corporate Sukuk	**46,393**	225,959
Other Government bonds	**729,113**	561,460
	3,701,513	3,630,035
	4,623,981	4,508,828

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

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

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Total RM'000
At 1 January 2020	**1,833**	**98**	**1,931**
Changes in expected credit losses due to transfer within stages:	**117**	**(117)**	**–**
Transferred to Stage 1	**117**	**(117)**	**–**
Total charge to Statement of Income:	**(37)**	**19**	**(18)**
New financial assets purchased	**14,376**	**–**	**14,376**
Financial assets that have been derecognised	**(475)**	**–**	**(475)**
Change in credit risk	**(13,938)**	**19**	**(13,919)**
At 31 December 2020	**1,913**	**–**	**1,913**
At 1 January 2019	1,570	–	1,570
Changes in expected credit losses due to transfer within stages:	(49)	49	–
Transferred to Stage 2	(49)	49	–
Total charge to Statement of Income:	313	49	362
New financial assets purchased	8,698	–	8,698
Financial assets that have been derecognised	(170)	–	(170)
Change in credit risk	(8,215)	49	(8,166)
Exchange fluctuation	(1)	–	(1)
At 31 December 2019	1,833	98	1,931

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) DEBT INSTRUMENTS AT AMORTISED COST

	2020 RM'000	2019 RM'000
Money market instruments:		
Unquoted		
Islamic Cagamas bonds	**52,912**	60,651
Other Government securities	**12,394**	–
Malaysian Government Sukuk	**101,341**	101,305
Government Investment Issue	**2,926,780**	2,980,103
Commercial papers	**–**	49,203
Khazanah bonds	**89,047**	–
	3,182,474	3,191,262
Unquoted securities		
In Malaysia		
Corporate Sukuk	**5,333,167**	4,888,542
Outside Malaysia		
Corporate Sukuk	**33,697**	34,783
Others Government bonds	**1,100,672**	477,158
	6,467,536	5,400,483
Total	**9,650,010**	8,591,745
Amortisation of premium, net of accretion of discount	**(1,409)**	3,287
Less: Expected credit losses	**(337)**	(417)
	9,648,264	8,594,615

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(e) DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

	12-month expected credit losses (Stage 1) RM'000	Total RM'000
At 1 January 2020	**417**	**417**
Total charge to Statement of Income:	**(78)**	**(78)**
New financial assets purchased	**1,110**	**1,110**
Change in credit risk	**(1,188)**	**(1,188)**
Exchange fluctuation	**(2)**	**(2)**
At 31 December 2020	**337**	**337**

	12-month expected credit losses (Stage 1) RM'000	Total RM'000
At 1 January 2019	441	441
Total charge to Statement of Income:	(97)	(97)
New financial assets purchased	680	680
Change in credit risk	(777)	(777)
Exchange fluctuation	1	1
Other movements	72	72
At 31 December 2019	417	417

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES

(i) Islamic derivative financial instruments

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

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

	31 December 2020 Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	10,581,294	192,678	(266,401)
– Less than 1 year	9,647,570	115,664	(198,500)
– 1 year to 3 years	527,620	30,881	(28,605)
– More than 3 years	406,104	46,133	(39,296)
Currency swaps	9,729,087	147,968	(109,346)
– Less than 1 year	9,728,914	147,968	(109,320)
– 1 year to 3 years	173	–	(26)
Currency spots	59,437	118	(82)
– Less than 1 year	59,437	118	(82)
Currency options	264,718	947	(939)
– Less than 1 year	264,718	947	(939)
Cross currency profit rate swaps	1,597,152	89,847	(87,226)
– Less than 1 year	853,484	60,982	(60,864)
– More than 3 years	743,668	28,865	(26,362)
Profit rate derivatives			
Islamic profit rate swaps	11,213,722	122,487	(122,573)
– Less than 1 year	6,537,030	20,543	(20,301)
– 1 year to 3 years	2,945,961	55,948	(58,439)
– More than 3 years	1,730,731	45,996	(43,833)
Equity derivatives			
Equity options	37,194	1,717	(1,717)
– Less than 1 year	24,956	1,713	(1,713)
– More than 3 years	12,238	4	(4)
Commodity derivatives			
Commodity options	7,555	1,554	(1,340)
– Less than 1 year	4,732	33	(33)
– 1 year to 3 years	2,823	1,521	(1,307)
Credit related contracts			
Total return swaps	41,500	2,024	(2,024)
– More than 3 years	41,500	2,024	(2,024)
Hedging derivatives			
Islamic profit rate swaps	78,008	–	(3,939)
– More than 3 years	78,008	–	(3,939)
Total derivative assets/(liabilities)	33,609,667	559,340	(595,587)

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Islamic derivative financial instruments (Continued)

	31 December 2019 Principal RM'000	Asset RM'000	Liability RM'000
Trading derivatives			
Foreign exchange derivatives			
Currency forwards	10,784,073	237,210	(233,447)
– Less than 1 year	9,522,382	118,291	(123,020)
– 1 year to 3 years	641,322	49,298	(48,621)
– More than 3 years	620,369	69,621	(61,806)
Currency swaps	12,362,095	67,745	(63,620)
– Less than 1 year	12,361,922	67,745	(63,590)
– 1 year to 3 years	173	–	(30)
Currency spots	156,907	50	(95)
– Less than 1 year	156,907	50	(95)
Currency options	44,614	429	(429)
– Less than 1 year	44,614	429	(429)
Cross currency profit rate swaps	1,986,528	111,063	(107,594)
– Less than 1 year	420,595	2,571	(2,459)
– 1 year to 3 years	839,003	59,839	(59,601)
– More than 3 years	726,930	48,653	(45,534)
Profit rate derivatives			
Islamic profit rate swaps	13,335,668	77,926	(77,652)
– Less than 1 year	2,609,014	4,601	(3,582)
– 1 year to 3 years	7,986,857	24,422	(24,941)
– More than 3 years	2,739,797	48,903	(49,129)
Equity derivatives			
Equity options	73,509	1,514	(1,514)
– 1 year to 3 years	23,358	1,416	(1,416)
– More than 3 years	50,151	98	(98)
Commodity derivatives			
Commodity options	31,568	187	(187)
– Less than 1 year	31,568	187	(187)
Credit related contracts			
Total return swaps	41,500	1,485	(1,485)
– More than 3 years	41,500	1,485	(1,485)
Hedging derivatives			
Islamic profit rate swaps	1,993,931	–	(18,582)
– Less than 1 year	1,900,000	–	(17,115)
– More than 3 years	93,931	–	(1,467)
Total derivative assets/(liabilities)	40,810,393	497,609	(504,605)

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Commitments and contingencies

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

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

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic Derivative Financial Instruments" Assets and Liabilities respectively. Refer Note 59(f)(i).

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

	2020 Principal RM'000	2019 Principal RM'000
Credit related		
Direct credit substitutes	**291,893**	240,068
Certain transaction-related contingent items	**697,011**	856,656
Short-term self-liquidating trade-related contingencies	**75,486**	39,114
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	**11,484,654**	9,128,283
– Maturity exceeding one year	**7,595,814**	7,834,816
Miscellaneous commitments and contingencies:		
– Shariah-compliant equity option	**24,219**	44,919
Total credit-related commitments and contingencies	**20,169,077**	18,143,856
Total treasury-related commitments and contingencies (Note 59(f)(i))	**33,609,667**	40,810,393
Total commitments and contingencies	**53,778,744**	58,954,249

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS

(i) By type and Shariah contract

The Group

	Sale-based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others		
2020	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'Inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik* RM'000	Al-Ijarah Thumma al-Bai'# RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Rahnu RM'000	Ujrah RM'000	Total RM'000
At amortised cost													
Cash line^	-	268	842	-	1,036,202	-	-	-	-	8,907	-	-	1,046,219
Term financing													
House financing	305,332	4,937,835	-	-	21,574,218	1,227,897	-	-	3,654,536	-	-	-	31,699,818
Syndicated financing	-	-	39,111	-	2,120,688	-	-	532	-	-	-	-	2,160,331
Hire purchase receivables	80,859	-	-	-	-	-	11,380,856	-	-	-	-	-	11,461,715
Other term financing	760,403	1,168,761	5,004,003	-	32,905,287	44,811	-	98,217	4,479,920	-	12	-	44,461,414
Lease receivable	-	-	-	-	-	177,923	-	-	-	-	-	-	177,923
Bills receivable	334,959	-	-	167,450	-	-	-	-	-	-	-	-	502,409
Islamic trust receipts	98,889	-	-	-	-	-	-	-	-	-	-	-	98,889
Claims on customers under acceptance credits	691,903	-	-	84,911	-	-	-	18,897	-	-	-	-	795,711
Staff financing	-	-	-	-	171,716	-	-	-	16,979	-	-	-	188,695
Revolving credits	-	-	-	-	5,475,377	-	-	16,681	-	-	-	-	5,492,058
Credit card receivables	-	-	-	-	-	-	-	-	-	245,962	-	134,389	380,351
Gross financing, advances and other financing/loans	2,272,345	6,106,864	5,043,956	252,361	63,283,488	1,450,631	11,380,856	134,327	8,151,435	254,869	12	134,389	98,465,533
Fair value changes arising from fair value hedge													3,835
													98,469,368
Less: Expected credit losses													(1,324,651)
Net financing, advances and other financing/loans, at amortised cost													97,144,717
At Fair value through Profit or loss													
Term financing													
– Syndicated financing	-	-	-	-	197,321	-	-	-	-	-	-	-	197,321
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	197,321	-	-	-	-	-	-	-	197,321
Net financing, advances and other financing/loans													97,342,038

^ Includes current account in excess

* The beneficial owner of the asset belongs to the subsidiaries of CIMB Group. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

\# CIMB Islamic is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(G) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(i) By type and Shariah contract (Continued)

	The Group											
	Sale-based contracts					Lease-based contracts		Profit sharing contracts		Loan contract	Others	
2019	Murabahah RM'000	Bai' Bithaman Ajil RM'000	Bai' al-'Inah RM'000	Bai' al-Dayn RM'000	Tawarruq RM'000	Ijarah Muntahiah Bi al-Tamlik* RM'000	Al-Ijarah Thumma al-Bai'# RM'000	Mudharabah RM'000	Musharakah RM'000	Qard RM'000	Ujrah RM'000	Total RM'000
At amortised cost												
Cash line^	-	1,844	318	-	1,231,242	-	-	-	1	5,910	-	1,239,315
Term financing												
House financing	309,045	5,236,376	-	-	16,450,891	1,276,449	-	-	3,081,673	-	-	26,354,434
Syndicated financing	390,788	-	51,777	-	2,217,586	-	-	612	-	-	-	2,660,763
Hire purchase receivables	130,138	-	-	-	-	-	9,036,064	-	-	-	-	9,166,202
Other term financing	1,110,068	1,265,890	5,144,668	-	31,591,037	49,203	-	119,812	5,373,690	-	-	44,654,368
Lease receivable	-	-	-	-	-	216,575	-	-	-	-	-	216,575
Bills receivable	462,648	-	-	1,193,936	-	-	-	-	-	-	-	1,656,584
Islamic trust receipts	98,328	-	-	-	-	-	-	-	-	-	-	98,328
Claims on customers under acceptance credits	875,222	-	-	109,039	-	-	-	36,331	-	-	-	1,020,592
Staff financing	-	-	-	-	147,832	-	-	-	11,079	-	-	158,911
Revolving credits	-	-	-	-	5,980,587	-	-	21,331	-	-	-	6,001,918
Credit card receivables	-	-	-	-	-	-	-	-	-	232,792	149,029	381,821
Gross financing, advances and other financing/loans	3,376,237	6,504,110	5,196,763	1,302,975	57,619,175	1,542,227	9,036,064	178,086	8,466,443	238,702	149,029	93,609,811
Fair value changes arising from fair value hedge												9,075
												93,618,886
Less: Expected credit losses												(769,749)
Net financing, advances and other financing/loans, at amortised cost												92,849,137
At Fair value through Profit or loss												
Term financing												
– Syndicated financing	-	-	-	-	200,181	-	-	-	-	-	-	200,181
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	200,181	-	-	-	-	-	-	200,181
Net financing, advances and other financing/loans												93,049,318

^ Includes current account in excess
* The beneficial owner of the asset belongs to the subsidiaries of CIMB Group. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
# CIMB Islamic is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(i) By type and Shariah contract (Continued)

	2020 RM'000	2019 RM'000
Gross financing, advances and other financing/loans		
– At amortised cost	**98,465,533**	93,609,811
– At fair value through profit or loss	**197,321**	200,181
	98,662,854	93,809,992

Sale-based contracts

– Murabahah

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

– Bai' al-'Inah

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

– Tawarruq vis-à-vis Commodity Murabahah

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

– Bai' Bithaman Ajil

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

– Bai' al-Dayn

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

Lease-based contracts

– Ijarah

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

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(i) By type and Shariah contract (Continued)

Profit sharing contracts

– Musharakah

Agreement of cooperation between two or more parties to a particular business, where each parties contribute funds. Profits are shared based on agreement, while loss is based on the portion of the contribution of funds in the form of cash or non-cash assets permitted by Shariah. Profits are recognised in the period the entitlement is based on Laporan Hasil Usaha in accordance with the agreed nisbah. Gain on Musharakah financing that has become the bank's rights and have not been paid by the customer is recognised as a profit sharing receivable.

Loan contract

– Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing shall be generated from the transactions.

Rahnu

Rahnu is a contract between a pledgor (rahin) and a pledeee (murtahin) whereby an asset is pledged as collateral (marhun) to the pledgee to provide assurance that the liability or obligation against the pledgee will be fulfilled.

Ujrah

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

(a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM78,322,000 (2019: RM1,993,931,000) financing using Islamic profit rate swaps.

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

As at 31 December 2020, the gross exposure and expected credit losses relating to RPSIA financing are RM4,703,553,000 (2019: RM4,956,226,000) and RM104,169,000 (2019: RM91,238,000) respectively, which are recognised in the Financial Statements of CIMB Bank Berhad.

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(i) By type and Shariah contract (Continued)

(c) Movement of Qard financing

	2020 RM'000	2019 RM'000
At 1 January	**238,702**	185,083
New disbursement	**118,983**	122,051
Repayment	**(95,314)**	(74,645)
Exchange fluctuation	**(7,502)**	6,213
At 31 December	**254,869**	238,702
Sources and uses of Qard Financing		
Sources of Qard fund:		
Depositors fund	**254,363**	238,358
Shareholders fund	**506**	344
	254,869	238,702
Uses of Qard fund:		
Personal use	**246,431**	233,072
Business use	**8,438**	5,630
	254,869	238,702

(ii) By type of customers

	2020 RM'000	2019 RM'000
Domestic non-bank financial institutions	**2,307,114**	2,329,455
Domestic business enterprises		
– Small medium enterprises	**11,717,859**	10,511,426
– Others	**9,672,304**	11,502,440
Government and statutory bodies	**3,485,484**	3,714,239
Individuals	**58,223,859**	50,876,114
Other domestic entities	**9,209,205**	9,755,362
Foreign entities	**4,047,029**	5,120,956
	98,662,854	93,809,992

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(iii) By profit sensitivity

	2020 RM'000	2019 RM'000
Fixed rate		
– House financing	**4,131,644**	3,499,678
– Hire purchase receivables	**10,301,097**	7,888,914
– Other fixed rate financing	**7,591,850**	11,377,354
Variable rate		
– House financing	**27,568,174**	22,854,759
– Others	**49,070,089**	48,189,287
	98,662,854	93,809,992

(iv) By economic purposes

	2020 RM'000	2019 RM'000
Personal use	**2,655,935**	2,543,125
Credit card	**380,352**	381,821
Purchase of consumer durables	**12,247**	13,784
Construction	**1,801,730**	2,065,404
Residential property	**32,995,833**	27,526,000
Non-residential property	**7,889,767**	7,569,783
Purchase of fixed assets other than land and building	**340,901**	715,627
Purchase of securities	**14,019,757**	14,139,633
Purchase of transport vehicles	**11,717,105**	9,708,642
Working capital	**19,509,789**	18,443,134
Other purpose	**7,339,438**	10,703,039
	98,662,854	93,809,992

(v) By geographical distribution

	2020 RM'000	2019 RM'000
Malaysia	**85,919,565**	79,452,003
Indonesia	**9,237,388**	9,863,925
Singapore	**2,767,216**	2,719,276
China	**36,292**	663,873
Other countries	**702,393**	1,110,915
	98,662,854	93,809,992

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(vi) By residual contractual maturity

	2020 RM'000	2019 RM'000
Within one year	**14,056,404**	16,137,226
One year to less than three years	**2,255,655**	3,144,777
Three years to less than five years	**4,847,845**	5,559,099
Five years and more	**77,502,950**	68,968,890
	98,662,854	93,809,992

(vii) By economic sector

	2020 RM'000	2019 RM'000
Primary agriculture	**3,640,343**	3,937,616
Mining and quarrying	**786,130**	1,675,978
Manufacturing	**4,057,554**	3,995,625
Electricity, gas and water supply	**1,065,903**	1,478,551
Construction	**2,584,782**	2,480,818
Transport, storage and communications	**2,445,342**	3,447,094
Education, health and others	**4,227,834**	4,504,328
Wholesale and retail trade, and restaurants and hotels	**4,405,309**	4,784,083
Finance, insurance/takaful, real estate and business activities	**12,165,188**	12,037,316
Household	**58,743,551**	51,308,988
Others	**4,540,918**	4,159,595
	98,662,854	93,809,992

(viii) Credit impaired financing, advances and other financing/loans by economic purposes

	2020 RM'000	2019 RM'000
Personal use	**36,843**	17,449
Credit cards	**1,762**	2,009
Purchase of consumer durables	**9**	134
Residential property	**432,303**	312,688
Non-residential property	**123,188**	102,319
Purchase of fixed assets other than land and building	**65**	71
Construction	**1,312**	1,488
Purchase of securities	**87,766**	1,220
Purchase of transport vehicles	**100,968**	70,869
Working capital	**818,874**	955,122
Other purpose	**18,250**	58,851
	1,621,340	1,522,220

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

(ix) Credit impaired financing, advances and other financing/loans by geographical distributions

	2020 RM'000	2019 RM'000
Malaysia	**1,506,615**	1,254,274
Indonesia	**109,584**	116,160
Singapore	**5,141**	60,296
Other countries	**–**	91,490
	1,621,340	1,522,220

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

	2020 RM'000	2019 RM'000
Primary agriculture	**19,796**	37,012
Mining and quarrying	**13,408**	168,796
Manufacturing	**696,192**	747,255
Electricity, gas and water supply	**1**	–
Construction	**16,505**	9,705
Transport, storage and communications	**18,104**	19,706
Education, health and others	**3,567**	4,576
Wholesale and retail trade, and restaurants and hotels	**108,977**	62,902
Finance, insurance/takaful, real estate and business activities	**39,048**	47,080
Household	**640,650**	366,235
Others	**65,092**	58,953
	1,621,340	1,522,220

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

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

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
Financing, advances and other financing/ loans at amortised cost				
At 1 January 2020	**375,216**	**165,049**	**229,484**	**769,749**
Changes in expected credit losses due to transfer within stages:	**(189,430)**	**155,754**	**33,676**	**–**
Transferred to Stage 1	**112,240**	**(88,597)**	**(23,643)**	**–**
Transferred to Stage 2	**(289,378)**	**398,048**	**(108,670)**	**–**
Transferred to Stage 3	**(12,292)**	**(153,697)**	**165,989**	**–**
Total charge to Statement of Income:	**306,596**	**112,210**	**446,094**	**864,900**
New financial assets originated	**101,351**	**6,474**	**62,084**	**169,909**
Financial assets that have been derecognised	**(67,909)**	**(48,931)**	**–**	**(116,840)**
Writeback in respect of full recoveries	**–**	**–**	**(61,450)**	**(61,450)**
Change in credit risk	**273,154**	**154,667**	**445,460**	**873,281**
Write-offs	**(221)**	**(70)**	**(315,317)**	**(315,608)**
Exchange fluctuation	**(3,292)**	**3,288**	**1,020**	**1,016**
Other movements	**186**	**(72)**	**4,480**	**4,594**
At 31 December 2020	**489,055**	**436,159**	**399,437**	**1,324,651**
Financing, advances and other financing/ loans at amortised cost				
At 1 January 2019	332,545	170,509	300,321	803,375
Changes in expected credit losses due to transfer within stages:	185,637	(138,705)	(46,932)	–
Transferred to Stage 1	233,064	(208,341)	(24,723)	–
Transferred to Stage 2	(46,316)	159,715	(113,399)	–
Transferred to Stage 3	(1,111)	(90,079)	91,190	–
Total charge to Statement of Income:	(165,039)	149,068	154,200	138,229
New financial assets originated	299,709	571	40,537	340,817
Financial assets that have been derecognised	(174,102)	(21,768)	–	(195,870)
Writeback in respect of full recoveries	–	–	(122,633)	(122,633)
Change in credit risk	(290,646)	170,265	236,296	115,915
Write-offs	–	–	(202,073)	(202,073)
Exchange fluctuation	23,128	(15,823)	4,234	11,539
Other movements	(1,055)	–	19,734	18,679
At 31 December 2019	375,216	165,049	229,484	769,749

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

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

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

	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**1,522,220**	**1,522,220**
Transfer within stages	**552,146**	**552,146**
New financial assets originated	**360,117**	**360,117**
Write-offs	**(315,317)**	**(315,317)**
Amount fully recovered	**(406,962)**	**(406,962)**
Other changes in financing, advances and other financing/loans	**(123,400)**	**(123,400)**
Exchange fluctuation	**32,536**	**32,536**
At 31 December 2020	**1,621,340**	**1,621,340**

	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	760,599	760,599
Transfer within stages	436,712	436,712
New financial assets originated	935,851	935,851
Write-offs	(202,073)	(202,073)
Amount fully recovered	(385,419)	(385,419)
Other changes in financing, advances and other financing/loans	(32,326)	(32,326)
Exchange fluctuation	8,876	8,876
At 31 December 2019	1,522,220	1,522,220

	2020	2019
Ratio of credit impaired financing to total financing, advances and other financing/loans	**1.64%**	1.62%

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) OTHER ASSETS

	2020 RM'000	2019 RM'000
Deposits and prepayments	**1,357,278**	992,961
Clearing accounts	**106,597**	149,145
Collateral pledged for derivative transactions	**25,250**	25,250
Other debtors net of expected credit losses	**615,947**	592,611
	2,105,072	1,759,967

(i) DEFERRED TAXATION

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

	2020 RM'000	2019 RM'000
Deferred tax assets	**93,895**	22,238
Deferred tax liabilities	**–**	–
	93,895	22,238

Further breakdown are as follows:

Deferred tax assets	2020 RM'000	2019 RM'000
Expected credit losses	**90,886**	17,642
Property, plant and equipment	**148**	–
Other temporarily differences	**294**	296
Lease liability	**568**	685
Provision for expenses	**12,508**	12,455
	104,404	31,078
Offsetting	**(10,509)**	(8,840)
	93,895	22,238
Deferred tax liabilities		
Property, plant and equipment	**–**	(293)
Intangible assets	**(691)**	(1,251)
Fair value reserve – Debt instruments at fair value through other comprehensive income	**(9,286)**	(6,631)
Rights-of-use assets	**(532)**	(665)
	(10,509)	(8,840)
Offsetting	**10,509**	8,840
	–	–

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(i) DEFERRED TAXATION (CONTINUED)

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

Deferred tax assets/ (liabilities)	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Fair value reserve – Debt instruments at fair value through other comprehensive income RM'000	Other temporary differences RM'000	Right-of-use assets RM'000	Intangible assets RM'000	Lease liability RM'000	Provision for expenses RM'000	Total RM'000
2020										
At 1 January		**17,642**	**(293)**	**(6,631)**	**296**	**(665)**	**(1,251)**	**685**	**12,455**	**22,238**
Credited/(charged) to statement of income	(al)	**71,203**	**244**	**-**	**(5,143)**	**133**	**(25)**	**(117)**	**2,650**	**68,945**
(Under)/over provision in prior year		**2,041**	**197**	**-**	**5,141**	**-**	**585**	**-**	**(2,597)**	**5,367**
Transferred to equity		**-**	**-**	**(2,655)**	**-**	**-**	**-**	**-**	**-**	**(2,655)**
At 31 December 2020		**90,886**	**148**	**(9,286)**	**294**	**(532)**	**(691)**	**568**	**12,508**	**93,895**
2019										
At 1 January		69,401	(1,908)	2,009	231	(830)	(206)	830	12,355	81,882
Credited/(charged) to statement of income	(al)	1,104	(714)	–	65	165	66	(145)	100	641
(Under)/over provision in prior year		(52,863)	2,329	–	–	–	(1,111)	–	–	(51,645)
Transferred to equity		–	–	(8,640)	–	–	–	–	–	(8,640)
At 31 December 2019		17,642	(293)	(6,631)	296	(665)	(1,251)	685	12,455	22,238

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(j) Statutory deposits with central banks

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with section 26 (2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the bank subsidiary are maintained with respective central banks in compliance with the applicable legislation.

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

(k) Property, plant and equipment

	Note	Renovations, work-in-progress, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
2020					
Cost					
At 1 January		**11,026**	**508**	**24,215**	**35,749**
Additions		**1,701**	**–**	**2,104**	**3,805**
Disposals		**(1,422)**	**–**	**(3,912)**	**(5,334)**
Reclassified to intangible assets	(n)	**–**	**–**	**(31)**	**(31)**
Exchange fluctuation		**(196)**	**–**	**(83)**	**(279)**
At 31 December		**11,109**	**508**	**22,293**	**33,910**
Accumulated depreciation					
At 1 January		**8,004**	**322**	**22,420**	**30,746**
Charge for the financial year		**834**	**78**	**1,309**	**2,221**
Disposals		**(125)**	**–**	**(1,715)**	**(1,840)**
Reclassified to intangible assets	(n)	**–**	**–**	**(13)**	**(13)**
Exchange fluctuation		**(167)**	**–**	**(74)**	**(241)**
At 31 December		**8,546**	**400**	**21,927**	**30,873**
Net book value at 31 December		**2,563**	**108**	**366**	**3,037**

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) PROPERTY, PLANT AND EQUIPMENT

	Renovations, work-in-progress, office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
2019				
Cost				
At 1 January	11,400	508	25,388	37,296
Additions	2,087	–	2,057	4,144
Disposals	(2,720)	–	(3,368)	(6,088)
Exchange fluctuation	259	–	138	397
At 31 December	11,026	508	24,215	35,749
Accumulated depreciation				
At 1 January	9,224	244	22,987	32,455
Charge for the financial year	785	78	2,500	3,363
Disposals	(2,204)	–	(3,177)	(5,381)
Exchange fluctuation	199	–	110	309
At 31 December	8,004	322	22,420	30,746
Net book value at 31 December	3,022	186	1,795	5,003

Work-in-progress for the Group of RM Nil (2019: RM32,085).

(l) RIGHT-OF-USE ASSETS

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

	2020 RM'000	2019 RM'000
Buildings	**5,343**	3,986

There are additions to the Right-of-use assets during the financial year of RM3,633,000 (2019: RM37,000). Depreciation charge during the financial year for Right-of-use assets are RM1,804,000 (2019: RM1,583,000).

At 31 December 2020, the short-term leases expense and low-value leases expense that are not included in lease liabilities are RM703,000 (2019: RM1,207,000) and RM841 (2019: RM398) respectively.

(m) GOODWILL

	2020 RM'000	2019 RM'000
At 1 January/31 December	**136,000**	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ("CGU").

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(m) GOODWILL (CONTINUED)

Impairment test for goodwill

Value-in-use

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

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

In addition, the recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount and to estimate the most likely outcome under the current uncertain economic condition.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

Impairment charge

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

(n) INTANGIBLE ASSETS

		2020 RM'000	2019 RM'000
Computer software			
Cost			
At 1 January		**144,565**	140,861
Additions		**8,287**	4,027
Disposals		**(5,278)**	(469)
Reclassified from property, plant and equipment	(k)	**31**	–
Exchange fluctuation		**(202)**	146
At 31 December		**147,403**	144,565
Accumulated amortisation			
At 1 January		**77,867**	68,966
Charge for the financial year		**9,532**	9,139
Disposal		**–**	(371)
Reclassified from property, plant and equipment	(k)	**13**	–
Exchange fluctuation		**(148)**	133
At 31 December		**87,264**	77,867
Net book value at 31 December		**60,139**	66,698

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

The remaining amortisation period of the intangible assets are as follows:

Computer Software 1 – 15 years

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	2020 RM'000	2019 RM'000
Savings deposit		
Wadiah	**790,534**	778,815
Mudharabah	**2,205,036**	1,399,429
Commodity Murabahah (via Tawarruq arrangement)*	**6,220,526**	4,265,350
	9,216,096	6,443,594
Demand deposit		
Wadiah	**806,762**	702,456
Qard	**12,869,163**	14,237,532
Mudharabah	**243,136**	128,940
Commodity Murabahah (via Tawarruq arrangement)*	**4,109,453**	2,919,061
	18,028,514	17,987,989
Term deposit	**77,113,432**	68,309,729
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	**47,172,109**	34,825,284
Fixed Return Income Account-i (via Tawarruq arrangement)*	**29,841,761**	33,484,445
Negotiable Islamic Debt Certificate (NIDC)		
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**99,562**	–
Fixed Deposit-i	**4,507,457**	6,634,666
Wadiah	**123**	–
Mudharabah	**4,507,334**	6,634,666
Specific investment account	**98,672**	101,368
Mudharabah	**98,672**	101,368
Others	**37,173**	28,084
Qard	**37,173**	28,084
	109,001,344	99,505,430

* Included Qard contract of RM3,148,712,000 (2019: RM1,657,518,000)

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By maturity structures of term deposits and investment account are as follows:

	2020 RM'000	2019 RM'000
Due within six months	**71,877,553**	65,520,389
Six months to one year	**9,680,257**	9,213,033
One year to three years	**135,060**	208,523
Three years to five years	**3,589**	78,735
More than five years	**23,102**	25,083
	81,719,561	75,045,763

(iii) By type of customer

	2020 RM'000	2019 RM'000
Government and statutory bodies	**4,756,182**	4,577,868
Business enterprises	**36,596,864**	35,328,906
Individuals	**34,512,758**	35,319,728
Others	**33,135,540**	24,278,928
	109,001,344	99,505,430

Wadiah (Yad Dhamanah)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

Commodity Murabahah

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is named as Tawarruq because the buyer purchased the asset on credit with no intention of benefiting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

Mudharabah

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

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

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

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) DEPOSITS FROM CUSTOMERS (CONTINUED)

(iii) By type of customer (Continued)

Mudharabah (Continued)

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

Wakalah

A trust-based contract in which a party (muwakkil) appoints another party as his agent (wakil) to perform a particular task, in matters that may be delegated, either voluntarily or with imposition of a fee. This contract is categorised into two types which are Restricted Agency (Wakalah Muqayyadah) and Unrestricted Agency (Wakalah Mutlaqah). The fee shall be recognised based on agreement.

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Bai' al-Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

Qard

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

Tawarruq vis-à-vis Commodity Murabahah

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

(p) INVESTMENT ACCOUNTS OF CUSTOMERS

	Note	2020 RM'000	2019 RM'000
Unrestricted investment accounts			
– without maturity			
Special Mudharabah Investment Account		**831,454**	694,396
– with maturity			
Term Investment Account-i		**1,847,416**	2,754,568
	23	**2,678,870**	3,448,964

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(p) INVESTMENT ACCOUNTS OF CUSTOMERS

(i) Movement in the investment accounts of customers

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

(ii) Profit Sharing Ratio and Rate of Return

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

(iii) By type of customers

	2020 RM'000	2019 RM'000
Business enterprises	**451,629**	314,860
Individuals	**2,227,165**	3,133,989
Others	**76**	115
	2,678,870	3,448,964

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(q) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 RM'000	2019 RM'000
Licensed banks	**2,112,404**	1,391,349
Licensed investment banks	**1,050**	226,720
Bank Negara Malaysia	**5,000**	–
Other financial institutions	**277,353**	954,597
	2,395,807	2,572,666

(r) INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

	2020 RM'000	2019 RM'000
Restricted investment accounts		
Mudharabah	**4,751,241**	5,021,974
By type of counterparty		
Licensed banks	**4,751,241**	5,021,974

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

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

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(r) INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (CONTINUED)

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

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

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

(s) FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RM'000	2019 RM'000
Deposits from customers – structured investments	**71,610**	95,499

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

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

(t) OTHER LIABILITIES

		2020 RM'000	2019 RM'000
Clearing accounts		**3,580,427**	4,226,913
Structured deposits		**38,448**	46,525
Accruals and other payables		**328,343**	328,343
Expected credit losses for loan commitments and financial guarantee contracts	(i)	**100,075**	54,901
Others		**4,936,585**	2,194,556
		8,983,878	6,851,238

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(t) OTHER LIABILITIES (CONTINUED)

(i) Movement in the expected credit losses for loan commitments and financial guarantee contracts are as follows:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses – not credit impaired (Stage 2) RM'000	Lifetime expected credit losses – credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020:	**44,833**	**7,567**	**2,501**	**54,901**
Changes in expected credit losses due to transfer within stages:	**1,427**	**(4,348)**	**2,921**	**–**
Transferred to Stage 1	**7,306**	**(6,029)**	**(1,277)**	**–**
Transferred to Stage 2	**(5,868)**	**7,771**	**(1,903)**	**–**
Transferred to Stage 3	**(11)**	**(6,090)**	**6,101**	**–**
Total charge to Statement of Income:	**13,737**	**30,668**	**1,718**	**46,123**
New exposures	**72,295**	**183**	**–**	**72,478**
Exposures derecognised or matured	**(31,121)**	**(4,816)**	**(1,068)**	**(37,005)**
Change in credit risk	**(27,437)**	**35,301**	**2,786**	**10,650**
Exchange fluctuation	**(812)**	**(132)**	**(5)**	**(949)**
Other movements	**727**	**(603)**	**(124)**	**–**
At 31 December 2020	**59,912**	**33,152**	**7,011**	**100,075**
At 1 January 2019	69,500	5,173	1,551	76,224
Changes in expected credit losses due to transfer within stages:	16,606	(13,634)	(2,972)	–
Transferred to Stage 1	17,920	(14,663)	(3,257)	–
Transferred to Stage 2	(1,280)	3,390	(2,110)	–
Transferred to Stage 3	(34)	(2,361)	2,395	–
Total charge to Statement of Income:	(41,489)	15,744	3,804	(21,941)
New exposures	86,746	4	–	86,750
Exposures derecognised or matured	(14,734)	(1,325)	(116)	(16,175)
Change in credit risk	(113,501)	17,065	3,920	(92,516)
Exchange fluctuation	553	1	–	554
Other movements	(337)	283	118	64
At 31 December 2019	44,833	7,567	2,501	54,901

The gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM40,036,000 (2019: RM27,145,000).

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(u) LEASE LIABILITIES

	2020 RM'000	2019 RM'000
Buildings	**5,067**	3,619

(v) RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

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

(w) SUKUK

		2020 RM'000	2019 RM'000
Ziya Capital Berhad Sukuk	(a)	**186,155**	266,222
IDR1,000,000 million Sukuk (Series A: 2018/2019; Series B: 2018/2021)	(b)	**161,391**	166,233
IDR2,000,000 million Sukuk (Series A: 2019/2020; Series B: 2019/2022, Series C: 2019/2024)	(c)	**392,880**	593,539
IDR1,000,000 million Sukuk (Series A: 2020/2021; Series B: 2020/2023; Series C: 2020/2025)	(d)	**285,602**	–
		1,026,028	1,025,994

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

(b) On 15 November 2018, CIMB Niaga issued IDR1,000,000 million Sukuk. The Sukuk is divided into two series. Nominal value of 1-year Series A Sukuk and 3-year Series B Sukuk amounted to IDR441,000 million and IDR559,000 million respectively, with fixed interest rate of 8.35% and 9.25% per annum respectively.

On 25 November 2019, CIMB Niaga redeemed its 1-year Series A Sukuk amounted to IDR441,000 million.

(c) On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively.

On 31 August 2020, CIMB Niaga redeemed its Series A Sukuk amounted to IDR635,000 million.

(d) On 27 March 2020, CIMB Niaga issued IDR1,000,000 million Sukuk. The Sukuk are divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR322,000 million, IDR287,000 million, and IDR391,000 million respectively, with fixed interest rate of 5.80%, 7.00% and 7.25% per annum respectively.

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(x) SUBORDINATED SUKUK

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

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

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

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

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

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

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

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

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

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

(y) ORDINARY SHARE CAPITAL AND PERPETUAL PREFERENCE SHARES

	2020 RM'000	2019 RM'000
Ordinary shares		
Issued and fully paid		
At 1 January/31 December	**1,000,000**	1,000,000
Perpetual preference shares		
Issued and fully paid		
At 1 January/31 December	**220,000**	220,000
Issued during the financial year	**200,000**	–
At 31 December	**420,000**	220,000

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(z) RESERVES

(a) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

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

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

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

(c) Exchange translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the CIMB Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.

(d) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.

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

(aa) RESTRICTED AGENCY INVESTMENT ACCOUNT

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

RAIA arrangement

	2020 RM'000	2019 RM'000
Financing and advances	**5,030,980**	6,231,742
Commitments and contingencies	**3,700,000**	–
	8,730,980	6,231,742

	2020 RM'000	2019 RM'000
Total RWA for Credit Risk	**209,266**	343,110

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

The recognition and derecognition of the above are in accordance to Note E and G in the financial statements of the Group.

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(aa) RESTRICTED AGENCY INVESTMENT ACCOUNT (CONTINUED)

(ii) Movement in the Investment Account

Wakalah

Restricted Agency Investment Account – RAIA

	2020 RM'000	2019 RM'000
At 1 January	**6,231,742**	5,530,998
Funding inflows/outflows		
New placement during the year	**2,300,000**	2,200,000
Redemption during the year	**(4,180,694)**	(1,500,000)
Income from investment	**679,932**	744
At 31 December	**5,030,980**	6,231,742
Investment asset:		
Revolving credit	**–**	2,201,326
Other term financing	**5,030,980**	4,030,416
Total investment	**5,030,980**	6,231,742

(iii) Rate of Return

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

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ab) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2020 RM'000	2019 RM'000
Income derived from investment of:		
(i) General investment deposits	**3,867,258**	4,110,835
(ii) Specific investment deposits	**2,515**	3,110
(iii) Other deposits	**1,066,693**	1,119,611
	4,936,466	5,233,556

(i) Income derived from investment of general investment deposits

	2020 RM'000	2019 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**2,978,076**	3,203,119
– Unwinding income*	**26,930**	21,821
Money at call and deposit with financial institutions	**180,365**	235,156
Debt instruments at fair value through other comprehensive income	**108,193**	109,583
Debt instrument at amortised cost	**232,846**	217,091
Others	**15,236**	19,545
	3,541,646	3,806,315
Accretion of discount less amortisation of premium	**(18,754)**	(6,329)
	3,522,892	3,799,986
Other finance income for financial assets at fair value through profit or loss		
– Financial investments at fair value through profit or loss	**40,547**	70,706
– Financing, advances and other financing/loan at fair value through profit or loss	**6,204**	8,920
– Net accretion of discount less amortisation of premium	**55,403**	69,153
Total finance income and hibah	**3,625,046**	3,948,765
Other operating income:		
Foreign exchange gain/(loss)	**56,107**	(33,201)
Net gain from sale of debt instruments at fair value through other comprehensive income	**67,636**	63,372
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	**(1,749)**	(1,820)
Net gain arising from financial investments at fair value through profit or loss		
– Realised	**20,648**	20,646
– Unrealised	**5,450**	8,718
	148,092	57,715
Fees and commission income:		
Fee on financing and advances	**50,538**	48,345
Guarantee fees	**6,517**	9,971
Service charges and fees	**30,672**	40,962
Other fee income	**2,411**	183
	90,138	99,461
Other income	**3,982**	4,894
	3,867,258	4,110,835

* Unwinding income is income earned on credit impaired financial assets

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ab) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTINUED)

(ii) Income derived from investment of specific investment deposits

	2020 RM'000	2019 RM'000
Money at call and deposit with financial institutions	**2,515**	3,110
	2,515	3,110

(iii) Income derived from investment of other deposits

	2020 RM'000	2019 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**790,114**	839,726
– Unwinding income*	**10,106**	8,070
Money at call and deposit with banks and other financial institutions	**57,798**	71,417
Debt instruments at fair value through other comprehensive income	**37,180**	35,617
Debt instrument at amortised cost	**87,269**	79,028
	982,467	1,033,858
Accretion of discount less amortisation of premium	**(6,380)**	(1,997)
	976,087	1,031,861
Other finance income for financial assets at fair value through profit or loss		
– Financial investments at fair value through profit or loss	**15,280**	25,874
– Financing, advances and other financing/loans at fair value through profit or loss	**2,334**	3,325
– Net accretion of discount less amortisation of premium	**20,833**	25,197
Total finance income and hibah	**1,014,534**	1,086,257
Other operating income:		
Foreign exchange gain/(loss)	**17,500**	(832)
Net gain from sale of debt instruments at fair value through other comprehensive income	**23,346**	22,848
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	**(631)**	(654)
Net gain from financial investments at fair value through profit or loss		
– Realised	**7,811**	7,424
– Unrealised	**1,639**	762
	49,665	29,548
Fees and commission income:		
Guarantee fees	**2,451**	3,654
Service charges and fees	**43**	38
Facility fees	**–**	114
	2,494	3,806
	1,066,693	1,119,611

* Unwinding income is income earned on credit impaired financial assets

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ac) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT

	2020 RM'000	2019 RM'000
Financing, advances and other financing/loans:		
– Profit income	**354,138**	387,308
Money at call and deposit with financial institutions	**5,963**	28,342
Fees and commission income		
– Service charges and fees	**5**	20
	360,106	415,670

(ad) NET INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	2020 RM'000	2019 RM'000
Finance income and hibah:		
Financing, advances and other financing/loans		
– Profit income	**192,208**	204,559
– Unwinding income*	**2,395**	1,885
Money at call and deposit with financial institutions	**14,366**	18,549
Debt instruments at fair value through other comprehensive income	**43,276**	8,708
Debt instrument at amortised cost	**77,040**	59,403
	329,285	293,104
Accretion of discount less amortisation of premium	**(1,603)**	(507)
	327,682	292,597
Other finance income for financial assets at fair value through profit or loss		
– Financial investments at fair value through profit or loss	**3,653**	6,289
– Financing, advances and other financing/loans at fair value through profit or loss	**554**	777
– Net accretion of discount less amortisation of premium	**4,964**	5,973
Total finance income and hibah	**336,853**	305,636

* Unwinding income is income earned on credit impaired financial assets

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ad) NET INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONTINUED)

	2020 RM'000	2019 RM'000
Other operating income:		
Net gain/(loss) from hedging activities	**565**	(2,169)
Foreign exchange gain/(loss)	**4,800**	(2,003)
Net gain from sale of debt instruments at fair value through other comprehensive income	**5,897**	5,460
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	**(144)**	(157)
Net gain arising from financial investments at fair value through profit or loss		
– Realised	**1,934**	1,795
– Unrealised	**226**	43
Net (loss)/gain arising from financial liabilities designated at fair value through profit or loss		
– Realised	**(923)**	(839)
– Unrealised	**(2,426)**	1,840
Net (loss)/gain arising from Islamic derivative financial instrument		
– Realised	**(4,219)**	114,252
– Unrealised	**(43,720)**	(11,669)
	(38,010)	106,553
Net fees and commission income:		
Advisory fees	**2,015**	1,180
Guarantee fees	**581**	863
Service charges and fees	**51,992**	66,764
Placement fees	**11,231**	6,750
Underwriting commission	**1,126**	280
Other fee income	**130,508**	103,801
Fee and commission income	**197,453**	179,638
Fee and commission expense	**(22,137)**	(20,105)
Net fees and commission income	**175,316**	159,533
Other income	**1,049**	2,114
	475,208	573,836

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ae) MODIFICATION LOSS

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

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

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

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

(af) EXPECTED CREDIT LOSS ON FINANCING, ADVANCES AND OTHER FINANCING/LOANS

	2020 RM'000	2019 RM'000
Expected credit losses on financing, advances and other financing/loans at amortised cost:		
– Expected credit losses on financing, advances and other financing/loans	**864,900**	138,229
Credit impaired financing, advances and other financing/loans:		
– Recovered	**(58,653)**	(68,959)
– Written-off	**2,863**	2,033
	809,110	71,303

(ag) OTHER EXPECTED CREDIT LOSSES (WRITTEN BACK)/MADE

	2020 RM'000	2019 RM'000
Other expected credit losses (written back)/made on:		
– Debt instrument at fair value through other comprehensive income	**(18)**	362
– Debt instrument at amortised cost	**(78)**	(97)
– Other receivables	**(315)**	(1,077)
	(411)	(812)

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ah) INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

	2020 RM'000	2019 RM'000
Deposits from customers		
– Mudharabah	**341,851**	415,670
– Non-Mudharabah	**2,013,059**	2,541,805
– Others	**251**	2,274
Deposits and placements of banks and other financial institutions		
– Mudharabah	**73**	75
– Non-Mudharabah	**77,808**	72,099
– Others	**74,368**	59,260
Financial liabilities designated at fair value through profit or loss	**2,000**	1,786
Subordinated Sukuk	**44,678**	35,409
Recourse obligation on loan and financing sold to Cagamas	**47,369**	69,188
Sukuk	**7,782**	10,710
Structured deposits	**652**	767
Lease liabilities	**102**	124
Collateralised commodity murabahah	**292**	–
Others	**44**	598
	2,610,329	3,209,765

(ai) PROFIT DISTRIBUTED TO INVESTMENT ACCOUNT HOLDER

	2020 RM'000	2019 RM'000
Restricted	**128,629**	268,890
Unrestricted	**90,722**	39,078
	219,351	307,968

(aj) PERSONNEL EXPENSES

	2020 RM'000	2019 RM'000
Salaries, allowances and bonuses	**48,577**	55,061
Pension costs (defined contribution plan)	**4,569**	4,913
Staff incentives and other staff payments	**3,074**	1,895
Transformation initiative expenses	**–**	3,062
Medical expenses	**629**	671
Others	**3,842**	7,441
	60,691	73,043

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM942,000 (2019: RM848,000).

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(ak) OTHER OVERHEADS AND EXPENDITURES

	2020 RM'000	2019 RM'000
Establishment costs		
– Depreciation of property, plant and equipment	**2,221**	3,363
– Rental	**612**	911
– Repairs and maintenance	**1,790**	2,747
– Depreciation of Right-of-use assets	**1,804**	1,583
– Amortisation of intangible assets	**9,532**	9,139
– Security expenses	**913**	846
– Utility expenses	**472**	542
– Others	**2,045**	2,535
	19,389	21,666
Marketing expenses		
– Advertisement and publicity	**4,825**	6,314
– Others	**2,301**	6,612
	7,126	12,926
Administration and general expenses		
– Legal and professional fees	**979**	603
– Stationery	**475**	830
– Communication	**797**	949
– Incidental expenses on banking operations	**4,728**	4,684
– Service expense #	**848,010**	864,909
– Others	**50,238**	59,326
	905,227	931,301
	931,742	965,893

In 2019, the shared operating model has been change from cost sharing arrangement to service agreement arrangement.

(al) TAXATION AND ZAKAT

(i) Tax expense for the financial year

	Note	2020 RM'000	2019 RM'000
Current year tax			
– Malaysian income tax		**198,931**	286,059
Deferred taxation	(i)	**(68,945)**	(641)
(Over)/under provision in prior year		**(235)**	53,380
		129,751	338,798
Zakat		**2,900**	3,700
		132,651	342,498

59 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(al) TAXATION AND ZAKAT (CONTINUED)

(ii) Numerical reconciliation of income tax expense

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

	2020 RM'000	2019 RM'000
Profit before taxation and zakat	**909,041**	1,617,843
Tax calculated at tax rate of 24% (2019: 24%)	**218,170**	388,282
Effect of different tax rates	**18,948**	(3,528)
Income not subject to tax	**(110,731)**	(107,302)
Expenses not deductible for tax purposes	**3,599**	7,966
(Over)/Under provision in prior year	**(235)**	53,380
	129,751	338,798

(am) SOURCES AND USES OF CHARITY FUNDS

	2020 RM'000	2019 RM'000
Sources of charity funds		
Balance as at 1 January	**8,822**	8,138
Gharamah/penalty charges	**2,869**	4,738
Non-shariah compliance income	**246**	316
Exchange fluctuation	**(311)**	300
Disposal of equities business	**–**	(5)
Total sources of charity funds during the financial year	**11,626**	13,487
Uses of charity funds		
Contribution to non-profit organisation	**4,850**	4,665
Total uses of charity funds during the financial year	**4,850**	4,665
Undistributed charity funds as at 31 December	**6,776**	8,822

60 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 10 March 2021.

- CIMB Bank Group
- CIMB Islamic Bank Group
- CIMB Investment Bank Group

Basel II Pillar 3 Disclosure for 2020

Abbreviations

A-IRB Approach	:	Advanced Internal Ratings Based Approach
ALM COE	:	Asset Liability Management Centre of Excellence
ASB	:	Amanah Saham Bumiputra
BI	:	Banking Institutions
BIA	:	Basic Indicator Approach
BNM	:	Bank Negara Malaysia
BRCC	:	Board Risk & Compliance Committee
CAF	:	Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework
CAFIB	:	Capital Adequacy Framework for Islamic Banks
CAR	:	Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio
CBSM	:	Capital and Balance Sheet Management
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad, CIMB Bank (Vietnam) Limited and non-financial subsidiaries
CIMBIBG	:	CIMB Investment Bank Berhad and non-financial subsidiaries
CIMBISLG	:	CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) Sdn Bhd
CIMBGH Group	:	Group of Companies under CIMB Group Holdings Berhad
CIMBTH	:	CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	:	CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	:	Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure
CIMB IB	:	CIMB Investment Bank Berhad
CIMB Islamic	:	CIMB Islamic Bank Berhad
CRM	:	Credit Risk Mitigants
CRO	:	Chief Risk Officer
CSA	:	Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	:	Development Financial Institutions
EAD	:	Exposure At Default
EAR	:	Earnings-at-Risk
ECAIs	:	External Credit Assessment Institutions
EL	:	Expected Loss
EP	:	Eligible Provision
EVE	:	Economic Value of Equity
EWRM	:	Enterprise Wide Risk Management
Group EXCO	:	Group Executive Committee
GSOC	:	Group Strategic Oversight Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach
Fitch	:	Fitch Ratings
GALCO	:	Group Asset Liability Management Committee
GCC	:	Group Credit Committee
GIBD	:	Group Islamic Banking Division
GMRC	:	Group Market Risk Committee
GRCC	:	Group Risk & Compliance Committee
GRD	:	Group Risk Division
GUC	:	Group Underwriting Committee
HPE	:	Hire Purchase Exposures
IRB Approach	:	Internal Ratings Based Approach
IRRBB	:	Interest Rate Risk in the Banking Book
KRI	:	Key Risk Indicators
LGD	:	Loss Given Default
MARC	:	Malaysian Rating Corporation Berhad
MDBs	:	Multilateral Development Banks
Moody's	:	Moody's Investors Service
MRMWG	:	Model Risk Management Working Group
MTM	:	Mark-to-Market and/or Mark-to-Model
ORM	:	Operational Risk Management
ORMF	:	Operational Risk Management Framework
OTC	:	Over the Counter
PD	:	Probability of Default
PSEs	:	Non-Federal Government Public Sector Entities
PSIA	:	Profit Sharing Investment Accounts
QRRE	:	Qualifying Revolving Retail Exposures
R&I	:	Rating and Investment Information, Inc
RAM	:	RAM Rating Services Berhad
RAROC	:	Risk Adjusted Return on Capital
RORBB	:	Rate of Return Risk in the Banking Book
RRE	:	Residential Real Estate
RWA	:	Risk-Weighted Assets
RWCAF	:	Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework
S&P	:	Standard & Poor's
SA	:	Standardised Approach
SMEs	:	Small and Medium Enterprises
SNC	:	Shariah Non Compliance
SRM	:	Shariah Risk Management
VaR	:	Value-at-Risk

Overview of Basel II and Pillar 3

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribes a number of different approaches to risk calculation that allow the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as 'CIMBBG'), apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosures in accordance with requirements aimed to encourage market discipline in a manner that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

FREQUENCY OF DISCLOSURE

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

MEDIUM AND LOCATION OF DISCLOSURE

These disclosures are also available on CIMBGH Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank, CIMB Islamic and CIMB IB are also available at the CIMBGH Group's 2020 Annual Report and corporate website.

BASIS OF DISCLOSURE

These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2020.

The basis of consolidation for financial accounting purposes is described in the 2020 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in the disclosures is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2020 financial statements as the credit risk exposure definition within the ambit of accounting standards represents the balance outstanding as at balance sheet date and does not take into account the expected undrawn/undisbursed contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2020 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in the disclosures are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

Risk Management Overview

Our Group embraces risk management as an integral part of our Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

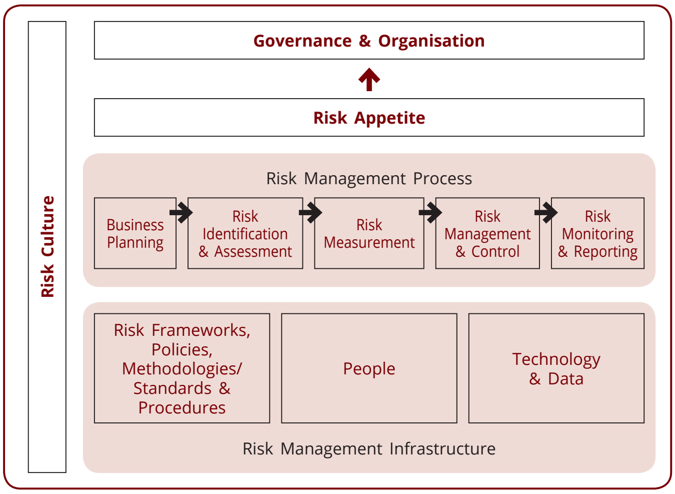
Generally, the objectives of our risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk positions are within the risk appetite as approved by the Board; and
- create shareholder value through sound risk management framework.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

Our Group employs a Group Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. The Group EWRM framework provides our Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:



The design of the Group EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

The key features of the Group EWRM framework include:

a) **Risk Culture:** The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are initially managed at the point of risk-taking activities. There is clear accountability of risk ownership across the Group.

b) **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies, methodologies/standards, and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

c) **Risk Appetite:** It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

d) **Risk Management Process:**

- **Business Planning:** Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/new business activities.
- **Risk Identification & Assessment:** Risks are systematically identified and assessed through the robust application of the Group's risk frameworks, policies, methodologies/standards and procedures.
- **Risk Measurement:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Risk Management and Control:** Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Risk Monitoring and Reporting:** Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK (CONTINUED)

e) **Risk Management Infrastructure**

- **Risk Frameworks, Policies, Methodologies/Standards and Procedures addressing all areas of material risks:** Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- **People:** Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management support risk management activities.

RISK GOVERNANCE

At the apex of the governance structure are the respective Boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each BRCC reports directly into the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of our GRCC.

To facilitate the effective implementation of the Group EWRM framework, our BRCC has established various specialised/sub-risk committees within our Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of risk management supervision and control is delegated to our GRCC, which reports directly to our BRCC. Our GRCC, comprised of senior management of the Group, performs the oversight function for the overall management of risks. Our GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, defined as any fluctuations in the value of a trading or investment exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(iii) Liquidity and Funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earnings and economic value arising from movements in interest/profit rates;

(vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;

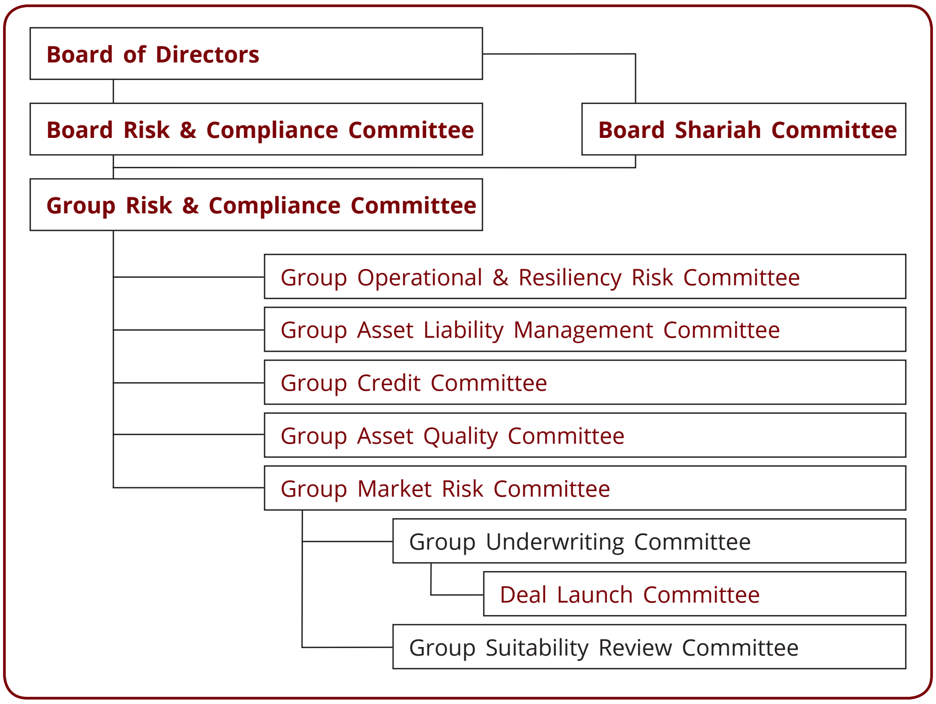
(vii) SNC risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from possible failure to comply with the rulings of the Shariah Advisory Council **("SAC")** of BNM and SC, standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA, or decisions or advice of the BSC of the CIMB Islamic Bank or other Shariah authorities/committees of the jurisdictions in which the Group operates;

(viii) Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another; and

(ix) Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage.

RISK GOVERNANCE (CONTINUED)

The structure of CIMB Group Risk Committees is depicted in the following chart:



Our overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, our Group strives to ensure a consistent and standardised approach in its risk governance process. As such, our Group and regional committees have consultative and advisory responsibilities on regional matters across our Group as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing our Board with a comprehensive view of the activities within our Group.

THREE LINES-OF-DEFENCE

Our Group's risk management culture is embodied through the adoption of the Three Lines-of-Defence philosophy, whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across our Group and risk management as an enabler of business units. As a first line-of-defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line-of-defence provides oversight and performs independent monitoring of business activities with reporting to the Board and management to ensure that our Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line-of-defence is Group Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

THE ROLES OF GROUP CRO AND GROUP RISK DIVISION

Within the second line-of-defence is Group Risk, a function independent of business units. It assists our Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by our Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. Our Group CRO:

(a) actively engages the respective boards and senior management on risk management issues and initiatives; and

(b) maintains an oversight on risk management functions across all entities within our Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

The organisational structure of Group Risk is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"):

(A) CRO

(i) CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.

(ii) The CRO is supported by the CRO International Offices who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.

(iii) For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(B) RISK CENTRES OF EXCELLENCE

(i) These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.

(ii) The Risk CoEs consist of Risk Analytics, Credit Risk Infrastructure, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Asset Liability Management and Credit Risk CoEs.

- **Risk Analytics CoE**

  The Risk Analytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

- **Credit Risk Infrastructure CoE**

  The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of loan decision engine and rating system, which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

- **Market Risk CoE**

  The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value-at-Risk and market risk capital, as well as performing stress testing.

- **Non-Financial Risk Management CoE**

  The Non-Financial Risk Management (NFRM) CoE ensures the first line-of-defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line-of-defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

  The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

  NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

- **Asset Liability Management CoE**

  The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement, monitoring and reporting of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

- **Credit Risk CoE**

  The Credit Risk CoE consists of retail and non-retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures; credit risk (and alternate underwriting) models; underwriting; and portfolio analytics.

In ensuring a standardised approach to risk management across the Group, all risk management teams within our Group are required to conform to the Group EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without a risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

STRATEGIES AND PROCESSES FOR VARIOUS RISK MANAGEMENT

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

Shariah Governance Disclosure

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank Berhad to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's Board Shariah Committee established under CIMB Islamic Bank Berhad.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

Shariah Advisory & Governance Department (S&G) of GIB which is basically a component of the Management serves as a coordinator of the overall Shariah governance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions, whilst Shariah Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Corporate Assurance Division respectively.

CIMB Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to provide Shariah advisory and conduct in-depth Shariah research prior to submission to CIMB Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Corporate Assurance Division respectively.

SHARIAH NON-COMPLIANCE INCOME DURING THE YEAR

During the year ended 31 December 2020, there was no SNC income.

Capital Management

KEY CAPITAL MANAGEMENT PRINCIPLES

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

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

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

CAPITAL STRUCTURE AND ADEQUACY

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

The risk-weighted assets of the CIMB Bank Group (other than CIMB Bank PLC), CIMB Bank and CIMB Islamic Bank are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets)/ Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019. The IRB Approach is applied for the major credit exposures. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The risk-weighted assets of CIMB Investment Bank Group are computed in accordance with Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk based on the Capital Adequacy Framework (Basel II – Risk Weighted Assets). The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components).

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below present the Capital Position of CIMBBG, CIMBISLG and CIMBIBG respectively.

Table 1(a): Capital Position for CIMBBG

	CIMBBG	
(RM'000)	**2020**	**2019**
Common Equity Tier I Capital		
Ordinary shares	**21,323,364**	21,323,364
Other reserves	**22,859,835**	23,319,349
Qualifying non-controlling interests	**161,568**	166,801
Less: Proposed dividend	**–**	(1,227,104)
Common Equity Tier I capital before regulatory adjustments	**44,344,767**	43,582,410
Less: Regulatory adjustments		
Goodwill	**(5,292,552)**	(5,328,766)
Intangible assets	**(1,243,398)**	(1,166,642)
Deferred tax assets	**(916,696)**	(431,009)
Regulatory reserve	**(233,441)**	(2,133,057)
Others	**(68,664)**	(90,667)
Common equity Tier I capital after regulatory adjustments	**36,590,016**	34,432,269
Additional Tier I capital		
Perpetual preference shares	**200,000**	200,000
Perpetual subordinated capital securities	**3,150,000**	2,400,000
Qualifying capital instruments held by third parties	**33,546**	34,557
Additional Tier I capital before regulatory adjustments	**3,383,546**	2,634,557
Less: Regulatory adjustments		
Investments in Additional Tier I capital instruments of unconsolidated financial and insurance/takaful entities	**(12,921)**	(3,047)
Additional Tier I capital after regulatory adjustments	**3,370,625**	2,631,510
Total Tier I capital	**39,960,641**	37,063,779

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(a): Capital Position for CIMBBG (continued)

	CIMBBG	
(RM'000)	2020	2019
Tier II Capital		
Subordinated notes	**8,200,000**	8,700,000
Redeemable preference shares	**29,740**	29,740
Surplus of eligible provisions over expected loss	**775,538**	315,136
Qualifying capital instruments held by third parties	**168,828**	186,954
General provisions	**803,653**	705,490
Tier II capital before regulatory adjustments	**9,977,759**	9,937,320
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**–**	–
Total Tier II Capital	**9,977,759**	9,937,320
Total Capital Base	**49,938,400**	47,001,099
RWA		
Credit risk	**227,839,226**	213,867,489
Market risk	**17,651,716**	18,425,825
Operational risk	**22,510,308**	22,213,549
Large Exposure risk requirement	**910,107**	866,895
Total RWA	**268,911,357**	255,373,758
Capital Adequacy Ratios		
Before deducting proposed dividend		
Common Equity Tier I Ratio	**13.607%**	13.964%
Tier I ratio	**14.860%**	14.994%
Total capital ratio	**18.571%**	18.885%
After deducting proposed dividend		
Common Equity Tier I Ratio	**13.607%**	13.483%
Tier I ratio	**14.860%**	14.514%
Total capital ratio	**18.571%**	18.405%

The Total Capital ratio increased in 2020 compared to 2019 primarily due to (i) higher retained earnings; (ii) no dividend proposed for FY2020; (iii) issuance of RM750 million AT1 Capital Securities; (iv) issuance of RM2.5 billion T2 subordinated debt; (v) higher surplus of EP over EL; offset by (vi) higher DTA deduction; (vii) redemption of RM3.0 billion T2 subordinated debt; and (viii) increase in RWA mainly from higher Credit RWA.

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(b): Capital Position for CIMBISLG

	CIMBISLG	
(RM'000)	**2020**	**2019**
Common Equity Tier I capital		
Ordinary shares	**1,000,000**	1,000,000
Other reserves	**5,612,772**	5,110,814
Common Equity Tier I capital before regulatory adjustments	**6,612,772**	6,110,814
Less: Regulatory adjustments		
Goodwill	**(136,000)**	(136,000)
Intangible assets	**(55,420)**	(63,256)
Deferred tax assets	**(86,469)**	(23,402)
Regulatory reserve	**(213,032)**	(513,533)
Others	**(17,221)**	(12,530)
Common equity Tier I capital after regulatory adjustments	**6,104,630**	5,362,093
Additional Tier I capital		
Perpetual preference shares	**364,000**	171,000
Additional Tier I capital before regulatory adjustments	**364,000**	171,000
Less: Regulatory adjustments	**–**	–
Additional Tier I capital after regulatory adjustments	**364,000**	171,000
Total Tier I capital	**6,468,630**	5,533,093
Tier II capital		
Subordinated Sukuk	**1,110,000**	1,110,000
Surplus eligible provisions over expected loss	**40,649**	116,788
General provisions	**69,727**	59,548
Total Tier II capital	**1,220,376**	1,286,336
Total Capital Base	**7,689,006**	6,819,429
RWA		
Credit risk	**41,382,111**	36,238,040
Market risk	**869,519**	689,054
Operational risk	**3,633,392**	3,241,495
Total RWA	**45,885,022**	40,168,589
Capital Adequacy Ratios		
Common Equity Tier I Ratio	**13.304%**	13.349%
Tier I ratio	**14.097%**	13.775%
Total capital ratio	**16.757%**	16.977%

Total capital ratio decreased in 2020 compared to 2019 mainly due to (i) higher RWA; offset by (ii) higher retained earnings and (iii) issuance of RM200 million Additional Tier I Perpetual Preference Shares. The increase in RWA is mainly due to higher Credit RWA.

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 1(c): Capital Position for CIMBIBG

	CIMBIBG	
(RM'000)	**2020**	**2019**
Common Equity Tier I capital		
Ordinary shares	**100,000**	100,000
Other reserves	**530,947**	549,360
Less: Proposed dividends	**(50,820)**	(68,000)
Common Equity Tier I capital before regulatory adjustments	**580,127**	581,360
Less: Regulatory adjustments		
Deferred tax assets	**(9,551)**	(16,895)
Deductions in excess of Tier II capital	**(1,943)**	(450)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(9,580)**	(9,212)
Intangible assets	**(27,280)**	–
Regulatory reserve	**–**	(116)
Common equity Tier I capital after regulatory adjustments/Total Tier I capital	**531,773**	554,687
Tier II capital		
Redeemable preference shares	**2**	3
Regulatory reserve	**–**	116
Tier II capital before regulatory adjustments	**2**	119
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	**(1,945)**	(569)
Total Tier II capital	**–**	–
Total Capital Base	**531,773**	554,687
RWA		
Credit risk	**168,269**	341,536
Market risk	**11,261**	4,925
Operational risk	**459,765**	554,745
Total RWA	**639,295**	901,206
Capital Adequacy Ratios		
Before deducting proposed dividend		
Common Equity Tier I Ratio	**91.131%**	69.095%
Tier I ratio	**91.131%**	69.095%
Total capital ratio	**91.131%**	69.095%
After deducting proposed dividend		
Common Equity Tier I Ratio	**83.181%**	61.549%
Tier I ratio	**83.181%**	61.549%
Total capital ratio	**83.181%**	61.549%

Total capital ratio increased in 2020 compared to 2019 mainly due to lower RWA. RWA decreased due to lower Credit RWA and Operational RWA.

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG

2020	CIMBBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)/EAD (IRB)	Net Exposure after CRM (SA)/EAD (IRB)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	80,175,174	80,175,174	759,873	759,873	60,790
Public Sector Entities	7,859,765	7,859,687	41,674	41,674	3,334
Banks, DFIs & MDBs	12,042,287	12,041,100	4,978,353	4,978,353	398,268
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,849,411	2,798,513	1,949,488	1,949,488	155,959
Corporate	29,904,548	25,595,229	23,435,293	23,395,597	1,871,648
Regulatory Retail	30,434,868	28,421,027	20,599,189	20,428,643	1,634,291
Residential Mortgages/RRE Financing	12,102,622	12,099,814	6,104,531	6,103,538	488,283
Higher Risk Assets	1,816,824	1,816,824	2,725,145	2,725,145	218,012
Other Assets	16,810,261	16,810,261	3,835,387	3,835,387	306,831
Securitisation	372,539	372,539	74,508	74,508	5,961
Equity Exposure	–	–	–	–	–
Total for SA	194,368,296	187,990,167	64,503,440	64,292,204	5,143,376
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	21,151,306	21,151,306	5,654,420	5,654,420	452,354
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	138,161,449	138,161,449	97,736,530	97,671,982	7,813,759
Residential Mortgages/RRE Financing	92,796,994	92,796,994	20,224,455	20,080,763	1,606,461
Qualifying Revolving Retail	11,907,206	11,907,206	7,148,809	7,148,809	571,905
Hire Purchase	18,893,124	18,893,124	11,338,715	10,903,130	872,250
Other Retail	53,421,322	53,421,322	12,836,983	12,830,539	1,026,443
Securitisation	–	–	–	–	–
Total for IRB Approach	336,331,402	336,331,402	154,939,911	154,289,643	12,343,171
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	530,699,698	524,321,568	228,739,747	227,839,226	18,227,138
Large Exposure Risk Requirement	910,107	910,107	910,107	910,107	72,809
Market Risk (SA)					
Interest Rate Risk/profit Rate Risk			13,999,716	13,999,716	1,119,977
Foreign Currency Risk			2,436,778	2,436,778	194,942
Equity Risk			393,120	393,120	31,450
Commodity Risk			114,283	114,283	9,143
Options Risk			707,818	707,818	56,625
Total Market Risk			17,651,716	17,651,716	1,412,137
Operational Risk (BIA)			22,510,308	22,510,308	1,800,825
Total RWA and Capital Requirement			269,811,878	268,911,358	21,512,909

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(a): Disclosure on Total RWA and Minimum Capital Requirement for CIMBBG (continued)

2019			**CIMBBG**		
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	63,205,430	63,205,430	243,294	243,294	19,464
Public Sector Entities	7,734,756	7,734,668	46,934	46,934	3,755
Banks, DFIs & MDBs	11,293,417	11,291,517	4,576,457	4,576,457	366,117
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,192,053	3,155,449	2,213,097	2,213,097	177,048
Corporate	28,418,843	23,211,293	22,220,255	22,193,660	1,775,493
Regulatory Retail	23,426,824	21,824,312	15,631,344	15,506,770	1,240,542
Residential Mortgages/RRE Financing	12,282,092	12,277,329	6,580,513	6,575,692	526,055
Higher Risk Assets	1,117,749	1,117,749	1,676,624	1,676,624	134,130
Other Assets	15,536,770	15,536,770	3,342,565	3,342,565	267,405
Securitisation	310,369	310,369	62,074	62,074	4,966
Equity Exposure	2,003	2,003	2,003	2,003	160
Total for SA	166,520,303	159,666,887	56,595,159	56,439,169	4,515,134
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	22,835,502	22,835,502	6,099,734	6,099,734	487,979
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	136,700,324	136,700,324	90,716,083	90,682,777	7,254,622
Residential Mortgages/RRE Financing	85,925,363	85,925,363	18,202,385	17,933,580	1,434,686
Qualifying Revolving Retail	13,067,134	13,067,134	8,016,962	8,016,962	641,357
Hire Purchase	16,738,545	16,738,545	9,504,186	8,975,933	718,075
Other Retail	61,305,765	61,305,765	16,812,999	16,808,296	1,344,664
Securitisation	–	–	–	–	–
Total for IRB Approach	336,572,634	336,572,634	149,352,349	148,517,283	11,881,383
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	503,092,937	496,239,521	214,908,649	213,867,489	17,109,399
Large Exposure Risk Requirement	866,895	866,895	866,895	866,895	69,352
Market Risk (SA)					
Interest Rate Risk/profit Rate Risk			15,397,573	15,397,573	1,231,806
Foreign Currency Risk			1,034,385	1,034,385	82,751
Equity Risk			724,911	724,911	57,993
Commodity Risk			616,235	616,235	49,299
Options Risk			652,721	652,721	52,218
Total Market Risk			18,425,825	18,425,825	1,474,066
Operational Risk (BIA)			22,213,549	22,213,549	1,777,084
Total RWA and Capital Requirement			256,414,918	255,373,758	20,429,901

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG

2020	CIMBISLG				
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	21,144,480	21,144,480	–	–	–
Public Sector Entities	3,822,133	3,822,133	34,163	34,163	2,733
Banks, DFIs & MDBs	1,608	1,608	804	804	64
Takaful Operators, Securities Firms & Fund Managers	15,706	15,706	3,141	3,141	251
Corporate	1,825,505	1,777,207	1,116,820	1,077,124	86,170
Regulatory Retail	7,550,678	6,769,900	4,309,074	4,138,528	331,082
RRE Financing	206,795	206,795	102,439	101,446	8,116
Higher Risk Assets	–	–	–	–	–
Other Assets	261,836	261,836	222,994	222,994	17,840
Securitisation	–	–	–	–	–
Total for SA	**34,828,740**	**33,999,664**	**5,789,435**	**5,578,199**	**446,256**
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	884,083	884,083	180,987	180,987	14,479
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	25,658,323	25,658,323	16,285,964	14,946,316	1,195,705
RRE Financing	25,116,424	25,116,424	7,090,204	6,946,512	555,721
Qualifying Revolving Retail	254,331	254,331	164,652	164,652	13,172
Hire Purchase	11,638,117	11,638,117	6,926,253	6,490,668	519,253
Other Retail	24,899,393	24,899,393	5,054,582	5,048,138	403,851
Securitisation	–	–	–	–	–
Total for IRB Approach	**88,450,671**	**88,450,671**	**35,702,642**	**33,777,275**	**2,702,182**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**123,279,411**	**122,450,334**	**43,634,236**	**41,382,111**	**3,310,569**
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			787,286	787,286	62,983
Foreign Currency Risk			82,234	82,234	6,579
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			**869,519**	**869,519**	**69,562**
Operational Risk (BIA)			**3,633,392**	**3,633,392**	**290,671**
Total RWA and Capital Requirement			**48,137,148**	**45,885,023**	**3,670,802**

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(b): Disclosure on Total RWA and Minimum Capital Requirement for CIMBISLG (continued)

2019	**CIMBISLG**				
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	18,036,722	18,036,722	–	–	–
Public Sector Entities	3,696,314	3,696,314	39,263	39,263	3,141
Banks, DFIs & MDBs	5,117	5,117	2,558	2,558	205
Takaful Operators, Securities Firms & Fund Managers	15,464	15,464	3,093	3,093	247
Corporate	1,411,799	1,385,406	886,822	860,227	68,818
Regulatory Retail	6,239,410	6,014,188	3,905,591	3,781,017	302,481
RRE Financing	39,260	39,260	19,420	14,600	1,168
Higher Risk Assets	–	–	–	–	–
Other Assets	97,766	97,766	59,034	59,034	4,723
Securitisation	20,379	20,379	4,076	4,076	326
Total for SA	29,562,230	29,310,616	4,919,858	4,763,868	381,109
Exposures under the IRB Approach					
Sovereign/Central Banks	–	–	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	1,301,557	1,301,557	258,697	258,697	20,696
Takaful Operators, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	26,576,431	26,576,431	16,075,599	14,651,511	1,172,121
RRE Financing	20,765,279	20,765,279	5,443,912	5,175,107	414,009
Qualifying Revolving Retail	278,485	278,485	213,475	213,475	17,078
Hire Purchase	9,015,762	9,015,762	5,222,189	4,693,936	375,515
Other Retail	24,906,423	24,906,423	4,704,592	4,699,889	375,991
Securitisation	–	–	–	–	–
Total for IRB Approach	82,843,938	82,843,938	31,918,463	29,692,616	2,375,409
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	112,406,168	112,154,554	38,753,429	36,238,040	2,899,043
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Benchmark Rate Risk			625,893	625,893	50,071
Foreign Currency Risk			63,161	63,161	5,053
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			689,054	689,054	55,124
Operational Risk (BIA)			3,241,495	3,241,495	259,320
Total RWA and Capital Requirement			42,683,978	40,168,589	3,213,487

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG

2020	CIMBIBG				
(RM'000) Exposure Class	Gross Exposure before CRM (SA)	Net Exposure after CRM (SA)	RWA	Total RWA after effects of PSIA	Minimum capital requirement at 8%
Credit Risk (SA)					
Sovereign/Central Banks	329,371	329,371	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	362,700	311,078	90,981	90,981	7,278
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	6,403	6,403	6,403	6,403	512
Regulatory Retail	–	–	–	–	–
Residential Mortgages	–	–	–	–	–
Higher Risk Assets	–	–	–	–	–
Other Assets	70,892	70,892	70,885	70,885	5,671
Securitisation	–	–	–	–	–
Total Credit Risk	769,366	717,743	168,269	168,269	13,461
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			1,767	1,767	141
Foreign Currency Risk			9,494	9,494	760
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			11,261	11,261	901
Operational Risk (BIA)			459,765	459,765	36,781
Total RWA and Capital Requirement			639,295	639,295	51,144

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Table 2(c): Disclosure on Total RWA and Minimum Capital Requirement for CIMBIBG (continued)

2019			**CIMBIBG**		
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)**	**Net Exposure after CRM (SA)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk (SA)					
Sovereign/Central Banks	466,539	466,539	–	–	–
Public Sector Entities	–	–	–	–	–
Banks, DFIs & MDBs	259,746	209,818	87,018	87,018	6,961
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–	–
Corporate	146,842	146,842	146,842	146,842	11,747
Regulatory Retail	–	–	–	–	–
Residential Mortgages	–	–	–	–	–
Higher Risk Assets	–	–	–	–	–
Other Assets	107,696	107,696	107,676	107,676	8,614
Securitisation	–	–	–	–	–
Total Credit Risk	980,824	930,896	341,536	341,536	27,323
Large Exposure Risk Requirement	–	–	–	–	–
Market Risk (SA)					
Interest Rate Risk			1,364	1,364	109
Foreign Currency Risk			3,561	3,561	285
Equity Risk			–	–	–
Commodity Risk			–	–	–
Options Risk			–	–	–
Total Market Risk			4,925	4,925	394
Operational Risk (BIA)			554,745	554,745	44,380
Total RWA and Capital Requirement			901,206	901,206	72,096

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

a) Assessing the risk profile of the bank.
b) Assessing the capital adequacy and capital management strategies.
c) Monitoring compliance with regulatory requirement on capital adequacy.
d) Reporting to management and regulator on ICAAP.
e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together and business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2), the Group submits its ICAAP report to the BRCC for approval and the Board for notification.

Credit Risk

Credit risk is defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support clients' obligations to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

CREDIT RISK MANAGEMENT

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three lines-of-defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompasses joint delegated authority, enhanced credit approval process and outlines a clear set of policies and procedures that defines the limits and types of authority designated to specific individuals.

Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low valued credit facilities. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limits submitted to joint delegated authority or relevant committees for approval.

The GRCC with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes reviewing and analysing portfolio trends, asset quality, watch-list reporting and policy reviews. The committee is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits, are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

It is our Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for our Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis, and more frequently when material information on the obligor or other external factors is made available.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

SUMMARY OF CREDIT EXPOSURES

I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION

The geographic distribution is based on the country in which the portfolio is geographically managed. The following tables represent the Group's credit exposures by geographic region:

Table 3(a): Geographic Distribution of Credit Exposures for CIMBBG

(RM'000) Exposure Class	CIMBBG Malaysia	Singapore	Thailand	Other Countries	Total
2020					
Sovereign	**66,153,145**	**8,231,565**	**5,278,983**	**511,480**	**80,175,174**
PSE	**7,859,765**	**–**	**–**	**–**	**7,859,765**
Bank	**15,862,196**	**2,498,284**	**9,117,785**	**5,715,329**	**33,193,593**
Corporate	**112,739,270**	**30,949,750**	**18,433,463**	**8,792,925**	**170,915,408**
Mortgage/RRE Financing	**87,526,411**	**6,406,022**	**10,752,501**	**214,683**	**104,899,616**
HPE	**18,893,124**	**–**	**–**	**–**	**18,893,124**
QRRE	**9,436,158**	**2,471,049**	**–**	**–**	**11,907,206**
Other Retail	**71,410,537**	**3,619,182**	**7,886,695**	**939,775**	**83,856,189**
Other Exposures	**6,938,573**	**453,374**	**10,667,575**	**940,100**	**18,999,623**
Total Gross Credit Exposure	**396,819,180**	**54,629,225**	**62,137,002**	**17,114,292**	**530,699,698**
2019					
Sovereign	53,111,574	3,313,260	6,158,625	621,971	63,205,430
PSE	7,734,756	–	–	–	7,734,756
Bank	16,057,419	3,682,013	8,820,620	5,568,867	34,128,919
Corporate	112,497,994	31,069,677	17,387,168	7,356,380	168,311,219
Mortgage/RRE Financing	80,593,302	6,200,128	11,171,837	242,188	98,207,455
HPE	16,738,545	–	–	–	16,738,545
QRRE	10,412,672	2,654,462	–	–	13,067,134
Other Retail	72,337,197	2,627,121	8,862,551	905,720	84,732,589
Other Exposures	6,292,554	700,900	9,087,565	885,871	16,966,890
Total Gross Credit Exposure	375,776,013	50,247,561	61,488,366	15,580,997	503,092,937

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION (CONTINUED)

Table 3(b): Geographic Distribution of Credit Exposures for CIMBISLG

(RM'000) Exposure Class	CIMBISLG Malaysia	Singapore	Thailand	Other Countries	Total
2020					
Sovereign	**21,144,480**	**–**	**–**	**–**	**21,144,480**
PSE	**3,822,133**	**–**	**–**	**–**	**3,822,133**
Bank	**885,690**	**–**	**–**	**–**	**885,690**
Corporate	**27,499,534**	**–**	**–**	**–**	**27,499,534**
RRE Financing	**25,323,218**	**–**	**–**	**–**	**25,323,218**
HPE	**11,638,117**	**–**	**–**	**–**	**11,638,117**
QRRE	**254,331**	**–**	**–**	**–**	**254,331**
Other Retail	**32,450,071**	**–**	**–**	**–**	**32,450,071**
Other Exposures	**261,836**	**–**	**–**	**–**	**261,836**
Total Gross Credit Exposure	**123,279,411**	**–**	**–**	**–**	**123,279,411**
2019					
Sovereign	18,036,722	–	–	–	18,036,722
PSE	3,696,314	–	–	–	3,696,314
Bank	1,306,674	–	–	–	1,306,674
Corporate	28,003,694	–	–	–	28,003,694
RRE Financing	20,804,539	–	–	–	20,804,539
HPE	9,015,762	–	–	–	9,015,762
QRRE	278,485	–	–	–	278,485
Other Retail	31,145,833	–	–	–	31,145,833
Other Exposures	118,145	–	–	–	118,145
Total Gross Credit Exposure	112,406,168	–	–	–	112,406,168

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION (CONTINUED)

Table 3(c): Geographic Distribution of Credit Exposures for CIMBIBG

(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
	CIMBIBG				
2020					
Sovereign	**329,371**	**–**	**–**	**–**	**329,371**
Bank	**362,700**	**–**	**–**	**–**	**362,700**
Corporate	**6,403**	**–**	**–**	**–**	**6,403**
Mortgage	**–**	**–**	**–**	**–**	**–**
HPE	**–**	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**	**–**
Other Retail	**–**	**–**	**–**	**–**	**–**
Other Exposures	**70,892**	**–**	**–**	**–**	**70,892**
Total Gross Credit Exposure	**769,366**	**–**	**–**	**–**	**769,366**
2019					
Sovereign	466,539	–	–	–	466,539
Bank	259,746	–	–	–	259,746
Corporate	146,842	–	–	–	146,842
Mortgage	–	–	–	–	–
HPE	–	–	–	–	–
QRRE	–	–	–	–	–
Other Retail	–	–	–	–	–
Other Exposures	107,696	–	–	–	107,696
Total Gross Credit Exposure	980,824	–	–	–	980,824

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

II) GROSS CREDIT EXPOSURES BY SECTOR

The following tables represent the Group's credit exposures analysed by sector:

Table 4(a): Distribution of Credit Exposures by Sector for CIMBBG

	CIMBBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2020												
Sovereign	193,417	-	-	980,020	6,578,753	-	4,043,636	21,871,906	44,155,954	-	2,351,489	80,175,174
PSE	2,243	-	-	-	-	-	-	160,635	7,696,804	-	83	7,859,765
Bank	-	-	-	-	-	-	-	31,158,561	2,035,033	-	-	33,193,593
Corporate	9,367,057	7,977,286	16,531,755	12,784,392	17,413,628	21,971,298	13,167,190	49,082,143	10,085,792	6,287,557	6,247,310	170,915,408
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	104,899,616	-	104,899,616
HPE	-	-	-	-	-	-	-	-	-	18,893,124	-	18,893,124
QRRE	-	-	-	-	-	-	-	-	-	11,907,206	-	11,907,206
Other Retail	317,184	64,105	1,990,926	56,609	1,233,183	4,018,481	477,364	3,965,039	799,208	70,934,091	-	83,856,189
Other Exposures	-	-	1,855	218,962	-	484	-	1,327,099	21,898	-	17,429,326	18,999,623
Total Gross Credit Exposure	9,879,900	8,041,391	18,524,535	14,039,983	25,225,564	25,990,263	17,688,189	107,565,382	64,794,689	212,921,594	26,028,209	530,699,698
2019												
Sovereign	192,100	–	–	1,274,479	5,076,745	–	3,651,730	21,347,422	29,580,048	–	2,082,906	63,205,430
PSE	2,703	–	–	–	–	–	–	172,304	7,559,401	–	347	7,734,756
Bank	–	–	–	–	–	–	–	32,022,376	2,106,543	–	–	34,128,919
Corporate	9,798,348	8,945,002	17,343,350	9,621,287	15,458,761	20,082,538	14,015,118	46,994,180	13,420,636	7,282,313	5,349,686	168,311,219
Mortgage/ RRE Financing	–	–	–	–	–	–	–	–	–	98,207,455	–	98,207,455
HPE	–	–	–	–	–	–	–	–	–	16,738,545	–	16,738,545
QRRE	–	–	–	–	–	–	–	–	–	13,067,134	–	13,067,134
Other Retail	301,194	63,993	1,833,148	54,728	1,166,220	3,408,052	429,770	3,556,983	751,035	73,167,466	–	84,732,589
Other Exposures	–	–	2,027	68,937	–	495	–	1,225,572	77,761	–	15,592,097	16,966,890
Total Gross Credit Exposure	10,294,346	9,008,995	19,178,526	11,019,431	21,701,727	23,491,085	18,096,617	105,318,837	53,495,424	208,462,913	23,025,036	503,092,937

* Others are exposures which are not elsewhere classified.

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

II) GROSS CREDIT EXPOSURES BY SECTOR (CONTINUED)

Table 4(b): Distribution of Credit Exposures by Sector for CIMBISLG

(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Islamic Finance, Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
	CIMBISLG											
2020												
Sovereign	**9,919**	**-**	**-**	**403,513**	**1,846,821**	**-**	**1,056,476**	**12,362,594**	**4,087,316**	**-**	**1,377,841**	**21,144,480**
PSE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**160,488**	**3,661,645**	**-**	**-**	**3,822,133**
Bank	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**885,690**	**-**	**-**	**-**	**885,690**
Corporate	**3,446,972**	**1,041,864**	**2,673,003**	**931,392**	**3,664,181**	**2,456,528**	**3,515,904**	**8,740,154**	**974,839**	**16,155**	**38,544**	**27,499,534**
RRE Financing	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,323,218**	**-**	**25,323,218**
HPE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,638,117**	**-**	**11,638,117**
QRRE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**254,331**	**-**	**254,331**
Other Retail	**119,618**	**16,229**	**714,286**	**18,555**	**428,003**	**1,410,666**	**146,526**	**1,158,364**	**204,083**	**28,187,048**	**46,693**	**32,450,071**
Other Exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**261,836**	**261,836**
Total Gross Credit Exposure	**3,576,509**	**1,058,093**	**3,387,289**	**1,353,460**	**5,939,005**	**3,867,194**	**4,718,907**	**23,307,290**	**8,927,882**	**65,418,869**	**1,724,913**	**123,279,411**
2019												
Sovereign	9,851	–	–	418,755	1,956,694	–	986,589	9,168,065	4,084,664	–	1,412,103	18,036,722
PSE	–	–	–	–	–	–	–	172,121	3,524,193	–	–	3,696,314
Bank	–	–	–	–	–	–	–	1,306,674	–	–	–	1,306,674
Corporate	3,529,158	1,418,566	2,528,319	530,450	3,589,284	2,480,414	4,144,097	8,605,724	1,114,510	14,091	49,080	28,003,694
RRE Financing	–	–	–	–	–	–	–	–	–	20,804,539	–	20,804,539
HPE	–	–	–	–	–	–	–	–	–	9,015,762	–	9,015,762
QRRE	–	–	–	–	–	–	–	–	–	278,485	–	278,485
Other Retail	113,428	12,222	608,434	15,804	389,656	1,137,693	122,772	969,948	174,328	27,553,817	47,732	31,145,833
Other Exposures	–	–	–	–	–	–	–	–	20,379	–	97,766	118,145
Total Gross Credit Exposure	3,652,437	1,430,789	3,136,753	965,009	5,935,634	3,618,106	5,253,457	20,222,532	8,918,075	57,666,694	1,606,682	112,406,168

Note: All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

II) GROSS CREDIT EXPOSURES BY SECTOR (CONTINUED)

Table 4(c): Distribution of Credit Exposures by Sector for CIMBIBG

	CIMBIBG											
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
2020												
Sovereign	-	-	-	-	-	-	-	329,371	-	-	-	329,371
Bank	-	-	-	-	-	-	-	362,350	-	-	350	362,700
Corporate	-	-	-	-	-	-	-	3,682	-	-	2,721	6,403
Mortgage	-	-	-	-	-	-	-	-	-	-	-	-
HPE	-	-	-	-	-	-	-	-	-	-	-	-
QRRE	-	-	-	-	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	-	-	-	-	-	-	-	-
Other Exposures	-	-	-	-	-	-	-	-	-	-	70,892	70,892
Total Gross Credit Exposure	-	-	-	-	-	-	-	695,403	-	-	73,963	769,366
2019												
Sovereign	-	-	-	-	-	-	-	466,539	-	-	-	466,539
Bank	-	-	-	-	-	-	-	259,746	-	-	-	259,746
Corporate	-	-	-	-	-	-	-	7,032	-	-	139,811	146,842
Mortgage	-	-	-	-	-	-	-	-	-	-	-	-
HPE	-	-	-	-	-	-	-	-	-	-	-	-
QRRE	-	-	-	-	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	-	-	-	-	-	-	-	-
Other Exposures	-	-	-	-	-	-	-	-	-	-	107,696	107,696
Total Gross Credit Exposure	-	-	-	-	-	-	-	733,317	-	-	247,507	980,824

* Others are exposures which are not elsewhere classified.

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY

The following tables represent the Group's credit exposures analysed by residual contractual maturity:

Table 5(a): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBBG

(RM'000) Exposure Class	CIMBBG Less than 1 year	1 to 5 years	More than 5 years	Total
2020				
Sovereign	**27,833,690**	**16,422,931**	**35,918,553**	**80,175,174**
PSE	**3,424,186**	**339,089**	**4,096,489**	**7,859,765**
Bank	**16,685,372**	**11,743,802**	**4,764,420**	**33,193,593**
Corporate	**56,915,766**	**58,660,484**	**55,339,157**	**170,915,408**
Mortgage/RRE Financing	**285,956**	**759,206**	**103,854,455**	**104,899,616**
HPE	**103,675**	**5,164,957**	**13,624,492**	**18,893,124**
QRRE	**11,907,206**	**–**	**–**	**11,907,206**
Other Retail	**3,910,134**	**9,074,357**	**70,871,698**	**83,856,189**
Other Exposures	**10,671,327**	**268,428**	**8,059,868**	**18,999,623**
Total Gross Credit Exposure	**131,737,312**	**102,433,254**	**296,529,132**	**530,699,698**
2019				
Sovereign	24,927,037	17,491,690	20,786,702	63,205,430
PSE	3,054,776	520,568	4,159,412	7,734,756
Bank	18,523,645	11,640,101	3,965,174	34,128,919
Corporate	57,604,929	56,520,807	54,185,484	168,311,219
Mortgage/RRE Financing	202,228	833,060	97,172,167	98,207,455
HPE	123,559	5,399,134	11,215,851	16,738,545
QRRE	13,067,134	–	–	13,067,134
Other Retail	2,832,260	10,238,702	71,661,628	84,732,589
Other Exposures	9,044,206	224,325	7,698,359	16,966,890
Total Gross Credit Exposure	129,379,773	102,868,388	270,844,777	503,092,937

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY (CONTINUED)

Table 5(b): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBISLG

(RM'000) Exposure Class	CIMBISLG Less than 1 year	1 to 5 years	More than 5 years	Total
2020				
Sovereign	**12,920,749**	**3,957,524**	**4,266,207**	**21,144,480**
PSE	**3,424,114**	**334,413**	**63,607**	**3,822,133**
Bank	**367,848**	**378,724**	**139,118**	**885,690**
Corporate	**8,341,728**	**6,098,481**	**13,059,325**	**27,499,534**
RRE Financing	**6,113**	**91,250**	**25,225,855**	**25,323,218**
HPE	**46,063**	**1,544,246**	**10,047,808**	**11,638,117**
QRRE	**254,331**	**–**	**–**	**254,331**
Other Retail	**92,845**	**839,278**	**31,517,948**	**32,450,071**
Other Exposures	**–**	**–**	**261,836**	**261,836**
Total Gross Credit Exposure	**25,453,791**	**13,243,916**	**84,581,703**	**123,279,411**
2019				
Sovereign	7,697,717	3,854,522	6,484,484	18,036,722
PSE	3,053,605	515,714	126,995	3,696,314
Bank	843,956	356,597	106,121	1,306,674
Corporate	7,538,267	7,587,222	12,878,204	28,003,694
RRE Financing	5,875	99,794	20,698,870	20,804,539
HPE	52,625	1,488,445	7,474,693	9,015,762
QRRE	278,485	–	–	278,485
Other Retail	69,116	783,847	30,292,870	31,145,833
Other Exposures	20,379	–	97,766	118,145
Total Gross Credit Exposure	19,560,024	14,686,140	78,160,004	112,406,168

SUMMARY OF CREDIT EXPOSURES (CONTINUED)

III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY (CONTINUED)

Table 5(c): Distribution of Credit Exposures by Residual Contractual Maturity for CIMBIBG

(RM'000) Exposure Class	CIMBIBG Less than 1 year	1 to 5 years	More than 5 years	Total
2020				
Sovereign	**329,221**	**–**	**151**	**329,371**
Bank	**341,709**	**–**	**20,991**	**362,700**
Corporate	**–**	**–**	**6,403**	**6,403**
Mortgage	**–**	**–**	**–**	**–**
HPE	**–**	**–**	**–**	**–**
QRRE	**–**	**–**	**–**	**–**
Other Retail	**–**	**–**	**–**	**–**
Other Exposures	**–**	**–**	**70,892**	**70,892**
Total Gross Credit Exposure	**670,929**	**–**	**98,437**	**769,366**
2019				
Sovereign	466,199	–	341	466,539
Bank	247,469	–	12,277	259,746
Corporate	114,352	–	32,490	146,842
Mortgage	–	–	–	–
HPE	–	–	–	–
QRRE	–	–	–	–
Other Retail	–	–	–	–
Other Exposures	–	–	107,696	107,696
Total Gross Credit Exposure	828,020	–	152,805	980,824

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING

I) PAST DUE BUT NOT IMPAIRED

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financing and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING

I) PAST DUE BUT NOT IMPAIRED

The following tables provide an analysis of the outstanding balances as at 31 December 2020 and 31 December 2019 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector for CIMBBG

	CIMBBG	
(RM'000)	**2020**	**2019**
Primary Agriculture	**10,525**	51,147
Mining and Quarrying	**1,789**	5,362
Manufacturing	**65,312**	80,439
Electricity, Gas and Water Supply	**1,771**	763
Construction	**94,974**	112,804
Wholesale and Retail Trade, and Restaurants and Hotels	**146,561**	190,478
Transport, Storage and Communication	**26,730**	32,771
Finance, Insurance/Takaful, Real Estate and Business Activities	**261,465**	328,688
Education, Health and Others	**77,647**	45,103
Household	**10,167,364**	13,038,475
Others*	**19,073**	16,148
Total	**10,873,211**	13,902,178

* Others are exposures which are not elsewhere classified.

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Sector for CIMBISLG

	CIMBISLG	
(RM'000)	**2020**	**2019**
Primary Agriculture	**470**	16,605
Mining and Quarrying	**315**	1,429
Manufacturing	**8,786**	6,891
Electricity, Gas and Water Supply	**1,155**	88
Construction	**42,027**	21,001
Wholesale and Retail Trade, and Restaurants and Hotels	**45,774**	27,755
Transport, Storage and Communication	**3,515**	5,370
Finance, Takaful, Real Estate and Business Activities	**100,258**	49,098
Education, Health and Others	**32,547**	6,659
Household	**3,251,319**	3,738,069
Others*	**244**	3,962
Total	**3,486,410**	3,876,927

Note: All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

Table 6(c): Past Due but Not Impaired Loans, Advances and Financing by Sector for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG for December 2020 and 2019.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

I) PAST DUE BUT NOT IMPAIRED (CONTINUED)

Table 7(a): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBBG

	CIMBBG	
(RM'000)	2020	2019
Malaysia	**9,031,064**	11,482,094
Singapore	**116,659**	242,111
Thailand	**1,664,683**	2,128,042
Other Countries	**60,805**	49,931
Total	**10,873,211**	13,902,178

Table 7(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBISLG

	CIMBISLG	
(RM'000)	2020	2019
Malaysia	**3,486,410**	3,876,927
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**3,486,410**	3,876,927

Table 7(c): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG for December 2020 and 2019.

II) CREDIT IMPAIRED LOANS/FINANCING

The Group classifies a loan, advances and financing as credit impaired when it meets one or more of the following criteria:

(a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;

(b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or

(d) As soon as a default occurs where the principal and/or interest/profit repayments/payments are scheduled on intervals of 3 months or longer. For the purpose of ascertaining the period in arrears:

- Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

(e) Force Impaired Credit Facilities
The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

(f) Cross Default
When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its loans, advances and financing. The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

The following tables provide an analysis of the outstanding balances as at 31 December 2020 and 31 December 2019 which were credit impaired by sector and geographical respectively:

Table 8(a): Credit Impaired Loans, Advances and Financing by Sector for CIMBBG

	CIMBBG	
(RM'000)	**2020**	**2019**
Primary Agriculture	**73,016**	71,218
Mining and Quarrying	**336,045**	826,079
Manufacturing	**1,096,993**	1,415,675
Electricity, Gas and Water Supply	**257,463**	263,141
Construction	**221,044**	173,798
Wholesale and Retail Trade, and Restaurants and Hotels	**1,723,892**	718,596
Transport, Storage and Communications	**1,147,001**	1,057,266
Finance, Insurance/Takaful, Real Estate and Business Activities	**578,960**	462,405
Education, Health and Others	**202,812**	164,774
Household	**3,045,407**	2,435,398
Others*	**14,187**	6,457
Total	**8,696,820**	7,594,807

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

Table 8(b): Credit Impaired Loans, Advances and Financing by Sector for CIMBISLG

	CIMBISLG	
(RM'000)	**2020**	**2019**
Primary Agriculture	**19,370**	18,391
Mining and Quarrying	**1,340**	812
Manufacturing	**694,217**	747,255
Electricity, Gas and Water Supply	**1**	–
Construction	**16,505**	9,705
Wholesale and Retail Trade, and Restaurants and Hotels	**92,310**	49,806
Transport, Storage and Communications	**3,796**	861
Finance, Takaful, Real Estate and Business Activities	**39,048**	47,080
Education, Health and Others	**3,567**	4,576
Household	**627,086**	363,609
Others*	**2**	2
Total	**1,497,242**	1,242,097

Note: All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

Table 8(c): Credit Impaired Loans, Advances and Financing by Sector for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG for December 2020 and 2019.

Table 9(a): Credit Impaired Loans, Advances and Financing by Geographic Distribution for CIMBBG

	CIMBBG	
(RM'000)	**2020**	**2019**
Malaysia	**5,741,824**	4,854,446
Singapore	**1,437,222**	826,283
Thailand	**1,504,465**	1,905,197
Other Countries	**13,309**	8,881
Total	**8,696,820**	7,594,807

Table 9(b): Credit Impaired Loans, Advances and Financing by Geographic Distribution for CIMBISLG

	CIMBISLG	
(RM'000)	**2020**	**2019**
Malaysia	**1,497,242**	1,242,097
Singapore	**–**	–
Thailand	**–**	–
Other Countries	**–**	–
Total	**1,497,242**	1,242,097

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

Table 9(c): Credit Impaired Loans, Advances and Financing by Geographic Distribution for CIMBIBG

There are no loans, advances and financing exposures in CIMBIBG for December 2020 and 2019.

III) EXPECTED CREDIT LOSSES

Table 10(a): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector for CIMBBG

	CIMBBG				
(RM'000)	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
2020					
Primary Agriculture	**18,932**	**13,362**	**25,148**	**–**	**57,442**
Mining and Quarrying	**9,286**	**93,266**	**106,960**	**–**	**209,512**
Manufacturing	**22,945**	**14,241**	**359,921**	**–**	**397,107**
Electricity, Gas and Water Supply	**6,808**	**287**	**23,578**	**–**	**30,673**
Construction	**19,328**	**2,958**	**93,542**	**–**	**115,828**
Wholesale and Retail Trade, and Restaurants and Hotels	**37,604**	**25,687**	**1,143,919**	**–**	**1,207,210**
Transport, Storage and Communications	**12,854**	**120,847**	**1,020,849**	**–**	**1,154,550**
Finance, Insurance/Takaful, Real Estate and Business Activities	**65,135**	**11,591**	**224,772**	**–**	**301,498**
Education, Health and Others	**5,835**	**3,752**	**37,339**	**–**	**46,926**
Household	**1,192,446**	**1,400,072**	**1,102,976**	**3,259**	**3,698,753**
Others*	**23,751**	**94,912**	**9,622**	**–**	**128,285**
Total	**1,414,924**	**1,780,975**	**4,148,626**	**3,259**	**7,347,784**
2019					
Primary Agriculture	26,454	11,118	26,169	–	63,741
Mining and Quarrying	16,572	324	209,375	–	226,271
Manufacturing	33,926	9,281	525,019	–	568,226
Electricity, Gas and Water Supply	3,272	135	23,910	–	27,317
Construction	20,374	5,614	98,716	–	124,704
Wholesale and Retail Trade, and Restaurants and Hotels	24,810	25,003	221,058	–	270,871
Transport, Storage and Communications	15,053	1,630	982,161	–	998,844
Finance, Insurance/Takaful, Real Estate and Business Activities	62,450	15,718	196,973	–	275,141
Education, Health and Others	13,224	2,290	18,601	–	34,115
Household	719,668	695,127	815,300	2,748	2,232,843
Others*	11,560	743	4,183	–	16,486
Total	947,363	766,983	3,121,465	2,748	4,838,559

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 10(b): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector for CIMBISLG (continued)

			CIMBISLG		
(RM'000)	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
2020					
Primary Agriculture	**956**	**7,368**	**1,168**	**–**	**9,492**
Mining and Quarrying	**235**	**4,308**	**5**	**–**	**4,548**
Manufacturing	**3,117**	**989**	**40,537**	**–**	**44,643**
Electricity, Gas and Water Supply	**887**	**224**	**–**	**–**	**1,111**
Construction	**1,245**	**485**	**7,795**	**–**	**9,525**
Wholesale and Retail Trade, and Restaurants and Hotels	**4,000**	**5,498**	**36,954**	**–**	**46,452**
Transport, Storage and Communications	**2,046**	**1,283**	**3,641**	**–**	**6,970**
Finance, Takaful, Real Estate and Business Activities	**3,908**	**1,782**	**4,719**	**–**	**10,409**
Education, Health and Others	**537**	**480**	**471**	**–**	**1,488**
Household	**237,400**	**359,371**	**243,862**	**–**	**840,633**
Others*	**73**	**58**	**1**	**–**	**132**
Total	**254,404**	**381,846**	**339,153**	**–**	**975,403**
2019					
Primary Agriculture	4,327	2,020	944	–	7,291
Mining and Quarrying	1,413	–	–	–	1,413
Manufacturing	2,589	715	27,408	–	30,712
Electricity, Gas and Water Supply	87	–	–	–	87
Construction	1,906	273	4,106	–	6,285
Wholesale and Retail Trade, and Restaurants and Hotels	4,630	906	6,315	–	11,851
Transport, Storage and Communications	2,812	320	252	–	3,384
Finance, Takaful, Real Estate and Business Activities	4,106	2,587	2,192	–	8,885
Education, Health and Others	542	81	505	–	1,128
Household	112,083	125,036	126,303	–	363,422
Others*	72	116	2	–	190
Total	134,567	132,054	168,027	–	434,648

Note: All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 10(c): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector for CIMBIBG

There are no expected credit losses for CIMBIBG for December 2020 and 2019.

Table 11(a): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBBG

	CIMBBG				
(RM'000)	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
2020					
Malaysia	**965,457**	**1,382,882**	**2,641,902**	**–**	**4,990,241**
Singapore	**168,961**	**104,716**	**1,035,106**	**–**	**1,308,783**
Thailand	**253,706**	**199,566**	**463,602**	**3,259**	**920,133**
Other Countries	**26,800**	**93,811**	**8,016**	**–**	**128,627**
Total	**1,414,924**	**1,780,975**	**4,148,626**	**3,259**	**7,347,784**
2019					
Malaysia	661,708	550,000	2,166,034	–	3,377,742
Singapore	107,842	31,456	205,628	–	344,926
Thailand	157,681	184,932	747,387	2,748	1,092,748
Other Countries	20,132	595	2,416	–	23,143
Total	947,363	766,983	3,121,465	2,748	4,838,559

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 11(b): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBISLG

	CIMBISLG				
(RM'000)	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
2020					
Malaysia	**254,404**	**381,846**	**339,153**	**–**	**975,403**
Singapore	**–**	**–**	**–**	**–**	**–**
Thailand	**–**	**–**	**–**	**–**	**–**
Other Countries	**–**	**–**	**–**	**–**	**–**
Total	**254,404**	**381,846**	**339,153**	**–**	**975,403**
2019					
Malaysia	134,567	132,054	168,027	–	434,648
Singapore	–	–	–	–	–
Thailand	–	–	–	–	–
Other Countries	–	–	–	–	–
Total	134,567	132,054	168,027	–	434,648

Table 11(c): Expected credit losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution for CIMBIBG

There are no expected credit losses for CIMBIBG for December 2020 and 2019.

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 12(a): Expected Credit Losses Charges/(Write back) and Write-off for Stage 3 and Purchased Credit Impaired for CIMBBG

	CIMBBG			
	Charges/(write back)		Write-off	
(RM'000)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired
2020				
Primary Agriculture	**1,032**	**–**	**2,862**	**–**
Mining and Quarrying	**278,428**	**–**	**235,842**	**–**
Manufacturing	**135,623**	**–**	**153,970**	**–**
Electricity, Gas and Water Supply	**(2,890)**	**–**	**35**	**–**
Construction	**23,664**	**–**	**15,790**	**–**
Wholesale and Retail Trade, and Restaurants and Hotels	**1,111,463**	**–**	**30,333**	**–**
Transport, Storage and Communications	**134,874**	**–**	**98,962**	**–**
Finance, Insurance/Takaful, Real Estate and Business Activities	**54,197**	**–**	**13,084**	**–**
Education, Health and Others	**20,025**	**–**	**417**	**–**
Household	**826,260**	**574**	**755,849**	**–**
Others*	**20,928**	**–**	**5,193**	**–**
Total	**2,603,604**	**574**	**1,312,337**	**–**
2019				
Primary Agriculture	2,610	–	11,809	–
Mining and Quarrying	53,021	–	30,955	–
Manufacturing	166,061	–	102,475	–
Electricity, Gas and Water Supply	15,458	–	127	–
Construction	50,896	–	44,758	–
Wholesale and Retail Trade, and Restaurants and Hotels	37,616	–	50,275	–
Transport, Storage and Communications	(85,387)	–	44,634	–
Finance, Insurance/Takaful, Real Estate and Business Activities	27,058	–	44,378	–
Education, Health and Others	(2,299)	–	7,638	–
Household	1,015,945	–	843,437	–
Others*	(406)	–	871	–
Total	1,280,573	–	1,181,357	–

* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 12(b): Expected credit losses charges/(write back) and write-off for Stage 3 and purchased credit impaired for CIMBISLG

	CIMBISLG			
	Charges/(write back)		Write-off	
(RM'000)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired
2020				
Primary Agriculture	**157**	**–**	**–**	**–**
Mining and Quarrying	**4**	**–**	**–**	**–**
Manufacturing	**13,514**	**–**	**93**	**–**
Electricity, Gas and Water Supply	**–**	**–**	**–**	**–**
Construction	**4,707**	**–**	**6**	**–**
Wholesale and Retail Trade, and Restaurants and Hotels	**40,210**	**–**	**11**	**–**
Transport, Storage and Communications	**1,801**	**–**	**191**	**–**
Finance, Takaful, Real Estate and Business Activities	**3,032**	**–**	**99**	**–**
Education, Health and Others	**291**	**–**	**138**	**–**
Household	**172,761**	**–**	**89,377**	**–**
Others*	**8,430**	**–**	**–**	**–**
Total	**244,907**	**–**	**89,915**	**–**
2019				
Primary Agriculture	545	–	1,604	–
Mining and Quarrying	1,289	–	583	–
Manufacturing	22,705	–	3,706	–
Electricity, Gas and Water Supply	–	–	–	–
Construction	(4,230)	–	9,837	–
Wholesale and Retail Trade, and Restaurants and Hotels	5,696	–	4,078	–
Transport, Storage and Communications	(66,761)	–	47	–
Finance, Takaful, Real Estate and Business Activities	2,418	–	4,951	–
Education, Health and Others	(1,529)	–	32	–
Household	174,478	–	105,533	–
Others*	1	–	–	–
Total	134,612	–	130,371	–

Note: All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 12(c): Expected credit losses charges/(write back) and write-off for Stage 3 and purchased credit impaired for CIMBIBG

There are no expected credit losses charges/write back and write-off for Stage 3 and purchased credit impaired for CIMBIBG for December 2020 and 2019.

Table 13(a): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBBG

	CIMBBG				
	2020				
(RM'000)	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2020	947,363	766,983	3,121,465	2,748	4,838,559
Changes in expected credit losses due to transferred within stages	(404,403)	270,037	134,366	–	–
Transferred to Stage 1	719,298	(579,288)	(140,010)	–	–
Transferred to Stage 2	(1,118,315)	1,551,801	(433,486)	–	–
Transferred to Stage 3	(5,386)	(702,476)	707,862	–	–
Total charge to Income Statement	887,793	749,496	2,603,604	574	4,241,467
New financial assets originated	621,107	69,053	114,576	–	804,736
Financial assets that have been derecognised	(437,158)	(157,603)	–	–	(594,761)
Write back in respect of full recoveries	–	–	(176,423)	–	(176,423)
Change in credit risk	703,844	838,046	2,665,451	574	4,207,915
Write-offs	(665)	(725)	(1,312,337)	–	(1,313,727)
Disposal of loans, advances and financing	–	–	(361,487)	–	(361,487)
Exchange fluctuation	(7,643)	(4,640)	(97,339)	(63)	(109,685)
Other movements	(7,521)	(176)	60,354	–	52,657
Total	1,414,924	1,780,975	4,148,626	3,259	7,347,784

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 13(a): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBBG (continued)

	CIMBBG				
	2019				
(RM'000)	**12-month expected credit losses (Stage 1)**	**Lifetime expected credit losses – not credit impaired (Stage 2)**	**Lifetime expected credit losses – credit impaired (Stage 3)**	**Purchased credit impaired**	**Total**
At 1 January 2019	1,216,093	659,780	3,183,980	2,552	5,062,405
Changes in expected credit losses due to transferred within stages	716,707	(493,019)	(223,688)	–	–
Transferred to Stage 1	1,072,666	(895,540)	(177,126)	–	–
Transferred to Stage 2	(353,463)	807,407	(453,944)	–	–
Transferred to Stage 3	(2,496)	(404,886)	407,382	–	–
Total charge to Income Statement	(997,706)	589,343	1,280,573	–	872,210
New financial assets originated	775,618	21,191	182,121	–	978,930
Financial assets that have been derecognised	(383,028)	(143,572)	–	–	(526,600)
Write back in respect of full recoveries	–	–	(258,181)	–	(258,181)
Change in credit risk	(1,390,296)	711,724	1,356,633	–	678,061
Write-offs	(782)	(120)	(1,181,357)	–	(1,182,259)
Exchange fluctuation	14,104	10,480	68,143	196	92,923
Other movements	(1,053)	519	(6,186)	–	(6,720)
Total	947,363	766,983	3,121,465	2,748	4,838,559

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 13(b): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBISLG

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

CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

III) EXPECTED CREDIT LOSSES (CONTINUED)

Table 13(b): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBISLG (continued)

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

Table 13(c): Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing for CIMBIBG

There are no expected credit losses for loans, advances and financing for CIMBIBG for 2020.

Credit Risk

CAPITAL TREATMENT FOR CREDIT RISK

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c). Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

The following tables present the credit exposures by risk weights and after credit risk mitigation:

Table 14(a): Disclosure by Risk Weight under SA for CIMBBG

(RM'000) Risk Weights	CIMBBG Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Equity	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2020													
0%	**78,675,496**	**3,651,317**	**1,935,852**	**-**	**1,331,451**	**11,955**	**-**	**-**	**12,970,327**	**-**	**-**	**98,576,398**	**-**
6%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20%	**46,940**	**208,370**	**247,569**	**243,580**	**338,046**	**719,662**	**-**	**-**	**165**	**372,539**	**-**	**2,176,871**	**435,374**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**6,960,871**	**-**	**-**	**-**	**-**	**6,960,871**	**2,436,305**
50%	**1,404,507**	**-**	**9,857,679**	**1,308,323**	**1,457,491**	**3,777,657**	**2,940,741**	**-**	**-**	**-**	**-**	**20,746,399**	**10,373,199**
75%	**-**	**-**	**-**	**-**	**-**	**21,665,009**	**1,385**	**-**	**17,658**	**-**	**-**	**21,684,052**	**16,263,039**
100%	**48,231**	**-**	**-**	**1,246,610**	**22,126,844**	**2,104,890**	**2,196,817**	**182**	**3,822,111**	**-**	**-**	**31,545,684**	**31,545,684**
107%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
150%	**-**	**-**	**-**	**0**	**341,396**	**141,854**	**-**	**1,816,642**	**-**	**-**	**-**	**2,299,893**	**3,449,839**
150%< RW < 1250%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1250%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**80,175,174**	**3,859,687**	**12,041,100**	**2,798,513**	**25,595,229**	**28,421,027**	**12,099,814**	**1,816,824**	**16,810,261**	**372,539**	**-**	**183,990,167**	**64,503,440**
Average Risk Weight	**1%**	**1%**	**41%**	**70%**	**92%**	**72%**	**50%**	**150%**	**23%**	**20%**	**-**	**35%**	
Deduction from Capital Base													
2019													
0%	62,795,059	3,500,000	2,000,846	–	480,489	4,619	–	–	12,192,582	–	–	80,973,595	–
6%	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	–	234,668	229,594	359,250	26,950	745,874	–	–	2,028	310,369	–	1,908,732	381,746
35%	–	–	–	–	–	–	6,396,557	–	–	–	–	6,396,557	2,238,795
50%	334,153	–	9,061,077	1,309,904	1,110,085	3,274,724	3,076,819	–	–	–	–	18,166,761	9,083,381
75%	–	–	–	–	–	15,892,302	2,581	–	–	–	–	15,894,883	11,921,162
100%	76,218	–	–	1,486,295	21,461,663	1,869,217	2,801,373	–	3,342,160	–	2,003	31,038,929	31,038,929
107%	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	132,106	37,576	–	1,117,749	–	–	–	1,287,431	1,931,146
150%< RW < 1250%	–	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	63,205,430	3,734,668	11,291,517	3,155,449	23,211,293	21,824,312	12,277,329	1,117,749	15,536,770	310,369	2,003	155,666,887	56,595,159
Average Risk Weight	0%	1%	41%	70%	96%	72%	54%	150%	22%	20%	100%	36%	
Deduction from Capital Base													

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 14(b): Disclosure by Risk Weight under SA for CIMBISLG

	CIMBISLG											
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2020												
0%	**21,144,480**	**3,651,317**	**-**	**-**	**-**	**2,416**	**-**	**-**	**38,842**	**-**	**24,837,054**	**-**
20%	**-**	**170,816**	**0.004**	**15,706**	**3,092**	**347,694**	**-**	**-**	**-**	**-**	**537,308**	**107,462**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**6,390**	**-**	**-**	**-**	**6,390**	**2,237**
50%	**-**	**-**	**1,608**	**-**	**1,318,143**	**3,744,999**	**200,405**	**-**	**-**	**-**	**5,265,155**	**2,632,577**
75%	**-**	**-**	**-**	**-**	**-**	**1,231,604**	**-**	**-**	**-**	**-**	**1,231,604**	**923,703**
100%	**-**	**-**	**-**	**0.01**	**453,654**	**1,442,896**	**-**	**-**	**222,994**	**-**	**2,119,544**	**2,119,544**
100%< RW < 1250%	**-**	**-**	**-**	**-**	**2,317**	**291**	**-**	**-**	**-**	**-**	**2,608**	**3,913**
1250%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**21,144,480**	**3,822,133**	**1,608**	**15,706**	**1,777,207**	**6,769,900**	**206,795**	**-**	**261,836**	**-**	**33,999,664**	**5,789,435**
Average Risk Weight	**-**	**1%**	**50%**	**20%**	**63%**	**64%**	**50%**	**-**	**85%**	**-**	**17%**	
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
2019												
0%	18,036,722	3,500,000	-	-	-	1,539	-	-	38,732	-	21,576,993	-
20%	-	196,314	-	15,464	1,342	325,356	-	-	-	20,379	558,854	111,771
35%	-	-	-	-	-	-	1,398	-	-	-	1,398	489
50%	-	-	5,117	-	996,629	3,242,254	37,862	-	-	-	4,281,862	2,140,931
75%	-	-	-	-	-	905,224	-	-	-	-	905,224	678,918
100%	-	-	-	-	385,829	1,538,495	-	-	59,034	-	1,983,358	1,983,358
100%< RW < 1250%	-	-	-	-	1,607	1,320	-	-	-	-	2,927	4,391
1250%	-	-	-	-	-	-	-	-	-	-	-	-
Total	18,036,722	3,696,314	5,117	15,464	1,385,406	6,014,188	39,260	-	97,766	20,379	29,310,616	4,919,858
Average Risk Weight	-	1%	50%	20%	64%	65%	49%	-	60%	20%	17%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 14(c): Disclosure by Risk Weight under SA for CIMBIBG

CIMBIBG

(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
2020												
0%	**329,371**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**329,378**	**-**
20%	**-**	**-**	**215,193**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**215,193**	**43,039**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
50%	**-**	**-**	**95,884**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**95,884**	**47,942**
75%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100%	**-**	**-**	**-**	**-**	**6,403**	**-**	**-**	**-**	**70,885**	**-**	**77,288**	**77,288**
100%<RW < 1250%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1250%	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**329,371**	**-**	**311,078**	**-**	**6,403**	**-**	**-**	**-**	**70,892**	**-**	**717,743**	**168,269**
Average Risk Weight	**-**	**-**	**29%**	**-**	**100%**	**-**	**-**	**-**	**100%**	**-**	**23%**	
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
2019												
0%	466,539	–	–	–	–	–	–	–	20	–	466,560	–
20%	–	–	59,637	–	–	–	–	–	–	–	59,637	11,927
35%	–	–	–	–	–	–	–	–	–	–	–	–
50%	–	–	150,182	–	–	–	–	–	–	–	150,182	75,091
75%	–	–	–	–	–	–	–	–	–	–	–	–
100%	–	–	–	–	146,842	–	–	–	107,676	–	254,518	254,518
100%<RW < 1250%	–	–	–	–	–	–	–	–	–	–	–	–
1250%	–	–	–	–	–	–	–	–	–	–	–	–
Total	466,539	–	209,818	–	146,842	–	–	–	107,696	–	930,896	341,536
Average Risk Weight	–	–	41%	–	100%	–	–	–	100%	–	37%	
Deduction from Capital Base	–	–	–	–	–	–	–	–	–	–	–	

* The total includes the portion which is deducted from Capital Base, if any.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 15(a): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBBG

(RM'000) Exposure Class	CIMBBG Investment Grade	Non-Investment Grade	No Rating	Total
2020				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**7,859,765**	**7,859,765**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**1,658,087**	**–**	**1,191,323**	**2,849,411**
Corporate	**1,121,905**	**–**	**28,782,643**	**29,904,548**
Sovereign/Central Banks	**43,550,953**	**–**	**36,624,221**	**80,175,174**
Banks, MDBs and DFIs	**1,649,257**	**–**	**10,393,030**	**12,042,287**
Total	**47,980,202**	**–**	**84,850,981**	**132,831,184**
2019				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	7,734,756	7,734,756
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,808,778	–	1,383,275	3,192,053
Corporate	905,194	686,008	26,827,641	28,418,843
Sovereign/Central Banks	32,339,939	–	30,865,491	63,205,430
Banks, MDBs and DFIs	1,391,679	–	9,901,738	11,293,417
Total	36,445,589	686,008	76,712,901	113,844,498

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 15(b): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBISLG

	CIMBISLG			
(RM'000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
2020				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**3,822,133**	**3,822,133**
Takaful Operators, Securities Firms & Fund Managers	**15,706**	**–**	**0.01**	**15,706**
Corporate	**–**	**–**	**1,825,505**	**1,825,505**
Sovereign/Central Banks	**8,244,966**	**–**	**12,899,514**	**21,144,480**
Banks, MDBs and DFIs	**1,608**	**–**	**–**	**1,608**
Total	**8,262,280**	**–**	**18,547,152**	**26,809,432**
2019				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	3,696,314	3,696,314
Takaful Operators, Securities Firms & Fund Managers	15,464	–	–	15,464
Corporate	–	–	1,411,799	1,411,799
Sovereign/Central Banks	8,975,340	–	9,061,382	18,036,722
Banks, MDBs and DFIs	5,117	–	–	5,117
Total	8,995,921	–	14,169,494	23,165,415

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 15(c): Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs for CIMBIBG

(RM'000) Exposure Class	CIMBIBG Investment Grade	Non-Investment Grade	No Rating	Total
2020				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	**–**	**–**	**–**	**–**
Insurance Cos, Securities Firms & Fund Managers	**–**	**–**	**–**	**–**
Corporate	**–**	**–**	**6,403**	**6,403**
Sovereign/Central Banks	**–**	**–**	**329,371**	**329,371**
Banks, MDBs and DFIs	**112,719**	**–**	**249,982**	**362,700**
Total	**112,719**	**–**	**585,756**	**698,474**
2019				
On and Off-Balance-Sheet Exposures				
Public Sector Entities	–	–	–	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	114,351	–	32,491	146,842
Sovereign/Central Banks	–	–	466,539	466,539
Banks, MDBs and DFIs	160,918	–	98,828	259,746
Total	275,269	–	597,859	873,128

Table 16(a): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBBG

(RM'000) Exposure Class	CIMBBG Investment Grade	Non-Investment Grade	No Rating	Total
2020				
On and Off-Balance-Sheet Exposures				
Securitisation	**372,539**	**–**	**–**	**372,539**
2019				
On and Off-Balance-Sheet Exposures				
Securitisation	310,369	–	–	310,369

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

Table 16(b): Disclosures of Securitisation under SA according to Ratings by ECAIs for CIMBISLG

	CIMBISLG			
(RM'000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
2020				
On and Off-Balance-Sheet Exposures				
Securitisation	–	–	–	–
2019				
On and Off-Balance-Sheet Exposures				
Securitisation	20,379	–	–	20,379

As at 31 December 2020 and 31 December 2019, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

CIMBBG and CIMBISLG adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMBISLG to adopt various rating systems to measure its credit risk for both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and portfolio management purposes.

For non-retail exposures, internal ratings are one of the tools used to assist the approving committees in making informed decisions of the credit application.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by Group Risk with inputs from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRCC and subsequently BRCC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

RETAIL EXPOSURES

Retail exposures is a portfolio large in numbers and are similarly managed due to its homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/financing.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, Xpress Cash, residential mortgages, business premises loans/financing and ASB financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for new customers and behavioural scorecards for existing customers. The models deployed for retail portfolio include application, behavioural, PD, LGD and EAD segmentation models.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

a) PD, LGD and EAD Segmentation Models for Retail Exposures

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective model risk estimate is developed based on expert judgement or available industry data with margin of conservatism.

PD Calibration

- PD is defined as the probability of a borrower/customer defaulting within a one year time horizon.
- PD estimated for each pool must be representative of the long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as "Central Tendency".

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio's summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan/financing EAD estimation includes the estimated net additional drawings over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a loan/financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors such as internal, external, direct and indirect costs associated with recoveries.
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  (i) Regularisation of defaulted accounts.
  (ii) Sale proceeds from collaterals.
  (iii) Cash receipts from borrowers/customers.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2020 and 31 December 2019:

Table 17(a): Retail Credit Exposures by PD Band for CIMBBG

	CIMBBG			
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% or Default**	**Total**
2020				
Total Retail Exposure	**136,484,822**	**36,872,318**	**3,661,507**	**177,018,646**
Residential Mortgage/RRE Financing	**82,884,128**	**7,431,144**	**2,481,723**	**92,796,994**
QRRE	**8,922,527**	**2,865,620**	**119,059**	**11,907,206**
Hire Purchase	**15,815,660**	**2,851,292**	**226,172**	**18,893,124**
Other Retail	**28,862,507**	**23,724,261**	**834,553**	**53,421,322**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**20%**	**24%**	**27%**	
QRRE	**89%**	**89%**	**89%**	
Hire Purchase	**53%**	**54%**	**56%**	
Other Retail	**26%**	**16%**	**46%**	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	**11%**	**91%**	**169%**	
QRRE	**29%**	**144%**	**378%**	
Hire Purchase	**53%**	**85%**	**236%**	
Other Retail	**18%**	**25%**	**188%**	
2019				
Total Retail Exposure	129,416,233	44,815,753	2,804,822	177,036,807
Residential Mortgage/RRE Financing	75,737,581	8,311,089	1,876,693	85,925,363
QRRE	9,296,188	3,657,621	113,325	13,067,134
Hire Purchase	14,137,618	2,431,332	169,595	16,738,545
Other Retail	30,244,846	30,415,711	645,208	61,305,765
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	21%	27%	
QRRE	89%	89%	89%	
Hire Purchase	51%	52%	54%	
Other Retail	26%	19%	52%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	11%	73%	214%	
QRRE	30%	137%	227%	
Hire Purchase	51%	83%	167%	
Other Retail	20%	32%	162%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

Table 17(b): Retail Credit Exposures by PD Band for CIMBISLG

	CIMBISLG			
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% or Default**	**Total**
2020				
Total Retail Exposure	**40,397,648**	**20,441,566**	**1,069,051**	**61,908,265**
RRE Financing	**21,781,511**	**2,615,980**	**718,932**	**25,116,424**
QRRE	**166,601**	**86,635**	**1,095**	**254,331**
Hire Purchase	**9,553,637**	**1,973,300**	**111,180**	**11,638,117**
Other Retail	**8,895,898**	**15,765,651**	**237,845**	**24,899,393**
Exposure Weighted Average LGD				
RRE Financing	**24%**	**26%**	**30%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**53%**	**53%**	**55%**	
Other Retail	**27%**	**10%**	**31%**	
Exposure Weighted Average Risk Weight				
RRE Financing	**14%**	**105%**	**189%**	
QRRE	**34%**	**121%**	**361%**	
Hire Purchase	**53%**	**83%**	**236%**	
Other Retail	**24%**	**16%**	**149%**	
2019				
Total Retail Exposure	33,032,564	21,291,877	641,509	54,965,950
RRE Financing	17,589,463	2,712,257	463,560	20,765,279
QRRE	156,880	119,503	2,103	278,485
Hire Purchase	7,344,550	1,599,104	72,108	9,015,762
Other Retail	7,941,672	16,861,014	103,738	24,906,423
Exposure Weighted Average LGD				
RRE Financing	21%	23%	28%	
QRRE	90%	90%	90%	
Hire Purchase	52%	53%	55%	
Other Retail	25%	10%	41%	
Exposure Weighted Average Risk Weight				
RRE Financing	13%	79%	228%	
QRRE	34%	128%	351%	
Hire Purchase	52%	81%	178%	
Other Retail	23%	16%	199%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

Table 18(a): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBBG

(RM'000) EL Range of Retail Exposures	CIMBBG EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2020				
Total Retail Exposure	**156,730,738**	**19,990,772**	**297,136**	**177,018,646**
Residential Mortgage/RRE Financing	**87,215,591**	**5,469,350**	**112,053**	**92,796,994**
QRRE	**7,781,071**	**4,120,637**	**5,499**	**11,907,206**
Hire Purchase	**15,836,140**	**3,054,701**	**2,283**	**18,893,124**
Other Retail	**45,897,937**	**7,346,084**	**177,300**	**53,421,322**
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	**20%**	**27%**	**38%**	
QRRE	**89%**	**89%**	**90%**	
Hire Purchase	**53%**	**54%**	**55%**	
Other Retail	**19%**	**36%**	**84%**	
2019				
Total Retail Exposure	153,371,467	23,398,139	267,201	177,036,807
Residential Mortgage/RRE Financing	81,737,767	4,094,560	93,037	85,925,363
QRRE	7,806,116	5,260,305	712	13,067,134
Hire Purchase	14,156,864	2,572,088	9,593	16,738,545
Other Retail	49,670,720	11,471,187	163,859	61,305,765
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	25%	39%	
QRRE	89%	89%	90%	
Hire Purchase	51%	53%	54%	
Other Retail	19%	41%	85%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

RETAIL EXPOSURES (CONTINUED)

Table 18(b): Retail Exposures under the IRB Approach by Expected Loss Range for CIMBISLG

(RM'000) EL Range of Retail Exposures	CIMBISLG EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
2020				
Total Retail Exposure	**54,018,790**	**7,847,453**	**42,022**	**61,908,265**
RRE Financing	**23,064,921**	**2,026,957**	**24,545**	**25,116,424**
QRRE	**126,772**	**127,552**	**7**	**254,331**
Hire Purchase	**9,572,103**	**2,065,702**	**312**	**11,638,117**
Other Retail	**21,254,994**	**3,627,242**	**17,157**	**24,899,393**
Exposure Weighted Average LGD				
RRE Financing	**24%**	**30%**	**40%**	
QRRE	**90%**	**90%**	**90%**	
Hire Purchase	**53%**	**54%**	**54%**	
Other Retail	**15%**	**24%**	**54%**	
2019				
Total Retail Exposure	48,335,897	6,593,902	36,152	54,965,950
RRE Financing	19,366,442	1,379,097	19,740	20,765,279
QRRE	116,300	162,163	23	278,485
Hire Purchase	7,361,458	1,652,365	1,939	9,015,762
Other Retail	21,491,697	3,400,276	14,450	24,906,423
Exposure Weighted Average LGD				
RRE Financing	21%	26%	40%	
QRRE	90%	90%	90%	
Hire Purchase	52%	53%	57%	
Other Retail	14%	24%	56%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

NON-RETAIL EXPOSURES

Non-retail exposures covered under the F-IRB Approach include foreign sovereigns, corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification. The LGDs of these exposures are assigned as per the CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Group Credit Risk Rating Methodology. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2020 and 31 December 2019:

Table 19(a): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBBG

(RM'000)	CIMBBG					
Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
2020						
Project Finance	**755,998**	**5,508,075**	**248,108**	**1,381**	**1,756,690**	**8,270,251**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**2,413,892**	**10,282,257**	**410,051**	**1,257,136**	**265,331**	**14,628,666**
RWA	**1,615,654**	**10,903,561**	**756,882**	**3,146,290**	**–**	**16,422,388**
2019						
Project Finance	725,188	3,443,807	–	33,719	1,673,357	5,876,072
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	2,786,074	10,421,442	305,351	490,172	248,956	14,251,994
RWA	1,794,648	10,504,866	351,153	1,309,729	–	13,960,396

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

NON-RETAIL EXPOSURES (CONTINUED)

Table 19(b): Credit Exposures Subject to Supervisory Risk Weight under IRB Approach for CIMBISLG

(RM'000) Supervisory Categories	CIMBISLG Strong	Good	Satisfactory	Weak	Default	Total
2020						
Project Finance	**48,017**	**213,305**	**–**	**1,381**	**–**	**262,703**
Object Finance	**–**	**–**	**–**	**–**	**–**	**–**
Commodities Finance	**–**	**–**	**–**	**–**	**–**	**–**
Income Producing Real Estate	**144,233**	**955,870**	**159,081**	**178,780**	**0.03**	**1,437,964**
RWA	**96,125**	**858,890**	**182,943**	**450,402**	**–**	**1,588,360**
2019						
Project Finance	88,049	228,613	–	–	–	316,661
Object Finance	–	–	–	–	–	–
Commodities Finance	–	–	–	–	–	–
Income Producing Real Estate	117,481	1,129,527	29,779	90,379	2,064	1,369,230
RWA	102,765	943,720	34,246	225,947	–	1,306,677

CIMBBG and CIMBISLG have no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

NON-RETAIL EXPOSURES (CONTINUED)

Table 20(a): Non-Retail Exposures under IRB Approach by Risk Grades for CIMBBG

(RM'000)			CIMBBG		
Internal Risk Grading	**1 – 3**	**4 – 9**	**10 – 13**	**Default**	**Total**
2020					
Total Non-Retail Exposure	**39,166,825**	**66,447,203**	**27,032,841**	**3,766,969**	**136,413,838**
Sovereign/Central Banks	**–**	**–**	**–**	**–**	**–**
Bank	**15,920,233**	**5,230,043**	**1,030**	**0**	**21,151,306**
Corporate (excluding Specialised Lending/Financing)	**23,246,592**	**61,217,160**	**27,031,812**	**3,766,969**	**115,262,532**
Exposure Weighted Average LGD					
Sovereign/Central Banks	**–**	**–**	**–**	**–**	
Bank	**43%**	**45%**	**45%**	**45%**	
Corporate (excluding Specialised Lending/Financing)	**44%**	**40%**	**35%**	**41%**	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	**–**	**–**	**–**	**–**	
Bank	**20%**	**47%**	**207%**	**–**	
Corporate (excluding Specialised Lending/Financing)	**16%**	**76%**	**114%**	**–**	
2019					
Total Non-Retail Exposure	42,625,928	69,388,703	24,173,198	3,219,931	139,407,761
Sovereign/Central Banks	–	–	–	–	–
Bank	17,399,094	5,302,318	134,090	0	22,835,502
Corporate (excluding Specialised Lending/Financing)	25,226,834	64,086,385	24,039,107	3,219,931	116,572,259
Exposure Weighted Average LGD					
Sovereign/Central Banks	–	–	–	–	
Bank	44%	44%	45%	45%	
Corporate (excluding Specialised Lending/Financing)	43%	40%	37%	42%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	–	–	–	–	
Bank	21%	42%	166%	–	
Corporate (excluding Specialised Lending/Financing)	15%	73%	109%	–	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

NON-RETAIL EXPOSURES (CONTINUED)

Table 20(b): Non-Retail Exposures under IRB Approach by Risk Grades for CIMBISLG

(RM'000)	CIMBISLG				
Internal Risk Grading	**1 – 3**	**4 – 9**	**10 – 13**	**Default**	**Total**
2020					
Total Non-Retail Exposure	**8,059,342**	**9,669,711**	**6,156,096**	**956,590**	**24,841,739**
Bank	**758,010**	**126,005**	**68**	**0.01**	**884,083**
Corporate (excluding Specialised Financing)	**7,301,332**	**9,543,706**	**6,156,028**	**956,590**	**23,957,656**
Exposure Weighted Average LGD					
Bank	**41%**	**38%**	**45%**	**45%**	
Corporate (excluding Specialised Financing)	**44%**	**40%**	**38%**	**38%**	
Exposure Weighted Average Risk Weight					
Bank	**17%**	**39%**	**210%**	**–**	
Corporate (excluding Specialised Financing)	**10%**	**74%**	**111%**	**–**	
2019					
Total Non-Retail Exposure	8,679,178	11,198,194	5,426,843	887,883	26,192,097
Bank	1,192,753	108,768	37	–	1,301,557
Corporate (excluding Specialised Financing)	7,486,425	11,089,426	5,426,806	887,883	24,890,539
Exposure Weighted Average LGD					
Bank	45%	41%	45%	–	
Corporate (excluding Specialised Financing)	44%	41%	37%	41%	
Exposure Weighted Average Risk Weight					
Bank	18%	42%	191%	–	
Corporate (excluding Specialised Financing)	10%	75%	104%	–	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

EXPECTED LOSSES VERSUS ACTUAL LOSSES BY PORTFOLIO TYPES

The following table summarises the expected losses versus actual losses by portfolio type:

Table 21(a): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBBG

	CIMBBG			
	2020		2019	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2019	Actual Losses for the year ended 31 December 2020	Regulatory Expected Losses as at 31 December 2018	Actual Losses for the year ended 31 December 2019
Sovereign	–	–	–	–
Bank	14,670	(0)	15,085	0
Corporate	878,050	1,275,289	962,936	232,800
Mortgage/RRE Financing	247,050	176,839	232,541	90,163
HPE	168,735	156,961	155,361	230,763
QRRE	426,029	102,101	439,253	173,703
Other Retail	313,086	55,762	291,626	47,176
Total	2,047,620	1,766,953	2,096,803	774,605

Table 21(b): Analysis of Expected Loss versus Actual Losses by Portfolio Types for CIMBISLG

	CIMBISLG			
	2020		2019	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2019	Actual Losses for the year ended 31 December 2020	Regulatory Expected Losses as at 31 December 2018	Actual Losses for the year ended 31 December 2019
Sovereign	–	–	–	–
Bank	340	0.003	484	–
Corporate	181,713	74,784	140,035	(40,921)
RRE Financing	78,799	58,788	68,666	27,508
HPE	88,414	72,902	65,451	93,261
QRRE	10,551	2,596	12,299	4,994
Other Retail	159,066	30,620	143,217	29,189
Total	518,884	239,691	430,153	114,032

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC or the relevant credit approving authority.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2020 and 31 December 2019 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2020 and 31 December 2019:

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG

2020	**CIMBBG**			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	**3,685,480**		**3,685,480**	**2,503,829**
Transaction Related Contingent Items	**6,179,292**		**3,089,646**	**2,261,161**
Short Term Self Liquidating Trade Related Contingencies	**1,246,161**		**249,232**	**189,911**
Assets Sold With Recourse	**–**		**–**	**–**
Forward Asset Purchases	**–**		**–**	**–**
Obligations under an On-going Underwriting Agreement	**–**		**–**	**–**
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	**2,592,235**		**2,594,690**	**151,171**
Foreign Exchange Related Contracts				
One year or less	**20,766,630**	**129,490**	**407,491**	**279,234**
Over one year to five years	**1,083,265**	**20,939**	**91,857**	**46,723**
Over five years	**–**	**–**	**–**	**–**
Interest/Profit Rate Related Contracts				
One year or less	**2,460,791**	**33,804**	**53,752**	**54,416**
Over one year to five years	**3,999,034**	**106,708**	**227,981**	**108,236**
Over five years	**812,122**	**60,343**	**173,914**	**101,917**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (continued)

2020	CIMBBG			
(RM'000) **Description**	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Equity Related Contracts				
One year or less	42,823	44	2,613	5,531
Over one year to five years	142,218	16,510	27,888	31,167
Over five years	–	–	–	–
Commodity Contracts				
One year or less	35,367	10,207	13,743	16,699
Over one year to five years	7,851	1,749	2,692	4,364
Over five years	–	–	–	–
Credit Derivative Contracts				
One year or less	–	–	–	–
Over one year to five years	8,650	97	530	397
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	931,498,538	5,752,970	18,688,509	9,916,797
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	39,845,902		34,505,078	11,494,156
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	89,928		55,943	29,314
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	109,510,843		–	–
Unutilised credit card lines	25,740,043		6,380,167	2,501,974
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	**1,149,747,175**	**6,132,862**	**70,251,205**	**29,696,997**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(a): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBBG (continued)

2019

(RM'000) Description	CIMBBG Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	3,558,525		3,558,525	2,309,338
Transaction Related Contingent Items	7,043,562		3,521,781	2,206,028
Short Term Self Liquidating Trade Related Contingencies	4,252,772		850,554	653,960
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	439,666		442,012	48,499
Foreign Exchange Related Contracts				
One year or less	21,900,382	92,831	326,377	237,941
Over one year to five years	511,135	4,422	33,525	29,131
Over five years	–	–	–	–
Interest/Profit Rate Related Contracts				
One year or less	790,192	5,407	12,267	9,568
Over one year to five years	4,216,214	99,952	208,481	138,233
Over five years	771,583	65,462	184,173	80,404
Equity Related Contracts				
One year or less	72,097	1,168	5,494	8,686
Over one year to five years	178,546	54,538	68,822	102,155
Over five years	–	0	0	0
Commodity Contracts				
One year or less	451	646	691	1,712
Over one year to five years	497	1,025	1,084	2,687
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	959,593,717	4,725,810	18,282,977	9,557,425
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	38,931,992		33,989,718	11,619,959
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,716		3,343	3,225
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	112,492,126		–	–
Unutilised credit card lines	25,677,235		6,433,012	2,832,428
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	1,180,447,408	5,051,261	67,922,837	29,841,381

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG

2020	**CIMBISLG**			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	293,219		293,219	211,432
Transaction Related Contingent Items	698,857		349,429	227,022
Short Term Self Liquidating Trade Related Contingencies	60,296		12,059	9,034
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	5,719,347	7,498	88,867	50,134
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
Profit Rate Related Contracts				
One year or less	266,332	1,320	5,275	2,376
Over one year to five years	378,170	23,131	48,335	7,723
Over five years	257,943	2,470	65,193	14,010
Commodity contracts				
One year or less	–	–	–	–
Over one year to five years	1,403	1,521	1,689	2,219
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	17,312,856	201,632	491,851	146,509
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11,940,705		10,338,508	3,290,130
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	8,624,312		–	–
Unutilised credit card lines	404,339		119,869	58,306
Off-balance sheet items for securitisation exposures	–		–	–
Total	**45,957,777**	**237,572**	**11,814,294**	**4,018,894**

OFF-BALANCE SHEET EXPOSURES AND CRR (CONTINUED)

Table 22(b): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBISLG (continued)

2019	**CIMBISLG**			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	244,673		244,673	165,434
Transaction Related Contingent Items	854,087		427,044	273,915
Short Term Self Liquidating Trade Related Contingencies	35,640		7,128	5,680
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Commitments to buy back Islamic securities under Sales and Buy Back agreement	–		–	–
Foreign Exchange Related Contracts				
One year or less	3,539,945	1,710	47,698	17,735
Over one year to five years	195,197	–	12,211	5,601
Over five years	–	–	–	–
Profit Rate Related Contracts				
One year or less	331,274	262	3,779	2,244
Over one year to five years	1,384,773	23,334	69,238	22,091
Over five years	388,835	39,201	126,995	25,399
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	22,474,126	149,781	416,402	110,509
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,916,641		9,642,170	3,272,200
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,654,799		–	–
Unutilised credit card lines	418,448		129,559	81,947
Off-balance sheet items for securitisation exposures	–		–	–
Total	48,438,439	214,288	11,126,898	3,982,755

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG

2020	CIMBIBG			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	**71,734**		**71,734**	**35,867**
Transaction Related Contingent Items	**–**		**–**	**–**
Short Term Self Liquidating Trade Related Contingencies	**–**		**–**	**–**
Assets Sold With Recourse	**–**		**–**	**–**
Forward Asset Purchases	**–**		**–**	**–**
Obligations under an On-going Underwriting Agreement	**–**		**–**	**–**
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	**–**		**–**	**–**
Foreign Exchange Related Contracts				
One year or less	**–**	**–**	**–**	**–**
Over one year to five years	**–**	**–**	**–**	**–**
Over five years	**–**	**–**	**–**	**–**
Commodity Contracts				
One year or less	**–**	**–**	**–**	**–**
Over one year to five years	**–**	**–**	**–**	**–**
Over five years	**–**	**–**	**–**	**–**
Credit Derivative Contracts				
One year or less	**–**	**–**	**–**	**–**
Over one year to five years	**–**	**–**	**–**	**–**
Over five years	**–**	**–**	**–**	**–**
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	**–**	**–**	**–**	**–**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**–**		**–**	**–**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**–**		**–**	**–**
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**–**		**–**	**–**
Unutilised credit card lines	**–**		**–**	**–**
Off-balance sheet items for securitisation exposures	**–**		**–**	**–**
Off-balance sheet exposures due to early amortisation provisions	**–**		**–**	**–**
Total	**71,734**	**–**	**71,734**	**35,867**

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

Table 22(c): Disclosure on Off-Balance Sheet Exposures and CCR for CIMBIBG (continued)

2019	**CIMBIBG**			
(RM'000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	154,770		154,770	134,560
Transaction Related Contingent Items	–		–	–
Short Term Self Liquidating Trade Related Contingencies	–		–	–
Assets Sold With Recourse	–		–	–
Forward Asset Purchases	–		–	–
Obligations under an On-going Underwriting Agreement	–		–	–
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	–		–	–
Foreign Exchange Related Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
Commodity Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
Credit Derivative Contracts				
One year or less	–	–	–	–
Over one year to five years	–	–	–	–
Over five years	–	–	–	–
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	–		–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	–		–	–
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Unutilised credit card lines	–		–	–
Off-balance sheet items for securitisation exposures	–		–	–
Off-balance sheet exposures due to early amortisation provisions	–		–	–
Total	154,770	–	154,770	134,560

OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 23(a): Disclosure on Credit Derivative Transactions for CIMBBG

	CIMBBG			
	2020		2019	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**281,260**	**1,469,336**	984,783	1,935,192
Client Intermediation Activities	**–**	**49,785**	–	333,770
Total	**281,260**	**1,519,121**	984,783	2,268,962
Credit Default Swaps	**281,260**	**1,469,336**	984,783	1,832,867
Total Return Swaps	**–**	**49,785**	–	436,095
Total	**281,260**	**1,519,121**	984,783	2,268,962

Table 23(b): Disclosure on Credit Derivative Transactions for CIMBISLG

	CIMBISLG			
	2020		2019	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**20,750**	–	20,750
Total	**–**	**20,750**	–	20,750
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**20,750**	–	20,750
Total	**–**	**20,750**	–	20,750

Table 23(c): Disclosure on Credit Derivative Transactions for CIMBIBG

	CIMBIBG			
	2020		2019	
	Notional of Credit Derivatives			
(RM'000)	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	**–**	**–**	–	–
Client Intermediation Activities	**–**	**–**	–	–
Total	**–**	**–**	–	–
Credit Default Swaps	**–**	**–**	–	–
Total Return Swaps	**–**	**–**	–	–
Total	**–**	**–**	–	–

CREDIT RISK MITIGATION

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support, form an integral part of the credit risk management process. Credit risk mitigants are taken, where possible, and are considered secondary recourse to the obligor for the credit risk underwritten.

I) COLLATERALS/SECURITIES

All extension of secured credit facilities must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC or the relevant credit approving authority is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land, buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

II) COLLATERAL VALUATION AND MANAGEMENT

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

III) NETTING

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

IV) PORTFOLIO DIVERSIFICATION FOR BETTER CLARITY

Our Group avoids unwanted credit or market risk concentrations by diversifying our portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

CREDIT RISK MITIGATION (CONTINUED)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2020 and 31 December 2019:

Table 24(a): Disclosure on Credit Risk Mitigation for CIMBBG

2020	**CIMBBG**			
(RM'000) Exposure Class	**Exposures before CRM**	**Exposures Covered by Guarantees/ Credit Derivatives**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
Performing Exposures				
Sovereign/Central Banks	**80,175,174**	**–**	**–**	**–**
Public Sector Entities	**7,859,765**	**7,651,317**	**77**	**–**
Banks, DFIs & MDBs	**33,193,593**	**1,797,542**	**1,089,814**	**–**
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	**2,849,411**	**–**	**50,897**	**–**
Corporate	**161,672,670**	**6,518,559**	**12,216,278**	**20,922,268**
Residential Mortgages/RRE Financing	**102,967,785**	**–**	**2,808**	**–**
Qualifying Revolving Retail	**11,816,161**	**–**	**–**	**–**
Hire Purchase	**18,666,952**	**–**	**–**	**–**
Other Retail	**82,880,579**	**730,630**	**2,008,337**	**–**
Securitisation	**372,539**	**–**	**–**	**–**
Equity	**–**	**–**	**–**	**–**
Higher Risk Assets	**1,816,824**	**–**	**–**	**–**
Other Assets	**16,810,261**	**–**	**–**	**–**
Defaulted Exposures	**5,460,097**	**4,487**	**123,748**	**1,106,239**
Total Exposures	**526,541,811**	**16,702,535**	**15,491,960**	**22,028,507**

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Table 24(a): Disclosure on Credit Risk Mitigation for CIMBBG (continued)

2019	**CIMBBG**			
(RM'000) Exposure Class	**Exposures before CRM**	**Exposures Covered by Guarantees/ Credit Derivatives**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
Performing Exposures				
Sovereign/Central Banks	63,205,430	–	–	–
Public Sector Entities	7,734,756	7,500,000	88	–
Banks, DFIs & MDBs	34,128,919	1,784,709	641,280	–
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,192,053	–	36,604	–
Corporate	159,466,085	6,303,347	14,013,787	18,531,080
Residential Mortgages/RRE Financing	96,735,943	–	4,762	–
Qualifying Revolving Retail	12,960,906	–	–	–
Hire Purchase	16,568,950	–	–	–
Other Retail	84,004,337	750,492	1,598,653	–
Securitisation	310,369	–	–	–
Equity	2,003	–	–	–
Higher Risk Assets	1,117,749	–	–	–
Other Assets	15,536,770	–	–	–
Defaulted Exposures	4,830,102	121	117,657	444,800
Total Exposures	499,794,372	16,338,669	16,412,832	18,975,880

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Table 24(b): Disclosure on Credit Risk Mitigation for CIMBISLG

2020

(RM'000) Exposure Class	CIMBISLG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	**21,144,480**	**–**	**–**	**–**
Public Sector Entities	**3,822,133**	**3,651,317**	**–**	**–**
Banks, DFIs & MDBs	**885,690**	**–**	**79,212**	**–**
Takaful Operators, Securities Firms & Fund Managers	**15,706**	**–**	**–**	**–**
Corporate	**26,499,119**	**2,638,064**	**636,941**	**7,285,208**
RRE Financing	**24,908,500**	**–**	**–**	**–**
Qualifying Revolving Retail	**253,267**	**–**	**–**	**–**
Hire Purchase	**11,526,937**	**–**	**–**	**–**
Other Retail	**32,218,873**	**349,123**	**777,598**	**–**
Securitisation	**–**	**–**	**–**	**–**
Higher Risk Assets	**–**	**–**	**–**	**–**
Other Assets	**261,836**	**–**	**–**	**–**
Defaulted Exposures	**1,287,674**	**987**	**54,063**	**469,048**
Total Exposures	**122,824,215**	**6,639,491**	**1,547,814**	**7,754,257**

2019

(RM'000) Exposure Class	CIMBISLG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	18,036,722	–	–	–
Public Sector Entities	3,696,314	3,500,000	–	–
Banks, DFIs & MDBs	1,306,674	–	20,617	–
Takaful Operators, Securities Firms & Fund Managers	15,464	–	–	–
Corporate	27,087,258	3,124,732	682,806	6,526,387
RRE Financing	20,569,815	–	–	–
Qualifying Revolving Retail	276,426	–	–	–
Hire Purchase	8,943,654	–	–	–
Other Retail	31,056,524	326,895	223,492	–
Securitisation	20,379	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	97,766	–	–	–
Defaulted Exposures	1,026,901	–	51,584	116,381
Total Exposures	112,133,897	6,951,627	978,499	6,642,768

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK MITIGATION (CONTINUED)

Table 24(c): Disclosure on Credit Risk Mitigation for CIMBIBG

2020

(RM'000) Exposure Class	CIMBIBG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	**329,371**	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	**362,700**	–	**51,623**	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	**6,403**	–	–	–
Residential Mortgages	–	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	–	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	**70,892**	–	–	–
Defaulted Exposures	–	–	–	–
Total Exposures	**769,366**	–	**51,623**	–

2019

(RM'000) Exposure Class	CIMBIBG Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Performing Exposures				
Sovereign/Central Banks	466,539	–	–	–
Public Sector Entities	–	–	–	–
Banks, DFIs & MDBs	259,746	–	49,928	–
Insurance Cos, Securities Firms & Fund Managers	–	–	–	–
Corporate	146,842	–	–	–
Residential Mortgages	–	–	–	–
Qualifying Revolving Retail	–	–	–	–
Hire Purchase	–	–	–	–
Other Retail	–	–	–	–
Securitisation	–	–	–	–
Higher Risk Assets	–	–	–	–
Other Assets	107,696	–	–	–
Defaulted Exposures	–	–	–	–
Total Exposures	980,824	–	49,928	–

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

Securitisation

THE ROLE CIMB PLAYS IN THE SECURITISATION PROCESS

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets as a means of diversifying funding source, as well as advised on securitisations of third party assets as part of its regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

DISCLOSURE ON SECURITISATION FOR BANKING BOOK

The following tables show the disclosure on Securitisation for Banking Book for 31 December 2020 and 31 December 2019:

Table 25(a): Disclosure on Securitisation for Banking Book

	CIMBBG			
(RM'000) Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Credit Impaired**	**Gains/(Losses) Recognised during the year**
2020				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**403,293**	**34,586**	**7,884**	**(7,267)**
2019				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	612,911	44,234	8,978	(1,402)

Table 25(b): Disclosure on Securitisation for Banking Book

	CIMBISLG			
(RM'000) Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Credit Impaired**	**Gains/(Losses) Recognised during the year**
2020				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	**115,753**	**15,295**	**3,949**	**(2,052)**
2019				
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	187,803	23,186	5,132	(2,067)

There were no outstanding exposures securitised by CIMBIBG as at 31 December 2020 and 31 December 2019.

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 26(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG

2020	**CIMBBG**											
	Distribution of Exposures after CRM according to Applicable Risk Weights											
			Rated Securitisation Exposures							**Unrated (Look Through)**		
(RM'000) Exposure Class	**Net Exposure After CRM**	**Exposures subject to deduction**	**0%**	**10%**	**20%**	**50%**	**100%**	**350%**	**1250%**	**Weighted Average RW**	**Exposure Amount**	**Risk-Weighted Assets**
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	**364,532**	**-**	**-**	**-**	**364,532**	**-**	**-**	**-**	**-**			**72,906**
Mezzanine	**8,007**	**-**	**-**	**-**	**8,007**	**-**	**-**	**-**	**-**			**1,601**
First loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**
Off-Balance Sheet												
Rated eligible liquidity facilities	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Unrated eligible liquidity facilities (with original maturity > 1 year)	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Unrated eligible liquidity facilities (with original maturity < 1 year)	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Eligible servicer cash advance facilities	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Eligible underwriting facilities	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Guarantees and credit derivatives	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Originating Banking Institution												
On-Balance Sheet												
Most senior	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**
Mezzanine	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**
First loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**
Off-Balance Sheet												
Rated eligible liquidity facilities	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Unrated eligible liquidity facilities (with original maturity > 1 year)	**-**	**-**			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Unrated eligible liquidity facilities (with original maturity < 1 year)	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Eligible servicer cash advance facilities	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Eligible underwriting facilities	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Guarantees and credit derivatives	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	**-**	**-**			**-**	**-**	**-**	**-**	**-**			**-**
Total Exposures	**372,539**	**-**	**-**	**-**	**372,539**	**-**	**-**	**-**	**-**	**-**	**-**	**74,508**

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 26(a): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBBG (continued)

2019	CIMBBG											
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	**Net Exposure After CRM**	**Exposures subject to deduction**	**0%**	**10%**	**20%**	**50%**	**100%**	**350%**	**1250%**	**Weighted Average RW**	**Exposure Amount**	**Risk-Weighted Assets**
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	300,368	–	–	–	300,368	–	–	–	–			60,074
Mezzanine	10,000	–	–	–	10,000	–	–	–	–			2,000
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–	–	–	–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	310,369	–	–	–	310,369	–	–	–	–	–	–	62,074

Securitisation

DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 26(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG

2020 — **CIMBISLG**

(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights: Rated Securitisation Exposures 0%	10%	20%	50%	100%	350%	1250%	Unrated (Look Through) Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
<u>*Non-originating Banking Institution*</u>												
On-Balance Sheet												
Most senior	-	-	-	-	-	-	-	-	-			-
Mezzanine	-	-	-	-	-	-	-	-	-			-
First loss	-	-	-	-	-	-	-	-	-			-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
<u>*Originating Banking Institution*</u>												
On-Balance Sheet												
Most senior	-	-	-	-	-	-	-	-	-			-
Mezzanine	-	-	-	-	-	-	-	-	-			-
First loss	-	-	-	-	-	-	-	-	-			-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
Total Exposures	-	-	-	-	-	-	-	-	-	-	-	-

SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

Table 26(b): Disclosure on Securitisation under the SA for Banking Book Exposures for CIMBISLG (continued)

2019 — **CIMBISLG**

			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	20,379	–	–	–	20,379	–	–	–	–			4,076
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Originating Banking Institution												
On-Balance Sheet												
Most senior	–	–	–	–	–	–	–	–	–			–
Mezzanine	–	–	–	–	–	–	–	–	–			–
First loss	–	–	–	–	–	–	–	–	–			–
Off-Balance Sheet												
Rated eligible liquidity facilities	–	–			–	–	–	–	–			–
Unrated eligible liquidity facilities (with original maturity > 1 year)	–	–			–	–	–	–	–	–	–	–
Unrated eligible liquidity facilities (with original maturity < 1 year)	–	–			–	–	–	–	–			–
Eligible servicer cash advance facilities	–	–			–	–	–	–	–			–
Eligible underwriting facilities	–	–			–	–	–	–	–			–
Guarantees and credit derivatives	–	–			–	–	–	–	–			–
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	–	–			–	–	–	–	–			–
Total Exposures	20,379	–	–	–	20,379	–	–	–	–	–	–	4,076

As at 31 December 2020 and 31 December 2019, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 27(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG

2020	**CIMBBG**				
(RM'000) Securitisation Exposures	**Total Exposure Value of Positions Purchased or Retained**	**Exposures subject to deduction**	**General Risk Charge**	**Specific Risk Charge**	**Risk-Weighted Assets**
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	9,949	–	87	99	2,337
Off-Balance Sheet	–	–	–	–	–
Sub-total	9,949	–	87	99	2,337
Originated by Banking Institution					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	**9,949**	**–**	**87**	**99**	**2,337**

SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE (CONTINUED)

Table 27(a): Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge for CIMBBG (continued)

2019	**CIMBBG**				
(RM'000) **Securitisation Exposures**	**Total Exposure Value of Positions Purchased or Retained**	**Exposures subject to deduction**	**General Risk Charge**	**Specific Risk Charge**	**Risk-Weighted Assets**
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	55,517	–	2,063	1,120	39,793
Off-Balance Sheet	–	–	–	–	–
Sub-total	55,517	–	2,063	1,120	39,793
Originated by Banking Institution					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Investor's interest					
On-Balance Sheet	–	–	–	–	–
Off-Balance Sheet	–	–	–	–	–
Sub-total	–	–	–	–	–
TOTAL (TRADITIONAL SECURITISATION)	55,517	–	2,063	1,120	39,793

As at 31 December 2020 and 31 December 2019, CIMBISLG and CIMBIBG have no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

Market Risk

Market risk is defined as any fluctuation in the value of a trading or investment exposure arising from changes to market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

MARKET RISK MANAGEMENT

Our Group adopts various measures as part of the risk management process. Our GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by our Group is within the risk appetite approved by our Board.

Market Risk CoE is responsible for measuring and controlling our Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

Our Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limit usage, assessing limit adequacy and verifying transaction prices.

CAPITAL TREATMENT FOR MARKET RISK

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG for the following in Tables 2(a), (b) and (c):

- Interest Rate Risk/Profit Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

Operational Risk

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

OPERATIONAL RISK MANAGEMENT OVERSIGHT

The NFRM CoE, within GRD, provides the methodology, tools and processes for the identification, assessment, reporting and management of operational risks by the respective risk owners across the Group. The NFRM CoE also independently oversees the operational risk controls monitoring that resides within the first line-of-defence.

Identified risks are rated using a defined risk rating methodology applied across the Group's three lines-of-defence. Monitoring of the identified risks is primarily done through the Operational Risk Committee or relevant risk management committees operating in each material geography and business line. These committees report up to the relevant functional or country level committees.

A strong governance structure is in place to ensure an effective and consistent implementation of the Group's Operational Risk framework. The Board is ultimately responsible for the Group's risk management activities, sets the strategic directions, risk appetite and relevant frameworks for the Group.

The responsibility of risk management supervision and control is delegated to the Group Risk and Compliance Committee (GRCC), which reports to the Board Risk and Compliance Committee (BRCC). The GRCC, comprising Senior Management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by the Group Operational & Resiliency Risk Committee which is a specialised sub-committee providing oversight on operational risk matters across the Bank.

Escalation and reporting processes are well instituted through the various management Committees mentioned above. The responsibilities of the Committees and the Board include the following:

i) Oversight and implementation of the Operational Risk Management Framework
ii) Establish and monitor operational risk appetite
iii) Establish effective policies, processes and systems for managing operational risk and an internal governance structure
iv) Be aware of key operational risk issues
v) Ensure that product risks are well managed and the needs and rights of consumers are appropriately addressed
vi) Ensure compliance to regulatory and internal requirements including disclosures.

Group Corporate Assurance Division performs regular reviews and assessments of the operational risk management framework, processes and systems. Results are communicated to the Board and senior management.

OPERATIONAL RISK MANAGEMENT APPROACH

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisational-wide risk management discipline and culture. Our Group manages operational risks through the following key measures:

i) Sound risk management practices in accordance with Basel regulatory guidelines;
ii) Board and senior management oversight;
iii) Well-defined responsibilities for all personnel concerned;
iv) Establishment of a risk management culture; and
v) Deployment of Operational Risk Management (ORM) tools that include:
   - Operational Event and Loss Data Management;
   - Risk & Control Self-Assessment;
   - Control Issue Management;
   - Key Risk Indicators;
   - New Product Approval Process; and
   - Scenario Analysis.

OPERATIONAL RISK MANAGEMENT APPROACH (CONTINUED)

These tools form part of the operational risk framework that allows the Group to effectively identify, measure, mitigate and report its operational risks. Each material division of the Group self-assesses on their internal risk and control environment rating and report key control deficiencies with remediation plans.

Each new or varied product with changes to the process flow is subjected to a rigorous risk review, where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

The promotion of a risk management culture within our Group, whereby the demand for integrity and honesty is non-negotiable, remains the core theme in our operational risk awareness program. Additionally, the e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c).

Equity Exposures in Banking Book

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are measured at fair value in accordance with Malaysian Financial Reporting Standards.

Realised and unrealised gains or losses arising from sales and liquidations of equities for the year ended 31 December 2020 and 31 December 2019 are as follows:

Table 28(a): Realised Gains/(Losses) from Sales and Liquidations, and Unrealised Gains of Equities for CIMBBG

	CIMBBG	
(RM'000)	**2020**	**2019**
Realised loss		
Shares, private equity funds and unit trusts	**–**	74
Unrealised gains		
Shares, private equity funds and unit trusts	**15,929**	23,375

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMBISLG and CIMBIBG as at 31 December 2020 and 31 December 2019.

The following table shows an analysis of equity investments by appropriate equity groupings and Risk-Weighted assets as at 31 December 2020 and 31 December 2019 for the Group:

Table 29(a): Analysis of Equity Investments by Grouping and RWA for CIMBBG

	CIMBBG			
	2020		**2019**	
(RM'000)	**Exposures subject to Risk-Weighting**	**RWA**	**Exposures subject to Risk-Weighting**	**RWA**
Privately held	**1,804,055**	**2,705,991**	1,106,163	1,659,244
Publicly traded	**–**	**–**	–	–
Total	**1,804,055**	**2,705,991**	1,106,163	1,659,244

Table 29(b): Analysis of Equity Investments by Grouping and RWA for CIMBISLG

	CIMBISLG			
	2020		**2019**	
(RM'000)	**Exposures subject to Risk-Weighting**	**RWA**	**Exposures subject to Risk-Weighting**	**RWA**
Privately held	**–**	**–**	–	–
Publicly traded	**–**	**–**	–	–
Total	**–**	**–**	–	–

Equity Exposures in Banking Book

Table 29(c): Analysis of Equity Investments by Grouping and RWA for CIMBIBG

	CIMBIBG			
	2020		2019	
(RM'000)	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	–	–	–	–
Publicly traded	–	–	–	–
Total	–	–	–	–

Interest Rate Risk/Rate of Return Risk in the Banking Book

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/profit rates.

IRRBB/RORBB MANAGEMENT

Our Group manages its banking book exposure of fluctuations in the interest rates/profit rates through policies established by GALCO. The GALCO is a board-delegated committee which reports to the GRCC. IRRBB/RORBB undertaken by our Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by our Group. The risk appetite is established by the Board. With the support from ALM COE under Group Risk, and CBSM under Group Finance, our GALCO is responsible for steering Group's balance sheet and hedging strategies, the overall interest rate risk/rate of return risk in the banking book profile and ensuring that such risk profile is within the established risk appetite. Treasury & Markets together with Capital & Balance Sheet Management are responsible for the day-to-day management of exposures and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

- **Economic Value of Equity sensitivity:**

  measures the long term impact of sudden interest rate/profit rate movement across the full maturity spectrum of our Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/profit rates. This measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from economic value perspective:

Table 30(a): IRRBB – Impact on Economic Value for CIMBBG

	CIMBBG	
	2020	**2019**
(RM'000) **Currency**	**+100bps Increase/(Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	**(2,635,717)**	(1,516,424)
US Dollar	**(98,078)**	(91,942)
Thai Baht	**(428,223)**	(262,715)
Singapore Dollar	**(211,191)**	(110,967)
Others	**(46,842)**	(13,010)
Total	**(3,420,051)**	(1,995,058)

IRRBB/RORBB MANAGEMENT (CONTINUED)

- **Economic Value of Equity sensitivity: (continued)**

Table 30(b): RORBB – Impact on Economic Value for CIMBISLG

(RM'000) Currency	CIMBISLG 2020	CIMBISLG 2019
	+100bps Increase/(Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**(706,510)**	(596,338)
US Dollar	**(1,409)**	(3,445)
Thai Baht	**–**	–
Singapore Dollar	**(1)**	(18)
Others	**126**	721
Total	**(707,794)**	(599,080)

Table 30(c): IRRBB – Impact on Economic Value for CIMBIBG

(RM'000) Currency	CIMBIBG 2020	CIMBIBG 2019
	+100bps Increase/(Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	**73**	144
US Dollar	**–**	–
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**–**	–
Total	**73**	144

- **Earnings-at-Risk:**

  is the potential impact of interest/profit rate changes on the bank's accruing or reported earnings. It focuses on risk to earnings in the near term, typically the next one year. Fluctuations in interest rates/profit rate generally affect reported earnings through changes in the bank's net interest/profit income, which is the difference between total interest/profit income earned from assets and total interest/profit expense incurred from liabilities. Our Group's EAR is taking into consideration forecasts on budgeted new business generation and product pricing strategies.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

IRRBB/RORBB MANAGEMENT (CONTINUED)

- **Earnings-at-Risk: (continued)**

  The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from the earnings perspective:

Table 31(a): IRRBB – Impact on Earnings for CIMBBG

(RM'000) Currency	CIMBBG 2020	CIMBBG 2019
	+100bps Increase/(Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**36,467**	161,308
US Dollar	**(171,976)**	(152,095)
Thai Baht	**(87,231)**	(70,400)
Singapore Dollar	**(119,633)**	(6,153)
Others	**67,864**	54,706
Total	**(274,509)**	(12,634)

Table 31(b): RORBB – Impact on Earnings for CIMBISLG

(RM'000) Currency	CIMBISLG 2020	CIMBISLG 2019
	+100bps Increase/(Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**(38,198)**	(37,891)
US Dollar	**(14,693)**	(8,136)
Thai Baht	**9**	9
Singapore Dollar	**9**	425
Others	**227**	(10,097)
Total	**(52,646)**	(55,690)

Table 31(c): IRRBB – Impact on Earnings for CIMBIBG

(RM'000) Currency	CIMBIBG 2020	CIMBIBG 2019
	+100bps Increase/(Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	**4,818**	4,398
US Dollar	**–**	–
Thai Baht	**–**	–
Singapore Dollar	**–**	–
Others	**(8)**	(7)
Total	**4,810**	4,391

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MINIMALIST, EFFICIENT, INTELLIGENT DESIGN APPROACH

We worked with our creative agency to plan an optimal design that not only communicates effectively with the readers, but also minimises use of ink, energy for printing, and the associated costs, without compromising on the aesthetic value of the design elements.

SIMPLICITY

We have gone sparse – replacing full scale and massive images with more icons, and limited the use of colours, keeping it rich.

CLEAN LINES

We optimised use of line-drawings, non-filled bar graphs/charts, and clean lines for clarity and visually more pleasing and easier to decipher.

MONOCHROMATIC COLOR PALETTE

By using a single base colour, and its variant shades and tones, we minimised the use of multiple colours that require more ink, with potential wastage.

MINIMAL ART

Our design this year balances between a clever play of space, creative design, and icons and tighter leadings and margins for text to reduce number of pages.

REDUCTIVISM

Where possible, we have avoided and reduced the need for heavy texts, fonts, and design elements including photographs etc.

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