

OPTIMISING OPPORTUNITIES



ANNUAL REPORT **2021**



OPTIMISING OPPORTUNITIES

Creating resilience amidst pandemic challenges, Export-Import Bank of Malaysia Berhad (“EXIM Bank”) offers opportunities for stability and recovery as Malaysia shows signs of regaining its economic momentum. In 2021, EXIM Bank provided relentless support in financing despite the challenging pandemic conditions. The Bank has made inroads as a financier of cutting-edge ‘green’ tech project that is in line with its mandate to promote and facilitate cross-border trade and investments of Malaysian businesses. The successful management of the pandemic to-date, and steady re-opening of the economy is expected to lead to recovery in consumer demand and investors’ confidence. A vast adoption of high technology and digitalisation among Malaysian businesses is also contributing to faster recovery in economic activities in 2022.

This year’s annual report theme and design celebrates the year’s highlight of partnering Malaysia’s first rolling stock manufacturer’s venture into non-traditional market as well as the dynamic strides being made in supporting and engaging with Malaysian businesses. The rendition of digital lines akin to a QR code style shows a modern and digital-ready approach, and provides access to EXIM Bank’s website.

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HIGHLIGHTS

OF EXIM BANK'S
CORPORATE PERFORMANCE FOR FY2021



Operating revenue for FY2021 amounted to

RM174.71
million

Profit Before Allowance for FY2021 stood at

RM81.61
million

Recovery income for the year was

RM27.49
million

Total Asset and Gross LAF stood at

RM7.88 billion and
RM5.30 million
respectively

Income from Islamic banking for the year was

RM148.79 million

with a net banking fund of

RM119.26 million

Interest expense reduced approximately by 12%, arriving to

RM101.31 million

Successfully issued USD Bond offering of

USD350 million 5 years Senior Unsecured Notes

from the Bank's programme of **USD3.0 billion**
Multicurrency Medium Term Notes (MMTN)

ABOUT THIS REPORT

This 2021 Annual Report focuses on the key challenges and opportunities we face and the many ways in which the Bank is responding to them. It serves to inform our stakeholders of the efforts we have taken, as a Development Financial Institution (“DFI”), to execute our unique mandate of developing cross-border ventures through the provisioning of financing and insurance facilities.

In upholding the best practices in our reporting, we report in line with guidelines presented in:

- The Malaysian Code on Corporate Governance;
- The Malaysian Financial Reporting Standards; and
- International Financial Reporting Standards.



VISION

**Preferred Financier & Advisor
for Global Business.**



MISSION

**Contribute to the Growth of
Malaysia’s Economy through
Trade and Investment
Partnerships Worldwide.**

In this report, the Bank hopes to demonstrate unwavering commitment to our stakeholders, through enhanced operations and reporting. As sustainable growth must include continual effort and investment into areas that are touched by key stakeholder concerns, we will continue to better our ability to address matters material to our internal and external stakeholder base, which includes employees, local communities, governmental bodies, non-governmental organisations, small and medium enterprises and other customers.

The report underscores our adherence to sound business practices, our Strategy 2025, good governance and integrity practices, and compliance with prudent risk and underwriting policies. EXIM Bank’s corporate social responsibility journey and our contributions to uplift the environment and communities around us, are also illustrated within.

CORPORATE INFORMATION

DIRECTORS

Dato' Azman Mahmud

Appointed w.e.f 1 October 2021

**Datuk Dr. Syed Muhamad
Syed Abdul Kadir**

Dato' Dr. Amiruddin Muhamed

Datuk Bahria Mohd Tamil

Dato' Sandra Wong Lee Yun

Mr. Wong Yoke Nyen

**Mr. Prem Kumar A/L
Shambunath Kirparam**

Resigned w.e.f 20 September 2021

**Puan Pauline Teh
@ Pauline Teh Abdullah**

Appointed w.e.f 15 November 2021

SHARIAH COMMITTEE

Prof. Dr. Rusni Hassan

Dr. Safinar Salleh

Dr. Ghazali Jaapar

Dr. Muhammad Syahmi

COMPANY SECRETARY

Julina Mohd Salleh

LS 0008055

PC no: 201908003707

PRESIDENT/ CHIEF EXECUTIVE OFFICER

Dato' Shahrul Nazri Abdul Rahim

Resigned w.e.f 30 June 2021

ACTING PRESIDENT/ CHIEF EXECUTIVE OFFICER

Puan Norlela Sulaiman

Appointed w.e.f 1 November 2021

REGISTERED OFFICE

Level 16, EXIM Bank
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

REPRESENTATIVE OFFICE

PULAU PINANG

No. 2, Ground Floor
Lebuh Tenggiri 2
Pusat Bandar Seberang Jaya
13700 Seberang Jaya, Penang
Malaysia

JOHOR

No. 95, Ground Floor
Jalan Damai, Taman Setia
Off Jalan Stulang Darat
80300 Johor Bahru
Malaysia

SARAWAK

No. 67, Ground Floor
One Avenue Business Centre
Jalan Tun Jugah
93350 Kuching, Sarawak
Malaysia

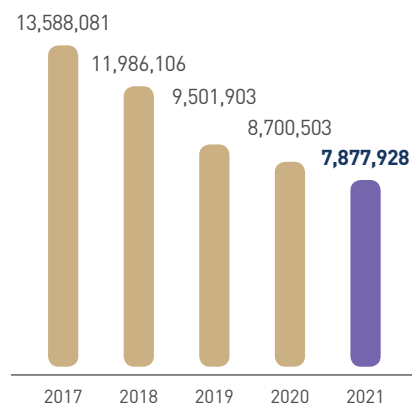
AUDITOR

Ernst & Young

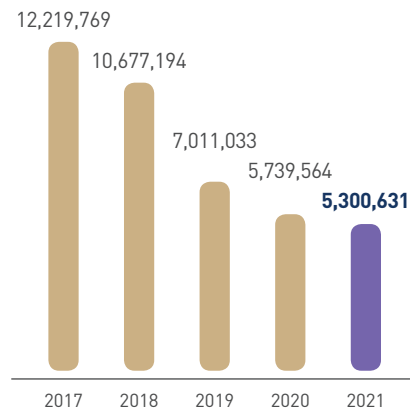
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

5-YEAR FINANCIAL HIGHLIGHTS

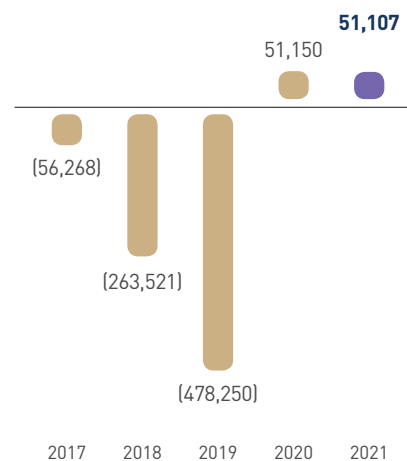
TOTAL ASSETS (RM'000)



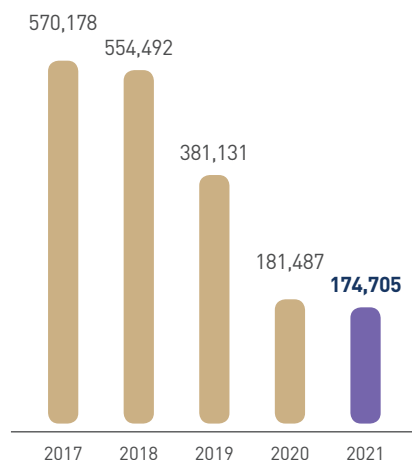
TOTAL GROSS LOANS & FINANCING ASSETS (RM'000)



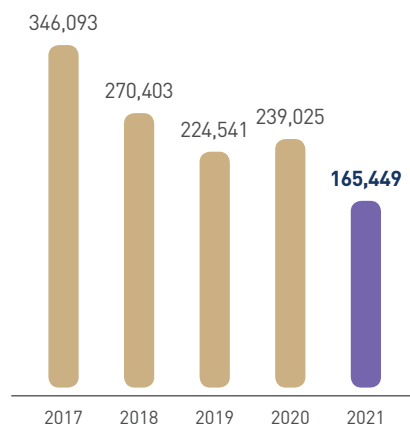
PROFIT BEFORE TAX (RM'000)



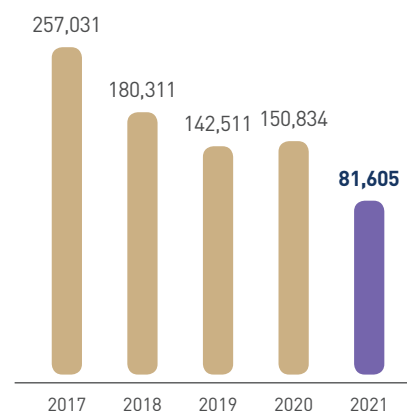
OPERATING REVENUE (RM'000)



NET INCOME (RM'000)



OPERATING PROFIT (RM'000)



	2017 (RM'000) Restated	2018 (RM'000)	2019 (RM'000)	2020 (RM'000) Audited	2021 (RM'000) Audited
Total Asset	13,599,081	11,986,106	9,501,903	8,700,503	7,877,928
Total Disbursement	10,190,959	7,381,600	4,854,289	3,200,990	5,733,471
Operating Revenue	570,178	554,492	381,131	181,487	174,705
Total Gross Loans & Financing Assets	12,219,769	10,677,194	7,011,033	5,739,564	5,300,631
Net Income	346,093	270,403	224,541	239,025	165,449
Net Impaired Loans	4.00%	10.34%	9.63%	13.45%	12.19%
Operating Profit	257,031	180,311	142,511	150,834	81,605
Profit/Loss Before Tax	(56,268)	(263,521)	(478,250)	51,150	51,107

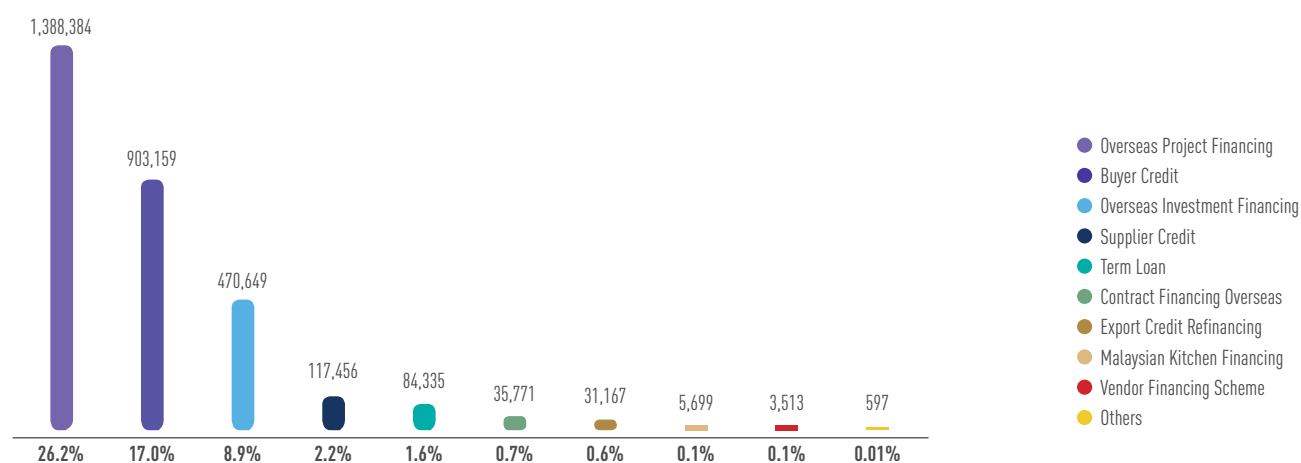
OVERVIEW OF OUR BUSINESS OPERATIONS

OUR LOAN, ADVANCES AND FINANCING (IN RM '000)

– BREAKDOWN BY PRODUCT (CONVENTIONAL AND ISLAMIC) (including impaired exposures)

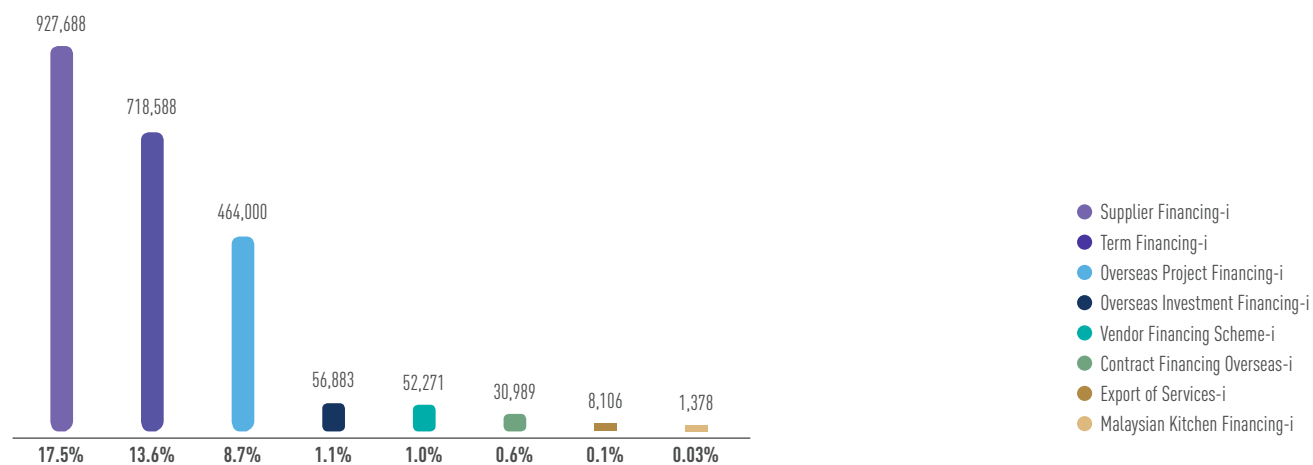
Conventional

57.4%  RM3,040,728



Islamic

42.6%  RM2,259,903

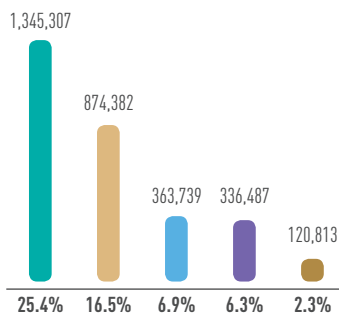





OVERVIEW OF OUR BUSINESS OPERATIONS

OUR LOAN, ADVANCES AND FINANCING (IN RM '000) – BREAKDOWN BY SECTOR (CONVENTIONAL AND ISLAMIC) (including impaired exposures)

Conventional

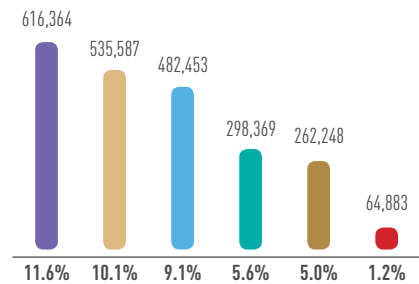
57.4%  RM3,040,728



-  Construction
-  Manufacturing including Agro-based
-  Others

Islamic

42.6%  RM2,259,903

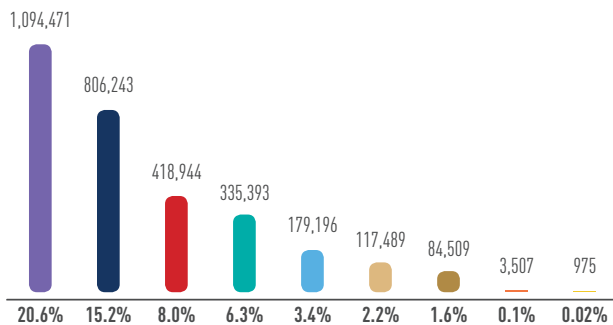


-  Primary Agriculture
-  Transportation, Storage and Communication
-  Wholesale, Retail Trade, Restaurant and Hotel

OUR LOAN, ADVANCES AND FINANCING (IN RM '000) – BREAKDOWN BY REGION (CONVENTIONAL AND ISLAMIC) (including impaired exposures)

Conventional

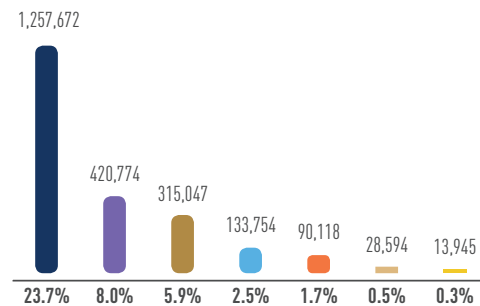
57.4%  RM3,040,728



-  Africa
-  East Asia
-  Middle East
-  Americas
-  Europe
-  Oceania
-  Central Asia
-  Malaysia
-  South Asia

Islamic

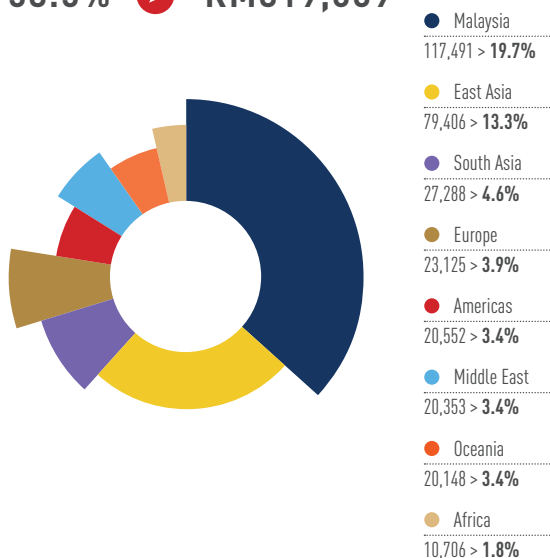
42.6%  RM2,259,903



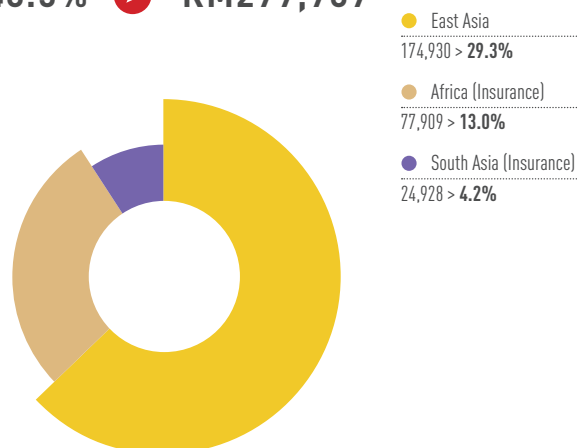
OUR CREDIT INSURANCE/TAKAFUL (IN RM '000)

- BREAKDOWN BY REGION (SHORT-TERM AND MEDIUM/LONG-TERM EXPOSURES)

Short-Term Exposures

53.5%  RM319,069

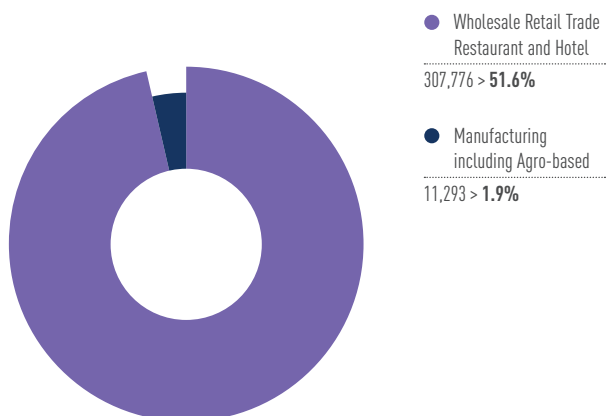
Medium/Long-Term Exposures

46.5%  RM277,767

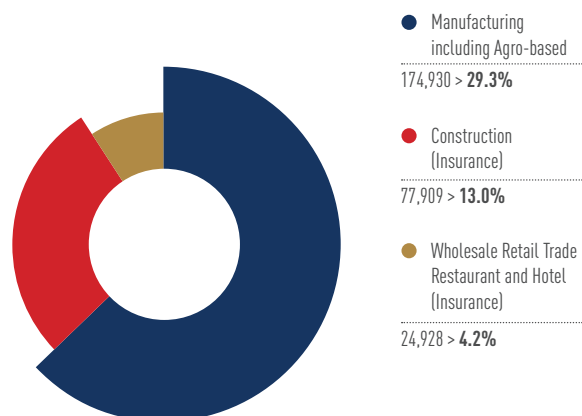
OUR CREDIT INSURANCE/TAKAFUL (IN RM '000)

- BREAKDOWN BY SECTORAL (SHORT-TERM AND MEDIUM/LONG-TERM EXPOSURES)

Short-Term Exposures

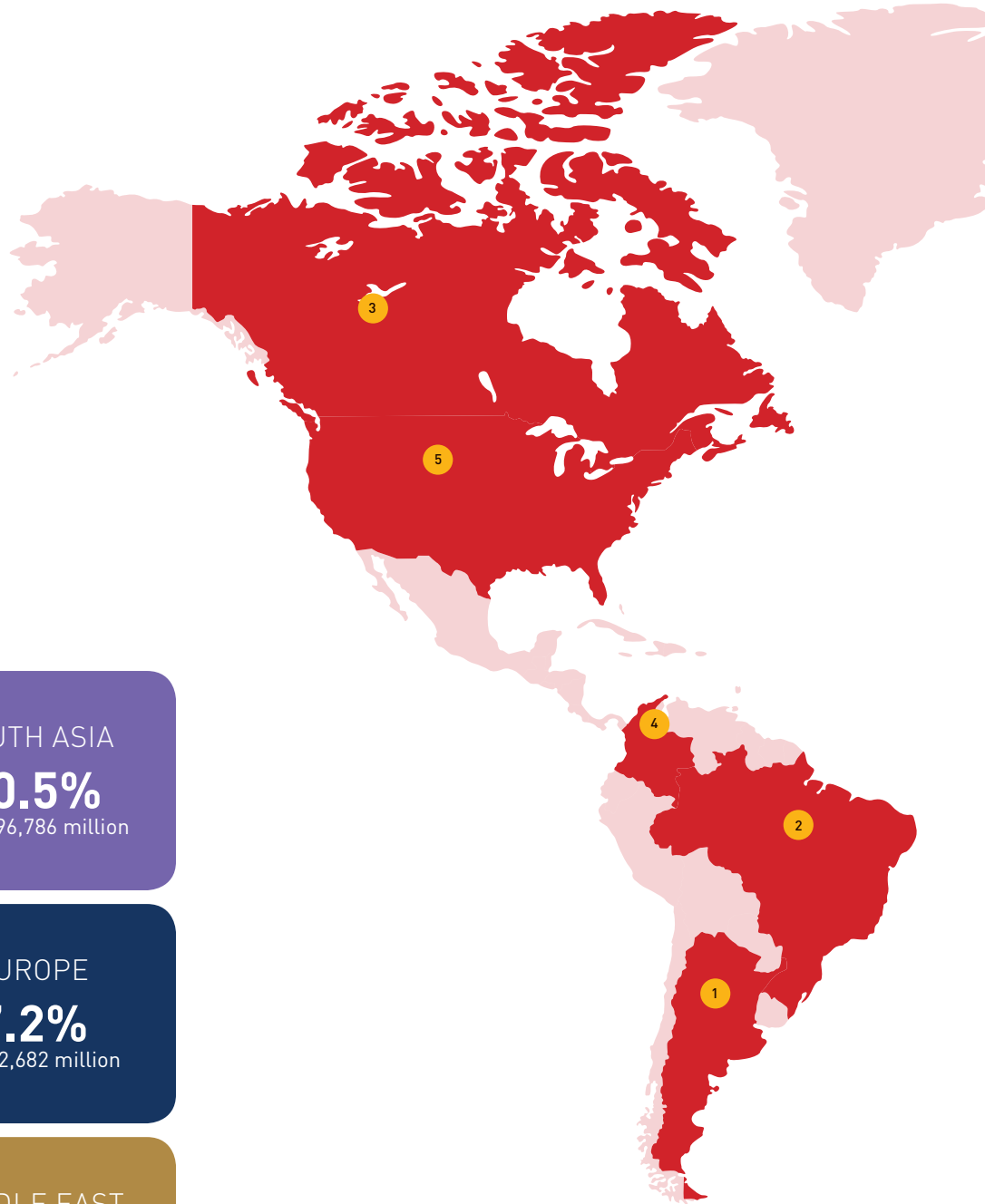
53.5%  RM319,069

Medium/Long-Term Exposures

46.5%  RM277,767

BANKING AND CREDIT INSURANCE BY COUNTRY

EXIM BANK'S TOTAL EXPOSURE COVERS 52 COUNTRIES, WHILE ITS STAND-ALONE CREDIT INSURANCE/TAKAFUL EXPOSURE EXTENDS TO OVER 24 COUNTRIES.



EAST ASIA

37.7%

RM2,221,336 million

SOUTH ASIA

30.5%

RM1,796,786 million

AMERICAS

7.4%

RM439,496 million

EUROPE

7.2%

RM422,682 million

CENTRAL ASIA

5.7%

RM335,393 million

MIDDLE EAST

5.6%

RM333,304 million

AFRICA

4.0%

RM234,697 million

OCEANIA

1.9%

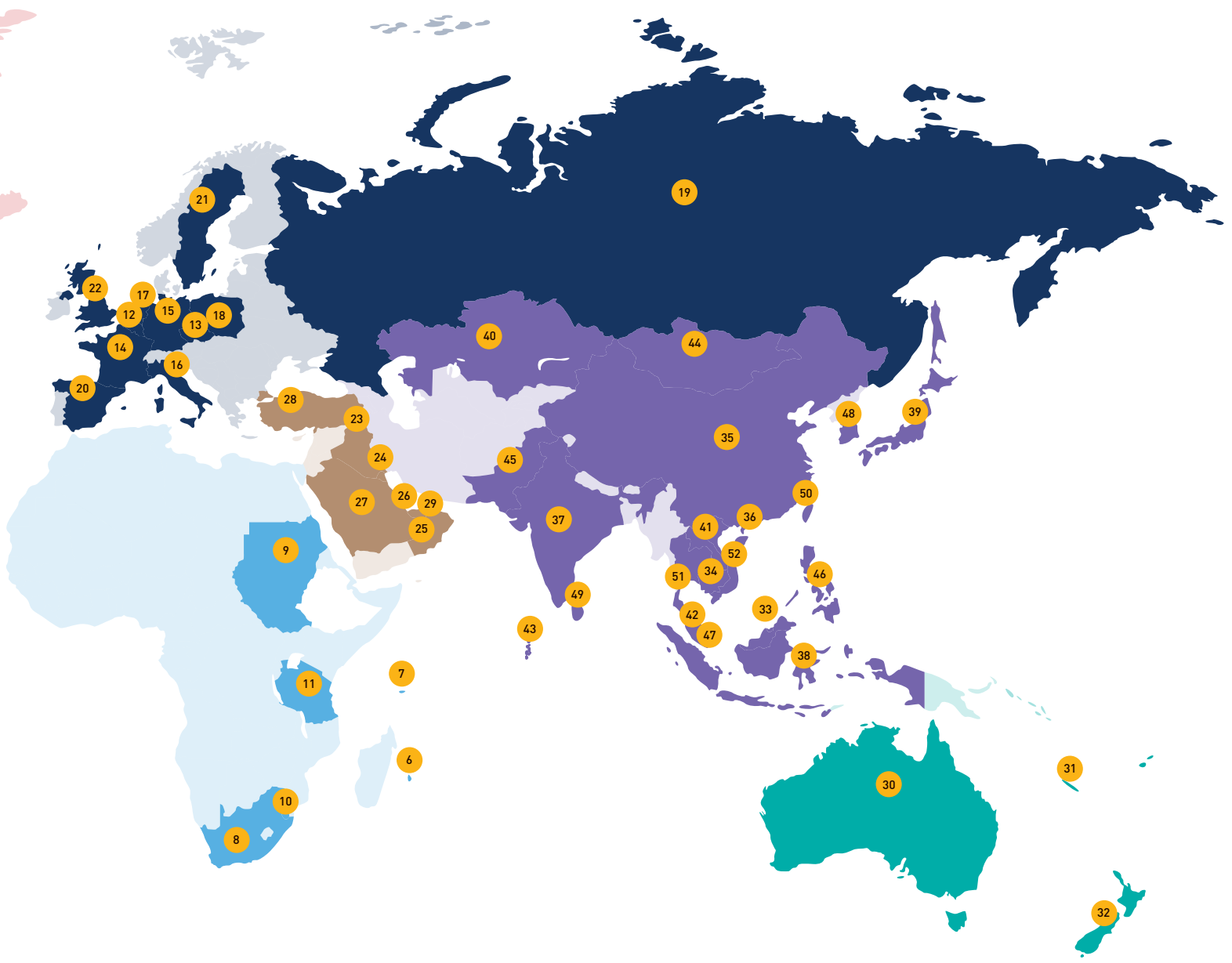
RM113,773 million

AMERICAS

1. Argentina
2. Brazil
3. Canada
4. Colombia
5. United States

AFRICA

6. Mauritius
7. Seychelles
8. South Africa
9. Sudan
10. Swaziland
11. Tanzania, United Republic of



EUROPE

- 12. Belgium
- 13. Czech Republic
- 14. France
- 15. Germany
- 16. Italy
- 17. Netherlands
- 18. Poland
- 19. Russian Federation
- 20. Spain
- 21. Sweden
- 22. United Kingdom

MIDDLE EAST

- 23. Iraq
- 24. Kuwait
- 25. Oman
- 26. Qatar
- 27. Saudi Arabia
- 28. Turkey
- 29. United Arab Emirates

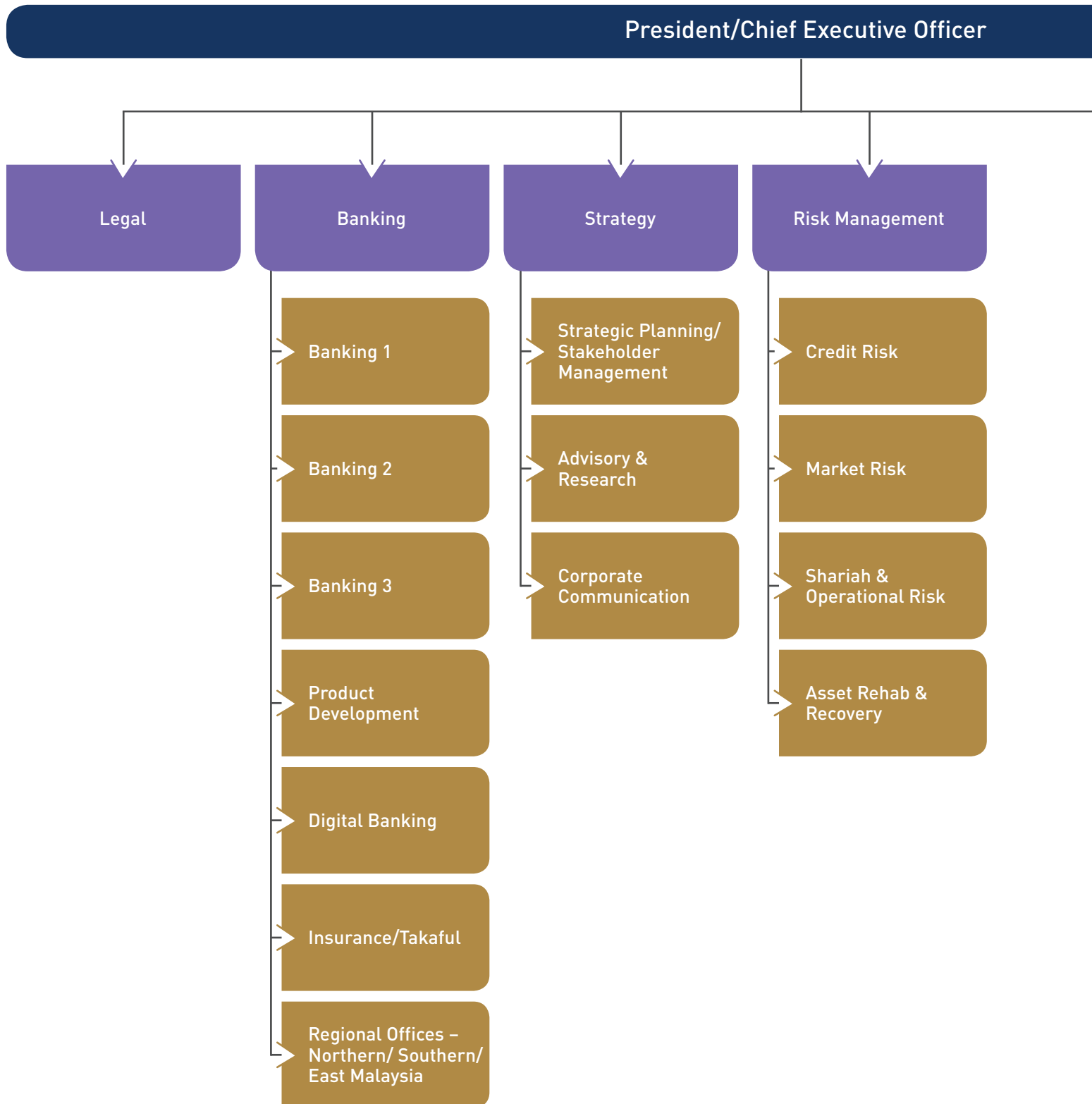
OCEANIA

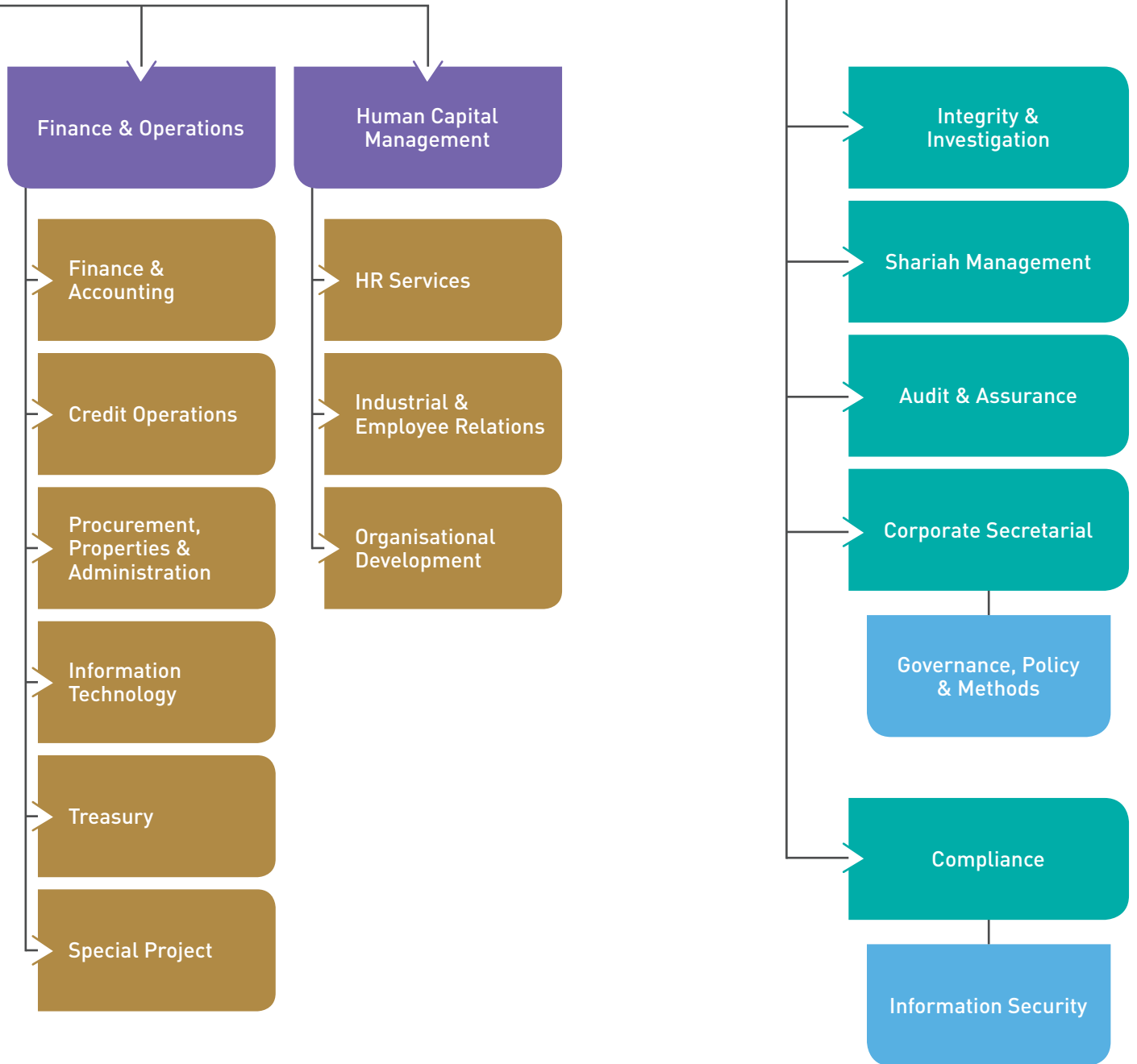
- 30. Australia
- 31. Fiji
- 32. New Zealand

ASIA

- 33. Brunei Darussalam
- 34. Cambodia
- 35. China
- 36. Hong Kong
- 37. India
- 38. Indonesia
- 39. Japan
- 40. Kazakhstan
- 41. Lao People's Democratic Republic
- 42. Malaysia
- 43. Maldives
- 44. Mongolia
- 45. Pakistan
- 46. Philippines
- 47. Singapore
- 48. South Korea
- 49. Sri Lanka
- 50. Taiwan
- 51. Thailand
- 52. Vietnam

OUR CORPORATE STRUCTURE





DATUK DR. SYED
MUHAMAD
SYED ABDUL KADIR

Independent
Non-Executive Director

DATUK BAHRIA
MOHD TAMIL

Non-Independent
Non-Executive Director

DATO' AZMAN
MAHMUD

Chairman/Independent
Non-Executive Director

BOARD OF DIRECTORS

**DATO' SANDRA WONG
LEE YUN**

Independent
Non-Executive Director



**PAULINE TEH
ABDULLAH**

Independent
Non-Executive Director



WONG YOKE NYEN

Independent
Non-Executive Director

**DATO' DR. AMIRUDDIN
MUHAMED**

Non-Independent
Non-Executive Director

DIRECTORS' PROFILE



DATO' AZMAN MAHMUD

Chairman/Independent Non-Executive Director

DATE OF APPOINTMENT

1 October 2021

BOARD COMMITTEE(S)

- None

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Engineering, Universiti Putra Malaysia
- 'A Cutting Edge of Development Thinking', Harvard Kennedy School, John F. Kennedy School of Government, USA
- 'Leading Change & Organisation Renewal', Harvard Business School, USA
- Strategy Execution Programme, INSEAD France
- APAC Government Leadership Programme (AGLP) in Crotonville, New York, USA
- Temasek Foundation International Asia Leader's Connect, Singapore

PRESENT DIRECTORSHIP(S) IN PUBLIC COMPANIES

- Chairman of Panasonic Manufacturing Malaysia Berhad
- Chairman of Privasia Technology Bhd
- Chairman of Cnergenz Berhad
- Board of Director of GDEX Berhad

PRESENT APPOINTMENT(S)

- Investment Panel Member of Penjana Kapital
- Advisor to Associated Chinese Chamber of Commerce & Industry of Malaysia (ACCCIM)

PAST APPOINTMENT(S)

- Permanent Member of Special Task Force to Facilitate Business (PEMUDAH)
- Member of Approvals and Implementation Committee (AIC), Iskandar Regional Development Authority (IRDA)
- Permanent Member of Cyberjaya Implementation Council
- Chief Executive Officer (CEO), Malaysian Investment Development Authority (MIDA)



DATUK DR. SYED MUHAMAD SYED ABDUL KADIR

Independent Non-Executive Director

DATE OF APPOINTMENT

15 July 2020

BOARD COMMITTEE(S)

- Nomination and Remuneration Committee (Chairman)
- Board Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Fellow of The Chartered Institute of Arbitrators, United Kingdom (UK)
- Member of The Chartered Institute of Arbitrators, UK
- Admitted as an Advocate and Solicitor of the High Court of Malaya
- Master of Law (Corporate Law) University Technology Mara (UiTM)
- Certificate of Legal Practice, Malaysian Professional Legal Board
- Bachelor of Jurisprudence (Hons.), University of Malaya (UM)
- Ph.D (Business Management), Virginia Polytechnic Institute and State University (Virginia Tech), USA
- Master of Business Administration, University of Massachusetts, USA
- Certificate of Project Planning, University of Bradford, England
- Diploma in Management Science, National Institute of Public Administration
- B.A. (Hons.), UM

PAST DIRECTORSHIP(S)

- Chairman of CIMB Principal Islamic Asset Management Sdn Bhd
- Board of Director of CIMB Group Holdings Berhad
- Chairman of CIMB Middle East BSC
- Chairman of CIMB Islamic Bank Berhad
- Board of Director of CIMB Bank Berhad
- Board of Director of BSL Corporation Sdn Bhd
- Chairman of Mara Corporation Sdn Bhd

PRESENT DIRECTORSHIP(S)

- Board of Director of Asia Capital Reinsurance Malaysia Sdn Bhd
- Board of Director of Malakoff Corporation Berhad
- Board of Director of Solution Group Berhad

PRESENT APPOINTMENT(S)

None

PAST APPOINTMENT(S)

- Secretary General, Ministry of Human Resource
- Deputy Secretary General (Operations), Ministry of Finance (MOF)
- Secretary, Tax Analysis Division, MOF
- Alternate Director/Executive Director, Asian Development Bank, Manila, Philippines
- Deputy Secretary (Foreign and Domestic Borrowing, Debt Management) Finance Division, Federal Treasury
- Secretary, Higher Education Division, Ministry of Education
- Deputy Director (Academic), INTAN
- Head, Management Development Centre, INTAN
- Programme Coordinator, INTAN
- Senior Project Officer, School of Financial Management, National Institute of Public Administration (INTAN)

DIRECTORS' PROFILE



DATO' DR. AMIRUDDIN MUHAMED

Non-Independent Non-Executive Director

DATE OF APPOINTMENT

15 January 2019

BOARD COMMITTEE(S)

- Board Credit Committee
- Board Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Ph.D in Accounting and Finance, Durham University, United Kingdom
- Master of Economics (Economics Development), Universiti Kebangsaan Malaysia (UKM)
- Bachelor of Accounting (Hons.), UKM

PAST DIRECTORSHIP(S)

None

PRESENT DIRECTORSHIP(S)

- Board of Director of MRT Corporation Sdn Bhd
- Board of Director of Suria Strategic Energy Resources Sdn Bhd ("SSER")
- Board of Director of My Power (Company Limited by Guarantee)
- Board of Director of SRC International Sdn Bhd
- Board of Director of Transit Acquirer Sdn Bhd
- Board of Director of Railway Assets Corporation ("RAC")
- Board of Director of Sinergi Perdana Sdn Bhd

PRESENT APPOINTMENT(S)

- Deputy Under Secretary, Strategic and General Sector, Government Investment Companies Division (GIC), Ministry of Finance ("MOF")

PAST APPOINTMENT(S)

- Chief Executive Officer, Islamic Religious Council & Perak Malay Custom
- Served in Strategic Investment Division, MOF
- Senior Principal Assistant Secretary, Investment, MKD (Inc.) and Privatisation Division, MOF
- Assistant Director, Accounting and Management Development, Accountant General Department, MOF
- Served in Corporate Planning Unit of Business Focus Group Sdn Bhd



DATUK BAHRIA MOHD TAMIL

Non-Independent Non-Executive Director

DATE OF APPOINTMENT

1 October 2019

BOARD COMMITTEE(S)

- Board Credit Committee
- Board Risk Committee
- Nomination and Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master of International Relations (M.A.), Waseda University, Japan
- Bachelor of Business Law (L.L.B. Honours), Coventry University, United Kingdom

PAST DIRECTORSHIP(S)

- Board of Director of Perbadanan Kemajuan Negeri Melaka (PKNM)

PRESENT DIRECTORSHIP(S)

- Board of Director Perbadanan Kemajuan Ekonomi Negeri Perlis (PKENPs)

PRESENT APPOINTMENT(S)

- Deputy Secretary General (Investment), Ministry of International Trade and Industry (MITI)

PAST APPOINTMENT(S)

- Senior Director, Bilateral Economic & Trade Relations Division, MITI
- Senior Director, Trade and Industry Support Division, MITI
- Director, Entrepreneurship Development Division, MITI
- Director, PEMUDAH (The Special Task Force to Facilitate Business) MITI
- Minister Counsellor of Economic Affairs, MITI Tokyo, Embassy of Malaysia in Japan
- Principal Assistant Director, Strategic Planning Division, MITI
- Assistant Director, Trade Support Division, MITI
- Assistant Secretary, Bilateral Trade Relations Division, MITI
- Assistant Secretary, Government Procurement Division, MOF

DIRECTORS' PROFILE



DATO' SANDRA WONG LEE YUN

Independent Non-Executive Director

DATE OF APPOINTMENT

15 July 2020

BOARD COMMITTEE(S)

- Board Audit Committee (Chairman)
- Board Credit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Certified Public Accountant, Malaysia Institute of Certified Public Accountants (MICPA)

PAST DIRECTORSHIP(S)

- Sin Chew Media Corporation Bhd
- Kuala Lumpur Business Club

PRESENT DIRECTORSHIP(S)

- Board of Director Jaya Tiasa Holdings Berhad
- Board of Director Mediharta Sdn Bhd
- Board of Director Amal Sempurna Sdn Bhd
- Board of Director Vitulen Sdn Bhd
- Board of Director Papene Tulen Sdn Bhd
- Board of Director Kognatoz Pte Ltd
- Board of Director Plant Catridge Sdn Bhd
- Board of Director Savite Sdn Bhd

PRESENT APPOINTMENT(S)

None

PAST APPOINTMENT(S)

- Executive Director, Mediharta Sdn Bhd
- Chief Executive Officer, Jaya Tiasa Holdings Berhad
- Director (Finance) and Chief Investment Officer, HBN Management Sdn Bhd (Renong Group)
- Head Investment Banking, Chase Manhattan Bank Malaysia (now known as JP Morgan Chase Bank Bhd)
- Manager- Business Development, Standard Chartered Bank
- Deputy Head, Corporate Finance, Permata Chartered Merchant Bank



WONG YOKE NYEN

Independent Non-Executive Director

DATE OF APPOINTMENT

15 July 2020

BOARD COMMITTEE(S)

- Board Credit Committee (Chairman)
- Board Risk Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Graduate of the Wharton Advance Management Program, Wharton Business School of the University of Pennsylvania, USA
- Advance Diploma (Corporate Finance), Jointly awarded by the Institute of Chartered Accountants in England and Wales and Chartered Institute for Securities Investment
- Bachelor (Honours) Degree in Accountancy, London Metropolitan University (formerly known as City of London Polytechnic, UK)

PAST DIRECTORSHIP(S)

- New Hoong Fatt Holdings Berhad
- WYNCORP Chattels Holdings Sdn Bhd

PRESENT DIRECTORSHIP(S)

- Managing Director of WYNCORP Advisory Sdn Bhd
- Board of Director of Influx Rewards Sdn Bhd
- Board of Director of Prasarana Raya Sdn Bhd
- Board of Director of Prasarana Ecofuel Sdn Bhd
- Board of Director of Benalec Holdings Berhad
- Board of Director of Sentoria Group Berhad
- Board of Director of Focus Lumber Berhad
- Board of Director of Hap Seng Consolidated Berhad
- Board of Director of Pertama Digital Berhad

PRESENT APPOINTMENT(S)

- Founder and Managing Director of WYNCORP Advisory Sdn Bhd

PAST APPOINTMENT(S)

- Executive Vice President cum Head of Corporate Finance Department & Head of Projects Development, Maybank Investment Bank Berhad
- Associate Baker Rooke, London

DIRECTORS' PROFILE



PAULINE TEH ABDULLAH

Independent Non-Executive Director

DATE OF APPOINTMENT

15 November 2021

BOARD COMMITTEE(S)

- Board Risk Committee (Chairman)
- Nomination and Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master of Business Administration (Finance), University of Hull, United Kingdom
- Bachelor of Commerce (Accounting), Saint Mary's University, Halifax Nova Scotia, Canada
- Member of the Insolvency Practice Committee of MIA
- Member of the Insolvency Practitioners Association Malaysia (IPAM)
- Capital Market Services Representative License Holder (CMRSL) under the Capital Markets & Services Act 2007

PAST DIRECTORSHIP(S)

- Executive Director of Crowe Advisory Sdn Bhd

PRESENT DIRECTORSHIP(S)

- Board of Directors Ericsenz Capital Pte Ltd
- Board of Directors Taurus Investment Management Berhad
- Board of Director of Boustead Holdings Berhad
- Board of Director of Ericsenz Research Sdn Bhd
- Board of Director IP Boustead Digital Services Sdn Bhd
- Board of Director Boustead Technology Sdn Bhd

PRESENT APPOINTMENT(S)

None

PAST APPOINTMENT(S)

- Executive Director of Crowe Advisory Sdn Bhd
- Director of BDO Capital Consultants Sdn Bhd
- Associate Director of Hanifah Teo & Associates

Note:

None of the Directors have:

- any family relationship with any Director and/or major shareholder of EXIM.
- any conflict of interest with EXIM.
- any conviction for offences* within the past five years and particulars of any public sanction or penalty imposed on them by the relevant regulatory bodies during the financial year ended 31 December 2020 (*other than traffic offences).

**OUR CONTINUING TRANSFORMATION
AND JOURNEY TOWARDS STRATEGY 2025
WILL ESTABLISH GOOD GOVERNANCE,
DIGITALISATION AND A POSITIVE
CULTURAL CHANGE FOR THE BANK,
AS WE REPOSITION AND REFINE OUR
STRATEGIES.**



SHARIAH COMMITTEE

**PROF. DR.
RUSNI HASSAN**

Chairman



**DR. SAFINAR
SALLEH**

Committee Member



**DR. GHAZALI
JAAFAR**

Committee Member



**DR. MUHAMMAD
SYAHMI MOHD KARIM**

Committee Member



SHARIAH COMMITTEE PROFILE



PROF. DR. RUSNI HASSAN

Chairman

DATE OF APPOINTMENT

2 January 2018

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- PhD in Law, International Islamic University Malaysia (IIUM)
- Master of Comparative Laws (MCL), International Islamic University Malaysia (IIUM)
- LLB (Hons), LLB (Shariah) First Class, International Islamic University Malaysia (IIUM)
- Registered Shariah Advisor with the Securities Commission Malaysia

PRESENT APPOINTMENT(S)

- Dean at the IIUM Institute of Islamic Banking and Finance
- Vice President of International Council of Islamic Finance Educators (ICIFE)
- Shariah Committee Member, Association of Islamic Banking Institutions Malaysia (AIBIM)
- Shariah Committee Member, Housing Development Finance Corporation and Housing Development Corporation, Maldives
- Chairman of Shariah Committee, Hong Leong Islamic Bank
- Shariah Committee Member, Koperasi JCorp
- Shariah Committee Member, Waqaf An-Nur

PAST APPOINTMENT(S)

- Founding member of Advisory Council of Association of Shariah Advisors in Islamic Finance Malaysia (ASAS)
- Member of the Shariah Advisory Council, Bank Negara Berhad
- Shariah Committee Member, HSBC Amanah (M) Berhad
- Shariah Committee Member, HSBC Amanah (Takaful) Berhad

AREA OF SPECIALISATION

Governance in Islamic Banking and Finance (IBF), Legal and Regulatory Aspects of IBF, Islamic Social Finance and Shariah Aspects of IBF.

EXPERTISE & EXPERIENCE

- A prolific speaker in seminars, workshops, conferences and trainings on various Islamic Finance issues, her works and contribution to Islamic Finance is internationally renowned.
- Her publications include books on Islamic Banking and Takaful, Islamic Banking under Malaysian Law, Corporate Governance of Islamic Financial Institutions, Islamic Banking Cases and Commentaries; Remedies for Default of Payment in Islamic Banking and more than 100 articles in local and international journals.
- She has received many awards and accolades, including:
 - ▶ Frequently listed as Top 5 contributors in Scopus publication in Islamic Finance.
 - ▶ Listed among the Top 10 Women in Islamic Finance by CPI Financial in 2013.
 - ▶ Most Talented Women Professional in Islamic Banking, Asia Islamic Banking Excellence Awards, CMO Asia, 2014.
 - ▶ Women of Distinction for her contribution in the field of Islamic Finance and Law by Venus International Women Awards (VIWA), 2016.
 - ▶ One of the 50 Most Influential Women in Islamic Finance by ISFIRE in 2017 and Womani 2018 – The Most Powerful Women in Islamic Finance by Cambridge IFA in 2018-2021.

SHARIAH COMMITTEE PROFILE



DR. SAFINAR SALLEH

Committee Member

DATE OF APPOINTMENT

1 January 2019

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- PhD in Islamic Studies (Shariah) from University of Glasgow Caledonian, United Kingdom
- Master in Shariah, University of Malaya
- Bachelor of Shariah, Al-Azhar University, Egypt

PRESENT APPOINTMENT(S)

- Assistant Professor at the Department of Islamic Law, Ahmad Ibrahim Kulliyah of Law, International Islamic University Malaysia (IIUM)
- Shariah Committee Member of Swiss Reinsurance Company Ltd. (Swiss Re Takaful)
- Shariah Committee Member of Hong Leong Islamic Bank Berhad
- Shariah Committee Member of MUA Life Ltd. (Mauritius)
- Member of Board of Trustee, Islamic Da'wah Foundation Malaysia (YADIM)
- Chairman, Muslim Women's Council of the Islamic Da'wah Foundation Malaysia (MAYA)

AREA OF SPECIALISATION

Takaful, Retakaful, Islamic Banking, Islamic Jurisprudence, Islamic Law of Contracts, Islamic Capital Market, Waqf and Islamic Pawn Broking.

PAST APPOINTMENT(S)

- Shariah Committee Member of Bank Simpanan Nasional Malaysia
- Shariah Committee Member of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad

EXPERTISE & EXPERIENCE

- Published numerous Islamic books and articles and actively presented many papers at various local conferences and seminars.
- Active in internal IIUM committees, having held positions such as Director of International Islamic Banking and Finance, Arbitration Competition, Committee Member of IIUM Legal Clinic and Head of Unit and Legal Consultant for Islamic Banking, Takaful and Shariah Matters, IIUM Legal Clinic.
- Served as Chairman of Pertubuhan Nur Fitrah, Treasury of International Muslim Women Union (IMWU) Malaysia.
- Participated as an invited Member in the Meeting of Technical Committee for Islamic Pawn Broking Act, Ministry of Urban Wellbeing, Housing and Local Government and in the Workshop for Drafting of the Islamic Pawn Broking Act.



DR. GHAZALI JAAPAR

Committee Member

DATE OF APPOINTMENT

1 May 2021

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- PhD in Islamic Jurisprudence, University of Birmingham, United Kingdom
- Master of Comparative Law, International Islamic University Malaysia (IIUM)
- Bachelor of Shariah (First Class), Faculty of Syariah and Law, The Academy of Islamic Studies, University of Malaya

PRESENT APPOINTMENT(S)

- Chairman of Shariah Committee for Kenanga Investment Bank Berhad

PAST APPOINTMENT(S)

- Chairman of Shariah Committee, RHB Islamic Bank
- Head, Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM
- Director, Harun M. Hashim Law Centre
- Shariah Committee Member, FWD Takaful (formerly known as HSBC Amanah Takaful)

AREA OF SPECIALISATION

Islamic Legal System, Syariah Court in Malaysia, Siasah Syar'iyah, Islamic Jurisprudence, Fiqh Muamalat, Islamic Banking and Takaful.

EXPERTISE & EXPERIENCE

- Served as Chairman and member in Shariah Committees within the Islamic banking and Takaful industry (2011-2020).
- Active in internal IIUM committees, having held positions as Director (2009-2011) and Deputy Director (2008-2009) of Harun M. Hashim Law Centre.
- Published legal articles on Tazkiyah al-Syuhud in Evidence Enactment of the Shariah Court and the Influence of Majallah al-Ahkam al-'Adliyyah of Ottoman Empire and The Influence of Majallah al-Ahkam al-'Adliyyah on the Administration of Islamic Law in Malaysia.
- Published Islamic banking articles such as Shariah Non-Compliance (SNC) Incidents in Islamic Bank; Its Reporting Requirement and Purification of Income.
- Presenter for conferences and seminars in and outside Malaysia, such as for Cabaran Perlaksanaan Undang-undang Islam dalam Seminar Antarabangsa Undang-undang Syariah in Brunei Darussalam (2010).



DR. MUHAMMAD SYAHMI MOHD KARIM

Committee Member

DATE OF APPOINTMENT

1 May 2021

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- PhD in Islamic Banking and Finance, Durham University, United Kingdom
- Master of Science in Finance, International Islamic University of Malaysia (IIUM)
- Bachelor of Accounting (Hons), International Islamic University Malaysia (IIUM)
- Certificate in Islamic Law, International Islamic University Malaysia (IIUM)
- Chartered Accountant, Malaysian Institute of Accountant (MIA)
- Associate Member, CIMA, Association of Shariah Advisors in Islamic Finance Malaysia (ASAS)
- Associate Member, CPA Australia
- Senior Associate Member, Chartered Professional in Islamic Finance (CPIF)

PRESENT APPOINTMENT(S)

- Deputy President Operation (DPO), INCEIF University
- Shariah Committee Member, HSBC Amanah Malaysia Berhad
- Director, YaPIEM Gold Sdn Bhd
- External Expert in Islamic Finance, International Monetary Fund, Washington DC
- Accreditation Panel, Finance Accreditation Agency (FAA)

PAST APPOINTMENT(S)

- Global Lead Islamic Finance Expert, Advisory and Technical Assistance Division, Islamic Financial Sector Development, Department of Islamic Development Bank, Jeddah, Saudi Arabia
- Head, Shariah/Islamic Banking Risk Section, Specialist Risk Unit, Bank Negara Malaysia (BNM)
- Director, YaPIEM Smart Ventures Sdn Bhd
- Member of Investment Committee, Yayasan Dakwah Islam Malaysia
- Member, Islamic Financial Services Board (IFSB) Working Group
- Shariah Committee Member, Co-op Bank Pertama Malaysia Berhad

EXPERTISE & EXPERIENCE

- Involved in the successful implementation of BNM's Financial Sector Masterplan and Financial Sector Blueprint by the commercial and Islamic banks under the purview of BNM.
- Provided technical advisory to the Central Banks of Djibouti and Mauritania in developing Islamic Banking regulatory frameworks.
- Published research for Investment Account Concept in Banking; Analysing the Perceptions and Behaviors of the stakeholders.
- Chapter writer and reviewer for ISRA/Securities Commission textbook titled Governance Framework for Islamic Capital Market, published in 2015.
- Internal trainer with BNM, Islamic Development Bank and presenter for several international conferences at Durham University-ISRA-IRTI Strategic Roundtable Discussion in Durham and Jeddah.

AREA OF SPECIALISATION

Risk management, Islamic Banking, Islamic Capital Market, Takaful and Islamic Microfinance.

EXECUTIVE COMMITTEE



**FAIDZEL ADHAM
SOHARI**

Chief Business Officer



**NORLELA
SULAIMAN**

Acting President/Chief
Executive Officer
Chief Operating Officer



CHIN YING JACK

Chief Risk Officer



**SAFIDAH MOHD
TAHIR**

Chief People Officer



ZABEDAH GIW

Acting Chief Strategy
Officer



**WAN NOORAZLI MAULA
WAN SULEIMAN**

Head of Legal



JULINA MOHD SALLEH

Company Secretary
(Non-EXCO member)

EXECUTIVE COMMITTEE PROFILE



NORLELA SULAIMAN

Acting President/Chief Executive Officer

Chief Operating Officer

QUALIFICATIONS

- Bachelor's Degree (Hons) in Accounting & Finance De Montfort University in Leicester, United Kingdom
- Fellow member of Association of Chartered Certified Accountants
- Member of Malaysian Institute of Accountants (CA)

RESPONSIBILITIES

Norlela acts as the main point of communication between the Board and operations, implementing business strategies, planning and overseeing all operations of the Bank. She manages the overall operations and resources of the Bank, handling major corporate decisions that pertain to banking operations. She also dynamically leads the management team towards continuous growth and leadership development in ensuring a high performance culture.

EXPERIENCE

Norlela has more than 25 years' experience in Financial Industry. She started her career as credit analyst in Kwong Yik Bank Berhad (now known as "Maybank Berhad") in 1996. In August 1998, she joined Pengurusan Danaharta Nasional Berhad and served in the national asset management company for 7 years in the areas of financial accounting, reporting, financial management, taxation and treasury. In January 2005, Norlela joined Prokhas Sdn Bhd to become Head of Finance and Treasury. She joined EXIM Bank in November 2008 as Head of Finance & Treasury Division and redesignated to Chief Financial Officer in 2010 & Finance Director in 2020. Subsequently, on 16 September 2021, Norlela was appointed as Acting Chief Operating Officer and currently holding the position of Acting President/Chief Executive Officer and Chief Operating Officer.



FAIDZEL ADHAM SOHARI

Chief Business Officer

QUALIFICATIONS

- Bachelor of Business Administration (Majoring in Finance) - Western Michigan, USA

RESPONSIBILITIES

As the Chief Business Officer, Faizel is responsible for optimising opportunities with the Bank's existing clients and onboarding new businesses within an environment that requires balancing of needs with compliance requirements, as well as adherence to prudent Risk management. In 2021, he enhanced and improvised the Bank's Banking Division operations in managing resources, optimising productivity and workflow through the consolidation of business departments. He also implemented initiatives to promote a high performance culture, working closely with Board Committees and other Senior Management colleagues.

EXPERIENCE

Faizel has more than 25 years of experience in the fields of Corporate & Investment Banking, Project Financing and Capital Markets exercises and transactions. Prior to joining EXIM Bank, he ran his own financial advisory and consultancy outfit. He has also worked with RHB Investment Bank, Aseambankers (now known as Maybank Investment Bank), Celcom Berhad and Telekom Malaysia Berhad. The breadth of experiences in the various capacities in Banking and non-Banking organisations provided him with the technical, as well as management skills, required in undertaking his roles and responsibilities, not only to his employer, but also in managing his reporting lines and colleagues.

EXECUTIVE COMMITTEE PROFILE



CHIN YING JACK

Chief Risk Officer

QUALIFICATIONS

- Chartered Accountant (CA), Malaysia Institute of Accountants (MIA)
- Financial Risk Manager (FRM), Global Association of Risk Professionals (GARP, US)
- The Association of Chartered Certified Accountants, Affiliate (ACCA, UK)
- Bachelor of Accountancy (Hons), Universiti Putra Malaysia

RESPONSIBILITIES

With a fiduciary duty to the Board of the Bank, Jack Chin is accountable for all risk management related matters. He is responsible for the setting up and effective execution of risk control strategies, frameworks and governance processes and operations across the Bank. He also leads the assessment of enterprise risk, credit risk, operational risk, business continuity, market risk and Shariah non-compliance risk to safeguard the Bank's

risk profile. Aside from planning, designing and implementing the overall risk management process, Jack Chin reviews and prepares risk reports to the Board and Management Risk Committees respectively, as well as provide recommendations for appropriate risk mitigation.

EXPERIENCE

A qualified chartered accountant and financial risk manager, he has over 20 years of working experience in the financial services industry in Malaysia, as well as abroad with a strong background in risk management. Prior to EXIM Bank, he served in the Portfolio Risk Management of Standard Chartered Bank, overseeing the Group Risk Appetite and Portfolio Risk. Among his other notable positions, he has also served as the Senior Vice President, Risk Portfolio Management for RHB Banking Group, as well as Head of Market Risk, OSK Investment Bank.



SAFIDAH MOHD TAHIR

Chief People Officer

QUALIFICATIONS

- Bachelor of Human Resource Management (Hons), Universiti Utara Malaysia
- Accredited Competency Professional (ACP), Institute of Leadership & Management
- Project Leadership Certification (PLC), PIKOM

RESPONSIBILITIES

Safidah is responsible for formulating the Bank's human capital strategic plan and overseeing its successful implementation. This encompasses all aspects of talent management and development, succession planning, compensation and benefit and the operationalising of a high-performance work environment. She ensures that the human capital framework sustainably supports the Bank's overarching mandate and that its demands and operations are within prescribed governance and risk frameworks. As Chief People Officer, she steers the Management Team on plans that shape and

sustain a culture of high performance while providing support on all aspects needed for the delivery of human capital related goals. She also has a fiduciary duty to the Board of the Bank in relation to human capital management.

EXPERIENCE

Safidah has over 20 years of human resources experience. Prior to EXIM Bank, she served Sapura Energy Berhad as its Human Resources General Manager. She has held various human resource related portfolios across multiple industries, including KPMG Consulting (M) Sdn Bhd, Bank Muamalat Malaysia Bhd, Radicare Sdn Bhd and Ranhill Engineers & Constructors Sdn Bhd. She is a guest speaker for MBA Leadership Development Class for MBA students under UKM, Graduate School of Management.



ZABEDAH GIW

Acting Chief Strategy Officer

QUALIFICATIONS

- Bachelor of Business Administration (Hons) - Majoring in Accounting, Coventry University, UK

RESPONSIBILITIES

Zabedah is tasked to steer the Bank's strategic direction, which encompasses the bank-wide roadmap development, business plans, corporate scorecards and interlinked business line scorecards. These are formulated against market trend analysis at global, regional and local levels and are aligned towards the Bank's mandated role, as well as prescribed governance and risk frameworks. She provides advisory and critical support to the Management Team on all aspects of the Bank's activation of the strategies, plans, budgets and delivery of strategic goals. As the Chief

Strategy Officer with fiduciary duty to the Board, she monitors and reports on the Bank's performance levels at both business and operating ends, while providing constructive and critical recommendations to all relevant parties on intervention plans and actions to ensure the achievement of the agreed business objectives.

EXPERIENCE

Zabedah joined EXIM Bank in 2009, and was subsequently appointed as the Head of Advisory & Research Department. Prior to that, she established her career in banking serving RHB Bank and Maybank. In her various positions served, she gained expertise in credit related matters, internal review and assurance, as well as insights as an industry and market analyst.



WAN NOORAZLI MAULA WAN SULEIMAN

Head of Legal

QUALIFICATIONS

- Bachelor of Law (LLB)(Hons), University of London (External)

RESPONSIBILITIES

Wan Noorazli's role is to provide legal advice on all legal related matters, such as contracts and service agreements, and vetting of legal documents made on behalf of the Bank to protect EXIM Bank from any legal implication.

He also provides legal advisory to the management team and other internal stakeholders to ensure awareness of liability, risk and implications of any corporate decisions made.

He manages complex legal and compliance projects that have transversal impacts on operating businesses within EXIM Bank to mitigate any adverse impacts, and works to strategise and initiate legal action for and on behalf of EXIM Bank through panel lawyers, in any business dispute that the Bank is involved in.

EXPERIENCE

Wan Noorazli started his carrier with EXIM Bank in 2010 as an Executive and worked his way up the ranks throughout his tenure. In the 12 years, he has experience in facilitating cross-border financing for Malaysian business, as well as funding to sovereign governments. This includes negotiating and dealing with customers in private sectors, as well as government institutions on financing and/or insurance matters within parameters determined by the Board.

He is also experienced in conducting investigation in respect of suspicious loan application in Malaysia and overseas, for example in Singapore and Indonesia. He also leads the Legal Department in strategising on litigation matters and facilitate in preparation for court matters for the bank in Malaysia and foreign jurisdictions together with the bank's external lawyers.



JULINA MOHD SALLEH

Company Secretary (Non-EXCO member)

QUALIFICATIONS

- Bachelor of Business Administration from University of New Brunswick, Canada
- Licensed company secretary
- Member of the Alliance of Approved Company Secretaries

RESPONSIBILITIES

Julina Mohd Salleh was appointed as Company Secretary of the Bank on 1 September 2005 and currently heads the Corporate Secretarial Department. She is primarily responsible to ensure that the company adheres to the standard legal and financial practices and in charge of overseeing the

corporate governance standards. She also assists directors with education, training and orientation programmes and plays an integral role in collaborating with the executive team.

EXPERIENCE

Julina has more than 15 years' experience in company secretarial practice. She started her career in Permodalan Nasional Berhad and later was appointed as Joint Company Secretary of HeiTech Padu Berhad, a public listed company. Prior to joining the Bank, she was attached with Bank Pembangunan Malaysia Berhad.

CHAIRMAN'S STATEMENT



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

It has been nearly six months since I was appointed as Chairman of EXIM Bank. During this period, I have had the opportunity to meet and interact with many people across the Bank and business community.

My previous role has been closely linked with the economic development of the country, and having gained a better understanding of the Bank with each new experience, I feel honoured to be a part of an organisation that remains true to its mandated role as a development bank, particularly in providing opportunities for Malaysian businesses to penetrate the global market, while also delivering value to the Bank's stakeholders for the past 27 years.

The Bank is committed in undertaking efforts that will strengthen its foundation and enable robust and sustainable growth over the long term.

Since its incorporation, EXIM Bank has managed to establish a significant presence in key economic sectors such as transportation, storage & communication (30%), manufacturing (18%) and construction (17%). The Bank has been essential in ensuring Malaysia's economic expansion and will continue to work with a diverse range of clients and industries in providing trade and non-trade financing, trade credit insurance/takaful, and advisory services for cross-border ventures. The year ahead is expected to be challenging, but I am optimistic about our growth trajectory.

FY2021 – THE CONTINUING GLOBAL CRISIS

The global economy grew 5.5% in 2021, limited by supply chain disruptions, although this was partly offset by near-term

prospects among some commodity-exporting economies. As highlighted by Bank Negara Malaysia ("BNM"), Malaysia's economy expanded to 3.1% from negative growth the year before. Growth was supported by the increase in economic activities, as containment measures were progressively relaxed amid continued policy support.

Taking stock of the year in review, the prolonged pandemic had shaken the global economy and affected businesses, made worst by border control and closures. Amidst the challenges, the Bank carried on engaging with its affected customers by providing much-needed financial relief by rescheduling and restructuring its existing financing and providing moratorium to eligible customers. In December 2021, EXIM had assisted 10.38% of its customers, who had applied for these supports. During the major flood that took place in December, the Bank had also utilised the BNM Disaster Relief Fund of RM1.4 million, in providing further support to EXIM Bank's customers impacted by the disaster.

Despite the challenges due to the pandemic, the Bank managed to record a revenue of RM174.7 million and a profit before tax of RM51.1 million for the financial year 2021. This achievement indicated the Bank's commitment in managing and preserving the fund that it was entrusted with, to deliver its mandate.

The Bank continued to prospect for new businesses and closed its financial year 2021 by successfully issuing USD Bond offering of USD350 million five years Senior Unsecured Notes from the Bank's programme of USD3.0 billion Multicurrency Medium Term Notes ("MMTN"). This signified optimism towards potential awaiting as the market recovered.

FY2022 – NEW HOPE AND ASPIRATION

Global GDP growth is expected to slow to 3.6% while 5.6% is anticipated for Malaysia, following liberalisation of pandemic safety measures and widespread achievement of high herd immunity.

Amidst this background, EXIM aspires to deliver high level shareholder value creation in line with its mid- to long-term plan for FY2022 to FY2026. This aspiration will provide EXIM Bank with the push to collaborate with relevant agencies to further develop Malaysia's economy. Additionally, the Bank is also aligning its developmental role to key national blueprints such as the 12th Malaysia Plan ("12MP"), National Investment Aspirations ("NIA") and Malaysia National Trade Blueprint ("NTB"). This will augment the aspiration of the Bank in its long-term projection as a key financier in sustaining Malaysia as the preferred investment destination and strong trading nation.

Whilst the year 2022 will be the year for capturing growth, priority will be placed on the loans book portfolio, while preserving loans and financings through diligent credit management. The Bank is looking forward to creating strategic alliances with other Development Financial Institutions ("DFI") and other Export Credit Agencies ("ECA") in enhancing its international footprint.

In doing so, the Bank will continue to invest in transforming people and technology. Enhancement of end-to-end credit value chain will be made through technical and capacity building of the staff.

The Bank plans to expand its portfolio in various industries to accomplish diversity in its financing. In increasing its developmental role, the Bank shall intensify efforts in serving the underserved segment of SMEs and Commercials in providing financial assistance to these groups of businesses.

ESG- THE NEW INITIATIVE OF THE BANK

The Prime Minister has announced Malaysia's intention to achieve net zero carbon emissions by 2050 in the 12MP. In supporting this target, the Bank has embarked in implementing the Sustainable Development Goals that was introduced by United Nations' 2030 Agenda for Sustainable Development. The Framework is designed to capture the broader contributions of the Bank towards environmental, social, and governance ("ESG"). With the enhanced framework, the Bank is in a position to drive its performance in line with the sustainable and green growth agenda.

The Bank is committed to reducing its carbon footprint through the financing of green, technology-based and renewable sectors that facilitate meeting the social needs in sustainable living and overcome the environmental challenges through stakeholder-prescribed governance practices in providing financial access to capable Malaysian companies in pursuit of export markets. In extending the commitment, the Bank will be guided by the internal policy and effective risk management framework that integrate all material risks in respect to climate change and policies issued by the governing body such as BNM and other government agencies.

The Bank targets to finance sectors complying with ESG guidelines such as renewable energy, recycling or sustainable agriculture, which will support and to catalyse its developmental role in ESG.

EXIM also strongly advocates deserving causes. In the year 2022, the Bank will continue working towards achieving selected UN SDGs namely:

SDG 1 – No Poverty, whereby the Bank continues to embark on programmes that benefit the underserved.

SDG 12 – Responsible Consumption and Production, wherein the Bank supports sustainable consumption initiatives.

SDG 15 – Life on Land, which prompts the Bank to focus on the protection and care of wildlife.

SDG 17 – Partnership for the Goals, towards causes that are closest to our hearts.

ACKNOWLEDGEMENTS

Each passing year, the Bank is more aware of the importance of the support from its stakeholders towards achieving long-term success. With the outbreak of the pandemic, the interdependence of organisations and their ecosystems have become even more apparent, stressing the value of multi-stakeholders' engagements and cooperation.

In recognising this, I would like to express my sincere gratitude to all our stakeholders – the Ministry of Finance ("MOF"), the Ministry of International Trade and Industry ("MITI") and BNM, for their continuous guidance and assistance. Heartfelt thanks goes out to my fellow Board Members, Shariah Committee Members and EXIM Bank's top management for their commitment and dedication in ensuring that the Bank continues to diligently discharge its mandate.

Finally, I would like to take this opportunity to express my utmost appreciation to all EXIMers who unwaveringly uphold our core values and, in doing so, foster positivity to the lives we encounter along the way.

Thank you.

DATO' AZMAN MAHMUD

Chairman
EXIM Bank Malaysia

ACTING CHIEF EXECUTIVE OFFICER REVIEW



Dear Valued Stakeholders,

In 2021, the Export-Import Bank of Malaysia (EXIM Bank, EXIM or the Bank) stayed committed in supporting the economy by fulfilling our mandate to assist SMEs with cash flow issues and facilitating their loans. We also maintained profitability by sustaining our income streams, leveraging risk through prudent decision making, and strengthening outreach and engagements.

The Malaysian banking system displayed resilience in 2021 despite the challenging operating environment against extended movement restrictions, moratoriums, and repayment assistance.

The unleashing of another nationwide movement control order (MCO 3.0) led to subdued domestic business and consumer sentiment for most of the year. The Malaysian government responded with the timely rollout of various packages and assistance in the form of economic stimulus packages and financial aid to address the economic hardships arising from the impact of the pandemic.

FY2021 FINANCIAL REVIEW

Despite the challenging economic environment, the Bank continues to engage with business communities to generate loan applications and sustained profitability at RM51.1 million. The achievements indicated the Bank's commitment in

managing and preserving the fund that it was entrusted with, to deliver our developmental role. Net impaired loans reduced to 12.19% from 13.45% in 2020. In addition, contribution from our Islamic Banking business also continued to grow and represented 48.6% of operating revenue this year.

As the only Development Financial Institution ("DFI") mandated by the Malaysian government to promote the development of cross-border ventures, the Bank's role remains vital to facilitate and support exporters/local companies going abroad.

Global confidence in the Bank was evident when EXIM successfully issued USD Bond offering of USD350 million 5 years senior unsecured notes in November 2021.

FY2021 STRATEGIC PERFORMANCE HIGHLIGHTS

Our profitable performance for the year was underpinned by the Bank's ongoing transformation journey, which further establishes good governance and culture change.

We leveraged on the subdued business environment during the pandemic phase to refine our strategies and enhance the following operational foundations: strengthening EXIM's mandated role; prudent asset quality and risk management; and focus on trade business outreach and revenue sustainability.

As opportunities emerged from the last quarter's economic recovery, in November 2021, the Bank was proud to finance USD11.84 million in support of 'Green' Locomotive Railway despite the challenging pandemic condition. This is the first Malaysian built 'Green' locomotive designed with the aim towards protecting the environment and mitigating climate change, which is in line with the Bank's target to finance sectors complying with ESG guidelines.

As we move into 2022, the Bank's focus will be on capturing growth as opportunities emerge, and anchor itself on stability.

The way forward is for the Bank to continue to deliver on its mandate as a Policy Bank with sound risk management practices, while extending assistance to customers affected by the spill-over impact of COVID-19.

This journey will be accompanied by improving the "end-to-end process" with technology and harnessing greater savings and service delivery excellence. At the same time, efforts in embedding a compliance culture will continue to be prioritised, to enhance our employees' performance and integrity.

NURTURING THE POTENTIAL AND WELFARE OF OUR TEAM

EXIM Bank strives to uphold high performance delivery, which is essential in executing our business strategies and generating long-term shareholder's value. Human capital initiatives in 2021 focused on developing current and future leaders and ensuring that they possess essential know-how in today's technology, as well as future capabilities for growth.

Our focus encapsulates prioritising the safety and wellbeing of our employees, which includes ongoing assurance that our work premises were compliant to standard operating procedures ("SOPs"), and awareness on social distancing protocols. Making sure everyone in the EXIM family stays safe during the pandemic, the Bank encouraged and made available COVID-19 vaccine shots to all employees and their families during the year.

OPTIMISING OPPORTUNITIES FOR COMMUNITIES & FUTURE GENERATIONS

While maintaining strong protocols for the health and safety of our employees, and doing our part to combat COVID-19, the Bank's commitment to long-term CSR programmes is still ongoing. We continue to champion worthy causes that focus on the betterment of the community and environment in FY2021 by collectively engaging with our business ecosystem of employees, marketplace players and non-governmental agencies to push for global agendas such as the United Nations Sustainable Development Goals ("UN SDGs").

Our recycling journey, which started from electronic waste recycling in 2019, and then fabric recycling with Kloth Malaysia in 2020, was extended to plastics and aluminium in 2021 as EXIM Bank became the first financial institution to join the Kloth Circular Plastic Recycling Movement ("KCPRM") and adopt the disruptive Reverse Vending Machine ("RVM"), also known as Crush-It by Kloth Lifestyle.

Later in the year, the Bank embarked on its first community engagement to bring light to the lives of underserved Orang Asli communities in Pahang. This was through a partnership with the Global Peace Foundation Malaysia's All-Lights Village project to address energy poverty issues faced by Orang Asli communities in Pahang. The installation of renewable and sustainable solar systems at four villages, impacted 45 households, or 150 villagers.



More details on our CSR initiatives can be found on page 40.

GRATITUDE & APPRECIATION

The Bank would like to extend our sincere appreciation to the Ministry of Finance, Ministry of International Trade and Industry and agencies, as well as Bank Negara Malaysia ("BNM") for their continued guidance and advice.

My deep acknowledgement and appreciation also goes out to the members of the Board for their invaluable support and counsel, as well as to the stalwart EXCO, management and staff of EXIM Bank for their dedication, commitment and support throughout this challenging period.

NORLELA SULAIMAN

Acting President/Chief Executive Officer
EXIM Bank Malaysia

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF EXIM BANK'S BUSINESS OPERATIONS

Export-Import Bank of Malaysia Berhad (EXIM Bank or the Bank) was initially established as the "International Division" of Bank Industri and Teknologi Malaysia Berhad ("BITMB") and was subsequently incorporated on 29 August 1995, as a government-owned Development Financial Institution ("DFI"), under the Companies Act, 1965 of Malaysia, through it becoming a subsidiary of BITMB. It was then spun off as an independent institution in 2005 to function as a standalone DFI focused on export credit activities. On 30 December 2005, the Bank merged with Malaysia Export Credit Insurance Berhad, retaining its legal and commercial name as Export-Import Bank of Malaysia Berhad, with a registered office at EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. As a DFI, the Bank is governed by the Development Financial Institutions Act ("DFIA").

As at 31 December 2021, the Bank had an issued and paid-up share capital of RM2,958,665,284 comprising the following:

01

2,708,665,282 ordinary shares owned by Minister of Finance Incorporated (MOF (Inc.))

02

1 ordinary share owned by Federal Lands Commissioner of Malaysia

03

1 special right redeemable preference share owned by MOF (Inc.)

04

250,000,000 Redeemable Cumulative and Convertible Preference Share (RCCPS) owned by MOF (Inc.)

MOF (Inc.), as the shareholder of the special right redeemable preference share, has the right to appoint no more than four members out of the maximum 12 members to the Bank's Board of Directors (the Board) including the appointment of the Chairman. As of December 2021, there is one representative from MOF (Inc.) on the Board. Any appointment to the Board and of the Chief Executive Officer of the Bank is subject to the approval by MOF (Inc.). The Bank's Board currently comprises the Chairman (who is also an independent non-executive director), four other independent non-executive directors, two non-independent non-executive directors (one being a representative from MOF (Inc.) and the other being a representative from Ministry of International Trade and Industry ("MITI").

THE BUSINESS OF THE BANK

The Bank is the only DFI in Malaysia dedicated to promoting the development of cross-border ventures through the provision of financing and insurance/takaful facilities to Malaysian entities conducting their business overseas. As an agency owned by MOF (Inc.) and now under the purview of MITI, the Bank's mandated role is to provide credit facilities to finance and support export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing by facilitating the entry of Malaysian companies into new markets abroad with an emphasis on non-traditional markets, where there is limited participation from commercial banks. The Bank also provides export credit takaful services, overseas investments and guarantee facilities.

Locally incorporated corporations and SMEs, as well as foreign companies and selected foreign governments, make up the clientele. In its export promotion efforts, the Bank collaborates with the Government and its agencies, including MITI, Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA), Small and Medium Enterprise Corporation Malaysia (SMECorp) and Construction Industry Development Board Malaysia (CIDB Malaysia).

The facilities offered by the Bank fall into two principal categories: banking and credit insurance/takaful.

PERFORMANCE OF BANKING FACILITIES IN 2021

EXIM Bank has established a wide range of financing facilities to cater for the financial needs of its borrowers. Banking facilities offered by the Bank are as follows:

Cross-border term financing

Malaysian contractors or investors can approach the Bank for facilities such as overseas project, contract and investment financing when these borrowers undertake overseas manufacturing, infrastructure and other developmental projects. Financing to Malaysian companies in bidding for overseas jobs and contracts is also provided. The financing is extended directly to a foreign government or foreign buyer to facilitate the import of Malaysian goods and services.

Besides that, the Bank extends export of services facilities to facilitate Malaysian companies in exporting their professional services overseas, which are typically in the form of consultancy in areas like information

technology, engineering, architecture and design and other technical services.

As at 31 December 2021, the Bank's total loans outstanding relating to term financing (including both conventional and Islamic banking facilities) amounted to RM0.80 billion.

Trade finance

Various facilities in support of cross-border trade are made available. Malaysian manufacturers, exporters and suppliers of Malaysian goods can also take advantage of the trade finance facilities offered by the Bank to boost their exports into international markets through working capital financing under the supplier credit or financing facilities. Such facilities offer pre-shipment financing as working capital for the production of goods prior to shipment and post-shipment financing as working capital after the shipment of goods, pending the receipt of proceeds for the exported goods.

Import financing facilities assist Malaysian companies with the import of strategic goods and services, which are unavailable in Malaysia, to promote the socioeconomic development of Malaysia.

MANAGEMENT DISCUSSION AND ANALYSIS

It also makes available competitively priced short-term trade finance facilities to direct exporters and indirect exporters to promote the export of manufactured products, agricultural products and primary commodities under the Export Credit Refinancing ("ECR") scheme. ECR Financing is categorised under pre-shipment and post-shipment. Pre-shipment ECR is an advance to facilitate the production of goods prior to shipment and to encourage the development of a network of economic inter-dependence between exporters and Malaysian suppliers in industrial development. Post-shipment ECR is an advance to exporters to finance the export of goods after shipment, pending the receipt of proceeds for the exported goods.

Furthermore, the Bank provides short-term trust receipt financing to importers to bridge their working capital requirements, through the extension of credit under documentary credit transactions, until the receipt of sales proceeds. As the imported goods are unavailable in the country of import, such financing has the ability to enhance the competitiveness of the products imported. The Bank also offers financing to Malaysian manufacturers that are involved or supported export-related industries in selected vendor programmes developed by the Government or its agencies by financing the working capital needs of such manufacturers for the post delivery of goods or services supplied to their customers.

As at 31 December 2020, the Bank's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to RM1.02 billion.

PERFORMANCE OF TRADE CREDIT TAKAFUL FACILITIES IN 2021

EXIM Bank continually offers insurance/takaful facilities for short-term trade credit insurance/takaful and medium to long-term trade credit.

Short-term trade credit takaful/insurance facilities

Short-term trade credit takaful covers export, domestic and import trade transactions with a policy term of less than one year. The facilities provide "umbrella" cover for exporters/importers, who make regular exports to overseas importers and imports to domestic buyers on credit for up to 180 days. The facilities also provide cover for exports directly from third country suppliers to their destination overseas, without passing through Malaysia. As part of the type of takaful facilities available to cover short-term commercial credit risk, the Bank also provides Shariah-compliant bankers trade credit takaful facilities to protect financial institutions against the risk of non-payment by exporters, arising from the default by their customers overseas.

In addition, the Bank provides bank letter of credit takaful policies covering Malaysian banks against the risk of non-payment of irrevocable letters of credit issued by overseas banks, in respect of Malaysian exports.

As at 31 December 2021, the Bank's total exposure under short-term trade credit takaful shipment amounted to RM319.07 million.

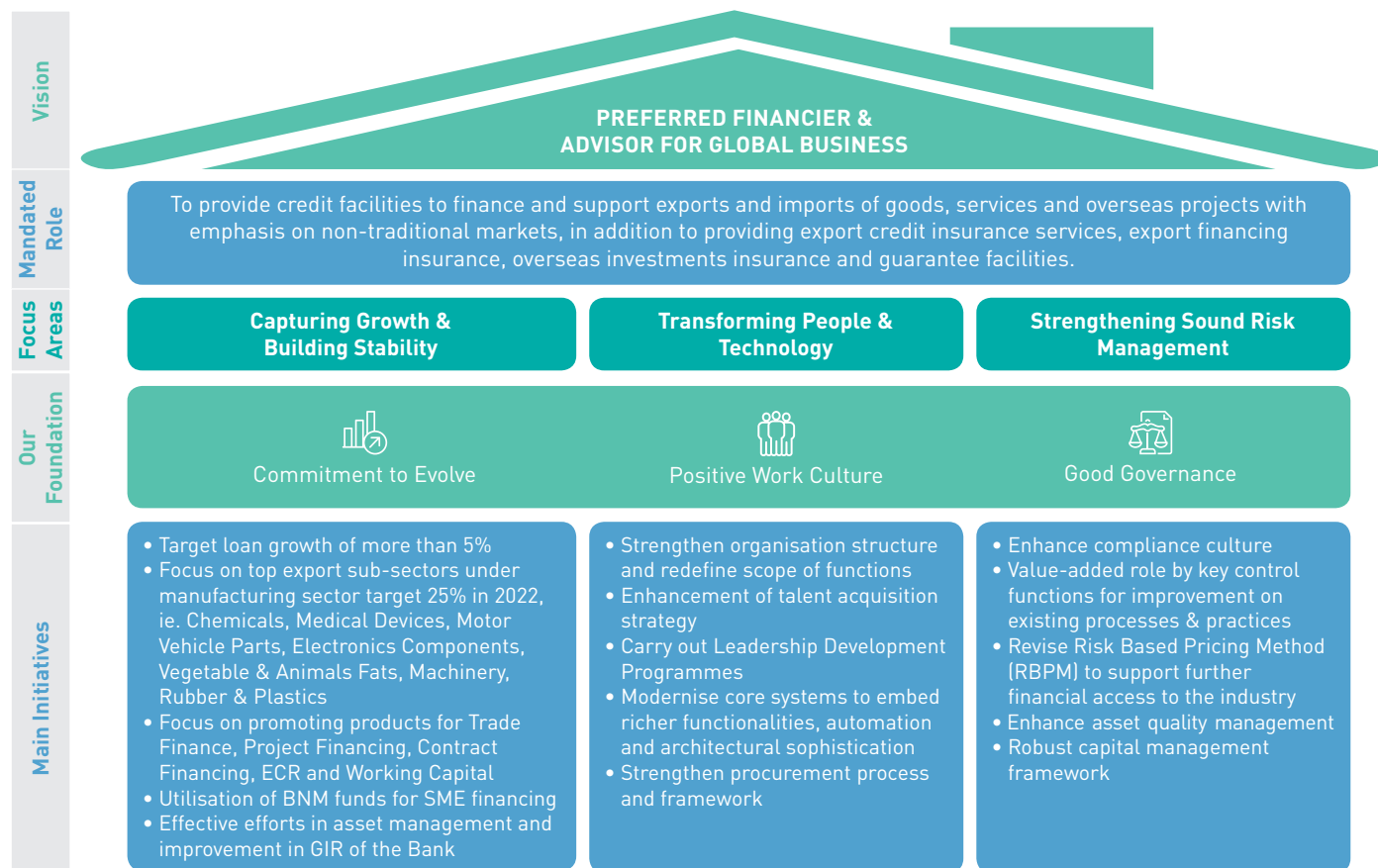
Medium- to long-term trade credit takaful/insurance facilities

Medium- to long-term trade credit takaful that has a policy term of more than one year is offered by the Bank to enable Malaysian companies to venture into new and unfamiliar markets. The Bank provides specific takaful policies to cover the export of capital goods or services with lengthy manufacturing and/or payment periods and high contract values.

Overseas investment takaful is provided to protect overseas investments against certain political risks, such as losses arising from restrictions on the conversion or transfer of local currency, expropriation, wars and civil disturbances and breaches of contract by counterparties.

Specific takaful facilities are offered to provide medium- to long-term Shariah-compliant coverage to Malaysian contractors and manufacturers undertaking one-off contracts for export of capital goods, turnkey projects, construction works or rendering services abroad against commercial, economic and political risks and losses occurring outside Malaysia due to events that are beyond the control of the contractor, manufacturer or its buyer.

As at 31 December 2021, the Bank's total exposure under medium- to long-term trade credit takaful facilities amounted to RM277.77 million.



STRATEGY 2022

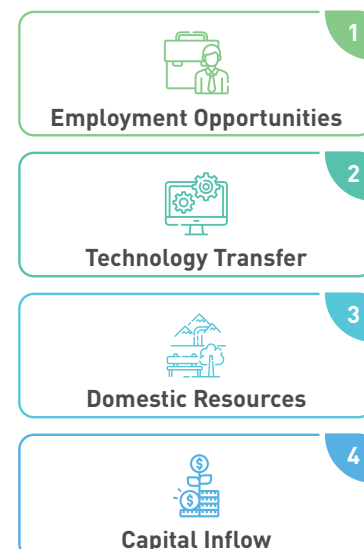
The strategic preparation of the FY2022 Corporate Plan is critical in view of the uncertainties that lie ahead and economic shocks arising from the abrupt COVID-19 global pandemic crisis, which impacted all financial institutions. The pandemic has caused changes in consumers’ engagement and behavior, and the devastating effects are predicted to continue to impact the business landscape for an uncertain period of time.

EXIM Bank will use this opportunity to enhance its foundations and improve strategies to aid new and existing clients. To be able to continue discharging the Bank’s mandate to support cross-border businesses, the FY2022 Corporate Plan lays down the strategies to accelerate business stabilisation with the unchanged focus to deliver value to the Bank’s respective stakeholders and shareholders while remaining vigilant of fluctuations in the economic landscape.

Notwithstanding EXIM Bank’s basic mandate, which is to support and encourage exports and outward investment, one of the Bank’s moving forward plan is to embark into financing the country’s entire export ecosystem and inwards investment by emphasising on the following areas:



Financing into inwards investment will provide holistic benefits to the country and enhance the competitiveness of the overall value chain. This will result in current and future economic benefits, particularly for:



OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

DELIVERING MEANINGFUL & POSITIVE IMPACT THROUGH CORPORATE SOCIAL RESPONSIBILITY

As a Development Financial Institution (“DFI”) wholly owned by the Government of Malaysia, EXIM Bank takes its corporate citizen role in the community seriously. The Bank dedicates much effort in supporting causes that provide life-changing differences to the beneficiaries. Every CSR programme is strategically planned with proper resources and objectives to ensure sustainable and impactful outcomes. The way benefits and impacts are recorded continue to be improved to ensure that the work done on this front leads to sustainable outcomes.

EXIM Bank has embarked on various CSR programmes over the years by collectively engaging with its business ecosystem of employees, marketplace players and non-governmental agencies. Wherever possible, the Bank partners with established social game changers to ensure objectives of its social impact projects are well-identified, tracked and measured.

The Bank's CSR initiatives are further aligned to the globally important United Nations Sustainable Development Goals ("UN SDGs"), illustrating by EXIM's aspiration and commitment to working towards the goals. In FY2021, EXIM Bank has championed these seven UN SDGs:



As the custodian for all the projects it undertakes, the Bank's Corporate Communication Department is proud to present a summary of EXIM Bank's 2021 CSR activities.

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY



EXIM Bank is committed in investing time, expertise and resources to make a sustainable difference through meaningful projects, financial aid and material contributions.



FULFILLING NEEDS THROUGH THE ALL-LIGHTS VILLAGE PROJECT

While the COVID-19 pandemic has adversely impacted the country in many ways, the effect on marginalised groups are particularly dire. This is evident in Orang Asli communities, who rank in the lowest end of the Bottom 40 ("B40") socioeconomic background with 50% categorised as poor, and one-third of them falling under the hard-core poor group, trapped in a cycle of poverty.

Through Global Peace Foundation Malaysia, an NGO that works with underserved Orang Asli communities, EXIM Bank was made aware of staggering facts on the challenges of energy poverty that pushes them further from mainstream society. This led to the Bank extending a helping hand through partnership in the All-Lights Village project for four Orang Asli villages in the Pekan and Rompin districts of Pahang.

The partnership provides a renewable and sustainable solar energy solution – the Sun King Home 120 Solar system – to elevate the quality of life and productivity for 45 households, or 150 villagers.

Making energy more accessible to these communities is vital in elevating them from the vicious poverty cycle that traps them from being self-sustaining for themselves and their families. By providing each family with a sustainable energy source, they enjoy cascading benefits that improve their productivity and quality of life in the long term.

Sustainable impact was achieved as the project was executed in well-planned stages, which included community engagements and buy-in, solar distribution and installation, training of selected villagers to maintain the system, and focus groups to assess the benefits delivered.

From the pre and post assessments conducted, it was found that 98% of the villagers are now able to carry out their daily chores through the night with ease (previously only 12% could do it); 100% of villagers now have electricity and mentioned they are satisfied with the system they now own, and finally, 100% are now able to charge their mobile phones at their own home (previously only 9%).

STAGGERING FACTS ON ENERGY POVERTY AMONG ORANG ASLI COMMUNITIES

- ★ 156,800 Orang Asli have no access to electricity.
- ★ They need to travel an average of 20km to purchase fuel.
- ★ They only have eight hours of sunlight for them to be productive, they cannot study or work late into the night.
- ★ Purchasing batteries to light up torchlights and charge handphones is costly. An average of RM1,872 a year is needed for an Orang Asli to charge their phone.
- ★ They struggle with health risks since burning palm fruits or using diesel lanterns as a source of light emits a lot of unhealthy indoor smoke.



Life is easier now. I keep the solar on from night until the next morning and the battery still lasts, and remains bright too. I can do house chores outside, clean the house and even cook a bit later than usual. My children now are happy to play around without being afraid of the dark. Going in and about house is so much easier now.

*Maizura binti Sulong
from Kg Terubing 1,
All-Lights programme recipient*

SPREADING RAMADAN CHEER TO THE UNDERPRIVILEGED

Caring for Children

Being socially responsive and constantly looking out to make a sustainable difference in the community, the Bank has consistently, during the month of Ramadan, taken the opportunity to spread cheer among neglected segments in society.

In 2021, Pertubuhan Kebajikan Anak-Anak Yatim dan Asnaf Baitun Nurrawdhah ("PKAYABN"), an orphanage located at Setiawangsa, was selected as the Bank's initiative in caring for underprivileged children. RM20,000 worth of donations in cash and kind were given to PKAYABN.

The contribution helped support the home's day-to-day expenditures, improve its facilities, as well as ease the financial burden faced by the home as they prepare for the fasting month of Ramadan and the subsequent Raya celebrations.

Food packs for Iftar were also distributed to bring cheer and allow memorable celebrations for the children.

Established in 2014, PKAYABN supports a total of 33 residents, comprising children ranging from a six month old infant to 20 years old, and a single mother. The cost of living has risen due to the COVID pandemic and PKAYABN depends solely on donations from companies and NGOs for its livelihood.

Groceries, toiletries and personal care products were contributed, in addition to PKAYABN two sets of study tables and chairs to create a conducive environment for learning.



Not Leaving Anyone Behind

Orphans are not the only ones in the eyes of EXIM Bank in our CSR initiatives. The neglected parts of the society are also in the Bank's radar, namely Pusat Jagaan Al-Fikrah Malaysia ("PJAFM"). This senior old folks home located in Kajang continues to enjoy the patronage of the Bank.

This year, the Bank donated RM13,000 to the home to support its daily expenditure and ease the financial burden during the holy month, in addition to a breaking of fast treat to the residents of the old folks.

PJAFM caters to a total of 70 senior citizens, and derives its source of income solely through donations from corporate companies, non-governmental organisations ("NGOs"), charitable organisations and personal donations to sustain its monthly expenses.

Apart from that, PJAFM's staff also breeds catfish and other farm animals to support its finances and runs a small farm for gardening activities that allow their residents to interact with nature. These neglected senior citizens, who have been taken care off at PJAFM deserve some pills of happiness especially during Ramadan.

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

SUPPORTING THE SOCIOECONOMIC DEVELOPMENT OF THE UMMAH

To create change, the forging of corporate partnership paves an optimum way forward. EXIM Bank collaborates with Yayasan Pembangunan Ekonomi Islam Malaysia ("YaPEIM") towards supporting the socioeconomic development of the Muslim community in Malaysia. During the year, EXIM Bank provided a fund contribution of RM60,000 to YaPEIM, benefitting a total of 600 beneficiaries through the implementation of the YaPEIM Food Bank Programme in several locations in the states of Melaka, Negeri Sembilan and Perak.

YaPEIM was established by the Government of Malaysia in 1976 and restructured on 20 July 1984. Today, the Prime Minister of Malaysia is the Patron of YaPEIM and the foundation is placed under the supervision of the Minister in the Prime Minister's Department, who is responsible for Islamic Religious Affairs.



EMPOWERING YOUTH VIA THE IMPIAN REMAJA PROJECT

The Impian Remaja Project is a collaboration between the Graduate School of Business, Universiti Kebangsaan Malaysia ("UKM") and Genius Remaja, a government body under the Ministry of Education. This project is aimed at championing youth between the ages of 13 to 19, from Project Perumahan Rakyat ("PPR") communities and from other distressed urban areas, through skills and leadership development activities.

The project encourages society to assist disadvantaged youth to be integrated into the larger society and given equal access to education. Among the objectives of this programme are to include character building activities based on the youths' individual strengths and capability, as well as to inculcate a culture of shared nation building among society. Up till October 2021, the project had raised RM188.5 thousand, serving 6,798 youth in four PPR communities

As one of the 15 corporate sponsors of the project, EXIM Bank contributed RM25,000 in 2021, and is committed to provide more towards the programme.



Environment

In addition to the Bank’s ongoing environmental concerns, EXIM Bank is stepping up recycling initiatives among its employees. The Bank’s recycling journey started from electronic waste recycling and the last two years, a dynamic partnership has been established with Kloth Malaysia to first recycle fabric and now plastics and aluminium. These campaigns endeavour to keep recyclable waste out of landfills.

CONTINUING TO CARE FOR ADOPTED BABY ELLY

In extending its commitment towards creating awareness for the need to conserve Malaysia’s elephant population, EXIM Bank continues to support the adoption of Elly, an elephant handicapped as a result of illegal poaching. The Bank stepped in to support Elly who was placed for rehabilitation at the National Elephant Conservation Centre (“NECC”), Kuala Gandah, after a successful environmental CSR programme held in 2017 with NECC to help conserve elephants, which are an endangered wildlife species in the country. Elly, who was a one year old calf at that time, needed urgent medical assistance due to the lost of her front lower right foot from a trap laid by illegal hunters. Hearing about her plight, the Bank ventured to adopt Elly in 2018 and contributed a custom-made prosthetic leg, as well as a one-off new portable paddock for Elly’s daily mobility exercise.



The Elephant Family

Keluarga Gajah



The adoption has been renewed yearly to ensure Elly grows up healthily and that she receives new fitted prosthesis to accommodate her growing frame. In 2021, RM34,000 was contributed to cover the annual cost of her one-year supply of milk, necessary medications, multivitamins and other supplements as part of her medical treatments, as well as sponsoring the biannual cost of Elly’s prosthetic leg.

Every year, NECC celebrates the World Elephant Day on 12 August and showcases Elly with her EXIM Bank-contributed prosthetics to all as an epitome of good corporate citizenry.

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

CRUSHING THE CHALLENGE OF PLASTIC RECYCLING

Hot on the heels of the 2020 Fabric Recycling Campaign, EXIM Bank extended this dynamic partnership by joining hands once again with Kloth Malaysia to promote its CSR campaign themed 'CRUSH-It Recycling Plastic Bottles — Keeping Plastic Out of Landfills and Oceans'.

The cause was deemed crucial as in 2020, Malaysia was listed by the World Wildlife Foundation ("WWF") as one of the largest consumers of plastic packaging, with only 15% of its plastic waste being safely disposed. According to SWCorp 2019 data, plastic waste accounted for 24.8% of the total waste in the country's landfills, with more ending up elsewhere on land, rivers and oceans.

Through this collaboration, EXIM Bank became the first financial institution to join the Kloth Circular Plastic Recycling Movement ("KCPRM") and adopt the disruptive Reverse Vending Machine ("RVM"), also known as Crush-It by Kloth Lifestyle.

The RVM accepts both plastic bottles and aluminium cans for recycling and has a mechanical press to flatten the items, which allows for more recyclables to be collected in one bag. These can then be easily processed into pellets and flakes and used to make new products by licensed recyclers. Plastic pellets are used to make plastic bottles and other packaging, while plastic flakes are used to make plastic straps, cushions, and toy stuffing. These items will then be sold in the marketplace, and this whole process creates a sustainable circular economy. The crushing of the bottles also results in a lesser number of trips and transportation costs for recyclable waste collectors, thus, a minimised carbon footprint for all.

Further, the RVM is designed with a drop box for depositors to put in bottle caps, and a collection rack for used plastic cups and cup covers. This provides a one-stop convenience and an efficient solution to collect all types of plastic beverage packaging. It also provides a display panel that can be used for advertising or education and awareness.



Keep Plastics Out of Landfills and Oceans

Another highlight is that the RVM is enabled via the Internet of Things (“IoT”) concept. It has an interactive touchscreen able to intelligently track the collection made by the departments in the Bank, and also has the capability to send a “BIN FULL” alert via SMS to selected licensed recyclers when the collection bag is full.

As part of the Bank’s one year campaign, the RVM has been placed in the concourse area of EXIM Bank Malaysia’s head office in Jalan Sultan Ismail, where plastic bottle depositors from the Bank and surrounding communities such as Quill Mall patrons, Kampung Baru residents, Heritage Row and other businesses and student populations, are encouraged to use the Crush-It machine and increase the awareness for this cause.

Leveraging on its tracking capabilities, in September 2021, the Bank ran an inter-department plastic bottle and aluminium can recycling challenge. This furthered the recycling message as winners received prizes such as garments and other wearable products made of recycled plastic bottles.



PLASTIC DATA AND FUN FACTS

- ★ Every minute, 1 million plastic bottles are sold across the world.
- ★ It takes three times the amount of water in bottled water to make a plastic bottle.
- ★ The production of bottled water uses 17 million barrels of oil a year. That’s slightly more than what it would take to fill one million cars a year with fuel.
- ★ It takes almost 2,000 times the energy to manufacture a bottle of water than it does to produce tap water.
- ★ The biodegradation of plastic bottles is estimated to take 450 years.
- ★ Plastic is killing more than 1.1 million seabirds and animals every year.
- ★ There will be more plastic than fish (by weight) in the ocean by 2050.
- ★ In 2012, total plastic emissions (not just packaging) totalled around 390 million tonnes of CO₂. CO₂ plays a role in climate change, which is defined as a long-term shift in global climate patterns such as temperature, rainfall, and precipitation over time.
- ★ Plastic recycling rates are low at between 14–18% as a global average and much lower in some countries, compared with recycling rates exceeding 50% for steel, aluminium, copper and paper.
- ★ Each year, at least 8 million tonnes of plastics leak into the ocean — which is equivalent to dumping the contents of one garbage truck into the ocean every minute. If no action is taken, this is expected to increase to two per minute by 2030 and four per minute by 2050. Estimates suggest that plastic packaging represents the major share of this leakage.

FEEDBACK IS WELCOMED

In advancing its investment in sustainability, EXIM Bank sees beneficial synergies between its evolving sustainability reporting and stakeholder engagement processes. Comments, suggestions and critiques on the Bank’s sustainability practices and reporting are welcome. Please send a message via email to communications@exim.com.my.

CORPORATE EVENTS



1 March 2021



Main Hall, Exim Bank & Microsoft Teams

EXIM BANK TOWNHALL

The end of the first quarter of 2021 saw the Chairman and Senior Management of EXIM Bank gathering and addressing the staff of EXIM Bank on the Bank's performance for 2020 and corporate plans moving forward.

The townhall meeting was held virtually for the entire workforce of the Bank due to the new norm of doing business in the face of the pandemic last year. Divided into two sessions, the townhall meeting had 300 over staff logging onto the Microsoft Teams platform to hear the Chairman Dato' Dr Feizal Mustapha and Officer in Charge Chin Chon Young share on the Bank's financial standing for the year, in addition to the progress of the Gear Up 21 initiatives and the digital and transformation agenda of the Bank for 2021.



1 November 2021



Port Klang, Selangor

EXIM BANK-FINANCED SMH RAIL 'GREEN' LOCOMOTIVES ROLLS TO AFRICA

The handover of the first batch of the 'H10 Series' locomotives by SMH Rail to Tanzania Railways Corporation ("TRC") was successfully completed and is expected to bring positive enhancements to the African Rail cargo industry. Through the development of these Malaysian built 'Green' locomotives, SMH Rail has affectively earned itself a place amongst the legion of world class players in the global rail industry. Energy-efficient and eco-designed, the 'H10 Series' diesel- electric locomotives meet the Tanzanian Government railroad's unique operational needs through seamless connectivity and enhanced accessibility.



The cutting-edge 'green' tech was financed by EXIM Bank, despite the challenging pandemic environment, and is in line with its mandate to promote and facilitate cross-border trade and investments of Malaysian businesses.

The occasion was graced by the Works and Transport Minister of Tanzania, Prof. Makame M. Mbarawa, and it is hoped that the successful completion and delivery of these locomotives will boost Malaysian-African relations and further drive economic empowerment through export.



17 November 2021



Mandarin Oriental Hotel,
Kuala Lumpur

EXIM PRICES 5-YEAR USD SENIOR UNSECURED NOTES

Successfully returning to the international capital markets, EXIM Bank Malaysia priced a U.S. dollar bond offering of USD350 million 5-year Senior Unsecured Notes (the "Notes"), which were issued off EXIM Bank's USD3.0 billion Multicurrency Medium Term Note Programme.

Taking advantage of a steady market open in Asia on the morning of 18 November 2021, EXIM opportunistically entered the global market and scored a final order size amounting to over US\$1.3 billion over 80 accounts (including US\$100 million from the joint bookrunners), or an oversubscription rate of more than 3.7x of the Bank's target USD350 million issuance.

EXIM's offering was conducted on the back of a comprehensive global virtual investor roadshow conducted on 17 November 2021, which was attended by the Senior Management of EXIM.



6 December 2021



KL Convention Centre, Kuala Lumpur

EXIM BANK SUPPORTS TERAJU'S BUMIPUTERA DEVELOPMENT ACTION 2030 PLAN

Launched by Prime Minister YAB Dato' Sri Ismail Sabri Yaakob early December, the Bumiputera Development Action 2030 ("TPB2030") is the direction for the new Bumiputera agenda in the next 10 years, according to Bumiputera Agenda Steering Unit (Teraju). The main objective of TPB2030 is to empower the economy and socio-economy of Bumiputeras to ensure sustainability and equality between races can be achieved.

Part of the TPB2030, seven Key Economic Growth Activities ("KEGA") namely high-value economic sectors were also identified to achieve the seven targets by 2030, and a total of 16 memorandum of understanding ("MoU") were signed, one of which involved EXIM Bank of Malaysia. The MoU was signed between Teraju and EXIM Bank as its Strategic Collaboration Partner and witnessed by Deputy Minister in the Prime Minister's Office, Datuk Mastura Bin Tan Sri Dato' Mohd Yazid and Minister in the Prime Minister's Office Datuk Dr. Haji Abdul Latiff Ahmad. EXIM Bank was represented by Acting President/Chief Executive Officer Norlela Sulaiman and Teraju was represented by its CEO Tuan Haji Md. Silmi Abd Rahman.



9-12 December 2021



KL Convention Centre, Kuala Lumpur

EXIM BANK SHARES 100 DAYS PROGRESS

Late last year, Malaysians were able to learn more about the achievements of each ministry during the 100 Hari Aspirasi Keluarga Malaysia (Malaysian Family Aspirations) programme that was launched by the Prime Minister at the Kuala Lumpur Convention Centre for four days beginning Dec 9.

As an agency under MITI, EXIM Bank also participated in the event and shared the progress the Bank had achieved for the year - from helping SMEs and businesses to explore non-traditional markets, right down to assisting and offering aid to the undeserved and underprivileged in our society.

All 31 ministries, including MITI and its agencies, had targets based on six main thrusts, including restructuring the economy, ensuring the country's safety and peace, as well as increasing social harmony. The event aimed to share with the public the 100-day report cards of all members of the cabinet.



MEDIA HIGHLIGHTS

Yinson-Sumitomo secures US\$670 million financing for FPSO Anna Nery

KUCHING: Yinson Holdings Bhd (Yinson), through its wholly-owned Singapore-based subsidiary Yinson Production Offshore Pte Ltd (YPOPL), together with its project partner Sumitomo Corporation (Sumitomo), have entered into a US\$670 million syndicated loan facility for the FPSO Anna Nery project, with ING, Natixis and Standard Chartered Bank as underwriting banks.

The agreement was also signed by AmBank, United Overseas Bank Ltd, Mizuho Bank Ltd and the Hongkong and Shanghai Banking Corporation Limited (HSBC) who are participating as senior lenders.

The five-year limited recourse loan will be used to refinance an existing USD400 million bridge loan received in September 2020. The loan also will support the ongoing construction of FPSO Anna Nery, a floating, production, storage and offloading (FPSO) project awarded to Yinson by Petróleo Brasileiro SA (Petrobras) in October 2019.

Sumitomo owns a 25 per cent stake in the project. The deal has been positively received by the investment community with several banks expressing interest to participate, including Export-Import Bank of Malaysia Berhad which is expected to participate in the syndication phase.

Yinson Group chief strategy officer Daniel Bong said that this deal, which is believed to be the first of its kind in the FPSO financing space, was made



The loan also will support the ongoing construction of FPSO Anna Nery, a floating, production, storage and offloading (FPSO) project awarded to Yinson by Brazil's Petrobras in October 2019.

possible through the Group's long-standing strong relationships with the underwriting banks.

"The deal was sealed amid significant challenges in the FPSO financing space, which have been compounded over the past year by the ongoing Covid-19 pandemic and evolving investor appetites due to the energy transition.

"The success of this deal is a testament to the investor community's confidence in Yinson's ability to continue delivering on our commitments and in the robustness of our business strategy," he commented.

Daniel also acknowledged that the strong teamwork between all parties was instrumental to the success of the deal.

"Our sincere appreciation goes to our project team, corporate team, underwriting banks ING, Natixis and Standard Chartered Bank, senior lenders, project partner Sumitomo and client Petrobras for showing such a great commitment towards the success of this mini perm. Indeed, this is a case of teamwork making the dream work," he added.

Yinson's chief executive officer of offshore production Flemming Grønnegaard said that the project

team's continued construction is crucial in cementing the underwriting mini perm.

"With support from contractors and we are pleased to be at the halfway mark in phase of construction despite the pandemic.

"We have received the final drydock inspection from Cosco shipyard and we are well on track to complete the last quarter of

04 October 2021

EX-MIDA CHIEF AZMAN MAHMUD IS EXIM BANK CHAIRMAN



KUALA LUMPUR (Oct 1): Export-Import Bank of Malaysia Bhd (EXIM Bank) has appointed former Malaysia Investment Development Authority (MIDA) officer (CEO) Datuk Azman Mahmud as its chairman effective immediately.

Azman succeeds Datuk Dr Feizal Mustapha, who ended his term with the bank earlier this year. Feizal had held the position since his appointment in 2018.

"Having served in MIDA for over three decades with his final years donning the hat of CEO, Azman brings with him a wealth of experience especially in investments and potential business opportunities, with a keen focus on leading performance-driven and result-oriented teams," EXIM Bank said in a statement on Friday.

EXIM Bank said Azman's collaborative leadership within the corporate ecosystem and rich investment industry know-how will place him in good stead in the right direction, as it fulfills its mandate as the preferred financier and advisor of global businesses.

Azman also chairs the boards of Panasonic Manufacturing Malaysia Bhd, Privasia Technology Bhd, SME Aerospace Sdn Bhd and UPM Holdings Sdn Bhd. He has also held various other board positions in GDEX Bhd and Kulim Technology Park Corp.

EXIM Bank M'sia lauds National Recovery Plan towards holistic recovery

KUCHING: Export-Import Bank of Malaysia Berhad (EXIM Bank) welcomes and supports Prime Minister of Malaysia Tan Sri Muhyiddin Mohd Yassin and the government's National Recovery Plan towards the containment of the Covid-19 pandemic, which will lead to the eventual full reopening of the economy later this year.

In his national address, the Prime Minister shared the National Recovery Plan, which will be carried out in four phases, to take the nation out of the Covid-19 pandemic. The government has drawn-up plans with the best possible consideration to ensure that every decision would continue to safeguard the lives

and livelihoods of the people and benefit the country.

In supporting the National Recovery Plan and PICK rollout, EXIM Bank is also doing its part in assisting the government in speeding up the socioeconomic recovery of the country.

EXIM Bank president/chief executive officer Datuk Shahrul Nazri Abdul Rahim said: "The government has managed to avert a catastrophe with the implementation of the Movement Control Order (MCO) nationwide since June 1, and with the First Phase of the MCO showing a downward trend, suggests that the Covid-19 infections are beginning to flatten

out and the measures taken by the Prime Minister and the government have proven to be fruitful."

Despite the MCO 3.0 being necessary for the nation with an economic repercussion of RM1 billion a day to the country's coffers, the Bank is grateful for the government's Pamerkasa Plus rollout – an economic stimulus package and financial aid worth RM40 billion with a fiscal injection of RM5 billion.

He added: "We will continue to support the government's initiatives and offer assistance to lessen the burden of affected businesses in the country, as we realise that we can also play a role in this national effort."

THE SUN

Mexim offers US\$350 mln five-year senior unsecured notes

November 21, 2021 - by admin



KUALA LUMPUR: Export-Import Bank of Malaysia Bhd (MEXIM) has returned to the international capital markets and priced a US dollar bond offering of US\$350 million (US\$1=RM4.17) five-year senior unsecured notes.

In a statement today, it said the notes are issued off MEXIM's US\$3.0 billion Multicurrency Medium Term Note Programme and the net proceeds will be used for general banking and finance activities, working capital as well as other corporate purposes.

"Taking advantage of a steady market open ins Asia on the morning of Nov 18, 2021, MEXIM opportunistically entered the global market, announcing the initial price guidance at T+90 basis points (bps) area for the notes.

"MEXIM was able to compress the initial T+60bps area. The final price guidance at 131 per cent," it said.

28 October 2021

30 BADAN KORPORAT, AGENSI KERAJAAN SOKONG ANUGERAH KEWARTAWANAN (MWM 2021)



KUALA LUMPUR: Sebanyak 30 badan korporat, agensi kerajaan tampil menjalinkan sumbangan tajaan berjumlah RM300,000 untuk menyokong Malam Wartawan Malaysia (MWM) 2021 yang dijadualkan berlangsung pada 30 November ini.

Pengerusi Malaysia Press Institute (MPI), Datuk Dr Chami Warfa berkata, pihaknya mengundang Perdana Menteri Datuk Seri Ismail Sabri Yaacub, sebagai tetamu kehormat pada malam perayaan pengamal media tanah air itu.

Katanya, ia juga bermakna kerana Hadiah Kewartawanan Malaysia (HKM) yang berwujud 40 tahun. "Bergolak ke hadapan pasca pandemik COVID-19, setelah kita berada di fase endemik, kita harap program mengiktiraf karya-karya kewartawanan yang cemerlang ini dapat kita kembalikan ke tempat asalnya pada tahun 2022.

"Penyerahan untuk Hadiah Kewartawanan Malaysia MPI-PETRONAS 2021 sudah pun dibuka dan kita berharap penyerahan tahun ini akan meningkat berbanding tahun 2020," katanya pada majlis penyerahan tajaan yang diadakan di ibu pejabat hari ini.

Tufuli Hadri, Ahli Lembaga Pemegang Amanah MPI, Datuk Mustapa Omar, Datuk Yong Soo Heong dan Dr Mahd Sarif Hasim.

Berikut senarai sumbangan untuk majlis MWM 2021, majlis itu juga diadakan untuk menerima tajaan sebanyak RM300,000 yang akan dibentangkan kepada pemenang HKM MPI PETRONAS 2020.

"Bagi kategori tiga tahun mendatang, 18 kategori dipertandingkan dengan tiga pemenang utama, pemenang perak dan pemenang gangsa. Selain itu, kategori lima tahun mendatang, 18 kategori dipertandingkan dengan tiga pemenang utama, pemenang perak dan pemenang gangsa. Selain itu, kategori lima tahun mendatang, 18 kategori dipertandingkan dengan tiga pemenang utama, pemenang perak dan pemenang gangsa.

"Untuk meningkatkan penyertaan, langkah-langkah promosi yang baik akan diatur sebagai berikut:

SMH Rail ready to ship Malaysia's first green locomotives to Africa

By Azhar Shahril Anwar - November 1, 2021 @ 8:08am

STRAITS TIMES



Launched in August, SMH Rail said the first batch of the H10 Series locomotives will be received by TRC, and the momentous occasion will be graced by the Works and Transport Minister of Tanzania, Prof. Makame M. Mbarawa.

KUALA LUMPUR: SMH Rail's H10 Series, the first Malaysian-built 'green' locomotives, are ready to be handed over to Tanzania Railways Corporation (TRC).

SMH Rail chairman and managing director Datuk PK Nara said it is confident that the locomotives will bring positive enhancements to the African rail cargo industry.

SMH Rail believes as it moves forward with concerted efforts, the company will not only be able to boost Malaysian-African relations but further drive economic empowerment through exports.

"We thanked Exim Bank of Malaysia for its relentless support in financing the project despite the challenging pandemic milestones whilst maintaining a competitive edge in today's fast-paced global economy to be among the most energy-efficient modes of transport for freight and passengers," he said in a statement.

Launched in August, SMH Rail said the first batch of the H10 Series locomotives will be received by TRC, and the momentous occasion will be graced by the Works and Transport Minister of Tanzania, Prof. Makame M. Mbarawa.

"These locomotives were built for use by African freight operators with TRC as the launch customer.

"Energy-efficient and eco-designed, the H10 Series' diesel-electric locomotives will meet the Tanzanian Government railroad's unique operational needs through seamless connectivity and enhanced accessibility," it added.

The rail industry can provide substantial benefits for the energy sector through fuel consumption as well as for the environment.

The H10 Series' locomotives not only advance SMH Rail's exportability but also further enhance Malaysia's efforts to bridge connectivity, increase supply chain access, accelerate industrialisation and promote cross-border trade.

According to Nara, driving mobility with a human touch is the company's business ethos.

He said in rail sustainability, by diversifying energy sources with efficiency in mobility, railways can lower transport energy use, reduce carbon dioxide and local pollutant emissions.

"The future of rail, driven by innovation in engineering and technology will enable the railways to achieve safety milestones whilst maintaining a competitive edge in today's fast-paced global economy to be amongst the most energy-efficient modes of transport for freight and passengers," he added.

27 November 2021

SUMBANGAN RM100,000 UNTUK 250 KELUARGA TERJEJAS BANJIR



KUALA LUMPUR (Nov 27): PERISTIWA banjir kilat yang berlaku di Ampang Isnin lepas memberi kesan yang amat besar buat penduduk di sana. Sudah pasti, banyak kerosakan dan kerugian yang dialami, tambahan pula di saat semua sedang mula memulakan kehidupan selepas lebih setahun tersekat akibat pandemik.

Prihatin dengan nasib yang menimpa mereka, Jabatan Perdana Menteri (Jai Chawal Agama) melalui YaPEIM dengan kerjasama Export-Import Bank of Malaysia Berhad (EXIM Bank), tampil membantu 250 keluarga dari tiga kampung yang dikenali pasti di sekitar daerah Ampang.

Sebanyak RM100,000 diperuntukkan di bawah Program Inspirasi Qasah Kami, dengan aghian bantuan tunai berjumlah RM200 serta barangan Foodbank YaPEIM bernilai RM100 kepada setiap keluarga yang terjejas.

Program Insidiasi Qasah Kami juga setakat ini telah menyantuni 993,401 penerima manfaat, dengan jumlah aghian bernilai RM29.96 juta dari 1 Januari 2021 hingga 31 Oktober 2021. Kesemua penerimaan manfaat datang dari kalangan keluarga miskin atau miskin tegar, kumpulan B40, golongan asnaf, anak yatim, usahawan, pelajar dan golongan rentan.

Semoga dengan sumbangan ini, dapatlah sedikit sebanyak membantu mereka meneruskan kehidupan. Selanjutnya itu dijadikan bagi meningkatkan taraf keimanan seorang hamba. Moga Allah mengangkat taraf keimanan kita atas jalan yang diilhami ini.

SPECIFIC DISCLOSURE ON DEVELOPMENTAL PERFORMANCE

EXECUTING THE BANK'S DEVELOPMENTAL FUNCTION

In 2020, when the COVID-19 outbreak presented a significant threat to global socioeconomic development, EXIM Bank crafted plans in anticipation of forecasted potential in certain markets in 2021, guided by the Bank's Strategic Blueprint. These plans enable the Bank to capitalise on opportunities that were to arise in 2021, through business development efforts concentrated in East Asia, ASEAN, and Europe. Prospects in the Asia-Pacific region are still considered favourable as low operating risks and a concentration of projects and contracts have been taken into consideration. However, as pandemic challenges were still impacting the global markets in 2021, the Bank's ability to carry out its function of development continued to be hampered.

As part of the Bank's efforts in adhering to its social mandate, as tasked by its sole shareholder, it is expected to play a significant role in contributing towards the Malaysian economy. This is done by aligning the value of its total assets to the pre-identified quadrants of GDP, Trade Balance, Total Exports and Total Imports. Moving forward, the Bank plans to assess other socioeconomic impact that its financing facilities have had on clients, such as employment creation and retention, as well as value-added activity.

In addition to this, the Bank will also reorient its focus on providing financing facilities to those who would like to venture into non-traditional markets, under certain conditions, through the Bank's risk appetite and profile. During the first quarter of 2021, efforts were concentrated in the sectors of ICT, manufacturing, wholesale trade, and food and beverage industries - all of which were anticipated to experience rapid recovery.

EXIM Bank aims to aid the future growth of the national economy by:

Facilitating the building of Malaysia's economy, post COVID-19 (export and investment financing).

Enhancing Malaysia SMEs' capacity in moving up the value chain.

Providing access to financing for purchase of machinery or technology capability for local companies. This is to support industry forward and digitalisation drivers that could facilitate export of higher value added goods and services

Strategising future financing by participating in Environment, Social & Governance ("ESG") development.

Increasing participation in trade financing and fortifying Malaysia's position as a trading nation by taking a bigger and more effective role as an export and import financier. In particular, leveraging our presence in Regional Comprehensive Economic Partnership ("RCEP") trade activities.

Matching the Bank's efforts to recover impaired assets in accordance with the phases of industry recovery.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (“Board”) of Export Import Bank of Malaysia Berhad (“EXIM Bank” or “the Bank”) recognises the importance to adopt the principles and best practices of Corporate Governance as good governance practices leads to financial stability. The Board remains dedicated and committed in its efforts to build an environment of trust by continuously promoting transparency, accountability, responsibility and integrity in its decision making process. This commitment is imperative in achieving the Bank’s long term growth strategies, maximise shareholders’ value, protect the interest of the Bank’s stakeholders, ensure continuous sustainability and set a solid foundation for the Bank to carry out its mandated role as a Development Financial Institution (“DFI”).

The Board also recognises the Board Charter as an important governance tool that sets out the Board’s strategic intent and outlines the role and authority of the Board that specifically reserves for itself, and those which it delegates to the Board Committees and Senior Management. The Board delegates certain functions to Board Committees, which comprises of members of the Board and these Board Committees operate within the Terms of References primarily to assist the Board in discharging of its duties and responsibilities. Although the Board has delegated its authority to the Board Committees, the Board remains fully accountable and responsible for the actions and decisions carried out by the Board Committees.

The Board Charter adopted by the Bank took into consideration the Board’s roles and responsibilities (both collectively and individually), authority, fiduciary duties, integrity and functions as provided for in the Development Financial Institutions Act 2002 (“DFIA 2002”), Companies Act 2016, Constitution of the Bank as well as other primary legislative and regulatory provisions applicable to the Bank. The Board Charter also includes principles and best practices of Corporate Governance advocated under Bank Negara Malaysia (“BNM”)’s Corporate Governance Policy Document (“CGPD”) and the Malaysian Code on Corporate Governance (“the Code”).

The following are key Corporate Governance practices adopted by the Bank as per its Board Charter:-

PART 1: ROLES AND RESPONSIBILITIES OF THE BOARD

Roles and Responsibilities

The Board acknowledges Corporate Governance is important to the business of the Bank and is committed in the application of Corporate Governance principles in all its business dealings with its stakeholders.

The Board will perform its oversight role effectively and understands its overall responsibilities to stakeholders as guided by the Board Charter. Both the Chairman and the P/CEO functions are properly segregated. However, their respective functions remain mutually co-dependent enabling efficient and effective execution of duties and responsibilities.

In performing its duties and responsibilities for the Bank, the Board’s core responsibilities amongst others are as follows:-

- 1) The Board is charged with leading and managing the Bank effectively and responsibly. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Bank are managed. The Board sets the Bank’s values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 2) The Board plays a critical role in ensuring that the Bank upholds sound and prudent policies and practices. The Board will perform its oversight role effectively and understands its overall responsibilities to shareholders and stakeholders. The Board are not involved in the day-to-day operations of the Bank but will provide an effective check and balance mechanism in the overall management of the Bank.
- 3) The Board bears ultimate responsibility for the proper stewardship of the Bank. The Board understands that the responsibility for good Corporate Governance in ensuring the maximisation of shareholders’ value and the safeguarding of stakeholders’ interest is performed through rigorous and diligent oversight of the Bank’s affairs, establishing, amongst others, the corporate values, vision and strategies that will direct the activities of the Bank, and be aware of the types of material financial activities the Bank intends to pursue.

STATEMENT OF CORPORATE GOVERNANCE

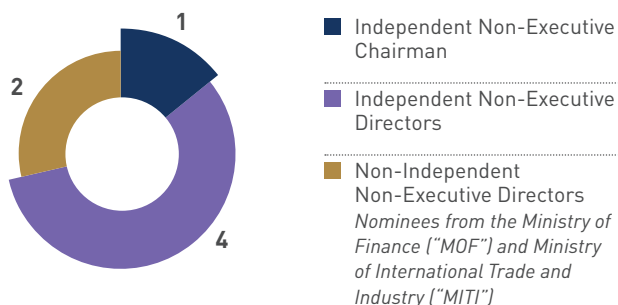
- 4) The Board also provides the necessary and requisite overall oversight on the Shariah governance structure and Shariah compliance of the Bank as required under BNM's Shariah Governance Framework for Islamic Financial Institutions. The Board, upon consultation with the Shariah Committee ("SC") shall approve all policies relating to Shariah matters and is expected to ensure that such policies are implemented effectively.

The Bank is working towards the implementation of Environmental, Social and Governance ("ESG") practices. The Bank had recently set up a Climate Change Task Force Committee (designated Management level) to strategically drive and oversee the implementation of climate change with respect to business operations, decision making process and risk management practices adopted by the Bank. The Bank will be guided by internal policies and effective risk management framework that integrates all material risks in respect to climate change and policies issued by the governing body such as BNM and government agencies.

PART 2: BOARD COMPOSITION

Board Size, Composition and Diversity

As at 31 December 2021, the Board consists of:



4 male
directors
57%



3 female
directors
43%

- The present composition of the Board is in compliance with BNM's CGPD as more than half of its members are Independent Directors;
- The Board applied gender diversity as recommended by MOF and Malaysian Code on Corporate Governance of Securities Commission Malaysia ("the Code") of having at least 30% women director representation on the Board.
- The Board had indicated their commitment in maintaining diversity from different aspects such as gender, age, cultural and educational background, professional experience, skills, knowledge and length of service which is reflected in the Board's composition and decision-making process to address key risks and major issues relating to the Bank's long-term strategies and sustainability.

A brief profile of each member of the Board is presented on pages 16 to 22 of this Annual Report. The current Board members are as follows:

1. Dato' Azman Mahmud (Chairman)¹;
2. Datuk Dr. Syed Muhamad Syed Abdul Kadir;
3. Datuk Bahria Mohd Tamil;
4. Dato' Dr. Amiruddin Muhamed;
5. Dato' Sandra Wong Lee Yun;
6. Wong Yoke Nyen; and
7. Pauline Teh Abdullah².

Segregation of position of the Chairman and the President/Chief Executive Officer

The Board aims to ensure an appropriate balance of roles, responsibility, authority and accountability between the Chairman and the P/CEO with a clear division of responsibility between the running of the Board and the Bank's operations respectively. This ensures an appropriate balance of power and enhanced independence in the decision-making process. The positions of Chairman and P/CEO are held by different individuals with distinct and separate roles and responsibilities to advocate governance and transparency.

Core competencies

- | | |
|--------------------|--|
| ★ Asset management | ★ Legal |
| ★ Investment | ★ Business management |
| ★ Banking | ★ Administration |
| ★ Insurance | ★ Economics |
| ★ Finance | ★ Industry/Subject Matter Expert ("SME") |
| ★ Accounting | |
| ★ Audit | |

¹ Appointed effective from 1 October 2021

² Appointed effective from 15 November 2021

PART 3: BOARD APPOINTMENT/REAPPOINTMENT PROCESS

The Nomination and Remuneration Committee ("NRC") has been delegated by the Board in overseeing the following matters concerning the Board, Board Committees, Shariah Committee ("SC"), P/CEO and Senior Management:



The appointment and reappointment of Directors are governed under the Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan), BNM's Policy on Fit and Proper Criteria as well as the Bank's Policy on Fit and Proper Criteria and Policy on the Appointment/Reappointment of Chairman, Directors and P/CEO. In accordance with these policies and guidelines, the NRC undertakes a crucial role in the nomination and selection process of potential candidates to be appointed as Directors and members of the Board Committees.

The NRC performs detailed assessments on the candidates with respect to their relevant skill sets, expertise and experience to fill any gaps in the present Board's skills and expertise. Subsequently, the NRC recommends the appointments for the Board's approval before the submission to BNM for verification and finally to the MOF for the final approval. The appointment and reappointment tenure shall be for a term of two (2) years with maximum service tenure of six (6) years.

The NRC considers the following criteria with respect to the fit and proper assessment of a candidate:



On an annual basis, the NRC guided by BNM's as well the Bank's internal Policy on Fit and Proper Criteria to carry out fit and proper assessments on the suitability of the Board members to continue in their present role. The assessment involves a self-declaration by the Directors to ensure the suitability and independence of the Directors to continue to serve as Directors of the Bank.

STATEMENT OF CORPORATE GOVERNANCE

PART 4: BOARD AND BOARD COMMITTEES

Board Meetings

The Board Charter stipulates that the Board needs to meet at least once a month in discharging its duties and responsibilities. Besides the twelve (12) pre-scheduled Board meetings determined in advance to enable the Board members to plan their meeting schedules, the Company Secretarial Department will arrange for ad-hoc Board meetings as circumstances dictate.

Senior Management is invited to attend these meetings to share their views and feedback on the proposals submitted. Senior Management's attendance also provides an opportunity for the Board to discuss the subject matter presented directly with the respective paper owners.

According to BNM CGPD, Board members are required to attend at least 75% of the Board meetings held in each financial year. During the financial year ended 31 December 2021, the Bank conducted 27 Board meetings and all Board members exceeded the minimum 75% attendance requirement.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at the meetings, must be recorded in the minutes of meetings without fear or favour with clear actions to be taken by the affected parties.

The Roles of the Chairman at Board Meetings

The Chairman's primary role is to preside over board meetings and to ensure the smooth functioning of the board in the interest of good corporate governance. In performing this role, the Chairman is responsible for, amongst others:-

1. Leading the Board in setting the values and standards of the Bank along with the Directors to create an environment of trust.
2. To promote the highest standards of corporate governance, probity and integrity with respect to the deliberations and decisions made.
3. To ensure that complete, timely, relevant, accurate, honest and accessible information is placed before the Board to enable Board members to reach an informed decision.

The Bank has complied with the Code where the Chairman shall only chair Board and General meetings and the Chairman shall not be appointed as Chairman or member of any of the Board Committees³. This is to promote robust and open deliberations by the Board on matters referred by the Board Committees.

Board Committees

The Board has delegated certain of its governance responsibilities to the Board Committees, which operate within clearly defined Terms of References, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and strategic matters, the ultimate responsibility still lies with the Board. The Chairpersons of the respective Board Committees will report to the Board on matters dealt with at their respective Board Committee meetings.

The Board Committees are as follows:

1. Board Credit Committee;
2. Board Audit Committee;
3. Board Risk Committee; and
4. Nomination and Remuneration Committee.

Board Credit Committee ("BCC")

The BCC is primarily responsible to perform supervisory and oversight roles on financing and credit related proposals and approval. The BCC shall refer to the Credit Risk Policy and the Bank's latest Approving Authorities and Authority Limits.

The BCC comprises four (4) members, a majority being Independent Non-Executive Directors ("INEDs") and chaired by an INED. The BCC shall have the following specific responsibilities:

1. To deliberate, review and exercise the right to approve, reject and modify the terms and conditions of credit applications which have been approved by the Management Credit Committee ("MCC").
2. To recommend "policy loans/financing" and loans/financing which are required by statute to be approved by the Board, which have been reviewed and recommended by the MCC.
3. To seek/obtain any information from any employee of the Bank and to commission any investigations, reports or surveys, if deemed necessary on credit related matters.



During the financial year ended 31 December 2021, the BCC met 22 times. Members of the BCC and details of the meetings attended by the members are stated on page 61 of this Annual Report.

³ Following the departure of Dato' Dr. Feizal Mustapha on 8 March 2021, the Nomination and Remuneration Committee Chairman, Datuk Dr. Syed Muhamad Syed Abdul Kadir was also appointed as the interim Chairman from 22 April 2021 to 30 September 2021. Subsequently, Dato' Azman Mahmud was appointed as the new Chairman of the Bank effective 1 October 2021.

Board Audit Committee (“BAC”)

The BAC is tasked to review the financial condition of the Bank, its internal controls, performance and findings of the internal auditors, and to recommend appropriate remedial action regularly through its meetings, preferably to be held at least once in two months or as and when required.

The BAC comprises of three (3) members (including the BAC Chairman) a majority being INEDs and chaired by an INED.

The responsibilities of the BAC are as follows:

1. Support the Board in ensuring that there is a reliable and transparent financial reporting process.
2. Ensure that the financial accounts are prepared in a timely and accurate manner and ensure prompt finalisation of the Audited Financial Statements.
3. Reporting
 - (i) To review the financial statements (half-yearly and annual basis), preliminary results release and any other formal releases relating to its financial performance prior to escalation to the Board for approval.
 - (ii) To inform the Board on the issues and concerns discussed during its meetings, including those raised by the External Auditors and where appropriate, make the necessary recommendations to the Board for approval; and
 - (iii) To review and endorse the status and progress of Management’s responses and corrective measures on issues raised by BNM, MOF, Jabatan Audit Negara Malaysia, Jabatan Akauntan Negara Malaysia or other regulatory bodies prior to submission to the Board for approval.
4. Oversee the effectiveness of the Internal Audit function:
 - (i) To oversee the functions of the Internal Audit Department (“IAD”) and to ensure compliance with BNM CGPD, BNM Guidelines on Internal Audit Function of Licensed Institutions, the Code and any other requirements of the relevant laws and regulations of other regulatory authorities;
 - (ii) To review the adequacy of internal controls, including the scope of the internal audit function, the internal audit findings and to recommend actions to be taken by Management;
 - (iii) To review and approve the audit scope, procedures and frequencies and the annual internal audit plan;
 - (iv) To approve the Audit Charter for Board’s approval, so that the internal audit function can be discharged effectively;
 - (v) To review key audit reports (including reports on internal controls, risk management processes, compliance with statutory requirements and governance practices) and ensuring that Management is taking the necessary corrective actions in a timely manner to address weaknesses, non-compliance with laws, regulatory requirements, policies and other material issues identified;
 - (vi) To recommend for the Board’s approval the appointment, remuneration package, performance appraisal, transfer and dismissal of the CIA;
 - (vii) To review the assessment or findings arising from the Shariah audit and report on the non-compliance events to the Shariah Committee and the Board and ensure management takes action to address any issues or shortfalls.
 - (viii) To note significant disagreements between the CIA and the Management, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings;
 - (ix) To establish a mechanism to assess the performance and effectiveness of the internal audit function; and
 - (x) To oversee the effectiveness of the internal audit function, staff competency requirements and adequacy of audit resources and that IAD has the necessary authority to carry out its functions.
5. Oversight on External Auditor:
 - (i) To oversee the functions of the External Auditor and to ensure compliance with BNM CGPD, BNM Guidelines on External Auditor, the Code and any other requirements of the relevant laws and regulations of other regulatory authorities.
 - (ii) To recommend to the Board for approval on the appointment or reappointment, removal and remuneration of the External Auditor;

STATEMENT OF CORPORATE GOVERNANCE

- (iii) To review and approve the scope of the External Auditor's audit plan, monitor and assess the effectiveness of the external audit carried out including meeting with External Auditor without the presence of Management at least annually;
 - (iv) To ensure Management is taking the necessary corrective actions as per Management's responses in a timely manner to address the external audit findings as per the Management Letters;
 - (v) To monitor and assess the independence of the External Auditor including recommending to the Board for approval the provision of non-audit services by the External Auditor;
 - (vi) To ensure that the financial statements are prepared in a timely and accurate manner with emphasis on, among others, significant matters highlighted in the financial statements and significant judgments made by Management that include the adequacy of allowances against contingencies and impaired assets;
 - (vii) To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the External Auditor; and
 - (viii) To maintain regular, timely, open and honest communications with the External Auditor and requiring the External Auditor to report to the BAC on significant matters.
6. Related Party Transactions ("RPT") and/or Connected Party Transactions ("CPT"):
- (i) To review RPT and/or CPT and to seek the Board's approval for such transactions apart from all financing facilities with connected parties which are reviewed and deliberated by both the MCC and BCC for recommendation to the Board in line with the Bank's Guidelines on Connected Parties Transactions Version 1.0 (2017).
 - (ii) To monitor and ensure compliance with the Bank's Conflict of Interest Policy.
7. Review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, Corporate Governance Disclosure, interim financial reports and preliminary announcements in relation to the preparation of the financial statements.
8. Review third-party opinions on the design and effectiveness of the Bank's internal control framework.
9. Review and endorse the status and progress of Management's responses and corrective measures on issues raised in the Composite Risk Rating ("CRR") letter from BNM before the same is tabled to the Board for approval.
10. Review the Bank's compliance to all relevant regulations including Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") measures.
11. Deliberate investigation reports in relation to whistleblowing cases and decide on actions to be taken in accordance with the Bank's Whistle Blowing Policy.
12. Carry out such other responsibilities as may be delegated to BAC by the Board from time to time.
13. Authority:
- (i) The BAC in discharging its duties has explicit authority to investigate any matters within its Terms of Reference.
 - (ii) BAC shall have full authority to seek/obtain information from any employee of the Bank and to commission any investigations or reports, which it deems necessary to facilitate its duties and obligations.
 - (iii) BAC shall have the authority to obtain external or independent professional advice or expertise, if necessary, with expenses related thereto to be borne by the Bank.
 - (iv) BAC is able to convene meetings with the Internal/ External Auditors without the presence of the P/CEO or the Management.
 - (v) At least on annual basis, BAC shall meet with the CIA and/or External Auditor without the presence of the Management.



The BAC held thirteen (13) meetings during the financial year 31 December 2021. Members of the BAC and details of the meeting attended by the members are stated on page 61 of this Annual Report.

Board Risk Committee (BRC)

The BRC's main function is to support the Board in managing risks according to BNM's Policy Document on Risk Governance and to oversee Management's activities in managing risks with respect to credit, market and liquidity risk and to ensure that the risk management process is in place and functioning.

The BRC comprises three (3) members (including the BRC Chairman) majority of whom are INEDs and chaired by an INED.

The BRC has oversight and is responsible for the following:

1 Strategy and Policy

- Oversee, review and approve/recommend risk management philosophy and strategy, including risk appetite to the Board for approval.
- Review and approve/recommend the risk management framework, policies, controls and systems of the Bank in accordance with the Board approved risk management philosophy and strategy.
- Review and approve/recommend to the Board the risk appetite/tolerance of the Bank at enterprise and strategic business unit levels to the Board for approval.
- Recommend new products/services, systems and processes which are fundamentally different from the Bank's existing products/services, systems and processes as proposed by Management, to the Board for approval.
- Review, approve/recommend new sourcing providers and arrangements for the Board's approval and periodically be informed and review on the performance of the existing outsourcing providers prior to renewal.
- Maintain continued awareness of any changes in the Bank's risk profile to ensure that the Bank's business activities are in line with the overall risk strategy, appetite and tolerance.

2 Organisation

- Overseeing the overall management of all risks including market risk management, asset and liability management, credit risk management, country risk management and operational risk management.
- Ensure clear and independent reporting lines and responsibilities for the overall business activities and risk management functions.
- Cultivate a proactive risk management culture and compliance management culture in the day-to-day business and activities.
- Independent review/oversight of the Bank's risk management, policies, procedures, infrastructure, capabilities, environment and processes.

3 Measurement

- Approve/recommend risk methodologies including measurement and management of risks arising from the Bank's business and operational activities including approve/recommend to the Board any changes to the risk limit for the Board's approval.
- Ensure the appropriateness of the risk measurement methodologies (including assumptions made within the methodologies) under the prevailing business environment.
- Engage external and independent reviewer(s) for the validation of risk measurement methodologies and outputs as required.
- Review and approve/recommend broad-based risk limits to the Board's for approval and to ensure the risk limits are within the Board's approved risk appetite and strategy.
- Approve/recommend detailed risk limits based on the Board's broad based limits/tolerance/appetite.
- Oversee the management's actions to ensure consistency with the Board's approved risk appetite, risk strategy, risk policies and that risk limits granted are adhered to and within the approved risk limits.

STATEMENT OF CORPORATE GOVERNANCE

4 Processes and Technology

- To ensure sufficient internal controls are embedded in the Bank's daily activities to detect any deficiencies in the internal control environment in a timely manner.
- Oversee and review the independence and robustness of risk management processes throughout the Bank and recommend the Bank's key risk control and mitigation processes to the Board for approval.
- Periodically review risk exposures of the Bank in line with its risk strategy and objectives.
- Delegating predetermined specific authority to the Management, Audit, Risk and Compliance Committee (MARCC) or Senior Management to approve specific deviations and the extent of these deviations from limits.
- Review and recommend the contingency plan for dealing with various extreme internal/ external events disasters.
- Ensure adequacy of tools, systems, processes and resources for the control functions including proper oversight of risk management as well as data recording, accuracy, record maintenance and retention.



The BRC met twelve (12) times during the financial year ended 31 December 2021. Members of the BRC and details of the meeting attended by the members are stated on page 61 of this Annual Report.

Nomination and Remuneration Committee ("NRC")

The primary objectives of the NRC are as follows:

- Providing a formal and transparent procedure and support to the Board in carrying out its function in overseeing the following matters concerning the Board, Board Committees, Directors, SC, P/CEO and Senior Management:-
 - Appointments, reappointments and removals.
 - Composition.
 - Performance evaluation and development.
 - Fit and proper assessments.
- Supporting the Board in overseeing matters relating to the remuneration policy and packages for the Directors, SC members, P/CEO and Senior Management of the Bank including various incentives or retention schemes implemented by the Bank.

The NRC comprises three (3) members (including the NRC Chairman) majority of whom are INEDs and is chaired by an INED.

The roles and responsibilities of the NRC are as follows:

Nomination functions:

- Oversee the overall composition of the Board, Board Committees and SC in terms of size, skill and the balance between Non-Independent Non-Executive Directors ("NINEDs") and INEDs and recommend to the Board the appropriate policy relating thereto.

- Recommend suitable candidates to the Board for the appointment and reappointment in the Board, Board Committees, SC and the P/CEO taking into consideration amongst others the fit and proper assessment that the individuals should bring to the Board.

In the case of candidates for the position of Independent Directors, the NRC shall also evaluate the candidates' character and judgment to discharge such responsibilities/ functions as are expected from Independent Directors.

- Recommend candidates to the Board for the appointments and reappointments of Senior Management based on the fit and proper assessment.
- Assess annually the performance and effectiveness of the Board, Board Committees and the contribution of each individual director in discharging their duties.
- Assess the performance and effectiveness of the Senior Management in discharging their duties including the setting of appropriate performance target parameters for each financial year.
- Oversee the succession planning framework for the Board and Senior Management.
- Ensure all Directors undergo an appropriate induction programme and receive continuous training in order to keep abreast with the latest developments in the industry.
- Oversee and recommend to the Board on the Human Capital policies and strategies, compensation and benefits policies/plans and the terms and conditions of service of the P/CEO and Senior Management.

Remuneration functions:

- (i) Recommend to the Board the remuneration framework and structure for the Board, SC, P/CEO and Senior Management and ensure that the agreed framework and structure are in line with MOF's directive.
- (ii) Recommend remuneration packages of the Board, Board Committee members, SC members, P/CEO and Senior Management to reflect the level of expertise, commitment and responsibilities. The remuneration packages should:
 - (a) Be based on an objective consideration and approved by the Board.
 - (b) Take due consideration on the assessments of the effectiveness and contribution of the Director, SC Members, P/CEO and Senior Management.
- (c) Not be decided by the exercise of sole discretion of any one individual or restricted group of individuals.
- (d) Be sufficiently competitive to attract, nurture and retain high quality talents in order to deliver the Bank's mandate.
- (iii) Recommend to the Board with regards to the staff annual bonus and other performance related rewards and annual increment.

Other:

- (i) Deliberate on Senior Management's industrial relation matters.



The NRC held sixteen (16) meetings during the financial year 31 December 2021. Members of the NRC and details of the meeting attended by the members are stated on page 61 of this Annual Report.

Board and Board Committees Attendance

Details of attendance of each Director at the Board and respective Board Committees meetings during the financial year ended 31 December 2021 are as follows:

Name of Directors	Number of Meetings									
	Board Meetings		BCC		BRC		NRC		BAC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Directors										
Dato' Azman Mahmud (DAM) ¹	7	7	-	-	-	-	-	-	-	-
% of attendance	100%		n/a		n/a		n/a		n/a	
Datuk Dr. Syed Muhamad Syed Abdul Kadir (DSM) ²	27	26	-	-	3	3	16	16	13	13
% of attendance	96%		n/a		100%		100%		100%	
Datuk Bahria Mohd Tamil (DBMT)	27	27	-	-	12	12	16	16	-	-
% of attendance	100%		n/a		100%		100%		n/a	
Dato' Dr. Amiruddin Muhamed (DDA)	27	24	22	21	-	-	-	-	13	12
% of attendance	88%		95%		n/a		n/a		92%	
Dato' Sandra Wong Lee Yun (DSW) ³	27	27	22	22	-	-	4	4	13	13
% of attendance	100%		100%		n/a		100%		100%	
Mr Wong Yoke Nyen (WYN)	27	26	22	22	12	12	-	-	-	-
% of attendance	96%		100%		100%		n/a		n/a	

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Name of Directors	Number of Meetings									
	Board Meetings		BCC		BRC		NRC		BAC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Puan Pauline Teh Abdullah (PTA) ⁴	3	3	-	-	1	1	-	-	-	-
% of attendance	100%		n/a		100%		n/a		n/a	
Directors who have resigned since the last report										
Dato' Dr. Feizal Mustapha (DFM) ⁵	3	3	-	-	-	-	-	-	-	-
Prem Kumar A/L Shambunath Kirparam (PK)	19	19	-	-	9	9	12	12	10	10

Notes:

¹ DAM appointed as Chairman on 1 October 2021

² DSM appointed as BRC Chairman with effect from 18 October 2021

³ DSW appointed as NRC member with effect from 18 October 2021

⁴ PTA appointed as Director on 15 November 2021 and appointed as BRC member with effect from 21 December 2021

⁵ DFM resigned as Chairman with effect from 8 March 2021

⁶ PK resigned as Director with effect from 20 September 2021

Supply and Access of Information

The Board has unlimited and timely access to information with respect to the Board papers distributed in advance of meetings to enable the Directors to obtain further explanations, where necessary, in order to be adequately prepared before the meetings. The Board is also provided with the minutes of previous Board meetings, minutes of Board Committee meetings as well as reports relevant to the issues of the meetings covering the areas of financial, information technology, operations, budgets, risk management and annual management plans.

The Board has access to the advice and services of the Company Secretary. Additionally, the Board may seek independent professional advice in discharging their duties, if required.

PART 5: BOARD CULTURE & CONTINUING PROCESSES

Ethical Standards

The Board members are expected to observe the highest standards of ethical behaviour and fair dealings concerning customers, employees and regulators in the communities within which the Bank operates and to ensure compliance with all applicable laws, rules and regulations to which the Bank is bound to observe.

Besides the Board Charter, the Board members are further guided by the Bank's Code of Conduct for Directors in discharging their duties. The Code of Conduct shall be read in conjunction with the Board Charter.

The Board endorsed the Whistleblowing Policy which provides an avenue for all employees of the Bank (whether permanent, contract, temporary or trainee), Directors, Shareholders, Customers, Consultants, Vendors, Contractors, agencies or any parties with a business relationship with the Bank to disclose any unethical conduct or malpractice in accordance with the procedure as provided under the policy and to provide protection for employees and members of the related parties who report such allegations. Whistleblower who make a disclosure shall be protected against any form of retaliation or reprisal.

The Board members are also guided by among others the following policies in carrying out their duties:-

No Gift Policy

Entertainment Policy

Anti-Bribery and
Corruption Policy

Policy on Financing
Facilities with Connected
Party

Directors' Conflict of Interest

The Board members have a duty to declare annually to the Bank should they have an interest either directly or indirectly in any transaction to be entered by the Bank. If the Director is deemed as a "connected party" or having a conflict of interest, he or she is required to abstain from the deliberations and voting on a transaction.

Training and Development of Directors

The Board recognises the importance of continuing professional education of its Board members and encourages them to participate in courses or activities. This would enhance their knowledge to assist the Board members in the performance of their duties in the best interest of the Bank. The Company Secretary regularly keeps Board members informed of relevant training courses for their consideration.

It is a requirement under the Board Charter that newly appointed Directors must complete the Financial Institutions Directors' Education ("FIDE") core programme as well as the Islamic Finance for Board of Directors' Programme organised by ISRA Consulting. In addition, newly appointed Directors are also required to attend an induction programme coordinated by the Bank. This is to provide the new Directors with the necessary information and overview to assist them in understanding the operations of the Bank and appreciating the challenges faced by the Bank in achieving its objectives. The programme covers diverse subject matters, amongst others, the Bank's business and strategies, work processes, Board Committees and the duties and responsibilities of Directors of financial institutions.

In furtherance of the quest for continuous learning and acquisition of relevant skills and knowledge to enhance their business expertise and professionalism, the following are conferences, seminars and training programmes attended by the Directors for the financial year ended 31 December 2021:

Training Focus	List of Conferences/Seminars and Training Programmes
Corporate Governance	<ul style="list-style-type: none"> FIDE Core Programme Governance in Groups The Malaysian Code on Corporate Governance BNM-FIDE FORUM Dialogue with Governor of Bank Negara Malaysia
Leadership	<ul style="list-style-type: none"> BNM-FIDE FORUM Dialogue: The Role of Independent Directors in Embracing Present and Future Challenges Asia-Pacific Board Leadership Centre Webinar on Board and Audit Committee Priorities 2021 Corporate Board Leadership Symposium 2021 on Board Assessment – Advantage of Internal vs External Facilitation FIDE Forum – The Board's Role & Responsibilities in Crisis Communication
Finance	<ul style="list-style-type: none"> Islamic Finance for Board Programme Board Workshop on Contracting and Financing Strategies
Audit, Compliance and Risk Management	<ul style="list-style-type: none"> BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know Directors Training on Enterprise Risk Management Fraud Risk Management Workshop 2021 ORANGE IS THE NEW BLACK: Malaysian Anti-Corruption Laws and Initiatives Understanding of Corporate Liability Provision and Adequate Procedure

STATEMENT OF CORPORATE GOVERNANCE

Training Focus	List of Conferences/Seminars and Training Programmes
Others	<ul style="list-style-type: none"> • Cyber Drill Exercise • BNM Engagement Session with CEOs/Chairman of Insurance Companies/Takaful Operators and Insurance/Takaful Associations • FIDE Forum Interview Session • Multi Factor Authentication (“MFA”) • Credit Risk Management System (“CRMS”) • Meeting between BNM, Assistant Governor with CEOs and Chairmen’s of DFIs on Socialisation of Policy Document on Corporate Strategic Plan • KPMG Webinar on Transfer Pricing War Stories • Khazanah Megatrends Forum 2021 • MRT3 Alignment Workshop • Bengkel Reklasifikasi Aset MKD • Anti-Bribery Management System • Deloitte Malaysia – Tax Highlights of Malaysia Budget 2022 • Ernst & Young – Changes in the Malaysian Transfer Pricing Landscape

Board Effectiveness Evaluation

The Board undertakes an annual evaluation on the effectiveness of the Board, Board Committees and of each individual Director based on MOF’s guidelines and BNM’s CGPD to ensure the appointed Board members are able to contribute to the effectiveness of the performance of the whole Board. This exercise is used as one (1) of the criteria for the reappointment of a Director.

The performance evaluation form comprises assessment on the Board, Board Committees, Self and Peer Evaluation and Board Skills Matrix. It is designed to improve the Board’s overall effectiveness as well as to draw the Board’s attention to key areas that need to be addressed in order to maintain the cohesion of the Board despite its diversity.

The evaluation results will be presented and deliberated at the NRC and thereafter, presented to the Board to enable the Board to identify its strengths, areas for improvement and potential issues that need to be addressed.

The Bank conducted its internal Board Effectiveness Evaluation for financial year 2021. For financial year 2022, the Bank intends to engage an external consultant to have a more balanced, independent and comprehensive assessment of the Board’s effectiveness.

PART 6: DIRECTORS’ REMUNERATION

The Bank believes in the importance of aligning pay and performance against the key strategic drivers of the Bank’s long term growth, attracting and retaining high calibre and qualified Directors with the necessary skills, qualifications and experience to have an effective Board.

The INEDs’ remuneration package is generally commensurate with the expertise, skills, responsibilities and risks associated with being a director of a financial institution. INEDs are entitled to monthly director fees, meeting allowances and reimbursement of expenses incurred in the course of their duties as a director.



A summary of the total remuneration of the Directors for the financial year ended 31 December 2021 is set out on page 167 of this Annual Report.

PART 7: COMPANY SECRETARY

The Board is supported by an experienced and licensed Company Secretary. The Company Secretary together with the Corporate Secretarial Department is responsible for the effective functioning of the Board and to provide guidance and advice to the Board on Corporate Governance related matters and to facilitate dissemination of information between the Board and Senior Management. The Company Secretary shall keep confidentiality of the Bank’s affairs at all times.

DISCLOSURE ON SHARIAH GOVERNANCE

EXIM Bank offers Islamic financing facilities alongside conventional business facilities in meeting cross-border business requirements. The conduct of Islamic financing business by the Bank is regulated mainly by the relevant provisions in the Development Financial Institutions Act (“DFIA”) 2002 and governed by regulations issued by Bank Negara Malaysia (BNM) from time to time.

The Bank’s Shariah governance is bound to follow requirements as stipulated under BNM’s Shariah Governance Policy Document (SGPD). It provides a sound and robust Shariah compliance framework vis-a-vis the Board of Directors’ (the Board) oversight over Shariah governance, the Management’s responsibility over day-to-day business operations, the independent Shariah Committee’s responsibility, and secretariat support by the Shariah Management Department to serve the Shariah Committee and Shariah control functions in managing Shariah non-compliance risk through Shariah risk management, Shariah review and Shariah audit functions.

SHARIAH COMMITTEE (SC)

While the Board is ultimately accountable for the overall Shariah governance implementation and Shariah compliance of EXIM Bank, the Board is advised and guided by the SC on Shariah matters in relation to the Islamic finance business of the Bank.

Duties & Responsibilities

The SC has the responsibility to provide objective and sound advice to EXIM Bank to ensure that its aims and operations, business, affairs and activities are conducted in compliance with Shariah.

The specific functions and responsibilities of the SC are, inter alia:

1. To provide a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council (SAC) of BNM or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
2. To provide a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance (SNC) event;
3. To deliberate and affirm SNC findings by any relevant functions and endorse rectification measures to address the SNC event.
4. To be accountable for the quality, accuracy and soundness of its own decision or advice.
5. To establish a robust methodology to guide its decision-making process. The SC must take into account relevant business and risk practices in arriving at a decision or advice.
6. In the event where the SC decides or advises to place additional restrictions on the operations, business, affairs and activities of the Bank in applying the SAC rulings, the Bank must:
 - i) Document the deliberations and justifications of the SC’s decision or advice;
 - ii) Ascertain the Board’s views on the decision or advice made by the SC with regards to the SAC ruling; and
 - iii) Ensure immediate notification to the BNM of such decision or advice.

DISCLOSURE ON SHARIAH GOVERNANCE

7. To have the right to delegate some of its functions to the Shariah Management Department and other Shariah control functions of the Bank in endorsing and validating products guidelines, marketing advertisements, sales illustrations and brochures used to describe the Bank's products. Similarly, the SC may delegate its power and authority to the Bank's Shariah control functions in reviewing, from time to time and on regular basis, the level of Shariah compliance, particularly with regards to the actual implementation and operation of the Bank's Islamic financial contracts.

In delegating any of its responsibility, it must be ensured that:

- i) Areas of delegated authority by the SC and operating procedures are set out clearly in the Bank's internal policies.
 - ii) Reporting arrangements are established to keep the SC informed of the work, key deliberations and decisions on delegated matters.
 - iii) The SC must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
8. In fulfilling his/her responsibility, a SC member must ensure that his/her judgment in arriving at a Shariah decision or advice is grounded in objectivity and not affected by his other professional commitments, associations or circumstance.
 9. All SC members are expected to devote sufficient time to prepare for and attend SC meetings.
 10. To ensure consistency in providing views, and not act in a manner that would undermine the rulings of the SAC or any decisions of the SC that they represent.
 11. To endorse Shariah policies and procedures to ensure that the contents do not contain any elements which are not in line with Shariah.
 12. To ensure that the Islamic financing products of the Bank comply with Shariah principles in all aspects, the SC must endorse the following:
 - i) The terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and
 - ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
 13. To assess work carried out by Shariah review, Shariah research and Shariah audit functions in order to ensure compliance with Shariah matters in its Islamic business operations.
 14. The SC is expected to provide assistance to the external/third party appointed by the Bank such as legal counsel, auditor or consultant, in the event they seek advice on Shariah matters from the SC so as to ensure compliance with Shariah principles.
 15. To advise the Bank to refer to the SAC on any Shariah matter that cannot be resolved. Upon obtaining any advice of the SAC, the SC must ensure that all of the SAC's decision is properly implemented by the Bank.
 16. The SC will represent the Bank to attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Bank's Islamic business and operations, as and when necessary.
 17. The SC may recommend and assess the nominees for SC members. This includes assessing SC members proposed for reappointment, before submission to the Bank's Nomination and Remuneration Committee (NRC), the Board and subsequently, for final approval by BNM.

Training Requirements

As provided under EXIM Bank's Shariah Committee Charter, newly appointed SC members are to attend an in-house induction programme organised by the Management to enable them to gain first-hand understanding of EXIM Bank and its operations.

SC members are required to attend relevant courses, talks, training programmes and seminars to update themselves and to keep abreast with new developments in the industry towards continual improvements of their knowledge and skills.

To this end, in 2021, EXIM Bank's SC members have attended selected local programmes and seminars to keep themselves abreast with developments in Islamic financial business.

Composition & Background

The current composition of the Bank's SC members for 2021 comprise four (4) members whereby a majority of three (3) members are Shariah qualified individuals, while one (1) member has an accounting background ensure the right composition of expertise for robust and vigorous deliberations during SC meetings.

Meetings & Attendance

During the financial year ended 31 December 2021, the SC held sixteen (16) meetings, including five (5) sessions of special meetings. The attendance record of members of the SC for these meetings is as follows:

No.	Name of SC Members	No. of Meetings Attended
1	YBrS Dr. Zaharuddin bin Abd. Rahman (term ended w.e.f. 1 April 2021)	3/3*
2	Y.Brs. Prof. Dr. Rusni Hassan (Chairman) (appointed as the Chairman w.e.f. 1 May 2021)	16/16
3	YBrS Dr. Safinar Salleh	16/16
4	Y.Brs. En. Zainal Abidin Mohd Tahir (term ended w.e.f. 31 October 2021)	12/12*
5	Y.Brs. En. Abd Rasid Abd Kadir (term ended w.e.f. 31 March 2021)	3/3*
7	Y.Brs. Dr. Ghazali Jaapar (appointed w.e.f. 1 May 2021)	12/12
8.	Y. Brs. Dr. Muhammad Syahmi Karim (appointed w.e.f. 1 May 2021)	12/12

* Reflects the number of meetings attended during the time the members held office.

DISCLOSURE ON SHARIAH GOVERNANCE

SECRETARIAT TO THE SHARIAH COMMITTEE

The Shariah Management Department (SMD) plays the role of secretariat to the SC and has the responsibility of providing operational support for the SC's effective functioning.

The SMD is structured into three (3) main categories to carry out its designated functions, inter alia, as per the following:

Shariah Advisory

- Providing Shariah-related advisory and consultancy on the Bank's businesses, activities, operations, including but not limited to, Islamic banking and Takaful businesses.
- Review and vet legal documents in relation to Shariah matters to ensure its' compliance according to Shariah requirements.
- Review and verify that supporting documents, such as Islamic Transaction Forms (ITF) for disbursement, are intact and in order, in accordance to Shariah parameters, via issuance of a Shariah Certificate.
- Provide and arrange training on Shariah, Islamic Banking and Takaful awareness programmes on governance and structures.
- Publication of Islamic Banking Materials, such as Muamalat 101, to all EXIM staff as part of awareness building and outreach.

Shariah Research

- Conduct in-depth research and studies on Shariah issues which are relevant to the Islamic finance businesses and operations of EXIM Bank.
- Assist Shariah Advisory in providing day-to-day Shariah advice and consultancy to relevant departments/parties based on the decision by the SC.
- Conduct pre-product approval process, Takyif Fiqhi (Fiqh adaptation), and vetting of issues for submission to the SC.

Shariah Secretariat

- Provide input and support to the SC which include, but are not limited to, Shariah meeting arrangements, takings minutes of meetings, compiling Shariah resolutions, and circulating and contributing relevant information to SC members.
- Coordinate communications and disseminate information among the SC, the Board and senior management.
- Responsible for matters relating to appointment and re-appointment of the SC.
- Ensure the welfare of SC members are accordingly served, including payment of their allowances and sending them to seminars, trainings and/or workshops, as part of the process of furnishing them with the latest development on Islamic banking and finance.

INTERNAL SHARIAH CONTROL FUNCTIONS

In ensuring effective management of Shariah non-compliance risk within EXIM Bank, the following functions perform their roles on an ongoing basis:

- i) Shariah risk management;
- ii) Shariah review; and
- iii) Shariah audit.

Shariah Risk Management

The Shariah risk management function is part of the Bank's integrated risk management framework in line with the principles outlined in the BNM's Policy Document on Shariah Governance. The function is resided under Shariah & Operational Risk Department, Risk Management Division. The main function of Shariah risk management is to systematically identify, measure, monitor, control and report SNC risk exposures associated with the operations, business, affairs, and activities of the Bank. Through the continuous monitoring of Shariah risk profiling and controls' effectiveness, Shariah risk facilitates the efficient and effective management of SNC risks, and endeavours towards a zero tolerance of SNC culture across the Bank.

Shariah risk management is responsible for the development, maintenance and enhancement of its own governance, policies and procedures and its implementation, including reporting of SNC risk exposures to the SC, Management Audit, Risk and Compliance Committee (MARCC), Board Risk Committee (BRC), and the Board.

These also include the development and implementation of measures to elevate Shariah risk awareness within the Bank, as well as ensure the purification of the tainted income due to non-compliance with Shariah requirements, as guided by the Bank's SC. Mitigation must be provided to avoid the recurrence of event(s) that could potentially result in a SNC event. The Shariah risk function also ensures that any incident of SNC is reported to BNM as outlined in BNM's Policy Document on Operational Risk Integrated Online Network (ORION).

Shariah Review

A dedicated Shariah review function of EXIM Bank is established under the purview of the Compliance Department which undertake the role of conducting regular reviews to ensure EXIM Bank's businesses, operations, affairs, and activities of Islamic Banking and Takaful are conducted in compliance with Shariah requirements as per the BNM's SAC and the SC's resolution.

In line with BNM's SGPD requirements, Shariah review comprise Shariah qualified officers to carry out Shariah review functions in evaluating the Bank's level of compliance to Shariah, propose remedial rectification measures to resolve non-compliance and implement control mechanisms to avoid recurrences.

Shariah review is guided by the Bank's Shariah Review Plan in performing regular review exercises to provide assurance to the Senior Management, SC and Board on the state of Shariah compliance in EXIM Bank.

The Shariah Review Plan is developed mainly by the risk-based approach in evaluating the adequacy and effectiveness of the policies and procedures emplaced in managing SNC, and is approved by relevant committees including the SC. Subsequently, the outcome of Shariah review activities is reported periodically to the relevant internal committees including the SC.

Shariah Audit

The Shariah Audit function of EXIM Bank, which resides under the Audit & Assurance Department (AAD), bears the responsibility to provide an independent assessment on the quality and effectiveness of the Bank's internal control, risk management system, governance processes, as well as the overall compliance of the Bank's operations, business, affairs and activities pertaining to Shariah.

Shariah Audit is guided by the annual audit plan issued by AAD. It is classified as regulatory audit and is required to be conducted annually. The priority auditable area is given to high-risk departments, based on AAD's risk rating.

As per SGPD requirement, a qualified Shariah auditor is responsible for conducting the Shariah audit exercise to provide assurance on the Bank's Shariah compliance. The Shariah audit function reports to relevant committees, mainly the SC and the Board Audit Committee (BAC)

STATEMENT OF RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK OVERVIEW

The Bank's risk management strategy has evolved over the years to support the Bank's risk related decision-making while balancing the appropriate level of risk taken to the desired level of rewards.

The strategy of the Bank's risk management is governed by the Risk Management Framework that covers the primary enterprise risk categories, risk governance, broad risk approaches and specific risk management tools.

The Bank has a dedicated risk management function to manage risks through the process of identifying, measuring, monitoring and controlling the primary enterprise risk categories as well as timely reporting and update of action plans on the risk findings. These are governed by a structured risk governance mechanism consisting of strong Board and Management oversight roles and responsibilities.

This helps in building and integrating the Bank's risk strategy within the organisation's strategic management and operational processes. This is further reflected through the establishment and regular review of other risk related frameworks, policies, procedures and manuals to support risk related decision-making.

The risk management strategies and approaches of the Bank are continuously revised to ensure they are responsive to any internal as well as external changes in the Bank's operating environment.

This may be achieved through the following:

- a. Establishment and review of the Board's approved risk appetite
- b. Formulation of risk limits covering all relevant and material risks.
- c. Establishment of effective risk assessment, monitoring, mitigation and reporting processes.
- d. Development of risk methodology and models supported by a robust model validation process.

The risk management function is regularly assessed to provide assurance on the Bank's compliance to the applicable laws, regulations, internal policies, procedures and limits.

RISK MANAGEMENT STRATEGIES

The following principles underpin the Bank's risk management strategies:

Principle	Details	
Principle 1	Clear responsibilities on risk management	<ol style="list-style-type: none"> a. The Bank shall clearly define the roles and responsibilities of parties involved in the entire risk management processes. b. The Board has the ultimate responsibility for identifying the Bank's risks and ensuring that they are effectively managed. The Board Risk Committee is tasked to assist the Board in carrying out this responsibility. c. The Senior Management will be in charge of managing the Bank's day-to-day risk management.
Principle 2	Risk management shall be incorporated into all decision-making processes	The Bank shall integrate risk management into its existing strategic management and operational process, as risk management is an important component of robust decision making.
Principle 3	Comprehensive assessment of risks on all activities	All material risks to which the Bank is exposed to must be thoroughly analysed based on the consistent application of the following processes: risk identification, risk measurement, and risk evaluation.

Principle		Details
Principle 4	Effective risk control mechanism	Frameworks, guidelines, procedures, and risk limits are examples of risk control mechanisms. They are aimed, among others, to ensure that each risk has a proper mitigation method and measurement, as well as being efficiently and effectively applied.
Principle 5	Adequate system for monitoring and reporting	<ol style="list-style-type: none"> The Bank is responsible for ensuring that the monitoring and reporting systems are properly implemented. The Bank's risk profiles, as well as any substantial risk issues, must be communicated on a regular basis to the Board and Senior Management.
Principle 6	Effective internal control review	As part of its risk management approaches, the Bank must develop an effective internal control review system, which includes independent evaluation and, when needed, the involvement of internal or external audits.

RISK GOVERNANCE AND OVERSIGHT

The Bank's Risk Management Framework establishes a structure for risk strategy development, approval, and overall risk management governance that is suited to the nature, scale, and complexity of the Bank's business activities and operations.

The Bank's organisational structure supports the Bank's risk management culture to ensure uniform view of risk Bank-wide.

The following characteristics must be included in the Bank's risk management organisation structure:

- The Board and Senior Management have clear role and responsibilities in managing the Bank's risks.
- Roles and responsibilities of various committees and Senior Management that support the Bank's risk management initiatives are clearly defined.
- An independent risk management function with adequate authority, resources, and access to the Board that can provide an independent assessment of the Bank's risk positions.
- A strong risk management culture manifested by a shared understanding of risks at all levels of the organisation, as well as business and activity decisions that are consistent with the Bank's risk management strategy and risk appetite.

The Bank's overall risk governance structure as detailed below:

Board of Directors (Board)	
The ultimate governing body, responsible for overall risk oversight and setting the appropriate governance structure and risk appetite.	
Shariah Committee (SC)	
Responsible for ensuring that the Bank's Islamic banking and takaful business activities adhere to Shariah principles and rules.	
Board Risk Committee	
Board Risk Committee (BRC)	Board Credit Committee (BCC)
Responsible to review the risk management framework, key risk policies, and risk appetite for Board approval, as well as reviewing the risk reports which have been deliberated at Management Audit, Risk and Compliance Committee [MARCC] and Assets and Liabilities Committee (ALCO).	Responsible to review and approve the credit papers related to loan/financing which have been recommended by the Management Credit Committee (MCC).

STATEMENT OF RISK MANAGEMENT

Management Committees	
Management Audit, Risk and Compliance Committee (MARCC)	<ul style="list-style-type: none"> a. Responsible for monitoring and reviewing the management of key and emerging risk of the Bank. This includes review the framework, policies, risk appetite as approved by the Board, procedures, adequacy of internal control and systems as well as review the new product or material variation to existing product offering. b. The MARCC, if deemed appropriate, to recommend to the BRC for review and subsequent approval at the Board.
Management Credit Committee (MCC)	Responsible to review, deliberate and approve the new and renewal of loan/financing/credit/insurance related proposals including recovery, restructuring, and rescheduling proposals as prescribed in the Approving Authority and Authority Limits.
Assets and Liabilities Committee (ALCO)	Responsible to oversee the overall asset and liability management (ALM) including endorsing the appropriate strategies for ALM, deliberation on net interest income (NII) performance and ensuring that all ALM risks remain within the risk appetite set by the Board.
Information Technology Steering Committee (ITSC)	<ul style="list-style-type: none"> a. Responsible to provide oversight on Information Technology (IT) governance and to formulate the IT strategic plans in ensuring that IT is capable in supporting the Bank's strategic business plans. b. This includes monitoring and deliberation on any new IT regulations that may have an operational impact to the Bank. The ITSC, if deemed appropriate, to recommend to the MARCC and BRC for review and further approval at the Board.

The Three Lines of Defense model is adopted by the Bank as follows:

Line of Defense	
First Line	Business units and functional lines are responsible and accountable for identification, reporting and mitigating the risk exposures through agreed monitoring and reporting tools.
Second Line	<ul style="list-style-type: none"> a. Second line of defense shall remain well-defined, effective and independent from business and operational decisions. b. Compliance Department (CD) and the Risk Management Division (RMD) within the second line of defense shall be knowledgeable and competent in performing the compliance and risk management functions. They provide constructive challenge to the business units and functional lines in the way the risks are managed. c. They shall be equipped with adequate resources and support to perform the risk management roles with unlimited access to internal system and information. d. Regular communication with the first line of defense is in place for effective compliance and risk management across the Bank.
Third Line	<ul style="list-style-type: none"> a. Conduct the periodic review of its risk management processes to ensure its integrity, accuracy, and reasonableness as well as to provide assurance on the Bank's overall compliance to the applicable laws, regulations, internal policies, procedures, and limits. b. Close interaction of the Audit and Assurance Department (AAD) with the second line of defense in escalating the risk issue and effective controls and compliance to the risk management Bank-wide. c. This includes to follow through and follow up on the action plans on risk findings prior to the submission to the relevant authorities.

RISK MANAGEMENT PROCESSES

The following is a summary of the Risk Management Processes:



Risk Management Processes	
Risk Identification	<ul style="list-style-type: none"> a. Identify the key primary enterprise risk exposures including credit risk, operational risk, Shariah non-compliance risk, market risk, liquidity risk, information and cyber security risk and compliance risk as well as any emerging risks that may potentially impact the Bank significantly. b. Classify the risk exposures in accordance to its risk characteristics i.e impact (example: internal or external, material or non-material, financial or non-financial impact, impact on current or future position) and likelihood of the risk materialising.
Risk Assessment	<ul style="list-style-type: none"> a. Regular assessment on the effectiveness of the Bank's management of risk. b. Continuous assessment on the risks together with the measurement for potential impact of the risk exposure such as the estimated credit loss computation using the Probability of Default (PD), the Loss Given Default (LGD) and the Exposure at Default (EAD) on the Bank's credit exposures and the assessment for loss event of the Bank's exposures to operational risk and the effectiveness of the internal controls. c. Periodic assessment through the agreed risk methodology and relevant tools such as Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI) and Key Control Testing (KCT).
Risk Measurement, Treatment and Control	<ul style="list-style-type: none"> a. Establishment of proper controls and limits. b. Proper coordination and communication for effective risk management between the business and functional lines. c. Evaluation for the effectiveness of the risk mitigation plan or strategy provided. d. Constructively challenge the assessments produced by the business lines. e. Ensure the risk information is captured timely and relevant for further escalation and reporting for management and Board's oversight and decision.
Risk Monitoring and Reporting	<ul style="list-style-type: none"> a. Identify and specify the internal and external requirements of monitoring and reporting. b. Monitor and escalate any breaches of risk limits and ensure the proposed risk mitigation implemented are effective in managing the risk exposures back within the risk limit and specific time frame. c. The risk reporting systems shall be accurate, dynamic and comprehensive.

STATEMENT OF RISK MANAGEMENT

RISK AND COMPLIANCE CULTURE

The Bank has implemented the Designated Compliance and Operational Risk Officer (DCORO) programme for effective compliance and risk management activities by departments/divisions to cultivate positive risk and compliance culture across the Bank.

The DCOROs identify, document, and assess the compliance risk as well as to review the operational and Shariah non-compliance risk exposures which may arise from the Bank's product, people, processes, and system.

They also facilitate the effective management of information disclosure from the regulatory authorities for onward submission to the Chief Compliance Officer and the Business Continuity Management (BCM) related activities.

DCOROs are also responsible for reporting on the compliance and operational risk matters periodically, as well as on the loss event as and when required as per the Guidelines on Operational Risk Integrated Online Network (ORION) and Guidelines on Managing Shariah Non-Compliance (SNC) Risk.

COMPLIANCE RISK MANAGEMENT

The compliance function performs the identification and assessment through the qualitative or quantitative indicators in evaluating the adequacy of internal controls in place to manage compliance risk.

The compliance function report for Board oversight on the assessment and findings analysis of compliance risk which highlight the key changes in the compliance risk profile for further attention as well as to report any identified deficiencies and action plans to address such deficiencies within stipulated timeframe.

The compliance function also performs the advisory role to the Board and the Bank's staff in keeping them informed on the developments affecting legal and regulatory requirements and the implications on the Bank's compliance risk profile and capacity to manage compliance risk going forward.

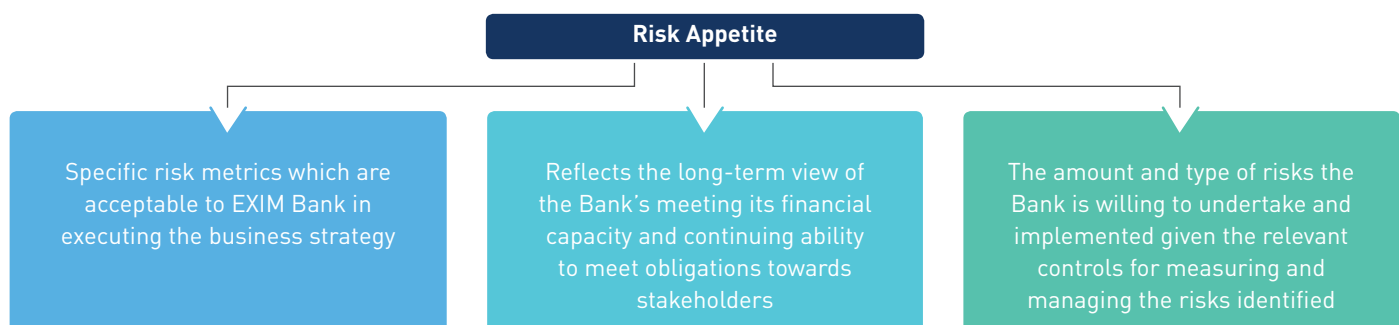
TECHNOLOGY RISK MANAGEMENT

The technology risk management function is responsible for the establishment of Board-approved Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF) as well as the specific policies and procedures that are consistent with the regulatory requirements.

These specific policies and procedures include the Bank's technology processes and services as well as proper cyber-resilience capabilities with continuous validation of controls and as the overseeing party of the information technology and cyber risks.

The technology risk management function also provides independent advice on critical technology projects and ensuring critical issues that may have an impact on the Bank's risk appetite are adequately deliberated or escalated in a timely manner.

RISK APPETITE



Key Elements of Risk Appetite	Linked to the Bank's strategic objectives, capital and business plans
	Establishes the amount of risk the Bank is prepared to accept in pursuit of its strategic objectives and business plan, considering the interest of its stakeholders within the boundaries of its capital adequacy and regulatory requirements
	Determines material risks and the maximum tolerance level of risks the Bank is willing to operate based on its risk appetite, risk capacity and risk profile
	Includes quantitative measures that are translated into risk limits applicable to business lines which in turn will provide direction to measure risk profile against risk appetite and risk capacity
	Includes qualitative statements for risk that cannot be measured e.g., reputational risk, as a guide for proper management of such risks

As part of risk strategy, the risk appetite must be aligned to the Bank's strategy or the strategic plan and must be considered in the budget setting and decision-making process for the projection of business growth.

The Bank's Risk Appetite Policy (the Policy) address the following:

- a. Overall approach including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored.
- b. The governance in overseeing the implementation and monitoring of the risk appetite in EXIM Bank.
- c. Address the Risk Appetite Statement (RAS) and risk appetite metrics coverage
- d. The roles and responsibilities of those overseeing the establishment, approval, implementation and monitoring of the risk appetite framework.

The risk appetite metrics as the expansion of the broad RAS are to comprehensively manage the Bank's operating dimensions and the key enterprise risk categories as identified in the Risk Management Framework.

The articulation of the risk appetite metrics for the Bank's key primary enterprise risk category are as follows:

Primary Enterprise Risk Category	Risk Metrics Dimension
1. General	<ul style="list-style-type: none"> • Overall risks
2. Credit risk	<ul style="list-style-type: none"> • Asset Quality • Concentration Risk • Insurance Business Exposures
3. Operational risk	<ul style="list-style-type: none"> • Loss event
4. Shariah Non-compliance risk	<ul style="list-style-type: none"> • Shariah Non-Compliance (SNC) Income
5. Asset Liability, Liquidity and Market risk	<ul style="list-style-type: none"> • Capital/ALM/Liquidity Risk • Earnings/Profitability
6. Information and cyber security risk	<ul style="list-style-type: none"> • System vulnerabilities
7. Compliance risk	<ul style="list-style-type: none"> • Regulatory & Compliance

The Board's risk appetite must be assessed on a regular basis to ensure that it remains aligned with the Bank's strategic objectives, business performance, any new emerging risks, and external environment changes.

STATEMENT OF RISK MANAGEMENT

STRESS TEST

To anticipate and respond swiftly to new or emerging risks, the Bank performs stress tests as part of the Bank's risk management process.

The stress test methodology is guided by the Stress Test Policy document issued by BNM and the Industry-Wide Bottom-Up Stress Test and Sensitivity Analyses Exercise as well as supervisory guidance as elaborated in the BNM Composite Risk Rating (CRR) for the Bank in 2019.

For the purpose of the stress test, the Risk Management Division (RMD) has established a Stress Test Working Group (STWG) and conducted the stress test based on the approved methodologies and parameters.

Respective primary enterprise risks in the Bank are managed by the following key frameworks and approved policies:

Key Frameworks	<ul style="list-style-type: none"> • Risk Management Framework • Technology Risk Management Framework • Cyber Resilience Framework • Framework on Management of Customer Information and Permitted Disclosure 	
Key Policies	<ul style="list-style-type: none"> • Risk Appetite Policy • Credit Risk Policy • Expected Credit Loss Policy • Operational Risk Policy • Fraud Management Policy 	<ul style="list-style-type: none"> • Business Continuity Plan • Shariah Risk Management Policy • Asset Liability and Market Risk Policy • Liquidity Risk Management Policy • Compliance Policy

PRIMARY ENTERPRISE RISK CATEGORY DEFINITION & RISK MITIGATION

To enable robust and sustained growth, effective management of recognised major enterprise risk is critical.

The stress testing exercise must commensurate with the nature, size and complexity of the Bank's business operations and risk profile.

The stress test is a comprehensive exercise in term of scope and include on and off-balance sheet exposures, commitments, guarantees and contingent liabilities.

PRIMARY ENTERPRISE RISK CATEGORY DEFINITION

Based on operating landscape in 2021, the Bank has identified the primary enterprise risk category & risk mitigation as follows:

No	Primary Enterprise Risk	Definition
1.	Credit Risk	The risk due to uncertainty on the customer or the customer's counterparty ability to meet its obligations or failure to perform according to the terms and conditions of the credit related contract.
2.	Shariah Non-Compliance (SNC) Risk	Shariah non-compliance risk is the risk that arises from the Bank's failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (SAC), standards on Shariah matters issued by the Bank Negara Malaysia pursuant to section 29(1) of the IFSA and section 33E(1) of the DFIA, or decisions or advice of the Shariah Committee for its Islamic finance activities.

No	Primary Enterprise Risk	Definition
3.	Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal operational or financial processes and systems, the actions of people or from external events.
4.	Market Risk	Market risk refers to the potential loss arising from adverse movements in the market prices.
5.	Liquidity Risk	Liquidity risk is the risk of Bank's inability to fund increases in assets and meet cash flow obligations as they come due, without incurring unacceptable losses.
6.	Technology Risk	Information and cyber security risk are the risks emanating from the use of information technology (IT) and the Internet. These risks arise from failures or breaches of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions in financial services or operations, or reputational harm to the Bank.
7.	Compliance Risk	Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage which the Bank may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

PRIMARY ENTERPRISE RISK MITIGATION

No	Primary Enterprise Risk	Mitigations
1.	Credit Risk	<ul style="list-style-type: none"> Perform independent credit evaluation as well as periodic review of the Portfolio Risk Rating (PRR), Target Market and Risk Acceptance Criteria (TMRAC), product programmes, Underwriting Standards and all other matters pertaining to credit risks. Proactive account management through identification of Significant Increase in Credit Risk (SICR) events for timely account classification and re-classification with appropriate expected credit loss provisioning and effective credit risk mitigation. Maintain comprehensive credit policy and limits within the Board approved Risk Appetite. All exposures and non-compliances including emerging risks are assessed and escalated to the Management & Board Committees with action plan and monitoring status.
2.	Operational Risk	<ul style="list-style-type: none"> Embedded risk function through the establishment of the Designated Compliance and Operational Risk Officer (DCORO) functions in every division for active monitoring of operational risks and reporting matters. All operational risk issues and incidents with detailed analysis and action plan are promptly reported to Management & Board Committees.
3.	Shariah Non-Compliance (SNC) Risk	<ul style="list-style-type: none"> Ascertain the soundness of Shariah governance framework through four dedicated functions - Shariah Research & Advisory, Shariah Risk Management, Shariah Review and Shariah Audit - as required under BNM Shariah Governance Framework. Embedded risk function through the establishment of the Designated Compliance and Operational Risk Officer (DCORO) functions in every division for active monitoring of SNC risks and reporting matter. All SNC risk issues and incidents with detailed analysis and action plan are timely reported to the Management & Board and Shariah Committee.

STATEMENT OF RISK MANAGEMENT

No	Primary Enterprise Risk	Mitigations
4.	Market Risk	<ul style="list-style-type: none"> • Maintain a comprehensive market risk policy and control. • Proactive monitoring, analysis and reporting by Treasury Middle Office to ensure the market risk exposure is within the Board approved Risk Appetite. • All exposures and non-compliances including emerging risks are properly assessed and escalated to the Management & Board Committees with action plan and monitoring status.
5.	Liquidity Risk	<ul style="list-style-type: none"> • Maintain a comprehensive liquidity risk policy and control. • Proactive monitoring and liquidity risk management to ensure it is within the Board approved Risk Appetite • Conduct forward-looking scenario analysis and stress test to identify the areas that are vulnerable to liquidity risk and mitigate it with right amount of liquidity buffer and contingency funding plan. • All exposure and non-compliance including emerging risks are properly assessed and escalated to the Management & Board Committees with action plan and monitoring status.
6.	Technology Risk	<ul style="list-style-type: none"> • Establish adequate internal process and controls, include system backup & recovery. • Maintain listing of IT-related issues and incidents with close monitoring of rectification progress by the working level committees, for escalation to the Management and Board Committees, where relevant.
7.	Compliance Risk	<ul style="list-style-type: none"> • Support the Bank's strategy by establishing clear roles and responsibilities to help embed good compliance and risk management practices throughout the business to align business outcome with the risk appetite. • Integrating a Compliance Risk Management Programme ("CRMP") into the daily management of business and strategic planning. The CRMP helps to protect the Bank's reputation, lower the cost of capital, reduce costs and helps the Bank to minimise the risk of investigation, prosecution, and penalties. • Maintain robust and comprehensive compliance framework, policies and procedures. • Embedded compliance function through the establishment of the Designated Compliance and Operational Risk Officer ("DCORO") functions in every division for active monitoring of compliance and reporting matters. • Compliance issues are promptly highlighted and presented for deliberation at the Management & Board Committees.

MILESTONE AND ACHIEVEMENTS IN 2021

In line with the Bank's Corporate Strategic Plan, the Bank is strengthening its risk management practices by promoting good governance.

The Risk Management Division's major achievement and implementation in year 2021 are as follows:

1. Enhancement of the Risk Management Framework

The Risk Management Framework (the Framework) is an overarching risk management document for the Bank.

This Framework is developed based on the Bank's mandated role as a government-owned Development Financial Institution (DFI) to promote reverse investment and export of strategic sectors such as capital goods, infrastructure projects, shipping, value added manufactured products and to facilitate the entry of Malaysian companies to new markets, particularly to the non-traditional markets.

The main purpose of the review of the Framework was to ensure reference and compliance to the Bank Negara Malaysia requirements updated.

In addition, the Framework provides updated overview of primary enterprise risk categories of the Bank and defines the risk governance and strategy in mitigating the impact of these risks.

2. Establishment of Fraud Management Policy

The Fraud Management Policy (the Policy) provides a comprehensive fraud definition, identification of the risk areas of exposures as well as the roles and responsibilities of various stakeholders in managing fraud risk.

The Policy also specify the fraud management approaches from the detection, escalation and reporting, fraud investigation and mitigation, the recovery of the losses due to fraud event as well as the safekeeping of documentations related to fraud.

The Policy promotes organisational behavior of highest standards and ethics. This Policy also stipulates the governance in management of fraud, fraud risk and/or fraudulent breach of the code of conduct.

3. Review of Credit Processes and Procedures

The Credit Processes and Procedures (the Procedures) is a procedural document for the implementation of the Risk Management Framework and the Credit Risk Policy. The Procedures must be complied with in extending credit facilities to borrowers/customers.

The review and enhancement to the Procedures was approved by the Management Audit, Risk and Compliance Committee (MARCC) and subsequently endorsed by the Shariah Committee (SC) in August 2021.

The Procedure is a dynamic document and subject to future enhancement of credit practices.

STATEMENT OF RISK MANAGEMENT

4. Stress Test Methodologies and Analysis

The Bank had conducted the comprehensive stress test covering all the material risks i.e credit risk, market risk, interest rate risk, operational risk and Shariah non-compliance (SNC) risk. The stress test conducted were forward-looking, covering a broad range of scenarios capturing foreseeable changes in the Bank's portfolio composition, new information, developments in operating conditions and emerging risks which may not necessarily be covered by historical events.

The stress test methodology is guided by the Stress Test Policy document (15 June 2017) and the Industry-Wide Bottom-Up Stress Test and Sensitivity Analyses Exercise (2020) as well as the supervisory guidance as elaborated in the BNM Composite Risk Rating (CRR) for the Bank in 2019.

For the stress test, the Risk Management Division has established a Stress Test Working Group (STWG) and conducted the comprehensive stress test based on the stress test methodologies and parameters that were approved by the Board Risk Committee in March 2021.

The Board had approved the comprehensive stress test analysis in November 2021.

5. Strengthening the Shariah and Operational Risk Processes and Controls

Implementation of the Group Risk Compliance Solution

The Bank had successfully implemented the automation of Operational Risk Modules i.e., Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI) and Key Control Testing (KCT) through EXIM Group Risk Compliance Solution (GRC) in April 2021.

It is crucial for the control functions to provide value added input for continuous improvement in existing processes and practices. Hence, the Shariah and Operational Risk Department continuously conducts self-assessment and risk awareness sharing sessions among the process and risk owners, which includes the identification, assessment, risk mitigation and monitoring of the Bank's SNC risk exposures via Shariah RCSA, KRI & KCT.

EXIM Bank COVID-19 Pandemics and Infectious Disease Management

The Shariah and Operational Risk Department also keeps abreast with updates from the Majlis Keselamatan Negara and Ministry of Health for COVID-19 pandemics and infectious disease management.

Below are the initiatives undertaken for the COVID-19 pandemic and infectious disease management:

- Arrangements for enhanced information technology infrastructure such as laptop distribution and Virtual Private Network (VPN) access supporting the environment of "working from home".
- Extensive usage of video conferencing for meetings and other events through Microsoft Teams.
- Implementation of the flexible working hours in the office premise and rotation schedule to minimise crowded office environment while ensuring the effective and continuity of critical functions.
- Commencement of the EXIM Bank Vaccination Programme in July 2021 to curb the COVID-19 infections and facilitate faster vaccination process among staff.
- Other enhancements to the COVID-19 management include:
 - › Permission for interstate and overseas travel only for fully vaccinated staff
 - › Staff and visitors screening before entering the Bank's premises
 - › Thorough and regular cleaning and disinfection exercise at the workplace and designated areas
 - › Considerations for split staff work arrangement or activation of the Alternate Work office to maintain the business continuity during disruption/crisis.

RISK MANAGEMENT KEY PRIORITIES FOR 2022

1. In 2022, following are the key risk management priorities:

Areas	Details
a. Establishment of new Risk Appetite Policy	New Policy document that defines the overall governance, types and aggregate tolerance levels of risk that the Bank is willing to accept in pursuit of its business objectives arising from the banking and insurance/takaful activities. This includes communication to the stakeholders, monitoring and reporting requirements.
b. Enhancement of the Credit Risk Ratings and MFRS 9 models – post validation	Enhancement to the modelling documentation and governance for the Expected Credit Loss computation and models.
c. Comprehensive stress test assessment	As the comprehensive stress testing is a continuous process and assessment, Risk Management Division will strive for continuous improvement on the stress test exercise moving forward by exploring potential areas for enhancements as well as establishing linkage between stress test to other risk tools and measurements such as ICT and risk appetite metrics.
d. Implementation of the Internal Capital Adequacy Assessment Process (ICAAP)	Effective capital management integrated with business plan and stress test.
e. Review of Credit Risk Policy (CRP) and Credit Processes and Procedures (CP&P)	Further strengthening and improvement of the credit policies and processes with relevant updates to the CRP and the CP&P.

2. Building a strong enterprise wide risk team across Credit Risk, Market and Liquidity Risk, Capital Risk and Shariah and Operational Risk. This includes:
- Strengthening the risk governance structure and resolving CRR or regulatory issues
 - Enhancement of the scope for integrated testing and BCM exercises with the relevant and interdependent stakeholders.
 - Embark on the implementation of climate change and risk management practices- establishment of the Bank's Climate Change Task Force to kickstart the Bank's Environmental, Social and Governance framework.
 - Effectiveness of key operational risk controls to mitigate operational and SNC risks across the Bank's business and operational functions.

STATEMENT ON INTERNAL CONTROL

INTERNAL CONTROL

Internal Control is defined as a process, performed by EXIM's Board of Directors, management and personnel, designed to provide reasonable assurance of the achievement of the following objectives:

-
- The reliability and integrity of information

 - Compliance with policies, plans, procedures, laws and regulations and contracts

 - The safeguarding of assets

 - The economical and efficient use of resources

 - The accomplishment of established objectives and goals for operations or plans

The Board recognises the importance of maintaining a sound system of internal control and risk management practices, as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating and reviewing the adequacy and effectiveness of the Bank's risk management, governance and internal control. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable and not absolute, assurance against material misstatement of financial information or against material misstatement of financial information or against losses and fraud. The Board is of the view that the internal control framework instituted throughout EXIM Bank is sufficient to safeguard stakeholder's investments, customer's interests and EXIM Bank's assets. Reviews are continuously carried out by the Bank to ensure effectiveness of the system.

BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) was established to further strengthen EXIM Bank's internal audit processes, and therefore, meets regularly with the objective of assisting the Board in managing Bank's range of inter-related risks in an integrated manner. The key responsibilities that the BAC execute as established by the Board to ensure the integrity of the systems of the internal controls are as follows:

- a) Reviews the adequacy and integrity of EXIM Bank's internal control systems and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines, as identified by the internal auditors, the external auditor and regulatory authorities.
- b) Reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function. The Audit & Assurance Department (AAD) reports to the BAC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting EXIM Bank. The BAC reviews the internal auditor's auditable areas and resources annually, via the Annual Audit Plan; and
- c) Regularly reviews and holds discussions with the Management on actions taken to address lapses in internal control and issues identified in reports prepared by the internal auditors, external auditors and regulatory authorities.
- d) Reviews all related party transactions, and audit and non-audit related fees proposed by the Bank's external auditors.
- e) Reviews the financial statements of the Bank (half-yearly and annually), preliminary results release and any other formal release relating to its financial performance prior to escalation to the Board for approval to ensure accuracy and appropriateness of the financial reporting.

AUDIT & ASSURANCE DEPARTMENT (AAD)

AAD independently reviews the adequacy and integrity of the systems of internal control in managing key risk and reports accordingly to the Board Audit Committee (BAC) on every two months basis or more often as and when required. Where weaknesses have been identified as a result of reviews, improvement measures are recommended to strengthen controls and follow-up audits are conducted by AAD to assess the status of implementation thereof by Management.

In addition, the BAC also meets the Chief Internal Auditor without the presence of Senior Management staff at least once a year.

RELATIONSHIP WITH EXTERNAL AUDITOR

The BAC has established an appropriate and transparent relationship with the external auditor. The BAC meets at least once a year with the external auditor without the presence of the Management of EXIM Bank.

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DIRECTORS' REPORT

The Directors hereby present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of banking in export and import by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance facilities, takaful facilities and trade related guarantees to Malaysian companies.

The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

There have been no other significant changes in the nature of the Group's and the Bank's principal activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit for the year	51,107	51,107

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

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

DIVIDENDS

The Directors do not recommend any dividend payment for the current financial year.

DIRECTORS

The names of the Directors of the Bank in office since the beginning of the financial year to the date of this report are:

Dato' Azman Mahmud	(Appointed on 1 October 2021)
Datuk Bahria binti Mohd Tamil	
Dato' Dr. Amiruddin bin Muhamed	
Dato' Wong Lee Yun	
Datuk Dr. Syed Muhamad Syed Abdul Kadir	
Wong Yoke Nyen	
Pauline Teh Abdullah	(Appointed on 15 November 2021)
Dato' Feizal Mustapha @ Feizal bin Mustapha	(Resigned on 8 March 2021)
Prem Kumar A/L Shambunath Kirparam	(Resigned on 20 September 2021)

DIRECTORS' REPORT

DIRECTORS (CONT'D.)

The names of the Directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of this report are:

Malaysian Export Credit Insurance Berhad

Faidzel Adham bin Sohari

Norlela binti Sulaiman

Azhar bin Awang Kechil

(Resigned on 12 January 2021)

EXIM Sukuk Malaysia Berhad

Edmund Lee Kwing Mun

Kew Thean Yew

Rupavathy A/P Govindasamy

Yam Kwai Ying Sharon

(Appointed on 15 October 2021)

(Resigned on 15 October 2021)

None of the Directors at the end of the financial year held any direct interest in the shares of the Bank or its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as shown in Note 30 to the financial statements) by reason of a contract made by the Bank or a related company 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.

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

There was an amount of insurance premium expense of RM66,260 for the Directors of the Group and the Bank in respect of their liability for any act or omission in their capacity as Directors of the Group and the Bank or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial year ended 31 December 2021.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital of the Bank during the financial year.

There were no issuance of debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position, statements of profit and loss and statements of comprehensive income of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.
- (g) Before the statements of financial position, statements of profit and loss and statement of comprehensive income of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its Insurance and Takaful liabilities in accordance with the valuation method as prescribed by Bank Negara Malaysia.
- (h) For the purpose of paragraphs (e) and (f) above, contingent and other liabilities do not include liabilities arising from contract of Insurance or certificates of Takaful underwritten in the ordinary course of business of the Group and the Bank.

DIRECTORS' REPORT

SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) Rating agencies, Moody's Investors Service, Fitch Ratings and RAM Ratings have re-affirmed the Bank's rating during their annual review as follows:

<i>Rating agencies</i>	<i>Date</i>	<i>Ratings</i>
Moody's Investors Service	6 July 2021	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
Fitch Ratings	16 November 2021	Long-term Foreign Currency Issuer Default Rating: BBB+ Support Rating: 2 Support Rating Floor: BBB+ Senior Unsecured Notes: BBB+ Outlook: Stable
RAM Ratings	13 January 2022	National Ratings (Long-term): AAA, (Short-term) : P1 ASEAN Ratings (Long-term): seaAAA, (Short-term) : seaP1 Global Ratings (Long-term): gA2, (Short-term) : gP1 Long-term Global Scale Rating (Exim Sukuk Malaysia Berhad): gA2(s) Outlook: Stable

There have been no significant adjusting events subsequent to the financial year ended 31 December 2021.

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration are disclosed in Note 29 (iv) to the financial statements.

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



Dato' Azman Mahmud



Dato' Wong Lee Yun

SHARIAH COMMITTEE'S REPORT

IN THE NAME OF ALLAH, THE BENEFICENT, THE MOST MERCIFUL

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ and "Salam Sejahtera"

To the shareholders, customers and stakeholders of Export-Import Bank of Malaysia Berhad ("EXIM Bank or the Bank"):

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("the Committee") as prescribed in the Bank's Shariah Committee Charter and Bank Negara Malaysia ("BNM") Shariah Governance Policy Document ("SGPD"), we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2021.

Management's Responsibility

The Management of the Bank shall at all times be responsible for ensuring that the Bank's aims and operations, business affairs and activities in relation to its Islamic banking and takaful businesses are conducted in accordance with Shariah.

The Committee's Responsibility

The Committee shall be responsible to form an independent opinion, based on our review of the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and to produce this report. Our responsibility is to express an opinion on the state of Shariah compliance of the Bank based on our deliberation of the information obtained from the Board and the Management during the reporting period.

1. The Committee has conducted sixteen (16) meetings during the financial year. The meetings are mainly to review and approve various enhancement to the Bank's Islamic banking and takaful products and its operational processes as well as guidelines and manuals relating to Shariah compliant transactions. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the enhanced products, transactions and operational processes of Islamic banking and takaful activities of EXIM Bank for the period from 1 January 2021 until 31 December 2021.
2. The Committee has provided appropriate advice on various aspects of the Bank's Islamic business operations in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Council of Bank Negara Malaysia.
3. In performing our roles and responsibilities, we had obtained the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah.
4. At the management level, Shariah Management Department carry out the functions related to Shariah advisory, research and secretariat as required by SGPD. The Bank's Shariah governance is further substantiated by Shariah and Operational Risk Department, Shariah Review and Shariah Audit that resides in the Risk Management Division, Compliance Department, and Audit & Assurance Department, and reports directly to the Chief Risk Officer, Chief Compliance Officer, and Chief Internal Auditor respectively.

SHARIAH COMMITTEE'S REPORT

Shariah Risk Management

During the reporting period of 2021, the Bank has been continuously implementing more robust control measures in managing its Shariah non-compliance (SNC) risk in line with the Bank's risk appetite strategy and metrics as approved by the Board of Directors (Board).

For effective Shariah risk management, the EXIM Bank Governance, Risk and Compliance (GRC) System has been on-boarded in April 2021 to facilitate the Shariah risk profiling exercise which includes the Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Key Control Testing (KCT) and Loss Event Database (LED).

To strengthen implementation of the Shariah compliance risk culture, governance, and risk monitoring in the 1st line of defence as risk taking units, the Designated Compliance and Operational Risk Officers ("DCOROs") are appointed for managing the Shariah and operational risk drivers and activities, as well the root causes, controls, impacts and its corresponding inherent risks including the control effectiveness, residual risks, and mitigation action plans.

Shariah Review & Shariah Audit

In ensuring that the Bank's Islamic business activities are conducted in conformity with the Shariah rules and in accordance with the regulatory requirements, the Bank's Shariah Review has regularly assessed and evaluated the Bank's business activities, product features and services offered by the Bank whilst Shariah Audit provides its independent assessment and assurance on overall compliance of the Bank's operations, business, affairs, and activities with Shariah.

During the year, the Committee has assessed the work carried out by Shariah review and Shariah audit. Their reports were deliberated in the Committee meeting, where the findings become the basis for the Committee to form an opinion on its compliance with Shariah rules and principles, Shariah guidelines and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Committee.

Shariah Training and Awareness

During the year, Shariah Management Department in collaboration with Human Capital Management Division organized series of Knowledge Sharing Session ("KSS") and training on the following topics in ensuring that the staff are continuously equipped with Shariah knowledge and awareness in line with SGPD requirements.

- i. Foundation of Shariah & Islamic Finance Programme Foundation of Shariah & Islamic Finance Programme
- ii. Ta'widh, Ibra' and Rescheduling and Restructuring for Islamic Financing Facilities
- iii. Knowledge Sharing Session: Shariah Non-Compliance Event & Ta'widh
- iv. Knowledge Sharing Session: Rescheduling and Restructuring of Islamic Financing Facility
- v. Knowledge Sharing Session: Procedures on Takaful Latest Update
- vi. Understanding of Rebate (Ibra') And Recovery According to Shariah Requirements
- vii. Computation of Bank's Sale Price for Islamic Financing Facility

SHARIAH COMMITTEE'S REPORT

Disclosure on Shariah Non-Compliant Event

During the financial year, we have identified two (2) incidents of Shariah non-compliance event related to the following:

Events	Measures Taken
<p>Treatment of Non-Claim Bonus ("NCB") for Trade Takaful Credit ("TCT") Product <i>NCB was taken from both Risk Fund and Operator Fund instead of Operator Fund only.</i></p>	<ul style="list-style-type: none"> (i) Reversal on the affected NCB amount to Risk Fund through muqassah (set-off) arrangement on the repayment of qard (loan) from Operator's Fund to Risk Fund. (ii) Review of Takaful Documentation i.e., Master Certificate and Endorsement Letter: Incorporation of generic clause in the Takaful Fund to provide disclosure to Participant that the Bank/Takaful Operator could manage the Takaful fund as deemed fit for the Takaful business purposes that is for the benefit all of Participants. (iii) Enhancement of the endorsement on NCB to be issued to active Participants. (iv) Internal process improvement: Reviewed and updated the Standard Operating Procedures ("SOP") for the relevant department with regards to NCB.
<p>Absence of Tawarruq Transaction with Bursa Suq-Al-Sila for one vendor under the Vendor Financing Scheme-i <i>Tawarruq transaction not performed prior to disbursement to one of Proton's vendors under the Vendor Financing Scheme-i</i></p>	<ul style="list-style-type: none"> (i) The profit amount of RM 1,600.05 arising from the actual SNC event is impure income. It is agreed that the Bank shall purify the income by channelling it to the Bank's Charity Fund. (ii) Internal process improvement: Enhancement on the internal process related to Tawarruq Transaction for Islamic financing disbursement in the respective departments' SOP. (iii) Leveraging on Designated Compliance & Operational Risk Officers ("DCORO") in respective departments to mitigate potential events that may lead to SNC. (iv) Conduct Key Control Testing ("KCT") on tawarruq related disbursement process to ensure the control effectiveness to detect, prevent and correct the SNC risk event. (v) Shariah Review of the Bank to continuously perform review exercises on the related department to ensure overall compliance.

We were also informed on the causes of the incident and noted that the Bank has taken adequate measures to avoid recurrence of the incidents.

We also confirmed that the SNC event together with the rectification plan were presented to the Board of Directors and us and reported to BNM in accordance with the BNM's reporting requirement of Operational Risk Integrated Online Network ("ORION").

SHARIAH COMMITTEE'S REPORT

Zakat on Islamic Business

For financial year ended 31 December 2021, zakat is calculated based on growth method with appropriate adjustment. The Committee has reviewed and affirmed that the Bank is not eligible to pay zakat as the Bank is in net liabilities.

The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance with the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

SHARIAH OPINION

We, as EXIM Bank's Shariah Committee, to the best of our knowledge, have obtained sufficient and appropriate evidence to form Shariah compliant opinion with regards to EXIM Bank's Islamic business operations. Hence to the best of our knowledge based on the information provided to us and decisions made during the Shariah Committee meeting, we are of the opinion that:-

- i. The Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2021 have been conducted in conformity with the Shariah rules and principles.
- ii. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2021 that were reviewed by us, are in compliance with Shariah.
- iii. The computation of zakat is in compliance with Shariah.

We beg Allah the Almighty to grant us all the success and straight-forwardness and Allah knows best.

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated.



Prof. Dr. Rusni Hassan
Chairman

Kuala Lumpur, Malaysia
25 March 2022



Dr. Safinar Salleh
Member

STATEMENT BY DIRECTORS

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

We, Dato' Azman Mahmud and Dato' Wong Lee Yun, being two of the Directors of Export-Import Bank of Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 100 to 237 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of the results and cash flows of the Group and of the Bank for the year then ended.

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



Dato' Azman Mahmud



Dato' Wong Lee Yun

STATUTORY DECLARATION

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

We, Dato' Azman Mahmud and Norlela binti Sulaiman, being the Director and officer primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 100 to 237 are in our opinion correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Dato' Azman Mahmud and Norlela binti Sulaiman at Kuala Lumpur in the Federal Territory



Dato' Azman Mahmud

Before me,



Norlela binti Sulaiman



1-1-16, Tingkat 1,
Diamond Square Commercial Centre,
Jalan Semarak Api, (Jln 1/50)
Off Jalan Gombak,
53000 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and the Bank, and statements of profit and loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 237.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Expected credit losses ("ECL") of loans, advances and financing, and financial investments not carried at fair value through profit or loss

As at 31 December 2021, loans, advances and financing represent 41.91% of the total assets of the Group and of the Bank, respectively, and financial investments not carried at fair value through profit or loss represent approximately 6.27% of the total assets of the Group and of the Bank, respectively.

As at 31 December 2021, ECL allowance amounting to approximately RM2.00 billion has been provided for the loans, advances and financing of the Group and of the Bank, respectively.

The measurement of ECL requires the use of a forward-looking ECL approach, and the application of significant judgement and increased complexity which include the identification of on and off-balance sheet credit exposures, the determination of the different stages of credit risk of the underlying assets, the assessment of expected future cash flows of the respective assets, available proxies or benchmarks for collective assessment, forward looking macroeconomic factors, probability-weighted multiple scenarios and the application of Management Overlays (MO).

Management also uses externally available industry and financial data, as appropriate, to supplement internally available credit experiences.

Refer to summary of significant accounting policies in Note 2.4(g), significant accounting estimates and judgement in Note 3 and the disclosures of loans, advances and financing and investments in Notes 7 and 6, respectively, to the financial statements.

Our response

Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans, advances and financing, and financial investments not carried at fair value, and evaluating the methodologies, inputs and assumptions used by the Group and the Bank in calculating the respective ECL allowances for the respective underlying assets.

For measurement of individual ECL allowance for stage 3 impaired loans, advances and financing and financial investments not carried at fair value, we tested a sample of loans, advances and financing and financial investments not carried at fair value to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired.

For cases in stage 3 which have defaulted, we assessed the Group's and the Bank's specific assumptions on the expected future cash flows for each asset, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available.

With respect to the measurement of collective ECL allowances for stage 1 and stage 2 accounts/assets, we verified the reasonableness of the ECL models, including model input, model design and model performance. We challenged whether historic or historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios.

We involved our credit modelling specialists in the performance of these procedures where their specific expertise was required.

We also assessed whether the financial statements' disclosures appropriately reflect the Group's and the Bank's exposures to credit risk.

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Valuation of derivatives and hedge accounting

The carrying amount and nature of the Group's and the Bank's derivative financial instruments are as disclosed in Note 9 to the financial statements

Fair valuation of the derivatives involves assessment and assumptions that are affected by expected future market and economic conditions, and the use of observable and unobservable inputs and parameters in the financial markets, and these assessments require the application of significant judgment and estimates.

The Group and the Bank also use derivatives to manage exposures to interest rates, profit rates and foreign currencies. Accordingly, the Group and the Bank apply hedge accounting for hedges which meet specified criteria required under MFRS 9 *Financial Instruments*.

Refer to summary of significant accounting policies in Note 2.4(f)(vi) and the disclosures of derivatives valuation and hedge accounting application in Note 9 to the financial statements.

Our response

We engaged our valuation and financial risk management professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* to assist us in performing our audit procedures on the review of valuation of derivatives and application of hedge accounting. Our audit focused on the following key areas:

- (a) reviewed the critical terms of the derivative contracts;
- (b) tested the reasonableness of the assumptions adopted in the valuation of derivatives, including assessing if the inputs and parameters used were observable in the financial markets;
- (c) performed independent valuation of selected derivatives and compared our valuation to those performed by management;
- (d) reviewed the risk management strategies and basis of the economic hedges applied by the management; and
- (e) reviewed the hedge effectiveness determined and documented by the management for the purpose of applying hedge accounting.

We also considered whether the disclosures in relation to derivatives and hedge accounting comply with the relevant disclosure requirements.

Insurance contract/Takaful certificate and expense liabilities

Insurance contract and Takaful certificate liabilities (which comprise premium/contribution liabilities and claims liabilities) and expense liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant Insurance policies or Takaful certificates.

Estimates of insurance contract/Takaful certificate and expense liabilities have to be made for both the expected ultimate cost of claims reported at the reporting date, and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. The estimation of the provision for these liabilities are sensitive to various factors and uncertainties. Significant management judgement is applied in setting these assumptions. In deriving the provision for these liabilities, the Board of Directors and management have commissioned a third-party independent professional actuary to perform a valuation of such liabilities as at 31 December 2020 based on requirements of MFRS 4 *Insurance Contracts*.

We engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* to assist us in performing our audit procedures on the provision for the insurance contract/takaful certificate and expenses liabilities. Our audit focused on the following key areas:

- (a) understood and documented the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating these liabilities;
- (b) tested the completeness and sufficiency or accuracy of data used in the actuarial valuation;
- (c) compared the actuarial valuation methodologies and assumptions against recognised actuarial practices, and with industry data;

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Our response

Insurance contract/Takaful certificate and expense liabilities (cont'd.)

Reinsurance assets are quantified from claims case estimates, paid claims data and estimates of ultimate claims settlement amount. The Group and the Bank have reinsurance arrangements designed to protect its aggregate exposure to adverse development covers in the form of excess of loss contracts and catastrophic claim events.

Refer to summary of significant accounting policies in Note 2.4(m), significant accounting estimates and judgement in Note 3 and the disclosures of these provisions in Note 22 to the financial statements.

- (d) reviewed the assumptions used by the Appointed Actuary and rationale for conclusions made thereon;
- (e) assessed consistency of valuation methodologies applied;
- (f) assessed whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience;
- (g) performed independent analysis and re-computation of the provision for these liabilities of selected classes of business. We focused on the largest and most uncertain reserves. We compared our independent analysis to those performed by management; and
- (h) reviewed management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the underlying reinsurance counterparties.

We also considered whether the disclosures in relation to the provision for these liabilities comply with the relevant disclosure requirements.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the directors' report and the information included in the annual report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

If, based on the work we have performed 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 on the directors' report.

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

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

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

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

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

OTHER MATTERS

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



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



Yeo Beng Yean
No. 03013/10/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		Group	
	Note	2021 RM'000	2020 RM'000
Assets			
Cash and bank balances	4	49,513	122,399
Deposits and placements with banks and other financial institutions	5	3,126,776	3,364,099
Financial investments	6	1,107,639	1,165,551
Loans, advances and financing	7	3,301,561	3,679,083
Insurance receivables	8	45	746
Derivative financial instruments	9	80,463	141,749
Other assets	10	74,374	92,117
Deferred tax assets	11	-	-
Investment properties	13	814	832
Intangible assets	14	1,211	2,013
Property and equipment	15	66,396	67,563
Right-of-use assets	16	5,007	222
Total assets		7,813,799	8,636,374
Liabilities			
Borrowings	17	5,781,695	6,591,282
Lease liabilities	18	5,090	250
Insurance payables	8	295	158
Other payables and accruals	19	262,883	285,519
Provision for commitments and contingencies	20	64,876	83,605
Derivative financial instruments	9	999	-
Deferred tax liabilities	11	-	-
Deferred income	21	29,396	21,725
Provision for guarantee and claims	22	43,051	51,701
Total liabilities		6,188,285	7,034,240
Financed by:			
Share capital	23 (a)	2,708,665	2,708,665
Redeemable convertible cumulative preference shares ("RCCPS")	23 (b)	250,000	250,000
Fair value adjustment reserve		(11,280)	2,976
Accumulated losses		(1,313,281)	(1,348,024)
Shareholders' funds		1,634,104	1,613,617
Takaful participants fund	44	(8,590)	(11,483)
Total liabilities, shareholders' fund and Takaful participants fund		7,813,799	8,636,374
Commitments and contingencies	39	1,858,862	3,109,585

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		Bank	
	Note	2021 RM'000	2020 RM'000
Assets			
Cash and bank balances	4	49,513	122,399
Deposits and placements with banks and other financial institutions	5	3,126,776	3,364,099
Financial investments	6	1,107,639	1,165,551
Loans, advances and financing	7	3,301,561	3,679,083
Insurance receivables	8	45	746
Derivative financial instruments	9	80,463	141,749
Other assets	10	74,374	92,117
Deferred tax assets	11	-	-
Investment in subsidiaries	12	64,129	64,129
Investment properties	13	814	832
Intangible assets	14	1,211	2,013
Property and equipment	15	66,396	67,563
Right-of-use assets	16	5,007	222
Total assets		7,877,928	8,700,503
Liabilities			
Borrowings	17	5,781,695	6,591,282
Lease liabilities	18	5,090	250
Insurance payables	8	295	158
Other payables and accruals	19	262,900	285,533
Provision for commitments and contingencies	20	64,876	83,605
Derivative financial instruments	9	999	-
Deferred tax liabilities	11	-	-
Deferred income	21	29,396	21,725
Provision for guarantee and claims	22	43,051	51,701
Amount due to subsidiaries	40	64,117	64,120
Total liabilities		6,252,419	7,098,374
Financed by:			
Share capital	23 (a)	2,708,665	2,708,665
RCCPS	23 (b)	250,000	250,000
Fair value adjustment reserve		(11,280)	2,976
Accumulated losses		(1,313,286)	(1,348,029)
Shareholders' funds		1,634,099	1,613,612
Takaful participants fund	44	(8,590)	(11,483)
Total liabilities, shareholders' fund and Takaful participants fund		7,877,928	8,700,503
Commitments and contingencies	39	1,858,862	3,109,585

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

STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue	24	174,705	181,487	174,705	181,487
Interest income	25	137,949	133,662	137,949	133,662
Interest expense	26	(101,310)	(115,473)	(101,310)	(115,473)
Net interest income		36,639	18,189	36,639	18,189
Underwriting results	27	4,769	1,975	4,769	1,975
Income from Islamic business	44	119,508	112,202	119,508	112,202
Other income	28	4,533	106,659	4,533	106,659
Net income		165,449	239,025	165,449	239,025
Overhead expenses	29	(83,844)	(88,191)	(83,844)	(88,191)
Operating profit		81,605	150,834	81,605	150,834
Allowances for expected credit losses ("ECL") on loans, advances and financing	32	(47,107)	(53,643)	(47,107)	(53,643)
Writeback/(Allowances) for ECL on commitment and contingencies	33	19,754	(2,833)	19,754	(2,833)
Allowances for ECL on financial investments	34	(3,145)	(42,584)	(3,145)	(42,584)
Allowances for ECL on other assets	35	-	(624)	-	(624)
Profit before taxation		51,107	51,150	51,107	51,150
Taxation	36	-	-	-	-
Net profit for the year		51,107	51,150	51,107	51,150
Basic earnings per share (sen)	37	1.89	1.89	1.89	1.89

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

STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the year		51,107	51,150	51,107	51,150
<u>Other comprehensive income</u>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Fair value changes of financial investments at FVOCI		(14,256)	10,908	(14,256)	10,908
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(14,256)	10,908	(14,256)	10,908
Total comprehensive income for the year, net of tax		36,851	62,058	36,851	62,058

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RM'000	(Accumulated losses) RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2020	2,958,665	(1,382,809)	(7,932)	1,567,924
Dividends on RCCPS (Note 38)	-	(16,365)	-	(16,365)
Total comprehensive income for the year	-	51,150	10,908	62,058
At 31 December 2020	2,958,665	(1,348,024)	2,976	1,613,617
At 1 January 2021	2,958,665	(1,348,024)	2,976	1,613,617
Dividends on RCCPS (Note 38)	-	(16,364)	-	(16,364)
Total comprehensive income for the year	-	51,107	(14,256)	36,851
At 31 December 2021	2,958,665	(1,313,281)	(11,280)	1,634,104
Bank				
At 1 January 2020	2,958,665	(1,382,814)	(7,932)	1,567,919
Dividends on RCCPS (Note 38)	-	(16,365)	-	(16,365)
Total comprehensive income for the year	-	51,150	10,908	62,058
At 31 December 2020	2,958,665	(1,348,029)	2,976	1,613,612
At 1 January 2021	2,958,665	(1,348,029)	2,976	1,613,612
Dividends on RCCPS (Note 38)	-	(16,364)	-	(16,364)
Total comprehensive income for the year	-	51,107	(14,256)	36,851
At 31 December 2021	2,958,665	(1,313,286)	(11,280)	1,634,099

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities				
Profit before taxation	51,107	51,150	51,107	51,150
Adjustments for:				
ECL Stage 3 loans, advances and financing (Note 32)				
- Charged for the year	153,796	178,706	153,796	178,706
- Written back during the year	(356,178)	(520,790)	(356,178)	(520,790)
ECL Stage 1 and 2 loans, advances and financing (Note 32)				
- Allowances during the year	99,141	175,654	99,141	175,654
Allowance on financial investments (Note 34)	3,145	42,584	3,145	42,584
(Writeback)/Allowance on commitment and contingencies (Note 33)	(19,754)	2,833	(19,754)	2,833
Allowances for other assets (Note 35)	-	624	-	624
Claim and guarantee				
- Charged for the year	-	4,023	-	4,023
- Written back during the year	(7,945)	(925)	(7,945)	(925)
Depreciation				
- Property and equipment	3,043	4,445	3,043	4,445
- Investment properties	18	18	18	18
- Right of use assets	1,184	247	1,184	247
Amortisation of intangible assets	1,086	1,643	1,086	1,643
Gain on disposal of equipment	2	(39)	2	(39)
Gain on termination of lease contracts	-	8	-	8
Asset written-off	4,462	-	4,462	-
Unrealised foreign exchange gain	106,501	(5,576)	106,501	(5,576)
Unrealised gain on derivatives	66,511	(104,350)	66,511	(104,350)
Unrealised loss on MTN/Sukuk	(82,530)	40,429	(82,530)	40,429
Additional doubtful debt for insurance	166	122	166	122
Amortisation of premium less accretion of discount	(1,587)	(1,527)	(1,587)	(1,527)
Premium liabilities	(956)	(3,680)	(956)	(3,680)
Operating gain/(loss) before changes in working capital	21,212	(134,401)	21,212	(134,401)

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities (cont'd.)				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	(58,700)	193,535	(58,700)	193,535
Loans, advances and financing	813,581	885,053	813,581	885,053
Insurance receivables	672	(621)	672	(621)
Other assets	18,411	196,646	18,411	196,646
Derivative financial instruments	95	107	95	107
Other payables and accruals	(34,717)	(66,875)	(34,714)	(66,875)
Provision for commitments and contingencies	1,025	(581)	1,025	(581)
Deferred income	8,626	3,067	8,626	3,067
Net claims paid for bank guarantee and insurance claims	(705)	(260)	(705)	(260)
Takaful participants fund	2,893	(1,809)	2,893	(1,809)
Amount due to subsidiary	-	-	(3)	(3)
Cash generated from operations	772,393	1,073,857	772,393	1,073,857
Income tax refund	2,889	-	2,889	-
Net cash generated from operating activities	775,282	1,073,857	775,282	1,073,857
Cash flows from investing activities				
Proceeds from disposals of property and equipment	(6,773)	24	(6,773)	24
Purchases of property and equipment	(8,931)	(8,796)	(8,931)	(8,796)
Purchases of intangible assets	(284)	(1,306)	(284)	(1,306)
Proceed from disposal of investment	53,173	3,054	53,173	3,054
Net cash generated from/(used in) investing activities	37,185	(7,024)	37,185	(7,024)

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from financing activities				
Net repayment of borrowings	(942,923)	(813,187)	(942,923)	(813,187)
Net repayment of lease liabilities	(1,130)	(305)	(1,130)	(305)
Net cash used in financing activities	(944,053)	(813,492)	(944,053)	(813,492)
Net (decrease)/increase in cash and cash equivalents	(131,586)	253,341	(131,586)	253,341
Cash and cash equivalents at beginning of the year	3,207,928	2,954,587	3,207,928	2,954,587
Cash and cash equivalents at end of the year	3,076,342	3,207,928	3,076,342	3,207,928
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	49,513	122,399	49,513	122,399
Deposits and placements with banks and other financial institutions	3,126,776	3,364,099	3,126,776	3,364,099
Less : Deposits and placements on behalf of customers and government (Note 5)	(99,947)	(130,369)	(99,947)	(130,369)
Less : Deposits and placements more than three months	-	(148,201)	-	(148,201)
Cash and cash equivalents	3,076,342	3,207,928	3,076,342	3,207,928

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Export-Import Bank of Malaysia Berhad is a public limited company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Bank is located at Level 16, EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Bank is principally engaged in the business of conventional and Islamic banking in the promotion and support of export, import, and investment for the country's development by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance and takaful facilities and trade related guarantees to Malaysian companies.

The principal activities of the subsidiaries are as stated in Note 12.

There have been no significant changes in the nature of the Group's and Bank's principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board and the requirements of Companies Act 2016.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Bank's functional currency, and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19

During the financial year ended 31 December 2021, Bank Negara Malaysia ("BNM") had announced various COVID-19 assistance programmes which aimed to support the economy at large and provide relief to affected individuals, SMEs and corporations. The support measures include the following:

Extension on six ("6") months Repayment Assistance ("RA")

The repayment assistance is applicable for financing approved before 1 July 2021. The automatic moratorium applies to loans/financing that are not in arrears exceeding 90 days or is subject to bankruptcy/winding up proceedings at the time the request for repayment assistance is submitted.

The moratorium should not automatically result in stage transfer under MFRS 9 *Financial Instruments* in the absence of other factors relevant to the assessment. The financial impact of the moratorium is reflected at the interest/profit income of the Group and the Bank.

Program Strategik Memperkasa Rakyat dan Ekonomi ("PEMERKASA") and Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")

The two measures announced by Malaysian Government were Program Strategik Memperkasa Rakyat dan Ekonomi ("PEMERKASA") and Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH"). This is to support individual and microenterprise borrowers, as well as Small Medium Enterprise ("SMEs") that are affected by COVID-19.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

Measures announced by BNM to assist individuals, small-medium enterprises (“SMEs”) and corporates affected by COVID-19 (cont'd.)

Repayment assistance and classification in the Central Credit Reference Information System (“CCRIS”)

Recognising the challenging environment, financial institutions have granted additional repayment assistance for individuals and SMEs whose income have been affected by the pandemic, to support economic recovery and safeguard livelihood of Malaysians.

The repayment assistance does not automatically result in a stage transfer under MFRS 9 in the absence of other factors indicating evidence of significant increase in credit risk (“SICR”). Judgement and more holistic assessment of all relevant indicators and information, such as historical repayment and delinquency trend pre-COVID-19 pandemic, are applied in determining SICR. In addition, the loan/financing that is approved under repayment assistance is exempted to be reported as rescheduling and restructuring (“R&R”) and credit impaired in CCRIS.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2021, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods on or after 1 January 2021.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases*)

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group and the Bank.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group’s and the Bank’s financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2022

- *Annual Improvements to MFRS Standards 2018-2020 (Amendments to MFRS 101 First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments and MFRS 141 Agriculture)*
- *MFRS 3 Reference to the Conceptual Framework (amendments to MFRS 3 Business Combinations)*
- *MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)*
- *MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)*

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*
- MFRS 101 *Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies (Amendments to MFRS 101)*
- MFRS 108 *Definition of Accounting Estimates (Amendments to MFRS 108)*
- MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)*

The Group and the Bank expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except for MFRS 17 *Insurance Contracts*.

MFRS 17 Insurance Contracts

In August 2017, MFRS 17 was issued, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces MFRS 4.

The Group and the Bank plan to adopt the new standard on the required effective date and the Board is likely to oversee the implementation of MFRS 17. The Group and the Bank expect that the new standard will result in an important change to the accounting policies for insurance contract and takaful liabilities of the Group and the Bank and it is likely to have a significant impact on profit and total equity together with the Group's and the Bank's financial statements presentation and disclosures.

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

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Group has power to govern the financial and operating policies to obtain benefits from its activities.

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Group and the Bank re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd)

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statement of profit and loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

(iii) Consolidation of EXIM Sukuk Malaysia Berhad

EXIM Sukuk Malaysia Berhad ("EXIM Sukuk") is a Special Purpose Vehicle ("SPV") entity established by the Bank as part of its Multi-currency Sukuk Issuance Programme. The share capital of the SPV is currently held in trust by TMF Trustee Malaysia Berhad for EXIM Bank pursuant to the Declaration of Trust in relation to the Multi-currency Sukuk Issuance Programme. The SPV shall act as issuer, trustee and purchaser/seller of tangible/non-tangible assets. Management had concluded that control over EXIM Sukuk exist and, hence, EXIM Sukuk is deemed to be a subsidiary.

(b) Property and equipment and right-of-use assets

All items of property and equipment and right-of-use assets are initially recorded at cost. The cost of an item of property and equipment and right-of-use assets is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank, the cost of the item can be measured reliably.

Subsequent to recognition, property and equipment and right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property and equipment and right-of-use assets are required to be placed in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment and right-of-use assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

The depreciation of right-of-use assets is provided on a straight-line basis over the shorter of its estimated useful life and the lease term.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Property and equipment and right-of-use assets (cont'd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 - 99 years
Renovation and improvement	10 years
Furniture, electrical fittings and equipment	10 years
Motor vehicles	5 years
Office equipment	5 years
Computers	3 years
Right-of-use assets	Tenure of the agreement

Assets under construction/work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment is in accordance with Note 2.4(e).

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property and equipment and right-of-use assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statement of profit and loss in the year the asset is derecognised.

(c) Intangible assets: Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of three (3) years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at each reporting date.

The policy for the recognition and measurement of impairment is in accordance with Note 2.4(e).

Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development, employee costs and appropriate portion of relevant overheads.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property and equipment as stated in accounting policy Note 2.4(b).

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of fifty to ninety-nine (50 - 99) years for building. Freehold land is not depreciated.

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

(e) Impairment of non-financial assets

The carrying amount of the assets, other than deferred tax assets, non-current assets held for sales and financial assets (other than investments in subsidiaries), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised in the statement of profit and loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of profit and loss unless the asset is measured at revalued amount, in which case reversal is treated as revaluation increase.

(f) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Bank's business model for managing them. With the exception of loans, advances and financing that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient, the Group and the Bank initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interests ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model assessments

The Group and the Bank determine its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Group and the Bank holds financial asset to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group and the Bank consider the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group and the Bank business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- The way that assets are managed and their performance is reported to them; and
- The contractual cash flow characteristics of the financial asset.

The expected frequency, value and timing of asset sales are also important aspects of the Group's and the Bank's assessment. The Group and the Bank assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

The business model assessments are based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent, but should such event take place, it must be:

- Determined by the Group's and the Bank's senior management as a result of external on internal changes;
- Significant to the Group's and the Bank's operations; and
- Demonstrable to external parties.

A change in the business model will occur only when the Group and the Bank begin or cease to perform an activity that is significant to its operations. Change in the objective of the business model must be effected before the reclassification date.

The SPPI test

As the second step of its classification process, the Group and the Bank assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial assets is denominated and the period for which the interest rate is set.

(i) Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") or the Effective Profit Rate ("EPR") method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified, or impaired.

(ii) Financial assets at FVOCI

For debt instruments at FVOCI, interest income, foreign exchange revaluation, and impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(iii) Financial assets designated at FVOCI

Upon initial recognition, the Group and the Bank can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 9.

Gains and losses on these financial assets are never recycled into profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

(iv) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statement of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

(v) Financing and receivables

Financing and receivables consist of Murabahah, Tawarruq, Ijarah, Istisna', Bai' Al Dayn, and Kafalah. These contracts are recognised at amortised cost (except for Kafalah contracts), including direct and incremental transaction costs using the effective profit method. These contracts are stated net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

- (a) Murabahah: Sale of an asset by the Bank to the customer at cost plus a mark-up in which the profit rate has to be disclosed to the customer. The Sale Price is payable by the customer on deferred terms.
- (b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the customer in which the Sale Price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.
- (c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to the customer in exchange for rental payment for a specified period.
- (d) Istisna': An agreement to sell to the customer a non-existent asset that is to be manufactured or built according to the agreed specifications and delivered on a specified future date at a predetermined selling price.
- (e) Bai' Al Dayn: Sale of debt in which the customer sells his payable right to the Bank at discount price or at cost price on the spot payment basis.
- (f) Kafalah: Conjoining the guarantor's liability to the guaranteed party's liability such that the obligation of the guaranteed party is established as a joint liability of the guarantor and the guaranteed party.

(vi) Derivative instruments and hedge accounting

(a) Derivative instruments

The Group and the Bank enter into derivative contracts such as interest/profit rate swaps, cross-currency interest/profit rate swaps, and forward contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, as appropriate. 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 profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Financial assets (cont'd.)

(vi) Derivative instruments and hedge accounting (cont'd.)

(b) Hedge accounting

The Group and the Bank use derivative instruments to manage their exposures to interest/profit rate and foreign currency risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of each hedging relationship, the Group and the Bank formally designate and document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must demonstrate that it is highly effective on prospective and retrospective basis for the designated period in order to qualify for hedge accounting. Hedge ineffectiveness is recognised in the statement of profit and loss.

The Group and the Bank only account for hedge that meets the strict criteria for hedge accounting, as described below:

Fair value hedge

For designating and qualifying fair value hedges, the cumulative changes in the fair value of a hedge derivative are recognised in the statement of profit and loss. Meanwhile, the cumulative changes in the fair value of the hedge item attributable to the risk hedged are recorded as part of the carrying value of the hedge item in the statements of financial position and the statement of profit and loss.

If the hedging instruments expire or are sold, terminated, or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR/EPR method. EIR and EPR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit and loss.

The Bank enters into interest/profit rate swaps and cross-currency interest/profit rate swaps that are used as hedge for the exposure of changes in the fair value of some of its Medium Term Notes/Sukuk. See Note 9 for more details.

The Bank has incorporated credit risk of counterparties and the Bank's own credit risk in the fair valuation of derivatives. These risks on derivative transactions are taken into account when reporting the fair values through credit value adjustment ("CVA") and debit value adjustment ("DVA").

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Group and the Bank recognise an allowance for expected credit losses ("ECLs") for all financial assets carried at amortised cost and debt instruments not classified at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at FVOCI, the Group and the Bank apply the low credit risk simplification. At every reporting date, the Group and the Bank evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Bank reassess the internal credit rating of the debt instrument. In addition, the Group and the Bank consider that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group and the Bank consider a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Group and the Bank may also consider a financial asset to be in default when internal or external information indicates that the Group and the Bank are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(h) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as either at amortised cost or as financial liabilities at FVTPL.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Bank's financial liabilities include trade and other payables, loans, and borrowings including bank overdrafts, and derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(h) Financial liabilities (cont'd.)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Bank that are not designated as hedging instruments in hedge relationships as defined by MFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, if, and only if the criteria in MFRS 9 are satisfied. The Group and the Bank have not designated any financial liability as at FVTPL.

(ii) Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") or Effective Profit Rate ("EPR") method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR or EPR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR or EPR. The EIR or EPR amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, deposits, and placements with banks and other financial institutions, with original maturity of 3 months or less.

For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(j) Provisions

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

When the Group and the Bank expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increase in the provision which due to the passage of time is recognised in the statement of profit and loss.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

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

(k) Financial guarantee contracts

Financial guarantees are contracts that require the Group and the Bank to make specified payment to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, guarantees and acceptances. Where the Group and the Bank enter into such contracts, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the Group and the Bank will be required to make a payment under the guarantee.

Financial guarantees premium are initially recognised at fair value on the date the guarantee was issued, and presented as 'deferred income' in the statements of financial position. Subsequent to initial recognition, the received premium is amortised over the life of the financial guarantee on a straight line basis.

(l) Employee benefits

Short-term employee benefits obligation in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

The Group's and the Bank's contribution to statutory pension funds is charged to the statement of profit and loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Insurance Contract/Takaful Certificate Liabilities

These liabilities comprise premium/contribution liabilities and claims liabilities.

(i) Premium/Contribution liabilities

For the purpose of disclosure in the financial statements, premium/contribution liabilities are classified as deferred income.

Provision for premium/contribution liabilities is the higher of the aggregate of the Unearned Premium/Contribution Reserves ("UPR"/"UCR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR"), and a liability adequacy test with a provision of risk margin for adverse deviation.

Unearned premium/contribution reserves

UPR/UCR represents the portion of the premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR/UCR as at the reporting date, the method that most accurately reflects the actual unearned premium is used as follows:

- all classes of business, except treaty, using time apportionment basis over the period of the risks, after deducting commissions, not exceeding limits specified by Bank Negara Malaysia ("BNM"), that relate to the unexpired periods of policies at the end of the financial year; and
- all classes of treaty business with a deduction of commission; at the following bases:
 - (i) 1/8th method for quarterly statement
 - (ii) 1/24th method for monthly statement

UPR/UCR at the reporting date for both short-term policies and medium and long term policies are recognised over the period of risk on a straight-line basis.

The movement in premium/contribution liabilities is released over the term of the policies and is recognised in underwriting results as premium/contribution income.

Unexpired risk reserves

URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium/contribution refunds. At each reporting date, the Group and the Bank review the unexpired risk and a liability adequacy test is performed by an independent actuarial firm.

(ii) Claims liabilities

Claims liabilities are recognised when a claimable event occurs and/or the Group and the Bank are notified. The amount of outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs less other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Insurance Contract/Takaful Certificate Liabilities (cont'd.)

These liabilities comprise premium/contribution liabilities and claims liabilities. (cont'd.)

(ii) Claims liabilities (cont'd.)

The liability is calculated at the reporting date by an independent actuarial firm using projection techniques that included risk margin for adverse deviation. The liabilities are derecognised when the contract expires, is discharged or cancelled.

Claim liabilities are not discounted.

(n) Government Fund - Malaysian Kitchen Financing Facility ("MKFF" or "the Fund")

The primary objective of the Fund is to encourage Malaysian companies involved in the food and beverages industry to venture abroad. In this respect, the Bank received funds from the Government of Malaysia ("the Government") to be disbursed as loans and financing.

The total placement amount and the interest income/profit shall be refunded to the Government upon expiry of the agreement. The interest income/profit earned on the loans financed by the Government funds and from the investment of the unutilised fund are recognised as amount payable to the Government in accordance with the placement agreement and are classified under other payables.

The Bank received in return, a management fee of 1.5% of the total placement amount. The fee income is recognised in the statement of profit and loss in accordance with Note 2.4(o)(iii). Credit losses or charges as a result of loan default are shared based on agreed ratio between the Bank and the Government of Malaysia. The portion of allowance for losses on loans and financing borne by the Bank is recognised in the statement of profit and loss in accordance with Note 2.4(g).

(o) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group and the Bank expect to be entitled when a performance obligation is satisfied. Revenue is recognised either over time or at a point in time. Revenue is measured at the fair value of consideration received or receivable.

(i) Interest/profit and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets at FVOCI, interest income or expense is recorded using the effective interest rate or effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

(ii) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(o) Revenue recognition (cont'd.)

(iii) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront, guarantee fees and facility fees.

(iv) Premium income

Premium income is recognised as income in the financial year in respect of risks assumed during that particular financial year. The method of deferral of premium income is as stated in Note 2.4(m).

Premium income from reinsurance or retakaful is recognised based on periodic advices received from ceding insurers.

Outward reinsurance premiums or retakaful contribution are recognised in the same financial year as the original policies to which the reinsurance or retakaful relates.

(v) Islamic income recognition

Income from financing and receivables is recognised in the statement of profit and loss using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payment and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate.

Murabahah, Tawarruq and Istisna'

Murabahah/Tawarruq and Istisna' income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

Ijarah

Ijarah income is recognised on the effective profit rate of the cost of the leased asset over the leased period.

Bai' Al Dayn

Bai' Al Dayn income is recognised monthly on the effective discount rate on the purchase price of the invoice over the duration of the financing.

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront, facility and Kafalah contract fees.

Takaful income

The source of Takaful income is derived from Takaful contributions. Income is recognised based on specific percentage of the contribution amount from participants. The remaining amount is placed in Risk Fund which is pooled for underwriting purposes.

Takaful income from retakaful is recognised based on periodic advices received from ceding takaful operators.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rate that has been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rate that is expected to apply in the year when the asset is realised or the liability is settled, based on tax rate that has been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the statement of profit and loss for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

In determining the Group's and the Bank's tax charge for the year it involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provides for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where an outflow is probable.

The recoverability of the Group's and the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax will be utilised.

(q) Zakat

Zakat is payable by the Group and the Bank in compliance with the principle of Shariah and in line with National Fatwa Committee regulations.

(i) Method applied

Zakat is calculated using the growth method which is based on the adjusted net asset of the Group and the Bank, i.e. net asset excludes any items that do not meet the condition for zakat assets and liabilities.

(ii) Beneficiaries of zakat fund

The method of zakat distribution, as being practised by the Group and the Bank, is as follows:

- Zakat is paid to Pusat Pungutan Zakat ("PPZ") based on certain percentage of the adjusted net asset of the Bank and the Group;
- PPZ will determine a certain percentage of the zakat for the Bank's own distribution; and
- The distribution of zakat will be allocated by the Bank to three (3) groups of people who are eligible to receive zakat (*asnaf*):
 - a. The destitute (*fakir*);
 - b. The poor (*miskin*); and
 - c. Those in the cause of Allah (*fi sabilillah*).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Foreign currencies

The Group's consolidated financial statements are presented in Malaysian Ringgit, currency which is also the Bank's (i.e. parent company's) functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are translated to the functional currencies of the Group's entities at their respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of profit and loss are also recognised in other comprehensive income or statement of profit and loss, respectively).

(s) Foreclosed properties

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

(t) Sales and Service Tax

The Bank is subject to Sales and Service Tax ("SST") Act 2019 and charges service tax on its taxable supply of services made to customers such as domestic credit insurance premium/takaful contribution. Service tax is based on payment basis, hence, the Bank is required to account and make payment on service tax every bi-monthly.

(u) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

RCCPS are classified as equity. Dividend on RCCPS is recognised at a fixed coupon rate of 4.7% per annum and accounted for in equity in the year in which the Bank accrued.

(v) Leases

Right-of-use assets are classified as assets and measured at cost, less any accumulated depreciation and impairment losses disclosed in Note 16.

Lease liabilities are classified as liabilities and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(w) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance receivable is impaired. The Group and the Bank reduce the carrying amount of the insurance receivable accordingly and recognised that impairment loss in profit and loss. Objective evidence of impairment for insurance receivables and the determination of consequential impairment losses.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4(f), have been met.

(x) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(y) Claims expenses and commission expenses

General Insurance/Takaful Business

Claim expenses represent compensation paid or payable on behalf of the insured in relation to a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting date even if they had not been reported to the Group and the Bank.

Commission Expenses and Acquisition Costs

(i) General Insurance/Takaful Business

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods on which it is probable they give rise to income.

(z) Expense liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities of the general takaful fund which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in statement of profit and loss.

(i) Expense liabilities of general takaful fund

Expenses liabilities in relation to the Group's and the Bank's general takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a Provision of Risk Margin for Adverse Deviation ("PRAD"), as prescribed by BNM.

(ii) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificates that relate to the unexpired periods of certificates at the end of reporting period. The method used in computing UWF is consistent with method used to reflect the actual unearned contribution reserves ("UCR").

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Summary of significant accounting policies (cont'd.)

(z) Expense liabilities (cont'd.)

(iii) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificated with unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

(aa) Wakalah Fees

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general takaful fund under the principle of Wakalah and are recognised at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the financial statements involved making certain estimates, assumptions and judgements that affects the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statement in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1 Judgements

(a) Expected credit losses on loans, advances and financing and commitments and contingencies

The Group and the Bank review its individually significant loans, advances and financing and commitments and contingencies at each reporting date to assess whether the expected credit losses should be recorded in statement of profit and loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the expected credit losses. In estimation the cash flows, the Group and the Bank makes judgement about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

The Group's and the Bank's ECL calculation under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Internal credit grading model, which assigns PDs to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime-ECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)

3.1 Judgements (cont'd.)

(a) Expected credit losses on loans, advances and financing and commitments and contingencies (cont'd.)

- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The allowance for expected credit losses on loans, advances and financing is disclosed in Note 7(ix) and commitments and contingencies is disclosed in Note 20.

(b) Valuation of derivatives and hedge accounting

The Group and the Bank value the derivative instruments and apply the hedge accounting to manage the exposures to interest/profit rate and foreign currency risks. In order to manage particular risk, the Group and the Bank apply hedge accounting for transactions which meet specified criteria. At the inception of each hedge relationship, the Group and the Bank formally designate and document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and ongoing basis.

3.2 Estimates and assumptions

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

(a) Uncertainty in accounting estimates for credit insurance/Takaful business

The principal uncertainty in the credit insurance/Takaful business arises from the technical provisions which include the premium/contribution liabilities, claims liabilities and expense liabilities. The premium/contribution liabilities comprise unearned premium reserves and unexpired risk reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned premium/contribution reserves and unexpired risk reserves are explained in the related accounting policy statement.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums/contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

The estimates of premiums/contribution and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions in an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums/contribution and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)**3.3 Basis for expected credit losses ("ECL") management overlays due to COVID-19**

With the recent and rapid development of the coronavirus outbreak in Malaysia, the Government of Malaysia had initially declared a Movement Control Order ("MCO") in 2020. This was then extended through the Conditional MCO and Recovery MCO throughout 2021.

The MCO involved limitation and/or suspension of business operations, travel restrictions, and quarantine measures. Similar measures have also been introduced in various countries, some of which the Group and the Bank have exposure in. Whilst these measures may not have an immediate and pronounced impact on the banking industry, it is expected to have some effect, impacting, for example, the Group's and the Bank's allowance for ECL on loans, advances and financing, liabilities in respect of certain insurance/Takaful products and the valuation of financial investments.

As the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. The Group and the Bank will continue to monitor the progress of the outbreak and measure and report the impact, if any, of the outbreak on their financial statements as they occur subsequent to the reporting date. As the current MFRS 9 models may not fully reflect the ECL impact arising from the unprecedented ongoing COVID-19 pandemic, management overlays have been applied to determine a sufficient overall level of ECL for the financial year ended 31 December 2021. The management overlay on ECL for financial investment and loans, advances and financing for the Group and the Bank as at 31 December 2021 stood at RM49,192,125 (2020: RM54,259,225) and RM RM181,692,000 (2020: RM150,431,032) respectively.

4. CASH AND BANK BALANCES

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash and bank balances	49,513	122,399

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deposits and placements with:		
Licensed banks	2,201,936	2,343,070
Other financial institutions	924,840	1,021,029
	3,126,776	3,364,099
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	3,026,829	3,233,730
On behalf of customers and government **	99,947	130,369
	3,126,776	3,364,099

** Included in deposits and placements with licensed banks and other financial institutions are placements of the unutilised fund from the Government of Malaysia under the MKFF Scheme. In 2021, the fund under MKFF Scheme been fully settled (2020: RM27,387,487).

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL INVESTMENTS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Investments at FVOCI:		
Unquoted debt securities	713,680	779,295
Less: Allowance for expected credit losses	(100,055)	(101,110)
	613,625	678,185
Investments at amortised costs:		
Unquoted debt securities	612,122	601,274
Less: Allowance for expected credit losses	(118,108)	(113,908)
	494,014	487,366
Total financial investments	1,107,639	1,165,551

Included in financial investments at FVOCI are investments to meet the requirement of Sukuk Programme of the Group amounting to RM92,046,500 (2020: RM139,719,294).

Movements in the expected credit losses on financial investments at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL
	12- months	Lifetime ECL	Lifetime	RM'000
	ECL	not credit	ECL credit	
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	1,192	-	100,000	101,192
Written back during the year	(82)	-	-	(82)
At 31 December 2020/1 January 2021	1,110	-	100,000	101,110
Written back during the year	(1,055)	-	-	(1,055)
At 31 December 2021	55	-	100,000	100,055

NOTES TO THE FINANCIAL STATEMENTS

6. FINANCIAL INVESTMENTS (CONT'D.)

Movements in the expected credit losses on financial investments at amortised cost are as follows:

	Stage 1 12- months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2020	3	71,239	-	71,242
Allowance during the year	1	42,665	-	42,666
At 31 December 2020/1 January 2021	4	113,904	-	113,908
Allowance during the year	3	4,197	-	4,200
At 31 December 2021	7	118,101	-	118,108

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and postmodel adjustments have been applied to determine a sufficient overall level of ECLs for the financial year ended and as at 31 December 2021. The total management overlay on Stage 2 ECL stood at RM49,192,125 (2020: RM54,259,225) was provided for a non-rated financial investment.

7. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2021 RM'000	2020 RM'000
At amortised cost		
Loans, advances and financing	5,261,790	5,695,247
Loans under MKFF scheme	7,077	8,976
Amount due from Export Credit Refinancing ("ECR")* debtors	31,167	34,589
Staff loans	597	752
Gross loans, advances and financing	5,300,631	5,739,564
Less: Allowance for impaired loans, advances and financing:		
- 12 month ECL - Stage 1	(66,630)	(31,569)
- Lifetime not credit impaired ECL - Stage 2	(482,275)	(418,195)
- Lifetime ECL credit impaired - Stage 3	(1,450,165)	(1,610,717)
Net loans, advances and financing	3,301,561	3,679,083

* The amount represents block discounting of bills facility provided to participating banks in Malaysia granted under ECR Scheme. The primary objective of the Scheme is for the promotion of Malaysian export by offering competitive rates to banks participating in the ECR Scheme for on-lending to exporters.

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Gross loans, advances and financing analysed by facility are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Buyer Credit	903,159	890,257
Overseas Contract Financing	35,770	34,472
Overseas Investment Financing	470,649	526,845
Term Financing	84,335	85,500
Overseas Project Financing	1,388,384	1,221,569
Supplier Credit	117,455	103,748
Export Finance-i	8,106	8,236
Supplier Financing-i	927,688	1,242,791
Term Financing-i	718,588	861,189
Overseas Investment Financing-i	56,883	114,292
Overseas Contract Financing-i	30,989	84,189
Overseas Project Financing-i	464,000	456,067
Malaysian Kitchen Financing Facility ("MKFF")	5,699	6,772
Malaysian Kitchen Financing Facility-i ("MKFF-i")	1,378	2,204
ECR	31,167	34,589
Vendor Financing	3,513	8,776
Vendor Financing-i	52,271	57,316
Staff loans and advances	597	752
	5,300,631	5,739,564

(ii) Gross loans, advances and financing analysed by contractual maturity are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Within one year	2,452,165	2,518,994
One year to three years	553,800	1,638,613
Three years to five years	1,338,776	977,353
Over five years	955,890	604,604
	5,300,631	5,739,564

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Gross loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Conventional		
Fixed rate	174,636	77,557
Variable rate	2,866,092	2,835,723
Islamic		
Fixed rate	9,411	2,204
Variable rate	2,250,492	2,824,080
	5,300,631	5,739,564

(iv) Gross loans, advances and financing analysed by geographical area are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Malaysia	2,063,915	2,589,600
East Asia	14,920	46,622
South Asia	1,515,245	1,586,890
Central Asia	335,393	322,905
Middle East	312,951	343,070
Africa	146,082	196,536
Europe	399,556	463,324
America	418,944	79,358
Oceania	93,625	111,259
	5,300,631	5,739,564

(v) Gross loans, advances and financing analysed by industry are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Primary agriculture	64,883	232,815
Manufacturing	846,191	825,940
Transport, storage and communication	1,643,676	1,651,578
Construction	952,851	966,620
Wholesale and retail trade, and restaurants and hotels	383,061	436,841
Others	1,409,969	1,625,770
	5,300,631	5,739,564

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vi) Movements of gross impaired loans, advances and financing ("impaired loans") are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
At 1 January	2,382,477	2,643,617
Impaired during the year	207,592	326,057
Reclassified as non-impaired	(126,861)	-
Recoveries	(202,634)	(361,894)
Amount written off	(150,348)	(220,073)
Exchange differences	(13,651)	(5,230)
At 31 December	2,096,575	2,382,477
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	39.55%	41.51%
- without ECR debtors	39.79%	41.76%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	12.19%	13.45%
- without ECR debtors	12.27%	13.53%

(vii) Gross impaired loans, advances and financing analysed by geographical area are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Malaysia	469,317	833,211
East Asia	14,920	12,029
South Asia	1,080,527	878,517
Central Asia	335,393	322,905
Middle East	8,300	26,998
Africa	98,899	103,948
Europe	4,787	121,974
America	80,925	79,358
Oceania	3,507	3,537
Total	2,096,575	2,382,477

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(viii) Gross impaired loans, advances and financing analysed by industry are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Primary agriculture	15,561	12,835
Manufacturing	176,461	142,534
Transport, storage and communication	650,517	1,121,184
Construction	496,199	434,661
Wholesale and retail trade, and restaurants and hotels	284,568	212,516
Others	473,269	458,747
	2,096,575	2,382,477

(ix) Movements in the allowance for ECL for loans, advances and financing are as follows:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
Group and Bank				
2021				
At 1 January	31,569	418,195	1,610,717	2,060,481
Transferred from Stage 1	(3,857)	3,857	-	-
Transferred from Stage 2	-	(22,018)	22,018	-
Transferred from Stage 3	-	69,589	(69,589)	-
Allowance/(Written back) recognised in profit and loss	1,073	(13,568)	(4,463)	(16,958)
Financial assets derecognised	(4,744)	(32,426)	-	(37,170)
Changes due to change in credit risk	43,058	16,818	-	59,876
Modification to contractual cash flows of financial assets	(469)	41,828	-	41,359
Total amount charged to profit and loss during the period	35,061	64,080	(52,034)	47,107
Other movement with no profit and loss impact				
Write offs	-	-	(150,348)	(150,348)
Exchange differences	-	-	41,830	41,830
At 31 December	66,630	482,275	1,450,165	1,999,070

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ix) Movements in the allowance for ECL for loans, advances and financing are as follows: (cont'd.)

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
Group and Bank				
2020				
At 1 January	83,810	190,300	1,968,281	2,242,391
Transferred from Stage 1	(244)	-	244	-
Transferred to Stage 2	(89)	89	-	-
Transferred to Stage 3	-	(65,561)	65,561	-
(Written back)/allowance recognised in profit and loss	5,477	(6,252)	(187,816)	(188,591)
Financial assets derecognised	(11,984)	(140)	-	(12,124)
Changes due to change in credit risk	(10,769)	102,835	-	92,066
Modification to contractual cash flows of financial assets	(34,632)	196,924	-	162,292
Total amount charged to profit and loss during the period	(52,241)	227,895	(122,011)	53,643
Other movement with no profit and loss impact				
Write offs	-	-	(220,073)	(220,073)
Exchange differences	-	-	(15,480)	(15,480)
At 31 December	31,569	418,195	1,610,717	2,060,481
Group and Bank				
2021				
2020				
RM'000				
RM'000				
Breakdown of ECL Stage 1 and 2:				
From non-impaired loans, advances and financing			548,905	449,764
			548,905	449,764
As % of net loans, advances and financing (exclude gross impaired loan and staff loan)			17.13%	13.40%

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(x) Overlays and adjustments for ECL amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of 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 ECLs for the year ended and as at 31 December 2021.

The overlays 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 adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 and the impact of these adjustments on the affected loans, advances and financing of the Bank as at 31 December 2021 is as follows:

	Outstanding Balance RM'000	Modelled ECL RM'000	Group and Bank Management Overlay Provided RM'000	Total ECL RM'000
2021				
Malaysia	843,518	112,594	154,880	267,474
South Asia	17,439	300	542	842
Middle East	177,088	36,367	24,792	61,159
Oceania	960	182	-	182
	1,039,005	149,443	180,214	329,657
2020				
Malaysia	739,583	93,134	114,215	207,349
East Asia	170,912	6,158	7,152	13,310
South Asia	22,705	7,134	-	7,134
Middle East	192,546	43,874	26,102	69,976
Africa	45,305	916	2,500	3,416
Oceania	1,853	287	462	749
	1,172,904	151,503	150,431	301,934

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(xi) ECL (inclusive of overlays) analysed by industry are as follows:

	Outstanding Balance 2021 RM'000	Group and Bank Modelled ECL 2021 RM'000	Management Overlay 2021 RM'000	Total 2021 RM'000
Manufacturing	407,025	26,879	78,203	105,082
Transport, storage and communication	436,206	92,553	73,352	165,905
Wholesale and retail trade, and restaurants and hotels	9,335	444	736	1,180
Others	186,439	29,567	27,923	57,490
	1,039,005	149,443	180,214	329,657

	Outstanding Balance 2020 RM'000	Group and Bank Modelled ECL 2020 RM'000	Management Overlay 2020 RM'000	Total 2020 RM'000
Primary agriculture	13,132	1,227	91	1,318
Manufacturing	600,265	95,943	80,159	176,102
Transport, storage and communication	192,546	43,874	26,102	69,976
Construction	205,164	6,999	9,542	16,541
Wholesale and retail trade, and restaurants and hotels	87,305	2,651	6,874	9,525
Others	74,492	809	27,663	28,472
	1,172,904	151,503	150,431	301,934

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE (PAYABLES)/RECEIVABLES

	Group and Bank	
	2021	2020
	RM'000	RM'000
Amount due from agents, brokers and co-insurers	851	1,386
Less: Allowance for expected credit losses	(806)	(640)
	45	746
Amount due to agents, brokers and co-insurers	(295)	(158)
	(250)	588

Movements in the allowance for expected credit losses for insurance receivables are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
<u>Expected credit losses</u>		
At 1 January	640	518
Allowance made during the year	816	469
Amount written back	(650)	(347)
At 31 December	806	640

9. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts, recorded at gross, is the amount of derivatives' underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the market risk nor the credit risk.

The following table shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts. Derivative assets and derivative liabilities are disclosed on a gross basis as it is the Bank's practice to settle those derivative on a gross basis.

As at 31 December 2021, the Bank has entered into the following derivative financial instruments:

	Group and Bank					
	2021		Notional Amount RM'000	2020		Notional Amount RM'000
	Fair Value Assets RM'000	Liabilities RM'000		Fair Value Assets RM'000	Liabilities RM'000	
<u>Derivatives used in fair value hedges</u>						
Interest/profit rate swaps	52,378	999	2,136,645	106,016	-	2,813,105
Cross currency interest/profit rate swap	28,085	-	478,653	35,733	-	464,342
Total	80,463	999	2,615,298	141,749	-	3,277,447

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

At their inception, derivatives often involve only mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group and the Bank.

Over-the-counter derivative may expose the Group and the Bank to the risks associated with absence of an exchange market on which to close out an open position.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over-time based on specified notional amounts, in relation to movements in a specified underlying index such an interest/profit rate, foreign currency rate or equity index.

Interest/profit rate swaps relate to contracts taken out by the Group and the Bank with other financial institution in which the Group and the Bank either receive or pay a floating rate of interest/profit, respectively, in return for paying or receiving a fixed rate of interest/profit. The payment flows are usually netted against each other with the difference being paid by one party to the other.

In a cross currency interest/profit rate swap, the Group and the Bank swap their fixed coupon interest rate into a floating rate coupon in different currencies.

Forwards

The Group and the Bank enter into Forward Exchange Contract to sell or buy a specific amount of currency at a specified exchange rate for settlement in the future. The contract is entered for the Group's and the Bank's own requirement or on behalf of customer based on approved foreign exchange line.

Fair values

Disclosure concerning the fair value of derivatives are provided in Note 42.

Fair value hedge

The financial instruments hedged for interest/profit rate risk and foreign currency risk consist of the Medium Term Notes ("MTN") and Multi-currency Sukuk Programme ("Sukuk") issued by the Bank and the Group respectively.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)**Fair value hedge (cont'd.)**

Full details of hedging as follows:

Group and Bank**2021**

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a. (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD150 million*	Floating rate of 3 months Libor + 1.16% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million*	Floating rate of 3 months Libor + 1.21% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million*	Floating rate of 3 months Libor + 1.214% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million*	Floating rate of 3 months Libor + 1.165% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a. (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

Full details of hedging as follows: (cont'd.)

Group and Bank

2021 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD50 million	Floating rate of 6 months Libor + 0.388% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 6 months Libor + 0.375% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 6 months Libor + 0.385% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 6 months Libor + 0.373% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 6 months Libor + 0.397% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 6 months Libor + 0.397% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate

*Matured in 20 October 2021

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)**Fair value hedge (cont'd.)**

Full details of hedging as follows:

Group and Bank**2020**

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a. (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% p.a. (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD150 million	Floating rate of 3 months Libor + 1.16% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a. (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

The gain arising from the fair value hedges are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Gain arising from fair value hedges:		
Hedging instruments	(66,511)	104,350
Hedged items	82,530	(40,429)
	16,019	63,921

10. OTHER ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	35,470	46,649
Other receivables, deposits and prepayments*	30,394	34,069
Tax prepayment	8,510	11,399
	74,374	92,117

* Included in other receivables, deposits and prepayments as at 31 December 2021 and 31 December 2020 is an amount related to a Bank Guarantee defaulted in 2019 of RM22,715,166 (2020: RM31,991,623).

11. DEFERRED TAX (LIABILITIES)/ASSETS

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Recognised in profit and loss (Note 36)	-	-	-	-
At 31 December	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)**Deferred tax assets**

	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unutilised business losses RM'000	Unabsorbed capital allowances RM'000	Total deductible temporary differences RM'000
Group					
At 1 January 2020	-	-	5,975	-	5,975
Recognised in statement profit and loss	-	-	(1,513)	-	(1,513)
At 31 December 2020/1 January 2021	-	-	4,462	-	4,462
Recognised in statement profit and loss	-	-	2,207	-	2,207
At 31 December 2021	-	-	6,669	-	6,669

Bank

At 1 January 2020	-	-	5,975	-	5,975
Recognised in statement profit and loss	-	-	(1,513)	-	(1,513)
At 31 December 2020/1 January 2021	-	-	4,462	-	4,462
Recognised in statement profit and loss	-	-	2,207	-	2,207
At 31 December 2021	-	-	6,669	-	6,669

Deferred tax liabilities

	Other temporary differences RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Group			
At 1 January 2020	(1,903)	(4,072)	(5,975)
Recognised in profit and loss	1,903	(390)	1,513
At 31 December 2020	-	(4,462)	(4,462)
Recognised in profit and loss	-	(2,207)	(2,207)
At 31 December 2021	-	(6,669)	(6,669)

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)**Deferred tax liabilities (cont'd.)**

	Other temporary differences RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Bank			
At 1 January 2020	(1,903)	(4,072)	(5,975)
Recognised in profit and loss	1,903	(390)	1,513
At 31 December 2020	-	(4,462)	(4,462)
Recognised in profit and loss	-	(2,207)	(2,207)
At 31 December 2021	-	(6,669)	(6,669)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	6,669	4,462	6,669	4,462
Deferred tax liabilities	(6,669)	(4,462)	(6,669)	(4,462)
	-	-	-	-

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 taxation authority.

At the reporting date, the Group and the Bank have recognised deferred tax assets for the following items:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unutilised tax losses	27,788	18,595	27,788	18,595
Tax rate	24%	24%	24%	24%
	6,669	4,463	6,669	4,463

The deferred tax assets have been recognised as at 31 December 2021 to the extent that the Group and the Bank have sufficient taxable temporary differences to utilise.

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

At the reporting date, the Group and the Bank have not recognised deferred tax assets for the following items:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unutilised business losses	1,107,512	1,236,742	1,107,512	1,236,742
Other deductible temporary differences	447,106	374,854	447,106	374,854
	1,554,618	1,611,596	1,554,618	1,611,596
Tax rate	24%	24%	24%	24%
	373,108	386,783	373,108	386,783

The unutilised tax losses above are available for offset against future taxable profits at the Group and the Bank. The unabsorbed business tax losses will only be allowed to be carried forward consecutively seven years effective from the Year of Assessment 2019.

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%).

12. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY**(a) Investment in subsidiaries**

	Bank	
	2021 RM'000	2020 RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for impairment	(9,290)	(9,290)
	64,129	64,129

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2021	2020
Malaysia Export Credit Insurance Berhad	Dormant	Malaysia	100	100
EXIM Sukuk Malaysia Berhad	Special Purpose Vehicle for Sukuk issuance	Malaysia	100	100

Malaysia Export Credit Insurance Berhad, a wholly owned subsidiary of the Bank was formerly engaged in the provision of export and domestic credit insurance facilities and guarantees. The Company is currently dormant.

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT PROPERTIES

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cost		
At 1 January	1,300	1,300
Accumulated depreciation		
At 1 January	468	450
Charged for the year (Note 29)	18	18
At 31 December	486	468
Carrying amount	814	832
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	414	432
	814	832
Fair value of investment properties	1,140	1,140

The investment properties were mainly valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer, on 31 January 2022. The fair value is determined based on the comparison method of valuation.

This method of valuation seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving similar properties in the vicinity.

14. INTANGIBLE ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Computer software		
Cost		
At 1 January	27,027	25,721
Transfer from property and equipment	284	1,306
At 31 December	27,311	27,027
Accumulated depreciation		
At 1 January	25,014	23,371
Charged for the year (Note 29)	1,086	1,643
At 31 December	26,100	25,014
Carrying amount	1,211	2,013

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY AND EQUIPMENT

Group and Bank Cost	Freehold	Building	Office	Renovation	Motor	Furniture,	Computers	Work-in-	Total
	land	RM'000	equipment	and	vehicles	electrical,	RM'000	progress	RM'000
	RM'000	RM'000	RM'000	improvements	RM'000	fittings and	RM'000	RM'000	RM'000
				RM'000		equipment			
At 1 January 2021	30,000	33,000	1,586	29,005	595	5,813	15,281	6,774	122,054
Additions	-	-	71	880	-	305	1,455	6,220	8,931
Transfer from work-in progress	-	-	-	108	-	-	3,102	(3,210)	-
Transfer to intangible assets	-	-	-	-	-	-	(284)	-	(284)
Disposals	-	-	-	(205)	-	(1)	(18)	(6,562)	(6,786)
At 31 December 2021	30,000	33,000	1,657	29,788	595	6,117	19,536	3,222	123,915
Accumulated depreciation									
At 1 January 2021	-	7,590	1,424	24,532	546	5,470	14,929	-	54,491
Charged for the year	-	660	65	1,065	43	349	861	-	3,043
Disposals	-	-	-	-	-	(1)	(14)	-	(15)
At 31 December 2021	-	8,250	1,489	25,597	589	5,818	15,776	-	57,519
Carrying amount									
At 31 December 2021	30,000	24,750	168	4,191	6	299	3,760	3,222	66,396

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY AND EQUIPMENT (CONT'D.)

Group and Bank Cost	Freehold	Building	Office	Renovation	Motor	Furniture,	Work-in-	Total
	land	RM'000	equipment	and	vehicles	electrical,	progress	RM'000
	RM'000	RM'000	RM'000	improvements	RM'000	fittings and	RM'000	RM'000
				RM'000		equipment		
At 1 January 2020	30,000	33,000	1,524	28,544	905	5,538	268	115,019
Additions	-	-	62	461	-	275	6,506	8,796
Transfer to intangible assets	-	-	-	-	-	-	-	(1,306)
Disposals	-	-	-	-	(310)	-	(145)	(455)
At 31 December 2020	30,000	33,000	1,586	29,005	595	5,813	6,774	122,054
Accumulated depreciation								
At 1 January 2020	-	6,930	1,354	21,860	782	5,015	-	50,486
Charged for the year	-	660	70	2,672	74	455	-	4,445
Disposals	-	-	-	-	(310)	-	(130)	(440)
At 31 December 2020	-	7,590	1,424	24,532	546	5,470	-	54,491
Carrying amount								
At 31 December 2020	30,000	25,410	162	4,473	49	343	6,774	67,563

NOTES TO THE FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cost		
At 1 January/At 31 December	988	1,697
Additions	5,969	82
Termination of lease contracts	-	(791)
	6,957	988
Accumulated depreciation		
At 1 January	766	1,191
Charged for the year (Note 29)	1,184	247
Termination of lease contracts	-	(672)
At 31 December	1,950	766
Carrying amount	5,007	222

17. BORROWINGS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Term loans/Revolving credits - unsecured	499,522	649,430
Medium Term Notes/Sukuk	4,039,952	4,747,071
Syndication financing	1,242,221	1,194,781
	5,781,695	6,591,282

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) <u>Term loans/Revolving credits - unsecured</u>		
Repayable within one year	499,165	633,966
One year to three years	-	15,064
Three years to five years	357	400
	499,522	649,430

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

	Group and Bank	
	2021	2020
	RM'000	RM'000
(ii) <u>Medium Term Notes/Sukuk</u>		
Repayable within one year	1,304,202	2,178,170
One year to three years	764,875	2,032,415
Three years to five years	1,534,690	80,235
Over five years	436,185	456,251
	4,039,952	4,747,071
(iii) <u>Syndication financing</u>		
One year to three years	1,242,221	-
Three years to five years	-	1,194,781
	1,242,221	1,194,781
	5,781,695	6,591,282

Repayment based on the currencies of the borrowings are as follows:

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2021					
- USD	4,629,572	1,133,371	1,525,326	1,534,690	436,185
- RM	357	-	-	357	-
- EUR	315,815	315,815	-	-	-
- GBP	281,545	281,545	-	-	-
- AUD	72,636	72,636	-	-	-
- HKD	481,770	-	481,770	-	-
	5,781,695	1,803,367	2,007,096	1,535,047	436,185
2020					
- USD	5,357,121	2,256,501	2,564,134	80,235	456,251
- RM	36,328	35,928	-	400	-
- EUR	359,135	161,581	197,554	-	-
- GBP	274,520	274,520	-	-	-
- AUD	83,606	83,606	-	-	-
- HKD	480,572	-	480,572	-	-
	6,591,282	2,812,136	3,242,260	80,635	456,251

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

Borrowings of the Group and the Bank comprise the followings:

Term loans/Revolving credits

- (a) Term loan of USD35,000,000 (approximately RM145,775,000) (2020: USD35,000,000 (approximately RM140,595,000)). The loan is repayable semi-annually within twenty-eight (28) semi-annual instalments from 12 August 2008 to 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2020: 0.395%) per annum above LIBOR.

- (b) Revolving multi-currency loan up to an aggregate of USD150,000,000 (approximately RM624,750,000) (2020: USD150,000,000 (approximately RM602,550,000)). This facility is available for utilisation in USD, GBP, SGD and EUR.

The loan was obtained on 25 June 2009. The principal and interest of the loan was revised to USD100,000,000 and 0.80% respectively on March 2014 and further revised to USD150,000,000 on July 2014. Interest on the loan is charged at the rate of 0.80% (2020: 0.80%) per annum above LIBOR or USD and 0.80% above COF for GBP, SGD and EUR.

- (c) The financing was obtained on 10 November 2010 for USD30,000,000, renewed on 14 December 2011, 21 March 2014 and 2 March 2015 with additional amounts of USD10,000,000, USD30,000,000 and USD30,000,000 respectively. On 21 November 2020, the amount was reduced to USD50,000,000. Profit rate on the financing was charged at the rate of 0.80% and has been subsequently revised to 0.50% (2020: 0.50%) per annum above the Islamic Cost of Fund since March 2014. In 2021, the Bank has outstanding amount of AUD24,000,000 (approximately RM72,636,000) under the facility.

- (d) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM141,426,000) (2020: EUR30,000,000 (approximately RM148,239,000)).

The loan was obtained on 12 March 2012. Interest rate on the loan is charged at the rate of 0.80% (2020: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

- (e) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM104,125,000) (2020: USD25,000,000 (approximately RM100,425,000)) renewable after one (1) year.

The financing was obtained on 13 May 2013. Profit rate on the financing is charged at the rate of 0.50% (2020: 0.50%) per annum above the Islamic Cost of Fund.

- (f) Commodity Murabahah Revolving Credit-i up to an aggregate of USD20,000,000 (approximately RM83,300,000) (2020: USD20,000,000 (approximately RM80,340,000)) renewable after one (1) year.

The financing was obtained on 15 August 2013. Profit rate on the financing is charged at the rate of 0.75% (2020: 0.75%) per annum above the Islamic Cost of Fund. On 27 July 2020, the financing amount was reduced to USD20,000,000 (approximately RM80,340,000).

- (g) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM565,704,000) (2020: EUR120,000,000 (approximately RM592,956,000)). This facility is available for utilisation in EUR, USD, and GBP.

The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% (2020: 0.80%) per annum above EURIBOR for EUR and 0.80% above COF for USD and GBP. As at year end 2021, the Bank has outstanding amount of EUR7,000,000 (approximately RM32,999,400) and GBP50,000,000 (approximately RM200,850,000) under the facility.

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

Borrowings of the Group and the Bank comprise the followings: (cont'd.)

Term loans/Revolving credits (cont'd.)

- (h) Commodity Murabahah Revolving Credit-i up to an aggregate of USD20,000,000 (approximately RM83,300,000) (2020: USD20,000,000 (approximately RM80,340,000)).

The financing was obtained on 29 October 2015 and renewable yearly. Profit rate on the financing is charged at the rate of 0.93% (2020: 0.93%) per annum above LIBOR. On 8 May 2020, the amount was reduced to USD20,000,000 (approximately RM80,340,000).

- (i) Multi-currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD75,000,000 (approximately RM312,375,000) (2020: USD75,000,000 (approximately RM301,275,000)). This facility is available for utilisation in USD, EUR and JPY.

The financing was obtained on 26 February 2016 and renewable yearly. Profit rate on the financing was revised to 0.75% (2020: 0.75%) per annum above the LIBOR for USD and 0.75% per annum above COF for EUR and JPY on 31 December 2021. As at year end 2021, the Bank has outstanding amount of USD3,000,000 (approximately RM12,495,000).

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM104,125,000) (2020: USD25,000,000 (approximately RM100,425,000)).

The financing was obtained on 28 January 2016. Profit rate on the financing is charged at the rate of 0.45% (2020: 0.45%) per annum above the Islamic Cost of Fund.

- (k) The term loan placement from the Government of Malaysia for Malaysian Kitchen Financing Facility Scheme amounting to RM170,100,000 for the purpose of providing loans to qualified applicants under the Malaysia The Truly Asian Kitchen or Malaysia Kitchen Program.

The placement is interest-free and repayable after a period of fifteen (15) years from dates of disbursement of 14 December 2007 and 15 January 2009.

In December 2021, the Bank has fully repaid the placement to Government of Malaysia .

- (l) Commodity Murabahah Revolving Credit-i up to an aggregate of USD50,000,000 (approximately RM208,250,000) (2020: USD50,000,000 (approximately RM200,850,000)) renewable after one (1) year.

The financing was obtained on 14 November 2020. Profit rate on the financing is charged at the rate of 0.75% per annum above LIBOR.

- (m) Syndicated Term Financing Facility of USD300,000,000 (approximately RM1,249,500,000). (2020: USD300,000,000 (approximately RM1,205,100,000)).

The loan was obtained on 5 November 2020 and repayable after a period of 4.5 years. Profit on the financing is charged at 0.90% per annum above LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

Borrowings of the Group and the Bank comprise the followings: (cont'd.)

Term loans/Revolving credits (cont'd.)

(n) Revolving US Dollar loan up to a maximum facility of USD20,000,000 (approximately RM83,300,000).

The loan was obtained on 20 October 2020. Interest on loan is charged at the rate of 0.75% (2020 : 0.75%) per annum above Cost of Fund.

(o) Funds from Bank Negara Malaysia ("BNM") amounting to RM400,000 for the purpose to provide financing to SME customers. In December 2021, the fund balance was RM356,826 (2020: RM400,000).

The funding is interest-free and commence from 6 March 2020 and expire on the repayment date.

Medium Term Notes

In November 2021, the Bank updated its USD3,000,000,000 the multicurrency Medium Term Notes ("MTN") programme which is listed and quoted in SGX. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating rate of interest. This MTN is quoted on SGX.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
11 July 2012	USD63 mil (equivalent to RM263 mil)	10 years	3.509%	Fixed
12 March 2013	HKD896 mil (equivalent to RM479 mil)	10 years	2.950%	Fixed
6 June 2014	USD100 mil (equivalent to RM417 mil)	15 years	4.250%	Fixed
20 October 2016*	USD500 mil (equivalent to RM2,083 mil)	5 years	2.480%	Fixed
21 August 2017	EUR40 mil (equivalent to RM189 mil)	5 years	3m Euribor + 0.75%	Floating
7 November 2017	USD20 mil (equivalent to RM83 mil)	5 years	3m Libor + 0.85%	Floating
8 November 2017	USD100 mil (equivalent to RM417 mil)	5 years	3m Libor + 0.85%	Floating
10 November 2017	USD15 mil (equivalent to RM62 mil)	5 years	3m Libor + 0.85%	Floating
10 November 2017	USD25 mil (equivalent to RM104 mil)	5 years	3m Libor + 0.85%	Floating
28 February 2018	USD23 mil (equivalent to RM96 mil)	5 years	3m Libor + 0.85%	Floating
4 May 2018	USD45 mil (equivalent to RM187 mil)	5 years	3m Libor + 0.85%	Floating
26 Nov 2021	USD350 mil (equivalent to RM1,458 mil)	5 years	1.831%	Fixed

* The Bond of USD500.0 million has matured on 20 October 2021

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

Borrowings of the Group and the Bank comprise the followings: (cont'd.)

Multi-currency Sukuk Programme

In September 2013, the Bank launched its USD1.0 billion unsecured multicurrency Sukuk programme through Special Purpose Vehicle ("SPV") company. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of interest.

The Bank established a SPV entity, EXIM Sukuk Malaysia Berhad, to issue the abovementioned Multi-currency Sukuk Programme. Correspondingly, the borrowings from Sukuk are transacted with the SPV at the Bank level. At the Group level, the borrowings from Sukuk are transacted with third parties who subscribed to and invested in the Sukuk.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
6 May 2015	USD20 mil (equivalent to RM83.3 mil)	10 years	3.350%	Fixed
28 January 2016*	USD37.3 mil (equivalent to RM155 mil)	5 years	3.010%	Fixed
4 May 2017	USD45 mil (equivalent to RM187 mil)	5 years	3.00%	Fixed

* The Sukuk of USD37.3 million has matured on 28 January 2021.

18. LEASE LIABILITIES

	Group and Bank	
	2021	2020
	RM'000	RM'000
Repayable within one year	1,294	123
One year to three years	3,381	127
Three years to five years	415	-
	5,090	250

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER PAYABLES AND ACCRUALS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Sinking fund and debt services reserve accounts	64,253	86,116	64,253	86,116
Interest payable	39,586	50,720	39,586	50,720
Amount due to the Government of Malaysia for MKFF scheme	-	2,264	-	2,264
Amount due to Teraju*	53,214	52,712	53,214	52,712
RCCPS dividend payables	59,241	42,877	59,241	42,877
Others	46,589	50,830	46,606	50,844
	262,883	285,519	262,900	285,533

* This fund represents advances received from Teraju as collateral for loan to be disbursed to Bumiputera Exporters. Withdrawal of the fund is upon the borrower turning impaired up to a maximum of RM5,000,000 per borrower.

20. PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2021 RM'000	2020 RM'000
Provision for commitments and contingencies	64,876	83,605

Movements in the provisions for commitments and contingencies are as follows:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2020	31,170	5,948	44,235	81,353
Changes due to changes in credit risk (Note 33)	(6,889)	8,675	407	2,193
Allowance/(written back) during the year (Note 33)	(349)	9,192	(8,203)	640
Exchange differences	-	-	(581)	(581)
At 31 December 2020/1 January 2021	23,932	23,815	35,858	83,605
Transferred to Stage 2 (Note 33)	(141)	141	-	-
Transferred to Stage 3 (Note 33)	-	(436)	436	-
Financial assets derecognised	(12,677)	(1,080)	-	(13,757)
Changes due to changes in credit risk (Note 33)	9,801	(4,545)	-	5,256
Modification to contractual cash flows of financial assets (Note 33)	(4)	(205)	-	(209)
(Written back)/allowance during the year (Note 33)	(3,484)	1,548	(9,108)	(11,044)
Exchange differences	-	-	1,025	1,025
At 31 December 2021	17,427	19,238	28,211	64,876

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED INCOME

	Gross RM'000	Group and Bank Reinsurance RM'000	Net RM'000
2021			
Arising from:			
(i) Guarantee and other fees from conventional banking activities			
At 1 January	9,945	-	9,945
Addition during the year	18,525	-	18,525
Recognised in profit and loss	(14,282)	-	(14,282)
At 31 December	14,188	-	14,188
(ii) Guarantee and other fees from Islamic banking activities			
At 1 January	1,912	-	1,912
Addition during the year	1,275	-	1,275
Recognised in profit and loss	(101)	-	(101)
At 31 December	3,086	-	3,086
(iii) Premium liabilities			
At 1 January	(315)	4,840	4,525
Decrease in reserve	(1,960)	981	(979)
At 31 December	(2,275)	5,821	3,546
(iv) Takaful contribution liabilities			
At 1 January	2,472	2,871	5,343
Increase in reserve	2,276	957	3,233
At 31 December	4,748	3,828	8,576
	19,747	9,649	29,396

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED INCOME (CONT'D.)

	Gross RM'000	Group and Bank Reinsurance RM'000	Net RM'000
2020			
Arising from:			
(i) Guarantee and other fees from conventional banking activities			
At 1 January	8,620	-	8,620
Addition during the year	10,357	-	10,357
Recognised in profit and loss	(9,032)	-	(9,032)
At 31 December	9,945	-	9,945
(ii) Guarantee and other fees from Islamic banking activities			
At 1 January	6,944	-	6,944
Addition during the year	37	-	37
Recognised in profit and loss	(5,069)	-	(5,069)
At 31 December	1,912	-	1,912
(iii) Premium liabilities			
At 1 January	(3,217)	4,062	845
Increase in reserve	2,902	778	3,680
At 31 December	(315)	4,840	4,525
(iv) Takaful contribution liabilities			
At 1 January	4,015	1,914	5,929
Decrease in reserve	(1,543)	957	(586)
At 31 December	2,472	2,871	5,343
	14,014	7,711	21,725

NOTES TO THE FINANCIAL STATEMENTS

22. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank	
	Gross	Net
	RM'000	RM'000
2021		
Arising from:		
(i) Insurance claims		
At 1 January	30,723	30,723
Reversal during the year (Note 27(ii))	(3,719)	(3,719)
At 31 December	27,004	27,004
(ii) Takaful claims		
At 1 January	20,193	20,193
Reversal during the year (Note 44)	(4,226)	(4,226)
Paid during the year	(519)	(519)
At 31 December	15,448	15,448
(iii) Expenses liabilities		
At 1 January	785	785
Reversal during the year	(186)	(186)
At 31 December	599	599
	43,051	43,051
2020		
Arising from:		
(i) Insurance claims		
At 1 January	31,962	31,962
Reversal during the year (Note 27(ii))	(925)	(925)
Paid during the year (Note 27(ii))	(314)	(314)
At 31 December	30,723	30,723
(ii) Takaful claims		
At 1 January	16,240	16,240
Addition during the year (Note 44)	4,023	4,023
Paid during the year	(70)	(70)
At 31 December	20,193	20,193
(iii) Expenses liabilities		
At 1 January	661	661
Addition during the year	124	124
At 31 December	785	785
	51,701	51,701

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL AND REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES**(a) Share capital**

	Group and Bank			
	2021		2020	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid-up				
Ordinary shares	2,708,665	2,708,665	2,708,665	2,708,665
Special rights	**	**	**	**
At 31 December	2,708,665	2,708,665	2,708,665	2,708,665

** Special right of 1 unit at RM1.

The Special Rights Redeemable Share ("Special Rights") may be held or transferred only to the Ministry of Finance (Incorporated) or its successors or any Ministry, representative or any person acting on behalf of the Government of Malaysia.

The Special Rights shareholder shall have the right from time to time to appoint any person to be an appointed Director ("Government Appointed Director"), so that there shall not be more than four Government appointed Directors at any time.

The Special Rights shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings of any meeting of any class of shareholders of the Bank, but the Special Share shall carry neither right to vote nor any other rights at any such meeting.

In a distribution of capital in a winding up of the Bank, the Special Rights shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share shall confer no other right to participate in the capital or profits of the Bank.

The Special Rights shareholder may, subject to the provision of the Companies Act 2016, require the Bank to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

The Special Rights shareholder shall determine on general guidelines pertaining to lending, investments and divestment by the Bank from time to time as deemed appropriate.

(b) Redeemable convertible cumulative preference shares

On 21 December 2017, the Bank received an advance from MoF, Inc of RM250 million. This advance carries a financing cost of 4.7%. This advance is to be capitalised as Redeemable Convertible Cumulative Preference Shares ("RCCPS") via a Subscription Agreement based on the terms that was approved by BNM on 21 November 2017 and 30 January 2018. The Bank has obtained the shareholder's approval on the proposed RCCPS issuance via Extraordinary General Meeting held on 8 March 2018.

The key terms are as follows:

Tenure : Based on perpetual from 8 March 2018.

Dividend rate : 4.7% per annum, payable semi-annually in arrears.

Conversion right : Shall not constitute a cancellation, redemption or termination of a RCCPS but will be by way of variation to the status of, and rights attaching to, the RCCPS so that it becomes an ordinary shares. The conversion is at the option of the Ministry of Finance (on behalf of the Government of Malaysia).

NOTES TO THE FINANCIAL STATEMENTS

24. OPERATING REVENUE

Operating revenue of the Group and the Bank comprises gross interest income, fee and commission income, income from insurance operation and income from Islamic banking and Takaful businesses.

	Group and Bank	
	2021	2020
	RM'000	RM'000
Banking	145,154	158,112
Insurance and takaful	1,560	(1,272)
Recoveries from impaired loans	27,490	23,467
Treasury	501	1,180
	174,705	181,487

The timing of revenue recognition by the Group and the Bank are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
At a point in time	38,887	28,954
Over a period of time	135,818	152,533
	174,705	181,487

25. INTEREST INCOME

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial assets at amortised cost		
Loans, advances and financing		
- Interest income from non-impaired loans	58,576	90,456
- Recoveries from impaired loans	12,430	12,317
- Effects on modification loss, to contractual cash flows of financial assets	-	(31,073)
Money at call and deposit placements with banks and other financial institutions	12,147	27,577
Financial investment at FVOCI and at amortised cost	12,270	12,340
Amortisation of premium, net	(227)	(218)
Financial assets at FVTPL on net interest on derivatives	42,753	22,263
	137,949	133,662

NOTES TO THE FINANCIAL STATEMENTS

26. INTEREST EXPENSE

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial liabilities at amortised cost		
Borrowings :		
Term loans/Revolving credits	516	1,400
Medium Term Notes	100,794	114,073
	101,310	115,473

27. UNDERWRITING RESULTS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Gross premium	489	1,046
Reinsurance	(255)	(876)
Net premium	234	170
Increase/(decrease) in premium liabilities reserves	956	(3,680)
Net earned premium (Note 27(i))	1,190	(3,510)
Other fee income	117	525
(Allowance)/write-back of allowance for doubtful debts	(257)	4
	1,050	(2,981)
Net claims recovered (Note 27(ii))	3,719	4,956
Underwriting results	4,769	1,975

(i) Net earned premium

	Group and Bank	
	2021	2020
	RM'000	RM'000
Gross premium	489	1,046
Change in premium liabilities reserves (Note 21)	956	(3,680)
	1,445	(2,634)
Net premium ceded	(255)	(876)
Net earned premium	1,190	(3,510)

NOTES TO THE FINANCIAL STATEMENTS

27. UNDERWRITING RESULTS (CONT'D.)

(ii) Net claims recovered

	Group and Bank	
	2021	2020
	RM'000	RM'000
Gross claims paid less salvage (Note 22)	-	(314)
Recoveries	-	4,031
Claims recovered	-	3,717
Change in insurance claims (Note 22)	3,719	1,239
Net claims recovered	3,719	4,956

28. OTHER INCOME

	Group and Bank	
	2021	2020
	RM'000	RM'000
Fee income from loans, advances and financing	17,321	21,483
Unrealised foreign exchange (loss)/gain	(106,501)	5,576
Realised foreign exchange gain/(loss)		
- Financial assets at amortised cost	49,732	44,163
- Financial liabilities at FVTPL	13,669	(28,714)
(Loss)/gain on disposal of equipment	(2)	39
Rental of income	24	14
Unrealised gain/(loss) on derivatives	(66,511)	104,350
Gain/(loss) on MTN/Sukuk		
- Unrealised	82,530	(40,429)
Others	14,271	177
	4,533	106,659

29. OVERHEAD EXPENSES

		Group and Bank	
	Note	2021	2020
		RM'000	RM'000
Personnel costs	(i)	52,117	55,918
Establishment related expenses	(ii)	10,458	10,676
Promotion and marketing expenses	(iii)	839	558
General administrative expenses	(iv)	20,430	21,039
		83,844	88,191

NOTES TO THE FINANCIAL STATEMENTS

29. OVERHEAD EXPENSES (CONT'D.)**(i) Personnel costs**

	Group and Bank	
	2021	2020
	RM'000	RM'000
Salaries, allowances and bonuses	38,489	43,605
Defined contribution plan	7,241	6,529
Other staff related expenses	6,387	5,784
	52,117	55,918

(ii) Establishment related expenses

	Group and Bank	
	2021	2020
	RM'000	RM'000
Depreciation:		
- Property and equipment (Note 15)	3,043	4,445
- Investment properties (Note 13)	18	18
- Right-of-use assets (Note 16)	1,184	247
Amortisation of intangible assets (Note 14)	1,086	1,643
Rental of equipment	160	200
Interest expense - lease liabilities	131	33
Repairs and maintenance of property and equipment	4,836	4,090
	10,458	10,676

(iii) Promotion and marketing expenses

	Group and Bank	
	2021	2020
	RM'000	RM'000
Advertisement and publicity	839	558

NOTES TO THE FINANCIAL STATEMENTS

29. OVERHEAD EXPENSES (CONT'D.)**(iv) General administrative expenses**

	Group and Bank	
	2021	2020
	RM'000	RM'000
Administrative expenses	1,382	1,952
Auditors' remuneration		
- statutory audit	433	433
- regulatory related services	3	3
- other services	109	179
Provision for property and equipment written off	4,462	-
General expenses	7,429	8,438
Non-Executive directors remuneration (Note 30)	1,024	1,059
Professional fees	4,804	8,367
Charge of brokerage fees	-	6
Others	784	602
	20,430	21,039

30. DIRECTORS' FEES AND REMUNERATION

	Salary	Fees	Other	Total
	RM'000	RM'000	Emoluments	RM'000
			RM'000	
Group and Bank				
2021				
Executive Director:				
Dato' Shahrul Nazri bin Abdul Rahim	650	-	140	790
Norlela binti Sulaiman	96	-	-	96
	746	-	140	886
Non-Executive Directors: (Note 29)				
Dato' Azman Mahmud	-	48	9	57
Dato' Feizal Mustapha @ Feizal bin Mustapha	-	35	7	42
Dato' Dr. Amiruddin bin Muhamed	-	146	-	146
Datuk Bahria binti Mohd Tamil	-	127	-	127
Datuk Dr. Syed Muhamad Syed Abdul Kadir	-	162	-	162
Dato' Wong Lee Yun	-	169	-	169
Wong Yoke Nyen	-	187	-	187
Prem Kumar A/L Shambunath Kirparam	-	121	-	121
Pauline Teh Abdullah	-	13	-	13
	-	1,008	16	1,024
Total Directors' remuneration (excluding benefits in-kind)	746	1,008	156	1,910

NOTES TO THE FINANCIAL STATEMENTS

30. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

		Salary RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank					
2020					
Executive Director:					
Dato' Shahrul Nazri bin Abdul Rahim	876	-	-	131	1,007
	876	-	-	131	1,007
Non-Executive Directors:					
Dato' Feizal Mustapha @ Feizal bin Mustapha	-	216	-	36	252
Dato' Dr. Amiruddin bin Muhamed	-	129	-	-	129
Datuk Bahria binti Mohd Tamil	-	118	-	-	118
Datuk Dr. Syed Muhamad Syed Abdul Kadir	-	63	-	-	63
Dato' Wong Lee Yun	-	61	-	-	61
Wong Yoke Nyen	-	73	-	-	73
Prem Kumar A/L Shambunath Kirparam	-	71	-	-	71
Mohammad Fadzlan bin Abdul Samad	-	47	-	-	47
Hijah Arifakh binti Othman	-	103	-	-	103
Dato' Dzulkifli bin Mahmud	-	24	-	-	24
Azizan bin Ahmad	-	118	-	-	118
	-	1,023	-	36	1,059
Total Directors' remuneration (excluding benefits in-kind)	876	1,023	-	167	2,066

31. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel comprise person having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. It comprises the President/Chief Executive Officer and senior management of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Salaries and other short-term benefits	4,189	3,584
Defined contribution plan ("EPF")	635	531
Benefits-in-kind	55	66
Termination/end of contract compensation	353	-
	5,232	4,181
Included in the total key management personnel is:		
Executive Director's remuneration (Note 30)	886	1,007

NOTES TO THE FINANCIAL STATEMENTS

32. ALLOWANCES FOR EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2021 RM'000	2020 RM'000
Allowances for losses on loans, advances and financing		
- 12-month ECL - Stage 1, net	35,061	(52,241)
- Lifetime not credit impaired ECL - Stage 2, net	64,080	227,895
- Lifetime ECL credit impaired - Stage 3, charged for the year	153,796	178,706
- Lifetime ECL credit impaired - Stage 3, written back during the year	(356,178)	(520,790)
- Bad debts written off	150,348	220,073
	47,107	53,643

33. ALLOWANCES FOR ECL ON COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2021 RM'000	2020 RM'000
Allowances for commitments and contingencies		
- 12-month ECL - Stage 1, net	(6,505)	(7,238)
- Lifetime not credit impaired ECL - Stage 2, net	(4,577)	17,867
- Lifetime ECL credit impaired - Stage 3, net	(8,672)	(7,796)
	(19,754)	2,833

34. ALLOWANCES FOR/(WRITEBACK) ECL ON FINANCIAL INVESTMENTS

	Group and Bank	
	2021 RM'000	2020 RM'000
Financial investments at FVOCI (Note 6)	(1,055)	(82)
Financial investments at amortised costs (Note 6)	4,200	42,666
Total allowances on financial investments	3,145	42,584

NOTES TO THE FINANCIAL STATEMENTS

35. ALLOWANCES FOR ECL ON OTHER ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Allowances for other assets	-	624

36. TAXATION

The major components of taxation for the years ended 31 December 2021 and 2020 are:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deferred tax expense (Note 11):				
- Origination and reversal of temporary differences	1,631	2,676	1,631	2,676
- Benefits from previously unutilised business losses	(1,631)	(2,676)	(1,631)	(2,676)
	-	-	-	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year.

A reconciliation of the taxation applicable to loss before taxation and zakat at the statutory tax rate to taxation at the effective tax rate of the Group and the Bank is as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	51,107	51,150	51,107	51,150
Income tax using Malaysian statutory tax rate of 24% (2020: 24%)	12,266	12,276	12,266	12,276
Non-deductible expenses	1,409	5,366	1,409	5,366
Deferred tax assets not recognised on unutilised business losses	(13,675)	(17,642)	(13,675)	(17,642)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

37. BASIC EARNINGS PER SHARE

	Group		Bank	
	2021	2020	2021	2020
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Profit after taxation (RM'000)	51,107	51,150	51,107	51,150
Basic earnings per share (sen)	1.89	1.89	1.89	1.89

The basic profit per ordinary share has been calculated based on the profit after taxation and the weighted average number of ordinary shares during the year.

38. DIVIDENDS

The holders of redeemable convertible cumulative preference shares are entitled to receive dividends at a fixed rate of 4.7% per annum as and when declared by the Bank.

39. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2021 RM'000	2020 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	130,289	124,039
Letter of credit	10,679	3,281
Undrawn loans and financing	1,117,887	2,148,512
	1,258,855	2,275,832
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	319,069	454,725
One year or later and no later than five years	277,767	366,635
	596,836	821,360
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	3,171	12,393
Total commitments and contingencies	1,858,862	3,109,585

NOTES TO THE FINANCIAL STATEMENTS

40. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank, if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party transactions and balances with the following parties:

(a) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel consists of the President/Chief Executive Officer and senior management of the Group and the Bank. The key management personnel compensation is disclosed in Note 31.

(b) The significant outstanding balances of the Bank with the related companies are as follows:

	Bank	
	2021	2020
	RM'000	RM'000
Amount due to subsidiaries	64,117	64,120

(c) Government related parties

Included in the financial position of the Group and the Bank are the amounts due from The Government of Malaysia relating to management fee represented by the following:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Amount due from The Government of Malaysia	-	2,699

The transaction of management fee represented by the following:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Transaction during the year		
Other income: Management fee	448	539

NOTES TO THE FINANCIAL STATEMENTS

40. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES (CONT'D.)

The Group has related party transactions and balances with the following parties: (cont'd.)

(c) Government related parties (cont'd.)

The Government of Malaysia

At the end of the tenure, the Bank shall repay the fund received under the MKFF scheme together with all interest earned, less the allowance for impaired loans and return all proceeds derived from investment of the unutilised funds to the Government. The net amount repayable to the Government as at the financial year is represented as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loans repayment	(134,172)	(134,172)
	35,928	35,928
Less:		
Loans and financing (Note 7)	(7,077)	(8,976)
Allowance for ECL for loans and financing	-	(5,605)
Loans repayment	(28,851)	-
Add:		
Interest earned from financing	-	1,504
Interest income on investment	-	7,201
Net repayable	-	30,052

(d) Licensed banks and other financial institutions

	Group and Bank	
	2021 RM'000	2020 RM'000
Unutilised funds under the MKFF Scheme included in deposits and placements (Note 5)	-	27,387

NOTES TO THE FINANCIAL STATEMENTS

41. CREDIT EXPOSURE ARISING FROM FINANCING FACILITIES WITH CONNECTED PARTIES

The Group's and the Bank's credit exposure arising from financing facilities with connected parties are as disclosed below:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Aggregate value of outstanding exposure with connected parties	776,783	551,146
Equities and PDS held	600,000	600,000
	1,376,783	1,151,146
Total exposure to connected parties as % of total capital	62.10%	73.40%
Total exposure to connected parties as % of total outstanding exposures	14.23%	10.00%

The credit exposures disclosed below are based on the requirement of Paragraph 14.1 of Bank Negara Malaysia's Policy Document on Financing Facilities with Connected Parties ("Policy Document").

42. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Bank.

The Risk Management Division ("RMD") of the Group and the Bank is responsible for formulating policies and the oversight of credit, market liquidity and operational risks.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group's and Bank's financial risk management policies, which are reported to and approved by the Board of Directors of the Bank ("the Board"). The Board also approves the treasury practices which cover the management of these risks.

The main areas of financial risks faced by the Group and the Bank and the policies are set out as follows:

a. Capital management

Capital management refers to continuous, proactive and systematic process to ensure the Group and the Bank have sufficient capital in accordance to its risk profile and regulator's requirements.

b. Market risk

The Group's and the Bank's market risk arise due to changes foreign currency value which would lead to a decline in the valuation of the Group's and the Bank's foreign currency base investment securities, derivatives and borrowings.

c. Asset liability management risk

Asset Liability Management ("ALM") risk comprises:

(i) Interest rate risks

This refers to the exposure of the Group's and the Bank's financial conditions due to adverse movements in interest rates to the banking book.

(ii) Liquidity risks

Defined as the risk of not being able to obtain sufficient funds in a timely manner at a reasonable cost to meet financial commitments when due.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The main areas of financial risks faced by the Group and the Bank and the policies are set out as follows (cont'd.):

d. Credit risk

Credit risk is defined as risk due to uncertainty in the customers or the counterparties ability to meet its obligations or failure to perform according to the terms and conditions of the credit-related contract.

Oversight and organisation

A stable enterprise-level organisational structure for risk management is necessary to ensure a uniform view of risk across the Group and the Bank. It is also important to have clear roles and responsibilities defined for each functions.

The Board has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that the risks are properly managed.

While the Board is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Committee ("BRC") to carry out its functions. Although the responsibilities have been delegated, the Board still remains accountable. BRC, which is chaired by an independent Director of the Board, oversees the overall management of all risks covering credit risk management, country risk management, market risk management, asset liability management and operational risk management.

Executions of the Board's risk strategies and policies are the responsibilities of the Group's and the Bank's management and the conduct of these functions are being exercised under a committee structure, namely Management Risk Committee ("MRC"). The President/Chief Executive Officer chairs MRC. The Committee focuses on the overall business strategies and daily business operations of the Group and the Bank in respect of risk management.

To carry out the day-to-day risk management function, a dedicated RMD that is independent of profit and volume targets supports the Committee. RMD reports functionally to the BRC and administratively to the President/Chief Executive Officer.

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Group and the Bank view capital position as an important key barometer of financial health.

In order to support its mandated roles, the Group and the Bank must have strong and adequate capital to support its business activities on an on-going basis. BNM has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital funds of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refers to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Group and the Bank through a progressive and systematic building up of the reserve fund, the Group and the Bank are required to maintain a reserve fund and transfer a certain percentage of its net profits to the reserve fund once the RWCR falls below the threshold of 16%. As at the reporting date, the reserve fund is not yet required as at the reporting date as the Group's and the Bank's capital is currently above the threshold of 16%.

The Bank has adopted BNM's transitional arrangements to add back a portion of the Stage 1 and Stage 2 allowance for ECL to Tier 1 Capital over a four-year period from financial year beginning 2020. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of Covid-19" dated April 2020.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)Regulatory capital

The following table set forth capital resources and capital adequacy for the Bank as at 31 December:

	Without Transitional Arrangement 2021 RM'000	With Transitional Arrangement 2021 RM'000	Without Transitional Arrangement 2020 RM'000	With Transitional Arrangement 2020 RM'000
Ordinary share capital	2,708,665	2,708,665	2,708,665	2,708,665
Accumulated losses	(1,348,029)	(1,348,029)	(1,382,814)	(1,382,814)
Current year profit	51,107	51,107	51,150	51,150
Add: Transitional arrangement	-	91,204	-	228,867
Eligible Tier 1 capital	1,411,743	1,502,947	1,377,001	1,605,868
Loss provision and regulatory reserve*	667,068	575,864	564,782	335,915
Redeemable convertible cumulative preference shares	250,000	250,000	250,000	250,000
Provision for guarantee and claims	35,106	35,106	41,587	41,587
Provision for commitment and contingencies	36,665	36,665	47,747	47,747
Eligible Tier 2 capital	988,839	897,635	904,116	675,249
Investment in subsidiaries	(64,129)	(64,129)	(64,129)	(64,129)
Total capital base	2,336,453	2,336,453	2,216,988	2,216,988
Risk weighted assets	5,271,754	5,271,754	5,667,674	5,667,674
Capital Ratio				
- With proposed RCCPS dividend (Note 38)				
Core capital ratio	26.47%	28.20%	24.01%	28.05%
RWCR	44.01%	44.01%	38.83%	38.83%
- Without proposed RCCPS dividend				
Core capital ratio	26.78%	28.51%	24.30%	28.33%
RWCR	44.32%	44.32%	39.12%	39.12%

* The loss provision for 2021 is computed based on Para 13.1 (d)(ii) or Capital Adequacy Framework (capital components) issued by BNM on 2 February 2019. The Tier 2 Capital comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve.

The Group and the Bank have elected to apply the transitional arrangements in accordance with BNM's Guidelines on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Market risk management

Approach and risk strategy

The principal objectives of market risk management are to assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds and to ensure prudent management of the Group's and the Bank's resources to support the growth of the Group's and the Bank's economic value.

The Group's and the Bank's market risk management strategies are to identify, measure, monitor and manage the Group's and the Bank's earnings and capital against market risk inherent in all activities of the Group and the Bank and ensure all relevant personnel clearly understand the Group's and the Bank's approach in managing market risk.

Risk identification

The Group's and the Bank's market risk arise due to changes foreign currency which would lead to a decline in the value of the Group's and the Bank's investment securities, derivatives, borrowings, foreign exchange and equity position.

Measurement

The Group's and the Bank's policies are to minimise the exposures to foreign currency risk arising from lending activities by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

The Group and the Bank are exposed to foreign currency risk arising from the balances in cash and bank balances, deposits and placements, loans, advances and financing, derivatives financial instruments and borrowings.

The table below shows the Group's and the Bank's foreign currencies sensitivity based on reasonable possible movements on the increase/(decrease) in foreign exchange ("FX") rates that resulted to the increase/(decrease) in profit and loss:

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
2021					
EUR	5	3,482	(3,482)	3,482	(3,482)
GBP	5	1,964	(1,964)	1,964	(1,964)
SGD	5	2,390	(2,390)	2,390	(2,390)
USD	10	38,908	(38,908)	38,908	(38,908)
AUD	10	748	(748)	748	(748)
		47,492	(47,492)	47,492	(47,492)
2020					
EUR	5	42	(42)	42	(42)
GBP	5	24	(24)	24	(24)
SGD	5	2,466	(2,466)	2,466	(2,466)
USD	10	1,463	(1,463)	1,463	(1,463)
AUD	10	3,284	(3,284)	3,284	(3,284)
		7,279	(7,279)	7,279	(7,279)

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Asset liability management

Approach and risk strategy

The main objective is to proactively manage the Group's and the Bank's financial position which includes assets, liabilities and capital, in order to maximise earnings and to attain its strategic goal, within the overall risk/return preferences.

The Group's and the Bank's Asset and Liability Management ("ALM") strategies are as follows:

- Ensure that the Group and the Bank achieve its financial objective through strategic business plan which shall be developed within the risk tolerance level;
- Ensure that the Group's and Bank's pricing and funding are adequately maintain to support a sound capital base through strategic management of the balance sheet; and
- Ensure that the Group and the Bank are able to sustain its capital against ALM risk inherent in all activities of the Group and the Bank.

Risk identification

When analysing whether or not an activity introduces a new element of ALM risk exposure, the Group and the Bank should be aware that changes to an instrument's maturity, repricing or repayment terms could materially affect the product's ALM risks characteristics.

Measurement

The Group and the Bank face interest rate risks arising from re-pricing mismatches of assets and liabilities from its banking businesses. These risks are monitored through economic value of equity limit and net interest income changes.

The Group and the Bank perform regular net interest income simulation to better understand the sensitivity to changes in interest rates on the net interest income. In addition, MRC will actively manage the re-pricing mismatches with the aid of monthly re-pricing gap and Earning at-Risk ("EAR") reports.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Asset liability management (cont'd.)**Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap:

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2021						
Assets						
Cash and bank balances	-	-	-	-	49,513	49,513
Deposits and placement with banks and other financial institutions	3,126,776	-	-	-	-	3,126,776
Financial Investments	-	302,787	611,291	193,561	-	1,107,639
Loans, advances and financing	83,585	889,243	1,050,041	631,686	647,006	3,301,561
Derivative financial instruments	5,004	-	28,084	47,375	-	80,463
Other assets	-	-	-	-	147,847	147,847
Total assets	3,215,365	1,192,030	1,689,416	872,622	844,366	7,813,799
Liabilities and equity						
Borrowings	499,165	1,304,202	3,542,143	436,185	-	5,781,695
Derivative financial instruments	-	-	999	-	-	999
Other liabilities	-	-	-	-	405,591	405,591
Shareholders' and Takaful participants fund	-	-	-	-	1,625,514	1,625,514
Total liabilities and equity	499,165	1,304,202	3,543,142	436,185	2,031,105	7,813,799
Period gap	2,716,200	(112,172)	(1,853,726)	436,437	(1,186,739)	-
Cumulative gap	2,716,200	2,604,028	750,302	1,186,739	-	-

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Asset liability management (cont'd.)**Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap: (cont'd.)

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	-	-	-	-	122,399	122,399
Deposits and placement with banks and other financial institutions	3,205,749	148,201	10,149	-	-	3,364,099
Financial Investments	-	49,459	1,116,092	-	-	1,165,551
Loans, advances and financing	189,598	932,205	1,112,125	672,411	772,744	3,679,083
Derivative financial instruments	1,534	21,447	44,298	74,470	-	141,749
Other assets	-	-	-	-	163,334	163,334
Total assets	3,396,881	1,151,312	2,282,664	746,881	1,058,636	8,636,374
Liabilities and equity						
Borrowings	748,027	2,064,109	3,322,895	456,251	-	6,591,282
Other liabilities	-	-	-	-	442,800	442,800
Shareholders' and Takaful participants fund	-	-	-	-	1,602,134	1,602,134
Total liabilities and equity	748,027	2,064,109	3,322,895	456,251	2,045,092	8,636,374
Period gap	2,648,854	(912,797)	(1,040,231)	290,630	(986,456)	-
Cumulative gap	2,648,854	1,736,057	695,826	986,456	-	-

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Asset liability management (cont'd.)**Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap: (cont'd.)

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2021						
Assets						
Cash and bank balances	-	-	-	-	49,513	49,513
Deposits and placement with banks and other financial institutions	3,126,776	-	-	-	-	3,126,776
Financial Investments	-	302,787	611,291	193,561	-	1,107,639
Loans, advances and financing	83,585	889,243	1,050,041	631,686	647,006	3,301,561
Derivative financial instruments	5,004	-	28,084	47,375	-	80,463
Other assets	-	-	-	-	211,976	211,976
Total assets	3,215,365	1,192,030	1,689,416	872,622	908,495	7,877,928
Liabilities and equity						
Borrowings	499,165	1,304,202	3,542,143	436,185	-	5,781,695
Derivative financial instruments	-	-	999	-	-	999
Other liabilities	-	-	-	-	469,725	469,725
Shareholders' and Takaful participants fund	-	-	-	-	1,625,509	1,625,509
Total liabilities and equity	499,165	1,304,202	3,543,142	436,185	2,095,234	7,877,928
Period gap	2,716,200	(112,172)	(1,853,726)	436,437	(1,186,739)	-
Cumulative gap	2,716,200	2,604,028	750,302	1,186,739	-	-

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Asset liability management (cont'd.)**Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap: (cont'd.)

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	-	-	-	-	122,399	122,399
Deposits and placement with banks and other financial institutions	3,205,749	148,201	10,149	-	-	3,364,099
Financial Investments	-	49,459	1,116,092	-	-	1,165,551
Loans, advances and financing	189,598	932,205	1,112,125	672,411	772,744	3,679,083
Derivative financial instruments	1,534	21,447	44,298	74,470	-	141,749
Other assets	-	-	-	-	227,622	227,622
Total assets	3,396,881	1,151,312	2,282,664	746,881	1,122,765	8,700,503
Liabilities and equity						
Borrowings	748,027	2,064,109	3,322,895	456,251	-	6,591,282
Other liabilities	-	-	-	-	506,934	506,934
Shareholders' and Takaful participants fund	-	-	-	-	1,602,129	1,602,129
Total liabilities and equity	748,027	2,064,109	3,322,895	456,251	2,109,063	8,700,345
Period gap	2,648,854	(912,797)	(1,040,231)	290,630	(986,298)	-
Cumulative gap	2,648,854	1,736,057	695,826	986,456	-	-

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Asset liability management (cont'd.)

Analysis of net interest income ("NII") and net profit income ("NPI") sensitivity

The table below shows the Bank's NII and NPI sensitivity based on possible parallel shift in interest rate:

	NII		NPI	
	2021 Impact on profit and loss Increase/ (decrease) RM'000	2020 Impact on profit and loss Increase/ (decrease) RM'000	2021 Impact on profit and loss Increase/ (decrease) RM'000	2020 Impact on profit and loss Increase/ (decrease) RM'000
Interest/Profit rate - parallel shift				
+ 50 basis points	183	91	596	552
- 50 basis points	(183)	(91)	(596)	(552)

Impact to revaluation reserve is assessed by applying up and down 50 basis points rate shock to the yield curve to model on mark-to-market for financial investments at FVOCI portfolio:

	2021 Impact on OCI Increase/ (decrease) RM'000	2020 Impact on OCI Increase/ (decrease) RM'000
+ 50 basis points	71	55
- 50 basis points	(71)	(55)

Liquidity risk management

Approach and risk strategy

The inability to create liquidity would cause serious repercussion to the Group and the Bank in terms of its reputation and even its continued existence. In view of this, the Group and the Bank pay particular attention to liquidity risk management approach and strategy.

The objective of liquidity risk management is to ensure the availability of sufficient liquidity to honour all financial obligations and able to meet any stressful events. The Group's and the Bank's liquidity risk management strategies involve:

- Establish appropriate policies to oversee the management of liquidity risk of the Group and the Bank;
- Establish prudent liquidity risk limits to ensure the Group and the Bank maintain a safe level of asset liquidity; and
- Develop contingency funding plans to manage the Group's and the Bank's funding requirement during liquidity crisis.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Liquidity risk management (cont'd.)**Risk identification

There are two types of liquidity risk i.e. funding liquidity risk and market liquidity risk. Funding liquidity risk refers to the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost. Market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price.

Measurement

Liquidity is measured by the Group's and the Bank's ability to efficiently and economically accommodate decrease in deposits/ funding (such as funds obtained from the Government) and other purchased liabilities and to fund increases in assets to ensure continued growth of the Group and the Bank.

The Group and the Bank maintain large capital base, sufficient liquid assets, diversified funding sources, and regularly assesses the long-standing relationship with traditional fund providers. These processes are subject to regular reviews to ensure adequacy and appropriateness.

In addition, the Group's and the Bank's liquidity positions are monitored and managed through structural liquidity indicators, such as loan to purchase funds and offshore revolving funds utilisation rate ratios to maintain an optimal funding mix and asset composition.

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity:

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Assets						
Cash and bank balances	49,513	-	-	-	-	49,513
Deposits and placements with banks and other financial institutions	-	3,126,776	-	-	-	3,126,776
Financial Investment	-	-	302,787	611,291	193,561	1,107,639
Loans, advances and financing	94	83,491	889,243	1,050,041	1,278,692	3,301,561
Derivative financial instruments	-	5,004	-	28,084	47,375	80,463
Other assets	147,847	-	-	-	-	147,847
Total assets	197,454	3,215,271	1,192,030	1,689,416	1,519,628	7,813,799
Liabilities						
Borrowings	-	499,165	1,304,202	3,542,143	436,185	5,781,695
Derivative financial instruments	-	-	-	999	-	999
Other liabilities	405,591	-	-	-	-	405,591
Total liabilities	405,591	499,165	1,304,202	3,543,142	436,185	6,188,285
Net maturity mismatch	(208,137)	2,716,106	(112,172)	(1,853,726)	1,083,443	1,625,514

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity: (cont'd.)

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	122,399	-	-	-	-	122,399
Deposits and placements with banks and other financial institutions	-	3,205,749	148,201	10,149	-	3,364,099
Financial Investment	-	-	49,459	1,116,092	-	1,165,551
Loans, advances and financing	-	189,598	932,205	1,112,235	1,445,045	3,679,083
Derivative financial instruments	-	1,534	21,447	44,298	74,470	141,749
Other assets	163,493	-	-	-	-	163,493
Total assets	285,892	3,396,881	1,151,312	2,282,774	1,519,515	8,636,374
Liabilities						
Borrowings	-	748,027	2,064,109	3,322,895	456,251	6,591,282
Other liabilities	442,958	-	-	-	-	442,958
Total liabilities	442,958	748,027	2,064,109	3,322,895	456,251	7,034,240
Net maturity mismatch	(15,317)	2,648,854	(912,797)	(1,040,121)	1,063,264	1,602,134

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Liquidity risk management (cont'd.)**Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity: (cont'd.)

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Assets						
Cash and bank balances	49,513	-	-	-	-	49,513
Deposits and placements with banks and other financial institutions	-	3,126,776	-	-	-	3,126,776
Financial Investment	-	-	302,787	611,291	193,561	1,107,639
Loans, advances and financing	94	83,491	889,243	1,050,041	1,278,692	3,301,561
Derivative financial instruments	-	5,004	-	28,084	47,375	80,463
Other assets	211,976	-	-	-	-	211,976
Total assets	261,583	3,215,271	1,192,030	1,689,416	1,519,628	7,877,928
Liabilities						
Borrowings	-	499,165	1,304,202	3,542,143	436,185	5,781,695
Derivative financial instruments	-	-	-	999	-	999
Other liabilities	469,725	-	-	-	-	469,725
Total liabilities	469,725	499,165	1,304,202	3,543,142	436,185	6,252,419
Net maturity mismatch	(208,142)	2,716,106	(112,172)	(1,853,726)	1,083,443	1,625,509

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity: (cont'd.)

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	122,399	-	-	-	-	122,399
Deposits and placements with banks and other financial institutions	-	3,205,749	148,201	10,149	-	3,364,099
Financial Investment	-	-	49,459	1,116,092	-	1,165,551
Loans, advances and financing	-	189,598	932,205	1,112,125	1,445,155	3,679,083
Derivative financial instruments	-	1,534	21,447	44,298	74,470	141,749
Other assets	227,622	-	-	-	-	227,622
Total assets	350,021	3,396,881	1,151,312	2,282,664	1,519,625	8,700,503
Liabilities						
Borrowings	-	748,027	2,064,109	3,322,895	456,251	6,591,282
Other liabilities	507,092	-	-	-	-	507,092
Total liabilities	507,092	748,027	2,064,109	3,322,895	456,251	7,098,374
Net maturity mismatch	(15,322)	2,648,854	(912,797)	(1,040,231)	1,063,374	1,602,129

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Liquidity risk management (cont'd.)**

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows.

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Derivative financial instruments	-	-	-	999	-	999
Non-derivative financial liabilities						
Borrowings	-	499,165	1,304,202	3,542,143	436,185	5,781,695
Other liabilities	405,591	-	-	-	-	405,591
Total financial liabilities	405,591	499,165	1,304,202	3,542,143	436,185	6,187,286
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	130,289	-	-	-	-	130,289
Letter of credit	10,679	-	-	-	-	10,679
Undrawn loans and financing	489,018	35,000	274,980	248,587	70,302	1,117,887
	629,986	35,000	274,980	248,587	70,302	1,258,855
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	319,069	-	-	319,069
One year or later and no later than five years	-	-	-	277,767	-	277,767
	-	-	319,069	277,767	-	596,836
Total commitments and contingencies	629,986	35,000	594,049	526,354	70,302	1,855,691

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Liquidity risk management (cont'd.)**

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Derivative financial instruments	-	-	-	-	-	-
Non-derivative financial liabilities						
Borrowings	-	751,207	2,114,612	3,426,350	603,452	6,895,621
Other liabilities	445,052	-	-	-	-	445,052
Total financial liabilities	445,052	751,207	2,114,612	3,426,350	603,452	7,340,673
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	124,039	-	-	-	-	124,039
Letter of credit	3,281	-	-	-	-	3,281
Undrawn loans and financing	-	612,020	1,163,470	264,584	108,438	2,148,512
	127,320	612,020	1,163,470	264,584	108,438	2,275,832
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	454,725	-	-	454,725
One year or later and no later than five years	-	-	-	366,635	-	366,635
	-	-	454,725	366,635	-	821,360
Total commitments and contingencies	127,320	612,020	1,618,195	631,219	108,438	3,097,192

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk management

Approach and risk strategy

The Group and the Bank recognise that credit risk is inherent in its banking and insurance activities. The main objective of the Group's and the Bank's credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

The Group's and the Bank's strategies in credit risk management are:

- Consistent credit approving standards are applied in each of its credit decision process;
- All credit decisions are within credit risk tolerance that the Group and the Bank are willing to take in meeting its mandated role;
- All credit risk inherent in business activities of the Group and the Bank are comprehensively identified, measured and managed;
- Ensure the Group and the Bank hold adequate capital against credit risk and adequately compensated for risks assumed;
- Regular credit review is performed as an effective tool to constantly evaluate the quality of credits given and adherence to the credit process;
- The composition and quality of the Group's and the Bank's credit portfolio are constantly monitored to identify and manage concentrations risk; and
- Conduct stress testing on the Group's and the Bank's credit portfolio to identify possible events or future changes in economic conditions that could have favourable effects to its credit exposures and assess the Groups and the Bank's ability to withstand such changes.

Risk identification

The Group and the Bank take into account the sources of credit risks identified from all lines of business on a bank-wide basis such as direct financing risk, contingent financing risk, issuer risk, pre-settlement risk and settlement risk.

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions.

Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities.

The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

Measurement

The Group and the Bank monitor actual exposures against established limits and have procedures in place for the purpose of monitoring and taking appropriate actions when such limits are breached. If exceeded limits, such occurrences must be reported to the MRC and subsequently, corrective measures are taken to avoid recurrence of such breaches.

Internal credit rating system is an integral part of the Group's and the Bank's credit risk management. It provides a good means of differentiating the degree of credit risk in the different credit exposures of the Group and the Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits and the adequacy of allowances for losses on loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk management (cont'd.)

Impairment of financial assets

The Group and the Bank individually assesses its financial assets for any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition. In determining that there is objective evidence of an impaired loss, the Group and the Bank adopted a systematic mechanism for a prompt trigger of impairment test whereby the triggers are based on obligatory and judgmental event triggers.

When there is objective evidence of impairment of the financial assets, the classification of these assets as impaired shall be endorsed and approved by Management Committee ("MC"). Impairment losses are recorded as charges to the statement of profit and loss. The carrying amount of impaired loans, advances and financing on the statement of financial position is reduced through the use of impairment allowance account. Losses expected from future events are not recognised.

Credit risk exposure

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2021			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	49,513	-	49,513
Deposits and placements with banks and other financial institutions	3,126,776	-	3,126,776
Financial investments	1,107,639	-	1,107,639
Loans, advances and financing	3,301,561	2,314,113	987,448
Insurance receivables	45	-	45
Net derivative financial instruments	79,464	-	79,464
Other assets excluding tax prepayment	65,864	-	65,864
	7,730,862	2,314,113	5,416,749
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	1,258,855	-	1,258,855
Insurance operations commitments			
Short term	319,069	-	319,069
Medium/Long term	277,767	-	277,767
	1,855,691	-	1,855,691
	9,586,553	2,314,113	7,272,440

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements: (cont'd.)

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2020			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	122,399	-	122,399
Deposits and placements with banks and other financial institutions	3,364,099	-	3,364,099
Financial investments	1,165,551	-	1,165,551
Loans, advances and financing	3,679,083	2,560,461	1,118,622
Insurance receivables	746	-	746
Net derivative financial instruments	141,749	-	141,749
Other assets excluding tax prepayment	80,718	-	80,718
	8,554,345	2,560,461	5,993,884
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,275,832	-	2,275,832
Insurance operations commitments			
Short term	454,725	-	454,725
Medium/Long term	366,635	-	366,635
	3,097,192	-	3,097,192
	11,651,537	2,560,461	9,091,076

Collateral and credit enhancement

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Group and the Bank, and subject to seizure in the event of default. Collateral provides the Group and the Bank with a secondary source of repayment, i.e. a source of fund to help recover its investment should the customer be unable to repay the facility obtained from the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Collateral and credit enhancement (cont'd.)

The Group and the Bank shall consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral types and amounts held by the Group and the Bank are as follows:

	2021 RM'000	2020 RM'000
<u>Collateral type</u>		
Secured by cash	36,019	45,718
Secured by property	1,499,450	1,652,440
Secured by machinery	778,644	862,303
	2,314,113	2,560,461

The financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000	Fair value of collateral held RM'000
2021				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,096,575	1,450,165	646,410	1,597,077
Financial investment at FVOCI	100,000	100,000	-	-
Total credit impaired financial assets	2,196,575	1,550,165	646,410	1,597,077
2020				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,382,477	1,610,717	771,760	1,241,209
Financial investment at FVOCI	100,000	100,000	-	-
Total credit impaired financial assets	2,482,477	1,710,717	771,760	1,241,209

Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Bank to mitigate credit risk are fixed deposits, securities, commercial and residential properties and machineries.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Geographical analysis

Exposures to credit risk by geographical region are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2021								
Malaysia	49,513	3,126,776	1,107,639	2,063,915	45	79,464	65,864	6,493,216
East Asia	-	-	-	14,920	-	-	-	14,920
South Asia	-	-	-	1,515,245	-	-	-	1,515,245
Central Asia	-	-	-	335,393	-	-	-	335,393
Middle East	-	-	-	312,951	-	-	-	312,951
Africa	-	-	-	146,082	-	-	-	146,082
Europe	-	-	-	399,556	-	-	-	399,556
America	-	-	-	418,944	-	-	-	418,944
Oceania	-	-	-	93,625	-	-	-	93,625
	49,513	3,126,776	1,107,639	5,300,631	45	79,464	65,864	9,729,932

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Exposures to credit risk by geographical region are as follows: (cont'd.)

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2020								
Malaysia	122,399	3,364,099	1,165,551	2,658,855	588	141,749	80,718	7,533,959
East Asia	-	-	-	46,620	-	-	-	46,620
South Asia	-	-	-	1,517,637	-	-	-	1,517,637
Central Asia	-	-	-	322,905	-	-	-	322,905
Middle East	-	-	-	343,070	-	-	-	343,070
Africa	-	-	-	196,536	-	-	-	196,536
Europe	-	-	-	463,324	-	-	-	463,324
America	-	-	-	79,358	-	-	-	79,358
Oceania	-	-	-	111,259	-	-	-	111,259
	122,399	3,364,099	1,165,551	5,739,564	588	141,749	80,718	10,614,669

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Geographical analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2021				
Malaysia	992,289	117,491	-	1,109,780
East Asia	-	79,406	174,930	254,336
South Asia	54,985	27,288	24,928	107,201
Middle East	-	20,353	-	20,353
Africa	49,422	10,706	77,909	138,037
Europe	-	23,125	-	23,125
America	162,159	20,552	-	182,711
Oceania	-	20,148	-	20,148
	1,258,855	319,069	277,767	1,855,691
2020				
Malaysia	2,138,945	239,092	-	2,378,037
East Asia	-	26,288	-	26,288
South Asia	25,242	65,059	273,096	363,397
Middle East	80,340	22,152	-	102,492
Africa	31,305	8,125	93,539	132,969
Europe	-	32,782	-	32,782
America	-	40,936	-	40,936
Oceania	-	20,291	-	20,291
	2,275,832	454,725	366,635	3,097,192

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis

Exposures to credit risk by industry are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances	Deposits and placements with banks and other financial institutions	Financial investments	Gross loans, advances and financing	Insurance receivables	Net derivative financial instruments	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020								
Primary agriculture	-	-	-	64,883	-	-	-	64,883
Mining and quarrying	-	-	-	526,572	-	-	-	526,572
Manufacturing	-	-	-	846,192	-	-	-	846,192
Transport, storage and communication	-	-	310,838	1,643,675	-	-	-	1,954,513
Construction	-	-	-	952,851	-	-	-	952,851
Wholesale and retail trade and restaurants and hotels	-	-	-	383,061	-	-	-	383,061
Finance, insurance, real estate and business activities	49,513	3,126,776	302,787	445,670	-	79,464	-	4,004,210
Electricity, gas and water	-	-	193,561	317,955	-	-	-	511,516
Education, health & others	-	-	-	77,359	-	-	-	77,359
Property development	-	-	-	42,413	-	-	-	42,413
Government	-	-	300,453	-	-	-	-	300,453
Others	-	-	-	-	45	-	65,864	65,909
	49,513	3,126,776	1,107,639	5,300,631	45	79,464	65,864	9,729,932

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows: (cont'd.)

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2020								
Primary agriculture	-	-	49,459	232,815	-	-	-	282,274
Mining and quarrying	-	-	-	501,845	-	-	-	501,845
Manufacturing	-	-	-	825,940	-	-	-	825,940
Transport, storage and communication	-	-	320,170	1,651,578	-	-	-	1,971,748
Construction	-	-	-	966,620	-	-	-	966,620
Wholesale and retail trade and restaurants and hotels	-	-	-	436,841	-	-	-	436,841
Finance, insurance, real estate and business activities	122,399	3,364,099	308,556	524,617	-	141,749	-	4,461,420
Electricity, gas and water	-	-	186,684	339,628	-	-	-	526,312
Education, health & others	-	-	-	153,183	-	-	-	153,183
Property development	-	-	-	106,497	-	-	-	106,497
Government	-	-	300,682	-	-	-	-	300,682
Others	-	-	-	-	588	-	80,718	81,306
	122,399	3,364,099	1,165,551	5,739,564	588	141,749	80,718	10,614,668

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2021				
Manufacturing	455,474	307,776	46,755	810,005
Transport, storage and communication	194,895	-	-	194,895
Construction	26,071	-	227,826	253,897
Electricity, gas and water supply	4,000	-	-	4,000
Finance, insurance, real estate and business activities	137,714	-	-	137,714
Wholesale and retail trade and restaurants and hotels	62,650	11,293	-	73,943
Government	-	-	-	-
Mining and quarrying	127,106	-	3,186	130,292
Primary Agriculture	250,945	-	-	250,945
	1,258,855	319,069	277,767	1,855,691
2020				
Manufacturing	711,465	436,464	63,492	1,211,421
Transport, storage and communication	813,388	-	-	813,388
Construction	25,327	-	219,730	245,057
Electricity, gas and water supply	21,332	-	-	21,332
Finance, insurance, real estate and business activities	258,341	-	-	258,341
Wholesale and retail trade and restaurants and hotels	108,871	18,261	-	127,132
Government	-	-	-	-
Mining and quarrying	251,402	-	3,073	254,475
Primary agriculture	85,706	-	85,706	171,412
Education, health and others	-	-	80,340	80,340
	2,275,832	454,725	366,635	3,097,192

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit risk exposure (cont'd.)**

The Group and the Bank may renegotiate, modify the contractual cash flows of loans and financing to borrowers or provide payment moratorium to borrowers. Such renegotiation, modification or payment moratorium may result in the Group and the Bank incurring modification loss. The amount of such of modification loss recognised by the Group and the Bank in the current financial year is as follows:

Group and Bank	Outstanding Balance RM'000	ECL RM'000	Modification Impact RM'000
2021			
Manufacturing	407,025	105,082	78,203
Transport, storage and communication	436,206	165,905	73,352
Wholesale and retail trade, and restaurants and hotels	9,335	1,180	736
Others	186,439	57,490	27,923
	1,039,005	329,657	180,214
As a percentage of total:			
Manufacturing			7.68%
Transport, storage and communication			8.23%
Wholesale and retail trade, and restaurants and hotels			0.18%
Others			3.52%

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit quality by class of financial assets**Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposure by the current counterparties' rating:

Group and Bank	2021 RM'000	2020 RM'000
Financial investments at FVOCI (Gross):		
AA	-	50,536
D	100,000	100,000
Government guarantees	613,680	628,759
	713,680	779,295
Investment securities at amortised cost (Gross):		
Long-term		
BB	311,663	300,588
Government guarantees	300,459	300,686
	612,122	601,274
Net derivative financial assets/(liabilities)		
Financial institutions		
AAA	28,084	57,180
A +	-	8,565
A -	5,004	-
AA	47,375	-
AA-	-	74,470
AA2	-	1,534
BBB+	(999)	-
	79,464	141,749

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Credit quality by class of financial assets (cont'd.)**Credit quality by loans, advances and financing

For commercial exposures, the Group and the Bank use ten risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'aaa' representing the lowest risk. The exposure under each of these risk grades is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
Commercial customer				
Risk Rating 3	315,047	-	-	315,047
Risk Rating 4	134,375	15,249	-	149,624
Risk Rating 5	570,293	21,780	-	1,492,073
Risk Rating 6	6,451	434,823	-	441,274
Risk Rating 7	603	280,192	-	280,795
Risk Rating 8	-	152,637	-	152,637
Risk Rating 9	-	2,188	-	2,188
Impaired	-	-	2,096,575	2,096,575
	1,026,769	1,806,869	2,096,575	4,930,213
Sovereign				
Risk Rating b-	-	2,109	-	2,109
Risk Rating b+	-	18,590	-	18,590
Risk Rating ccc	-	317,955	-	317,955
	-	338,654	-	338,654
	1,026,769	2,145,523	2,096,575	5,268,867

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets (cont'd.)

Credit quality by loans, advances and financing (cont'd.)

For commercial exposures, the Group and the Bank use ten risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'aaa' representing the lowest risk. The exposure under each of these risk grades is as follows (cont'd.):

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
Commercial customer				
Risk Rating 2	274,866	-	-	274,866
Risk Rating 3	529,221	87,764	-	616,985
Risk Rating 4	154,336	428,834	-	583,170
Risk Rating 5	193,089	668,280	-	861,369
Risk Rating 6	1,229	315,544	-	316,773
Risk Rating 7	17	236,702	-	236,719
Risk Rating 8	-	67,279	-	67,279
Risk Rating 9	-	2,898	-	2,898
Impaired	-	-	2,382,477	2,382,477
	1,152,758	1,807,301	2,382,477	5,342,536
Sovereign				
Risk Rating b-	-	2,347	-	2,347
Risk Rating b+	-	19,712	-	19,712
Risk Rating ccc	-	339,628	-	339,628
	-	361,687	-	361,687
	1,152,758	2,168,988	2,382,477	5,704,223

Restructured items

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. There were impaired loans restructured by the Group and the Bank during the year of RM4,416,777 (2020: RM109,434,295).

Fair values

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation method for which all significant inputs are, or are based on, observable market data.

Level 3 - Valuation method for which significant inputs are not based on observable data.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)**Fair values (cont'd.)****(i) Fair value hierarchy (cont'd.)**

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions at arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

For financial instruments classified as Level 2, their values are based on quoted prices in inactive markets, or whose values are based on models whereby the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. These would include certain bonds, corporate debt securities and issued notes.

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2021			
Financial assets			
Assets measured at fair value			
Financial investments at FVOCI			
- Unquoted debt securities	613,625	613,625	-
Derivative financial instruments	80,463	80,463	-
Total financial assets carried at fair value	694,088	694,088	-
Financial liabilities			
Liabilities not measured at fair value			
Derivative financial instruments	999	999	-
Financial assets			
Assets measured at fair value			
Investment properties	814	-	1,140
Investment securities at amortised cost			
- Unquoted debt securities	494,014	494,021	-
Loans, advances and financing	3,301,561	-	3,300,964
Financial liabilities			
Liabilities not measured at fair value			
Borrowings	5,781,695	5,781,695	-

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(i) Fair value hierarchy (cont'd.)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy (cont'd.):

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2020			
Financial assets			
Assets measured at fair value			
Financial investments at FVOCI			
- Unquoted debt securities	678,185	678,185	-
Derivative financial instruments	141,749	141,749	-
Total financial assets carried at fair value	819,934	819,934	-
Assets not measured at fair value			
Investment properties	832	-	1,140
Investment securities at amortised cost			
- Unquoted debt securities	487,366	540,348	-
Loans, advances and financing	3,679,083	-	3,678,630
Financial liabilities			
Liabilities measured at fair value			
Derivative financial instruments	6,591,282	6,595,733	-
Total financial liabilities carried at fair value	6,591,282	6,595,733	-
Liabilities not measured at fair value			
Borrowings	6,591,282	6,595,733	-

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

(ii) Financial assets and liabilities carried at fair value

The carrying amounts of cash and cash equivalents, other receivables and other payables approximate fair values due to the relatively short term nature of these financial instruments.

Financial investments at FVOCI

The fair value of quoted financial investments is derived from market bid prices as at the reporting date. For unquoted financial investments, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

NOTES TO THE FINANCIAL STATEMENTS

42. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(ii) Financial assets and liabilities carried at fair value (cont'd.)

Derivative financial assets/liabilities

The fair value is based on quoted market price or marked to model valuation.

Borrowings (Hedged items)

The fair value is based on marked to model valuation.

(iii) Financial assets and liabilities not carried at fair value

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Financial investments at amortised cost

For non actively traded financial investments, independent broker quotations are obtained. Fair values of equity financial investments are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

Loans, advances and financing

Loans, advances and financing to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect to impaired loans/financing, the fair values are deemed to approximate the carrying values which are net of allowances for stage 3 ECL.

Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value determined by an accredited independent valuer.

Borrowings (Non-hedged items)

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

43. INSURANCE RISKS

The principal underwriting risk to which the Group and the Bank is exposed is credit risk in connection with credit, guarantee and political risk insurance underwriting activities. Management has established underwriting processes and limits to manage this risk by performing credit review on its policy holders and buyers.

The underwriting function undertakes qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved insured amount. Policies in riskier markets may be rejected or charged at a higher premium rate accompanied by stringent terms and conditions to commensurate the risks.

Concentration limits are set to avoid heavy concentration within a specific region or country. Maximum limits are set for buyer credit limits and client facility limits for prudent risk mitigation.

For the monitoring of buyer risks, the Group and the Bank takes into consideration both qualitative and quantitative factors and conducts regular reviews on the buyers' credit standing and payment performance to track any deterioration in their financial position that may result in a loss to the Group and the Bank.

On country risk, the Group and the Bank periodically reviews the economic and political conditions of the insured markets as to revise its guidelines, wherever appropriate. In order to mitigate the insurance risk, the Group and the Bank may cede or transfer the risk to another insurance company. The ceding arrangement minimises the net loss to the Group and the Bank arising from potential claims.

Key assumptions

The sensitivity analysis is based upon the assumptions set out in the actuarial report and is subject to the reliances and limitations contained within the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

The sensitivity items shown are independent of each other. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

Sensitivity analysis

The independent actuarial firm engaged by the Group and the Bank re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Bank's estimation process in respect of its Insurance contracts and Takaful certificates. The table presented below demonstrates the sensitivity of the Insurance contract liabilities and Takaful certificates estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2021 Net RM'000	2020 Net RM'000
Estimated claim liabilities (Note 22)	43,051	51,701

NOTES TO THE FINANCIAL STATEMENTS

43. INSURANCE RISKS (CONT'D.)**Claim liability sensitivity analysis****a. Change in claim costs**

Assumed an average claim cost of RM550,000 (2020: RM550,000) net of non-reinsurance recoveries for the Comprehensive Policy Shipments and adopted the Group's and the Bank's specific provisions for the other types of contracts where applicable. Changing the average claims cost and specific provisions by 10% gives the following result:

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	43,543	42,558	52,069	51,334

b. Change in average number of claims

Assumed 10% (2020: 10%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following result:

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	43,470	42,630	51,918	51,485

c. Change in Claims Handling Expenses ("CHE")

Assumed the following expenses 5% of gross IBNR and 4% of the specific provisions. Changing this by 10% points gives the following result:

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	43,250	42,850	51,940	51,463

NOTES TO THE FINANCIAL STATEMENTS

43. INSURANCE RISKS (CONT'D.)**Claim liability sensitivity analysis (cont'd.)****d. Change in PRAD %**

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 25%. Changing this by 10% (to 27.5% and 22.5% respectively) gives the following result:

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	43,911	42,189	52,736	50,668
			2021 Net RM'000	2020 Net RM'000
Estimated premium			12,061	9,870

Premium/contribution liability sensitivity analysis**a. Change in probability of default**

Management has assumed 1-year probability of default of ranging from 0.5% to 5% for short-term contracts, depending on the type of contract. For the medium long term ("MLT") policies, all 1-year probabilities were assumed to have a B rating which equated to a 3.2% 1-year probability of default. Changing this rating assumption to B- rating (less trustworthy - for the "High" Scenario) and B+ rating (more trustworthy - for the "Low" Scenario) gives the following result:

	2021 Net		2020 Net	
	High B- rating points	Low B+ rating points	High B- rating points	Low BBB- rating points
Estimated premium/contribution	18,580	10,233	12,650	8,989

b. Change in recovery rates

On the premium liability front, some of the MLT policies have reinsurance cover. For the "High" Scenario, management has reduce all of these by 10%. For the "Low" scenario management has increase them by 10%.

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities/contribution	14,700	9,422	11,494	8,245

NOTES TO THE FINANCIAL STATEMENTS

43. INSURANCE RISKS (CONT'D.)**Premium/contribution liability sensitivity analysis (cont'd.)****c. Change in Maintenance Expenses ("ME")**

Assumed ME of 5%. Changing this by 10% (to 5.5% and 4.5% respectively) points gives the following result:

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities/contribution	12,075	12,047	9,892	9,847

d. Change in PRAD %

Assumed a premium PRAD of 40%. Changing this by 10% (to 44% and 36% respectively) gives the following result:

	2021 Net		2020 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	12,405	11,716	10,152	9,588

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS**Statements of financial position as at 31 December 2021****Group and Bank**

	Note	2021			2020		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Assets							
Cash and bank balances	(a)	5,647	776	6,423	96,283	759	97,042
Deposits and placements with banks and other financial institutions	(b)	858,705	16,190	874,895	1,468,850	15,634	1,484,484
Financial investments	(c)	807,186	-	807,186	864,869	-	864,869
Islamic financing	(d)	1,624,873	-	1,624,873	2,083,341	-	2,083,341
Derivative financial instruments	(e)	-	-	-	1,532	-	1,532
Contribution receivable		-	-	-	-	361	361
Other receivables		5,090	8,595	13,685	8,794	11,730	20,524
Total assets		3,301,501	25,561	3,327,062	4,523,669	28,484	4,552,153
Liabilities							
Financing payable	(f)	1,912,898	-	1,912,898	2,095,467	-	2,095,467
Deferred income		3,085	8,575	11,660	1,911	5,343	7,254
Provision for commitments and contingencies	(o)	31,736	-	31,736	39,813	-	39,813
Provision for claim	(22(ii))	-	15,448	15,448	-	20,193	20,193
Provision for expenses liability		599	-	599	785	-	785
Contribution payable		-	234	234	-	-	-
Other liabilities	(n)	653,196	1,304	654,500	1,767,081	2,948	1,770,029
Total liabilities		2,601,514	25,561	2,627,075	3,905,057	28,484	3,933,541
Financed by:							
Islamic banking fund		800,000	-	800,000	800,000	-	800,000
Reserves		(11,280)	-	(11,280)	2,976	-	2,976
Accumulated losses		(80,143)	-	(80,143)	(172,881)	-	(172,881)
Takaful participants fund	(j)	(8,590)	-	(8,590)	(11,483)	-	(11,483)
Total Islamic business fund and Takaful fund		699,987	-	699,987	618,612	-	618,6124
Total liabilities, Islamic business fund, and Takaful participants fund		3,301,501	25,561	3,327,062	4,523,669	28,484	4,552,153
Commitments and contingencies	(k)	820,244	493,999	1,314,243	1,056,279	623,439	1,679,718

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)**Statement of profit and loss for the year ended 31 December 2021****Group and Bank**

		2021			2020		
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Income derived from Islamic banking fund	(g)	148,793	-	148,793	159,893	-	159,893
Financing cost		(29,538)	-	(29,538)	(49,404)	-	(49,404)
Net income from Islamic banking fund		119,255	-	119,255	110,489	-	110,489
Gross contribution		-	2,026	2,026	-	3,776	3,776
Wakalah fee		(58)	58	-	1,564	(1,564)	-
Reinsurance outward		-	(19)	(19)	-	(83)	(83)
(Increase)/decrease in contribution liability		-	(3,474)	(3,474)	-	231	231
Decrease/(increase) in claim liability (Note 22)		-	4,226	4,226	-	(4,023)	(4,023)
Decrease/(increase) in expenses liability (Note 22)		186	-	186	(124)	-	(124)
Takaful fees and brokerage commission		125	(14)	111	273	(19)	254
Income from Takaful activities		253	2,803	3,056	1,713	(1,682)	31
Islamic banking fund and Takaful fund results		119,508	2,803	122,311	112,202	(1,682)	110,520
Other (expenses)/income	(h)	(16,310)	-	(16,310)	10,888	-	10,888
Net Income from Islamic business		103,198	2,803	106,001	123,090	(1,682)	121,408
Administrative expenses		(815)	-	(815)	(663)	-	(663)
Reversal/(allowance) on doubtful debt		-	90	90	(127)	(127)	
(Allowances)/writeback for expected credit losses ("ECL") on loans, advances and financing	(i)	(14,668)	-	(14,668)	3,055	-	3,055
Writeback for commitments and contingencies		8,165	-	8,165	1,150	-	1,150
Allowances on financial investments		(3,142)	-	(3,142)	(42,583)	-	(42,583)
Profit/(loss) for the year before zakat		92,738	2,893	95,631	84,049	(1,809)	82,240
Zakat		-	-	-	-	-	-
Net profit/(loss) for the year		92,738	2,893	95,631	84,049	(1,809)	82,240

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)**Statement of Comprehensive Income for the year ended 31 December 2021****Group and Bank**

Note	2021			2020		
	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Net profit/(loss) for the year	92,738	2,893	95,631	84,049	(1,809)	82,240
Other comprehensive income to be reclassified to profit or (loss) in subsequent periods:						
Fair value changes on FVOCI	(14,256)	-	(14,256)	10,908	-	10,908
Net other comprehensive income to be reclassified to profit or (loss) in subsequent periods	(14,256)	-	(14,256)	10,908	-	10,908
Total comprehensive income/(loss) for the year	78,482	2,893	81,375	94,957	(1,809)	93,148

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2021

Group and Bank	Islamic banking fund RM'000	Accumulated losses RM'000	Fair value adjustment reserve RM'000	Total RM'000
At 1 January 2020	800,000	(266,604)	(7,932)	525,464
Net profit for the year	-	82,240	-	82,240
Other comprehensive profit	-	-	10,908	10,908
At 31 December 2020/1 January 2021	800,000	(184,364)	2,976	618,612
Net profit for the year	-	95,631	-	95,631
Other comprehensive income	-	-	(14,256)	(14,256)
At 31 December 2021	800,000	(88,733)	(11,280)	699,987

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)**Statement of cash flows for Islamic business fund for the financial year ended 31 December 2021**

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before zakat	92,738	84,049
Adjustments for:		
ECL Stage 3 of financing		
- Charged for the year	44,488	26,036
- Written back during the year	(194,936)	(43,301)
ECL Stage 1 and 2 of financing		
- Charged for the year	50,155	37,014
- Written back during the year	(27,117)	(27,300)
Allowance on financial investments	3,142	42,583
Writeback on commitment & contingencies	(8,077)	(1,150)
Unrealised foreign exchange loss	51,431	19,729
Unrealised loss/(gain) on derivatives	1,542	(1,363)
Unrealised gain on Sukuk	(161)	(3,004)
Amortisation of premium less accretion of discount	(1,360)	(1,309)
Operating profit before working capital changes	11,845	131,984
Changes in working capital:		
Deposits and placements with banks and other financial institutions	(529,776)	197,792
Islamic financing	1,203,929	97,639
Other assets	5,387	169,450
Derivative financial instruments	95	17
Other liabilities	(1,114,985)	288,886
Deferred income	1,174	(5,032)
Net claims paid for bank guarantee and takaful claims	(186)	124
Net cash (used in)/generated from operating activities	(422,517)	880,860
Cash flow from investing activities		
Proceed from disposal of investments	52,717	2,616
Net cash generated from investing activities	52,717	2,616
Cash flows from financing activities		
Net repayment of financing payable	(250,612)	(589,855)
Net cash used in financing activities	(250,612)	(589,855)

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)**Statement of cash flows for Islamic business fund for the financial year ended 31 December 2021 (cont'd.)**

	Group and Bank	
	2021	2020
	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(620,412)	293,621
Cash and cash equivalents at beginning of year excluding on behalf of customer	1,434,764	1,141,143
Cash and cash equivalents at end of year	814,352	1,434,764
Cash and cash equivalents comprise:		
Cash and bank balances	5,647	96,283
Deposits and placements with financial institutions	858,705	1,468,850
Less: Deposits and placements on behalf of customers	(50,000)	(130,369)
	814,352	1,434,764

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021**(a) Cash and bank balances**

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash and bank balances	6,423	97,042

(b) Deposits and placements with banks and other financial institutions

	Group and Bank		
	Shareholder's fund	Takaful Fund	Total fund
	RM'000	RM'000	RM'000
2021			
Deposits and placements with:			
Licensed banks	228,134	-	228,134
Other financial institutions	629,882	16,879	646,761
	858,016	16,879	874,895
2020			
Deposits and placements with:			
Licensed banks	782,781	-	782,781
Other financial institutions	686,246	15,457	701,703
	1,469,027	15,457	1,484,484

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(b) Deposits and placements with banks and other financial institutions (cont'd.)

	Group and Bank	
	2021	2020
	RM'000	RM'000
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	824,895	1,382,697
On behalf of customers and government	50,000	101,787
	874,895	1,484,484

(c) Financial investments

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial investments at FVOCI		
Unquoted debt securities	713,680	779,295
Less: Allowance for expected credit losses	(100,055)	(101,110)
	613,625	678,185
Investment securities at amortised costs		
Unquoted debt securities	311,662	300,588
Less: Allowance for expected credit losses	(118,101)	(113,904)
	193,561	186,684
Total financial investments	807,186	864,869

Included in financial investments at FVOCI are investments to meet the requirement of Sukuk Programme of the Group amounting to RM92,046,500 (2020: RM139,719,294).

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(c) Financial investments (cont'd.)

Movements in the allowances for expected credit losses on financial investments at FVOCI are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2020	1,192	-	100,000	101,192
Written back during the year	(82)	-	-	(82)
At 1 January 2021	1,110	-	100,000	101,110
Allowance during the year	(1,055)	-	-	(1,055)
At 31 December 2021	55	-	100,000	100,055

Movements in the allowances for expected credit losses on financial investments at amortised cost is as follow:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2020	-	71,239	-	71,239
Allowance during the year	-	42,665	-	42,665
At 1 January 2021	-	113,904	-	113,904
Allowance during the year	-	4,197	-	4,197
At 31 December 2021	-	118,101	-	118,101

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(d) Islamic financing

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) Murabahah	81,682	127,103
Istisna'	25,869	25,061
Tawarruq	2,055,142	2,372,374
Ijarah	97,210	301,746
	2,259,903	2,826,284
Less: Allowance for expected credit losses on impaired advances and financing		
- 12-month ECL - Stage 1	(27,064)	(30,304)
- Lifetime not impaired ECL - Stage 2	(80,941)	(54,662)
- Lifetime ECL credit impaired - Stage 3	(527,025)	(657,977)
Net advances and financing	1,624,873	2,083,341

	Group and Bank	
	2021	2020
	RM'000	RM'000
(ii) The maturity structure of the advances and financing are as follows:		
Within one year	1,470,206	1,477,939
One year to three years	187,653	852,931
Three years to five years	455,311	353,996
Over five years	146,733	141,418
	2,259,903	2,826,284

(iii) Islamic gross financing analysed by profit rate sensitivity are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Fixed rate	9,411	2,204
Variable rate	2,250,492	2,824,080
	2,259,903	2,826,284

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(d) Islamic financing (cont'd.)

(iv) Islamic gross financing analysed by geography are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Malaysia	1,257,672	1,699,163
East Asia	13,944	45,646
South Asia	420,774	420,965
Europe	315,047	332,759
West Africa	28,594	72,876
Oceania	90,118	106,698
Middle East	133,754	148,177
	2,259,903	2,826,284

(v) Islamic gross financing analysed by industry are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Primary agriculture	64,883	232,815
Manufacturing	482,453	459,375
Transport, storage and communication	298,368	528,605
Construction	616,364	624,906
Wholesale and retail trade, and restaurants and hotels	262,248	307,538
Other	535,587	673,045
	2,259,903	2,826,284

(vi) Movements in impaired financing are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
At 1 January	924,367	1,000,690
Impaired during the year	59,991	20,242
Recoveries	(50,163)	(85,202)
Written-off	(142,078)	(4,496)
Exchange differences	(19,565)	(6,867)
At 31 December	772,552	924,367

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(d) Islamic financing (cont'd.)

(vii) Advance and financing analysed by facility and Shariah contract are as follows:

	Murabahah RM'000	Istisna RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
2021					
At amortised cost					
Malaysian Kitchen Financing Facility-i	-	-	1,378	-	1,378
Overseas Contract Financing-i	-	-	30,989	-	30,989
Overseas Investment Financing-i	-	-	56,883	-	56,883
Overseas Project Financing-i	-	25,869	438,131	-	464,000
Supplier Financing-i	78,601	-	814,586	42,607	935,794
Term Financing-i	3,081	-	660,904	54,603	718,588
Vendor Financing-i	-	-	52,271	-	52,271
Gross financing	81,682	25,869	2,055,142	97,210	2,259,903
Allowances for expected credit losses on advances and financing					
- 12-month ECL - Stage 1	-	-	-	-	(27,064)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	(80,941)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	(527,025)
Net advances and financing	81,682	25,869	2,055,142	97,210	1,624,873
2020					
At amortised cost					
Buyer Credit-i	-	-	-	-	-
Malaysian Kitchen Financing Facility-i	-	-	2,204	-	2,204
Overseas Contract Financing-i	-	-	84,189	-	84,189
Overseas Investment Financing-i	-	-	114,292	-	114,292
Overseas Project Financing-i	-	25,061	431,006	-	456,067
Supplier Financing-i	123,263	-	996,046	131,718	1,251,027
Term Financing-i	3,840	-	687,321	170,028	861,189
Vendor Financing-i	-	-	57,316	-	57,316
Gross financing	127,103	25,061	2,372,374	301,746	2,826,284
Allowances for expected credit losses on advances and financing					
- 12-month ECL - Stage 1	-	-	-	-	(30,304)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	(54,662)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	(657,977)
Net advances and financing	127,103	25,061	2,372,374	301,746	2,083,341

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(d) Islamic financing (cont'd.)

(viii) Movements in the allowance for impaired advances and financing are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2021				
At 1 January	30,304	54,662	657,977	742,943
Transferred from Stage 1	(3,857)	3,857	-	-
Transferred to Stage 2	-	(9,487)	9,487	-
Allowance/(Written back)	1,192	4,594	(16,114)	(10,328)
Financial assets derecognised	(3,599)	(3,939)	-	(7,538)
Changes due to change in credit risk	3,493	15,787	-	19,280
Modification to contractual cash flows of financial assets	(469)	15,467	-	14,998
Total net profit and loss charge during the period	(3,240)	26,279	(6,627)	16,412
Write offs	-	-	(142,078)	(142,078)
Exchange differences	-	-	19,496	19,496
At 31 December	27,064	80,941	528,768	636,773
2020				
At 1 January	35,801	39,453	686,375	761,629
Transferred to Stage 1	(281)	38	243	-
Transferred to Stage 2	-	(1,713)	1,713	-
(Written back)/allowance	12,586	(6,322)	(14,724)	(8,460)
Financial assets derecognised	(11,984)	(30)	-	(12,014)
Changes due to change in credit risk	(4,090)	4,759	-	669
Modification to contractual cash flows of financial assets	(1,728)	18,477	-	16,749
Total net profit and loss charge during the period	(5,497)	15,209	(12,768)	(3,056)
Write offs	-	-	(4,496)	(4,496)
Exchange differences	-	-	(11,134)	(11,134)
At 31 December	30,304	54,662	657,977	742,943

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(d) Islamic financing (cont'd.)

- (ix) Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and ongoing COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2021.

The overlays 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 adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19, the impact of these adjustments were estimated at portfolio level and the Bank for financing as at 31 December 2021 amounted to RM246,341,000. Total additional overlays for ECL maintained by the Group and the Bank as at 31 December 2021 stood at RM5,638,000 (2020: RM9,784,000).

ECL (inclusive of overlays) analysed by geographical area are as follows:

	Group and Bank			Total ECL 2021 RM'000
	Outstanding Amount 2021 RM'000	Modelled ECL 2021 RM'000	Management Overlay 2021 RM'000	
Malaysia	95,906	13,334	3,619	16,953
Oceania	960	183	-	183
South Asia	17,439	299	542	841
	114,305	13,816	4,161	17,977

	Group and Bank			Total ECL 2020 RM'000
	Outstanding Amount 2020 RM'000	Modelled ECL 2020 RM'000	Management Overlay 2020 RM'000	
Africa	45,305	916	2,500	3,416
East Asia	28,328	355	479	834
Malaysia	149,174	18,041	6,466	24,507
Oceania	829	181	339	520
South Asia	22,705	7,134	-	7,134
	246,341	26,627	9,784	36,411

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(d) Islamic financing (cont'd.)

(ix) Overlays and adjustments for expected credit losses amid COVID-19 environment (cont'd.)

ECL (inclusive of overlays) analysed by industry are as follows:

	Outstanding Amount 2021 RM'000	Group and Bank Modelled ECL 2021 RM'000	Management Overlay 2021 RM'000	Total ECL 2021 RM'000
Manufacturing	62,982	10,239	893	11,132
Transport, storage and communication	41,988	3,135	2,531	5,666
Wholesale and retail trade, and restaurants and hotels	9,335	442	737	1,179
	114,305	13,816	4,161	17,977

	Outstanding Amount 2020 RM'000	Group and Bank Modelled ECL 2020 RM'000	Management Overlay 2020 RM'000	Total ECL 2020 RM'000
Construction	62,580	1,196	2,869	4,065
Manufacturing	84,347	21,659	73	21,732
Primary agriculture	13,132	1,227	91	1,318
Wholesale and retail trade, and restaurants and hotels	86,282	2,545	6,751	9,296
	246,341	26,627	9,784	36,411

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(e) Derivative financial instruments

	Group and Bank					
	2021		Notional Amount RM'000	2020		Notional Amount RM'000
	Fair Value Assets RM'000	liabilities RM'000		Fair Value Assets RM'000	liabilities RM'000	
<u>Derivatives used in fair value hedges</u>						
Profit rate swaps	-	-	-	1,532	-	149,834
Total	-	-	-	1,532	-	149,834

(f) Financing Payable

	Group and Bank	
	2021 RM'000	2020 RM'000
(i) <u>Revolving credit facility - unsecured</u>		
Within one year	399,675	489,329
Three years to five years	357	400
	400,032	489,729
(ii) <u>Sukuk</u>		
Within one year	187,430	149,989
One year to three years	-	180,733
Three years to five years	83,215	80,235
	270,645	410,957
(iii) <u>Syndication financing</u>		
One year to three years	1,242,221	-
Three years to five years	-	1,194,781
	1,242,221	1,194,781
	1,912,898	2,095,467

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(g) Income derived from investment of Islamic banking fund

	Group and Bank	
	2021 RM'000	2020 RM'000
Islamic financing:		
Murabahah	20,336	43,488
Istisna'	-	3,389
Tawarruq	47,997	47,939
Ijarah	1,020	1,821
Effects on modification loss, to contractual cash flow of financial assets	-	(16,171)
Recoveries from impaired financing	15,060	7,119
Deposits and placements with banks and other financial institutions	38,004	44,434
Financial investments	26,257	27,262
Net income from profit rate swaps	119	612
	148,793	159,893

(h) Other (expenses)/income

	Group and Bank	
	2021 RM'000	2020 RM'000
Fee Income	989	8,725
Foreign exchange (loss)/gain		
- unrealised	(51,431)	(19,729)
- realised	35,513	17,525
Unrealised (loss)/gain on derivatives	(1,542)	1,363
Unrealised gain on Sukuk	161	3,004
	(16,310)	10,888

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(i) Allowances/(writeback) for expected credit losses ("ECL") on loans, advances and financing

	Group and Bank	
	2021 RM'000	2020 RM'000
Allowances for expected credit losses on loans, advances and financing		
- 12-month ECL - Stage 1, net	(3,240)	(5,497)
- Lifetime not impaired ECL - Stage 2, net	26,278	15,211
- Lifetime ECL credit impaired - Stage 3, net	44,488	26,036
- Lifetime ECL written back - Stage 3, net	(194,936)	(43,301)
- Bad debts written off	142,078	4,496
	14,668	(3,055)

(j) Takaful participants fund

		Group and Bank	
		2021 RM'000	2020 RM'000
<u>Takaful participants fund</u>			
Accumulated deficit	(i)	(8,590)	(11,483)
Qard	(ii)	8,590	11,483
		-	-

The deficit in the Takaful participant fund is covered by the Qard from Shareholders' funds. Qard represents a benevolent financing to the Takaful participants fund to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment. The management expects to recover the balance from future profits of Takaful participants fund.

Measurement and impairment of Qard

Any deficit in the Takaful fund is made good via a benevolent financing, or Qard, granted by the Islamic business fund. Qard is stated at cost less any accumulated impairment losses in the Islamic business fund. In the Takaful fund, Qard is stated at cost. The Qard shall be repaid from future surpluses of the Takaful fund.

Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the Takaful fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its carrying amount and its recoverable amount, less any impairment loss previously recognised, is recognised in the statements of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(j) Takaful participants fund (cont'd.)

Impairment losses are subsequently reversed in the statements of profit and loss if objective evidence exists that the Qard is no longer impaired.

	Group and Bank	
	2021	2020
	RM'000	RM'000
(i) <u>Accumulated deficit</u>		
At beginning of the year	(11,483)	(9,674)
Net surplus/(deficit) of the Takaful fund	2,893	(1,809)
At end of the year	(8,590)	(11,483)
(ii) <u>Qard</u>		
At beginning of the year	11,483	9,674
(Decrease)/increase in Qard	(2,893)	1,809
At end of the year	8,590	11,483

(k) Commitments and contingencies

	Group and Bank	
	2021	2020
	RM'000	RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	3,450	20,460
Letter of credit	645	198
Undrawn financing	816,149	1,035,621
	820,244	1,056,279
<u>Takaful operation commitments</u>		
Contracted but not provided for:		
Within one year	319,069	454,725
One year or later and no later than five years	174,930	168,714
	493,999	623,439
Total commitments and contingencies	1,314,243	1,679,718

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(i) Shariah disclosures

(i) Shariah non-compliant events

There are two (2) events related to Shariah non-compliant event occurred as follows:

	Group and Bank			
	2021 No. of events	2021 RM'000	2020 No. of events	2020 RM'000
SNC income derecognised from the Bank's due to:				
Treatment NCB	1	1,262	-	-
Absence of Tawarruq Transaction	1	2	1	1
	2	1,264	1	1

(ii) Sources and uses of charity funds

	Group and Bank	
	2021 RM'000	2020 RM'000
At 1 January	3,878	5,515
Funds distributed during the year		
- Contribution to non-profit organisation	(909)	(1,637)
At 31 December	2,969	3,878

Monies derived from the Shariah non-compliant event and late payment charges on Islamic financing activities as disclosed in Shariah Committee's Report under note Disclosure on Shariah Non-Compliant Event were channelled to charity fund and distributed progressively to the eligible beneficiaries. On 1 January 2020, the Group and the Bank recognised the late payment charges on Islamic Financing activities to other income.

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(m) Regulatory Capital

	Group and Bank			
	Before Transitional Arrangement 2021 RM'000	After Transitional Arrangement 2021 RM'000	Before Transitional Arrangement 2020 RM'000	After Transitional Arrangement 2020 RM'000
Islamic banking fund	800,000	800,000	800,000	800,000
Accumulated losses	(172,881)	(172,881)	(256,930)	(256,930)
Current year profit	92,738	92,738	84,049	84,049
Add: Transitional arrangement	-	21,106	-	54,966
Eligible Tier 1 capital	719,857	740,963	627,119	682,085
Collective allowance on Islamic financing*	226,161	205,055	199,980	145,014
Provision for commitments and contingencies	26,241	26,241	26,870	26,870
Provision for guarantee and claim	11,450	11,450	16,525	16,525
Eligible Tier 2 capital	263,852	242,746	243,375	188,409
Total capital base	983,709	983,709	870,494	870,494
Risk weighted assets	2,344,964	2,344,964	3,024,282	3,024,282
Core capital ratio	30.70%	31.60%	20.74%	22.55%
RWCR	41.95%	41.95%	28.78%	28.78%

* The eligible amounts for Tier 2 Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

(n) Other liabilities

	Group and Bank	
	2021 RM'000	2020 RM'000
Sinking fund and debt services reserve accounts	51,106	60,256
Interest payable	6,562	9,425
Amount due from the Government of Malaysia for MKFF scheme	-	(549)
Amount due to Teraju	53,214	52,712
Financing from banking business*	523,645	1,622,142
Others	19,973	26,043
	654,500	1,770,029

* The financing from banking business is unsecured, does not bear profit and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(o) Provision for commitments and contingencies

	Group and Bank	
	2021	2020
	RM'000	RM'000
Provision for commitments and contingencies	31,736	39,813

Movements in the provisions for commitments and contingencies are as follow:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2020	27,392	628	12,943	40,963
Changes due change in credit risk	(2,094)	1,024	-	(1,070)
Reversal ECL during the year	(10,508)	10,428	-	(80)
At 31 December 2020/1 January 2021	14,790	12,080	12,943	39,813
Transferred to Stage 2	(127)	127	-	-
Transferred to Stage 3	-	(436)	436	-
Financial assets derecognised	(3,534)	(247)	-	(3,781)
Changes due change in credit risk	9,801	(2,692)	-	7,109
Modification to contractual cash flows of financial assets (Written back)/allowance during the year	(17)	(249)	-	(266)
Exchange differences	-	-	32	32
At 31 December 2021	16,909	9,332	5,495	31,736

(p) Shariah directors remuneration

	Group and Bank	
	2021	2020
	RM'000	RM'000
Salaries and other short-term benefits	328	372

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(q) Liquidity risk management

Measurement

Table below analyses assets and liabilities of the Islamic business's according to their contractual maturity:

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Assets						
Cash and bank balances	5,647	-	-	-	-	5,647
Deposits and placements with banks and other financial institutions	-	858,705	-	-	-	858,705
Financial Investment	-	-	302,787	310,838	193,561	807,186
Loans, advances and financing	-	66,123	764,916	417,412	376,422	1,624,873
Other assets	5,090	-	-	-	-	5,090
Total assets	10,737	924,828	1,067,703	728,250	569,983	3,301,501
Liabilities						
Borrowings	-	399,675	187,430	1,325,793	-	1,912,898
Other liabilities	688,616	-	-	-	-	688,616
Total liabilities	688,616	399,675	187,430	1,325,793	-	2,601,514
Net maturity mismatch	(677,879)	525,153	880,273	(597,543)	569,983	699,987

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(q) Liquidity risk management (cont'd.)Measurement (cont'd.)

Table below analyses assets and liabilities of the Islamic business's according to their contractual maturity: (cont'd.)

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Cash and bank balances	96,283	-	-	-	-	96,283
Deposits and placements with banks and other financial institutions	-	1,345,746	123,104	-	-	1,468,850
Financial Investment	-	-	49,459	815,410	-	864,869
Loans, advances and financing	-	472,840	396,004	721,948	492,549	2,083,341
Derivative financial instruments	1,532	-	-	-	-	1,532
Other assets	8,794	-	-	-	-	8,794
Total assets	106,609	1,818,586	568,567	1,537,358	492,549	4,523,669
Liabilities						
Borrowings	-	639,318	1,456,149	-	-	2,095,467
Other liabilities	1,809,590	-	-	-	-	1,809,590
Total liabilities	1,809,590	639,318	1,456,149	-	-	3,905,057
Net maturity mismatch	(1,702,981)	1,179,268	(887,582)	1,537,358	492,549	618,612

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(q) Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows.

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021						
Derivative financial instruments	-	-	-	-	-	-
Non-derivative financial liabilities						
Borrowings	-	3 99,675	187,430	1,325,793	-	1,912,898
Other liabilities	688,616	-	-	-	-	688,616
Total financial liabilities	688,616	399,675	187,430	1,325,793	-	2,601,514
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	3,450	-	-	-	-	3,450
Letter of credit	645	-	-	-	-	645
Undrawn loans and financing	405,718	35,000	225,621	79,508	70,302	816,149
	409,813	35,000	225,621	79,508	70,302	820,244
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	319,069	-	-	319,069
One year or later and no later than five years	-	-	-	174,930	-	174,930
	-	-	319,069	174,930	-	493,999
Total commitments and contingencies	409,813	35,000	544,690	254,438	70,302	1,314,243

NOTES TO THE FINANCIAL STATEMENTS

44. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2021 (cont'd.)

(q) Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows. (cont'd.)

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Derivative financial instruments	-	-	-	-	-	-
Non-derivative financial liabilities						
Borrowings	-	642,361	-	1,476,650	-	2,119,011
Other liabilities	1,809,590	-	-	-	-	1,809,590
Total financial liabilities	1,809,590	642,361	-	1,476,650	-	3,928,601
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	20,460	-	-	-	-	20,460
Letter of credit	198	-	-	-	-	198
Undrawn loans and financing	-	531,680	353,102	63,733	87,106	1,035,621
	20,658	531,680	353,102	63,733	87,106	1,056,279
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	454,725	-	-	454,725
One year or later and no later than five years	-	-	-	168,714	-	168,714
	-	-	454,725	168,714	-	623,439
Total commitments and contingencies	20,658	531,680	807,827	232,447	87,106	1,679,718

NOTES TO THE FINANCIAL STATEMENTS

45. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments.

It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity.

Segment information are presented in respect of the Group's business segments as follows:

(1) Banking

Banking comprises activities involving conventional and Islamic facilities to finance and support export and import of goods, services and overseas projects as well as financial guarantee facilities with an emphasis on non-traditional markets.

(2) Insurance and Takaful

Insurance and Takaful comprise activities involving providing export, credit and political risks insurance/takaful.

(3) Support

Support refers to non-core operations mainly involving finance, treasury, administration, human resource and others which support the Group's overall operation.

NOTES TO THE FINANCIAL STATEMENTS

45. SEGMENT INFORMATION (CONT'D.)

	2021				2020			
	Business segments Insurance and Takaful		Business segments Insurance and Takaful		Business segments Insurance and Takaful		Business segments Insurance and Takaful	
	Banking RM'000	Takaful RM'000	Support RM'000	Total RM'000	Banking RM'000	Takaful RM'000	Support RM'000	Total RM'000
Net interest income	36,639	-	-	36,639	18,189	-	-	18,189
Underwriting results	-	4,769	-	4,769	-	1,975	-	1,975
Income from Islamic business	119,255	253	-	119,508	110,489	1,713	-	112,202
Other income	17,321	-	(12,788)	4,533	21,483	-	85,176	106,659
Net income	173,215	5,022	(12,788)	165,449	150,161	3,688	85,176	239,025
Overhead expenses	(18,900)	(1,534)	(63,410)	(83,844)	(21,653)	(2,013)	(64,525)	(88,191)
Operating profit	154,315	3,488	(76,198)	81,605	128,508	1,675	20,651	150,834
Allowance for expected credit losses on advances and financing	(47,107)	-	-	(47,107)	(53,643)	-	-	(53,643)
Allowance for expected credit losses on commitment and contingencies	19,754	-	-	19,754	(2,833)	-	-	(2,833)
Allowance for expected credit losses on investment securities	-	-	(3,145)	(3,145)	-	-	(42,584)	(42,584)
Allowances for other assets	-	-	-	-	(624)	-	-	(624)
Taxation	126,962	3,488	(79,343)	51,107	71,408	1,675	(21,933)	51,150
Net profit for the year - Group and Bank								
				51,107				51,150

NOTES TO THE FINANCIAL STATEMENTS

46. MATERIAL LITIGATION

On 31 August 2010, EXIM Bank ("Plaintiff") filed an action against a group of three individuals and a company incorporated in Malaysia (collectively the "Defendants") at the Seremban High Court ("the Court") and inter alia claimed for special damages sum USD37,081,271 ("EXIM Bank's Claim"). The Defendants counterclaimed by alleging inter alia that EXIM Bank breached its duty of care by not obtaining a proper valuation prior to the sale of the Secured Property and hence, the sale was undervalued and the Defendants suffered damages ("the Counterclaim"). On 27.01.2014, the Court allowed the EXIM Bank's claim and granted the judgment sum of USD1,294,154 (as at 22.03.2013) in favour of EXIM Bank. Pertaining to the Defendants' counterclaim, the High Court allowed the Counterclaim and inter alia held that (a) a fresh valuation to be conducted on the Secured Property to determine the direct loss due to the undervaluation of the Secured Property at the time of the sale, (b) EXIM Bank is to release and discharge all Third Party Legal Charges listed in Schedule 3 of Facility Agreement dated 19.01.2004, (c) general damages to be assessed. EXIM Bank has instructed its solicitors and now in the midst of proceeding to (i) lodge an appeal against the Court's decision on 03.03.2022 and (ii) to apply for a stay against the Court's Orders dated 03.03.2022.

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