



CATALYSING TRADE AND INVESTMENTS

ANNUAL REPORT 2019

ABOUT THIS REPORT >>>

VISION Preferred Financier & Advisor for Global Business.	MISSION Contribute to the Growth of Malaysia's Economy through Trade and Investment Partnerships Worldwide.
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EXIM Bank's Annual Report 2019 serves to inform our stakeholders of the efforts we have taken to execute our unique mandate of developing cross-border ventures through the provision of financing and insurance facilities.

In doing so, we remain cognisant of our role as a Development Financial Institution (DFI) in helping to drive this particular sector of the national development agenda. We take great pride in carrying out this responsibility, as we seek to build a robust institution benchmarked against global and industry best practices.

The Bank recognises the importance of our stakeholders by listening to their concerns and more importantly, taking action to address those concerns. Thus, in this report, we will demonstrate our commitment to sound business practices supported by strategies, such as our Strategy 2025, that will build resilience and

propel us to a better future. We are improving our operations on an ongoing basis and ensuring compliance with prudent risk and underwriting policies. With the identification of the potential risks and challenges, supported by good governance and integrity practices, we remain confident of our ability to create sustainable value for our stakeholders.

This report will also illustrate EXIM Bank's deep concern for the environment and communities around us, as we continue to fulfil our pledge of being a good corporate citizen through our wide-ranging and impactful corporate social responsibility programme.

As part and parcel of upholding the best practices in our reporting, we have adhered to the Malaysian Code on Corporate Governance, the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

CORPORATE INFORMATION >>>

DIRECTORS

Dato' Dr. Feizal Mustapha
Chairman

Hijah Arifakh Othman

Dato' Dr. Amiruddin Muhamed

Azizan Ahmad
appointed with effect from 9 May 2019

Datuk Bahria Mohd Tamil
appointed with effect from 1 October 2019

Ismail Mahbob
term ended with effect from 9 August 2019

Tunku Afwida Tunku A. Malek
term ended with effect from 14 August 2019

Datuk Syed Ahmad Helmy Syed Ahmad
term ended with effect from 23 August 2019

Dato' Dzulkifli Mahmud
term ended with effect from 8 March 2020

Mohammad Fadzlan Dato' Abdul Samad
term ended with effect from 28 April 2020

Shariah Committee

Dr. Zaharuddin Abd. Rahman
Assoc. Prof. Dr. Zulkifli Hasan
Tn. Hj. Zainal Abidin Mohd Tahir
Prof. Dr. Rusni Hassan
Dr. Safinar Salleh
Tn. Hj. Abd. Rasid Abd. Kadir

Auditor

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

Representative Offices

PULAU PINANG
No. 2, Ground Floor, Lebuhr Tenggiri 2
Pusat Bandar Seberang Jaya
13700 Seberang Jaya, Penang
MALAYSIA

JOHOR DARUL TAKZIM
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

President/Chief Executive Officer

Dato' Shahrul Nazri Abdul Rahim
appointed with effect from 1 July 2019

Registered Office

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

Company Secretary

Filza Zainal Abidin
(LS0008413)

OVERVIEW OF OUR BUSINESS OPERATIONS

BUSINESS OF THE BANK

EXIM Bank is the only Development Financial Institution (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. The Bank is owned by the Ministry of Finance (Incorporated) [MoF (Inc.)] and under the purview of the Ministry of International Trade and Industry (MITI).

The mandated role of the Bank is to provide credit facilities to finance and support export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing. This is done 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.

In addition, the Bank provides export credit insurance and takaful services, overseas investments and guarantee facilities. The Bank's clientele consists of locally incorporated corporations and small and medium enterprises or industries (SMEs), as well as foreign companies and select foreign governments. 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).

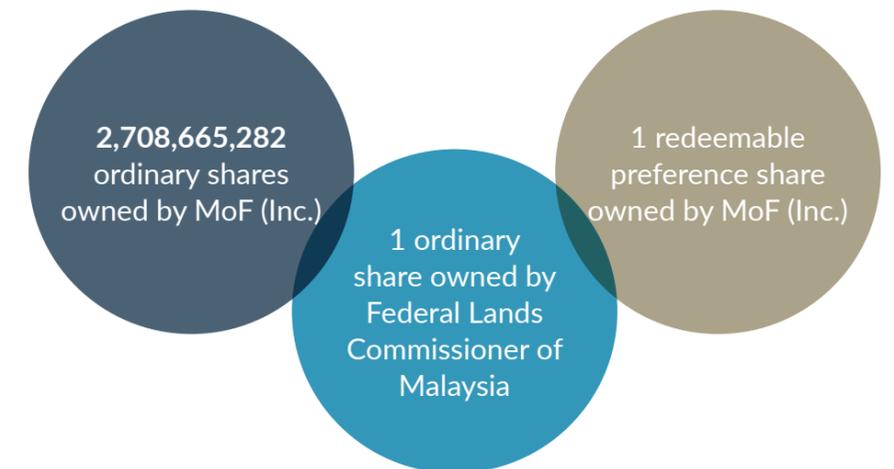
[Click here to view our Corporate Video](#)

SHAREHOLDING AND BOARD STRUCTURE

The legal and commercial name of the organisation is Export-Import Bank of Malaysia Berhad and it started out as the "International Division" of Bank Industri and Teknologi Malaysia Berhad (BITMB).

The Bank was incorporated on 29 August 1995 as a government-owned entity, while it was a subsidiary of BITMB, and was subsequently spun off as an independent DFI focused on export credit in 2005. On 30 December 2005, it was merged with Malaysia Export Credit Insurance Berhad, retaining the name Export-Import Bank of Malaysia Berhad.

As at 31 December 2019, EXIM Bank had an issued and paid-up share capital of RM2,708,665,284 comprising the following:

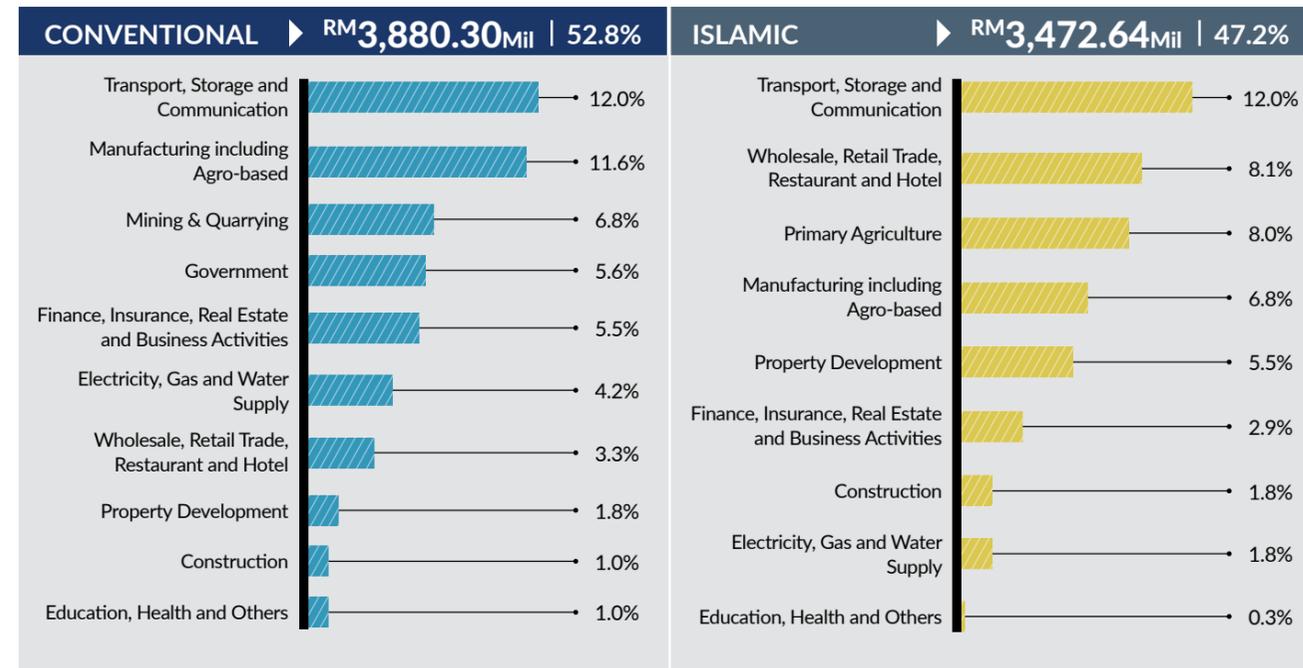


MoF (Inc.), as the holder of the redeemable preference share, has the right to appoint no more than four members out of the maximum 11 members to the Bank's Board of Directors. Any appointment to the Board and of the President/Chief Executive Officer of the Bank is subject to the approval of MoF (Inc.).

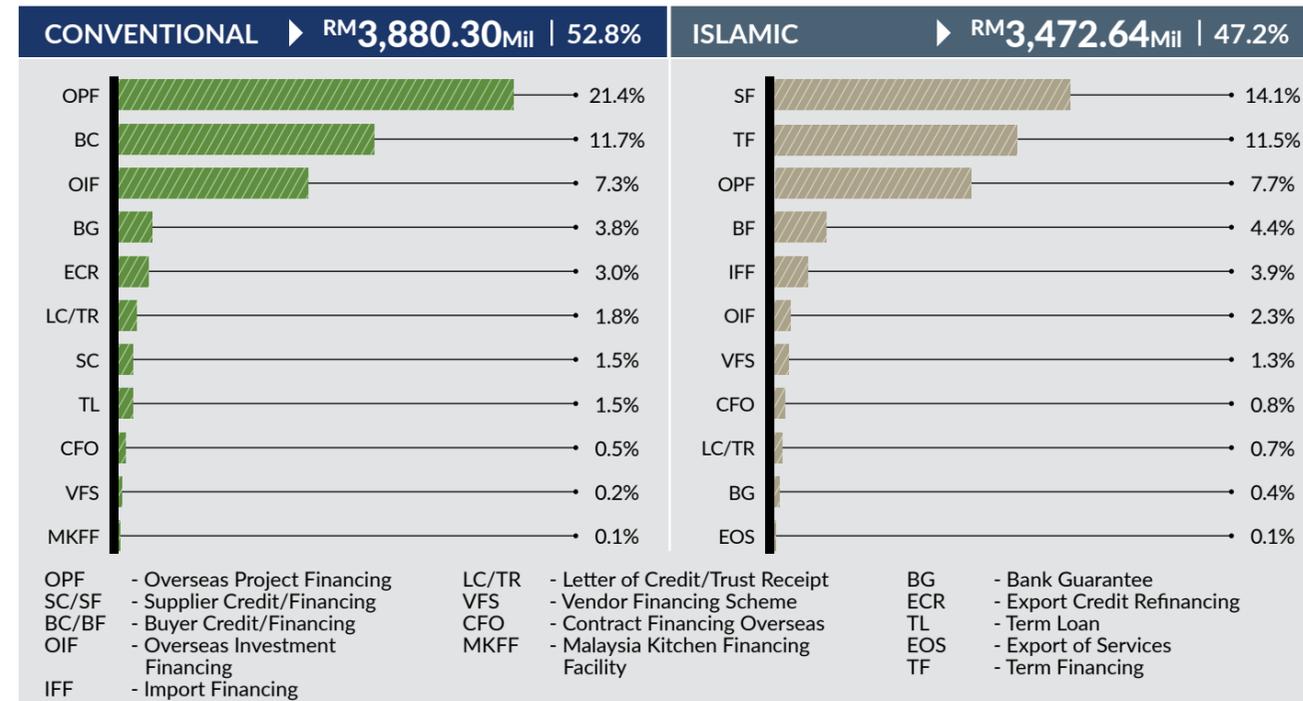
The Board of Directors of the Bank currently comprises the Chairman, as an Independent Non-Executive Director, two other Independent Non-Executive Directors and two Non-Independent Non-Executive Directors (one being a representative from MoF (Inc.) and the other being a representative from MITI).

OVERVIEW OF OUR BUSINESS OPERATIONS

OUR LOAN/FINANCING AND GUARANTEE PORTFOLIO - BREAKDOWN BY SECTORS (CONVENTIONAL AND ISLAMIC) (including impairment exposures)

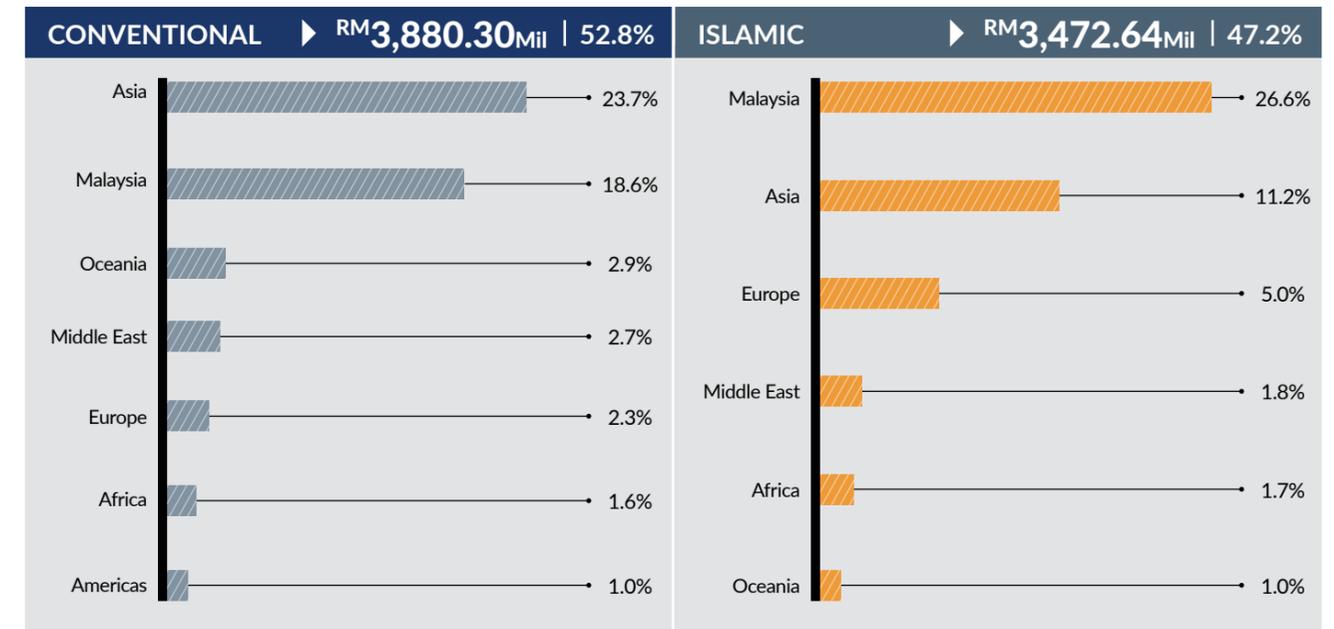


OUR LOAN/FINANCING AND GUARANTEE PORTFOLIO - BREAKDOWN BY PRODUCTS (CONVENTIONAL AND ISLAMIC) (including impairment exposures)



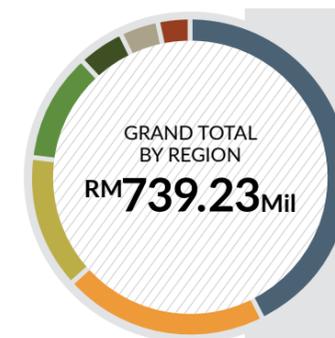
OVERVIEW OF OUR BUSINESS OPERATIONS

OUR LOAN/FINANCING AND GUARANTEE PORTFOLIO - BREAKDOWN BY REGION (CONVENTIONAL AND ISLAMIC) (including impairment exposures)



OUR CREDIT INSURANCE/TAKAFUL PORTFOLIO BY REGION FOR SHORT-TERM AND MEDIUM/LONG-TERM EXPOSURES

SHORT-TERM EXPOSURE (REGION) >>>



	TOTAL %	TOTAL (RM'MIL)	TAKAFUL (RM'MIL)	INSURANCE (RM'MIL)
MALAYSIA	42.9	317.39	317.31	0.08
ASIA	20.7	153.11	145.51	7.60
EUROPE	13.7	101.36	100.98	0.38
AMERICAS	11.2	82.65	82.44	0.21
OCEANIA	4.2	31.25	29.23	2.02
AFRICA	4.0	29.23	28.57	0.66
MIDDLE EAST	3.3	24.24	23.87	0.37
GRAND TOTAL		739.23	727.91	11.33

MEDIUM/LONG-TERM EXPOSURE (REGION) >>>



	TOTAL %	TOTAL (RM'MIL)	TAKAFUL (RM'MIL)	INSURANCE (RM'MIL)
ASIA	66.4	320.88	171.91	148.97
AFRICA	33.6	162.40	-	162.40
GRAND TOTAL		483.28	171.91	311.37

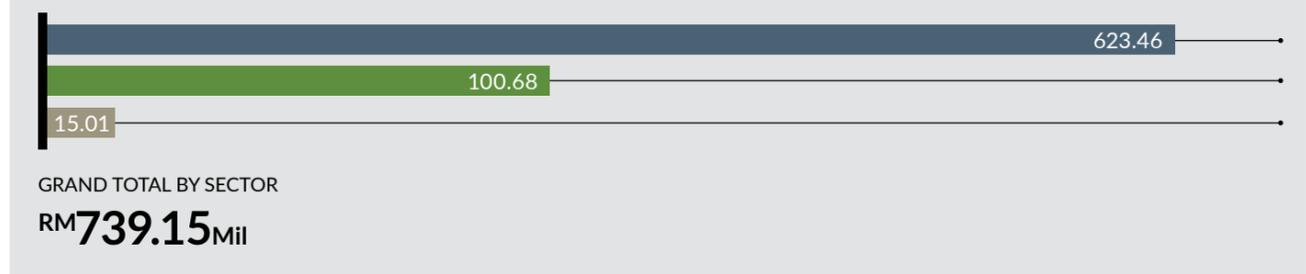
[Click here to view our Credit Takaful Video](#)

OVERVIEW OF OUR BUSINESS OPERATIONS

OUR CREDIT INSURANCE/TAKAFUL PORTFOLIO BY SECTOR FOR SHORT-TERM AND MEDIUM/LONG-TERM EXPOSURES

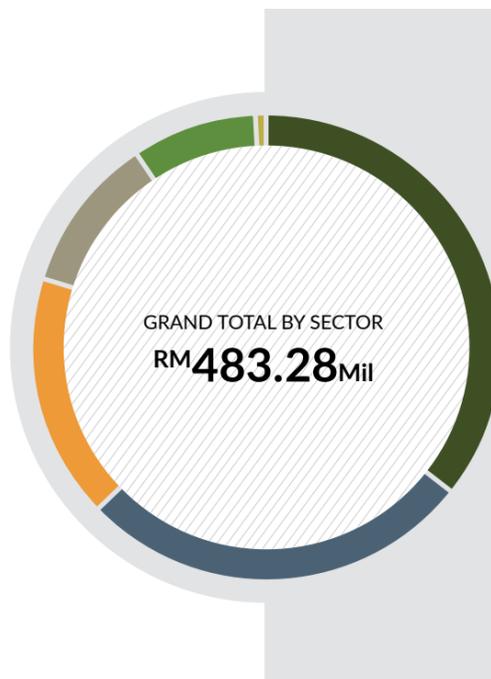
SHORT-TERM EXPOSURE (SECTORAL) >>>

	TOTAL %	TOTAL (RM'MIL)	TAKAFUL (RM'MIL)	INSURANCE (RM'MIL)
MANUFACTURING INCLUDING AGRO-BASED	84.3	623.46	612.29	11.16
OTHERS	13.6	100.68	100.68	-
WHOLESALE, RETAIL TRADE, RESTAURANT AND HOTEL	2.0	15.01	14.94	0.08
GRAND TOTAL		739.15	727.91	11.24



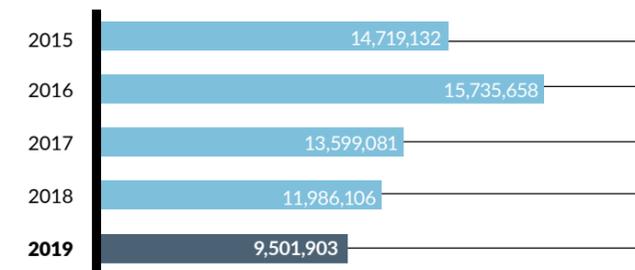
MEDIUM/LONG-TERM EXPOSURE (SECTORAL) >>>

	TOTAL %	TOTAL (RM'MIL)	TAKAFUL (RM'MIL)	INSURANCE (RM'MIL)
FINANCE, INSURANCE, REAL ESTATE AND BUSINESS ACTIVITIES	35.6	171.91	171.91	-
MANUFACTURING INCLUDING AGRO-BASED	27.3	131.79	-	131.79
EDUCATION, HEALTH AND OTHERS	16.9	81.86	-	81.86
CONSTRUCTION	10.8	51.98	-	51.98
ELECTRICITY, GAS AND WATER SUPPLY	8.8	42.61	-	42.61
MINING AND QUARRYING	0.6	3.13	-	3.13
GRAND TOTAL		483.28	171.91	311.37

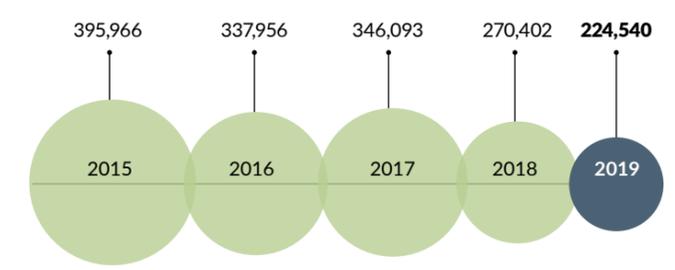


5-YEAR FINANCIAL HIGHLIGHTS

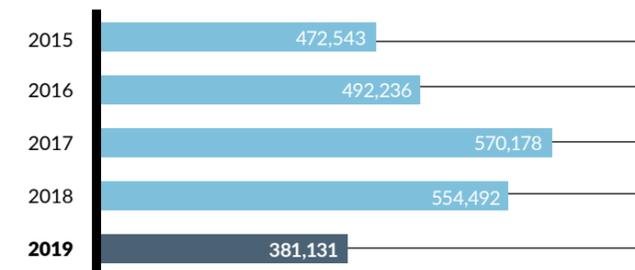
TOTAL ASSETS (RM'000)



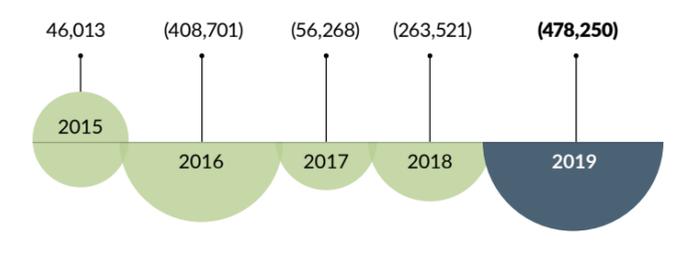
NET INCOME (RM'000)



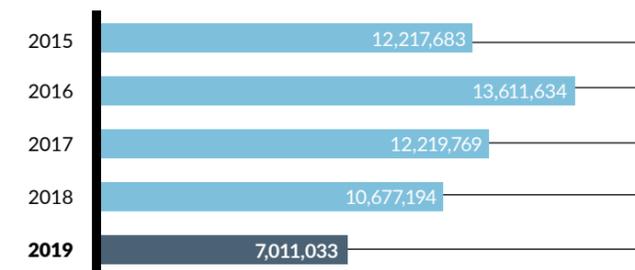
OPERATING REVENUE (RM'000)



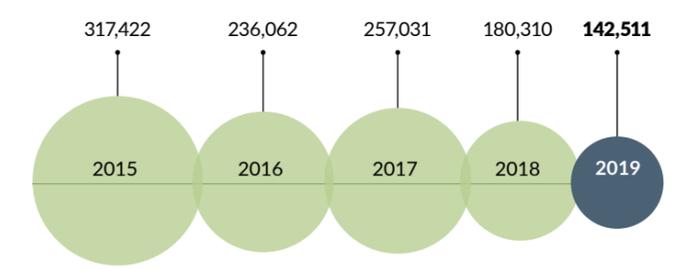
PROFIT BEFORE TAX (RM'000)



TOTAL GROSS LOANS & FINANCING ASSETS (RM'000)



OPERATING PROFIT (RM'000)

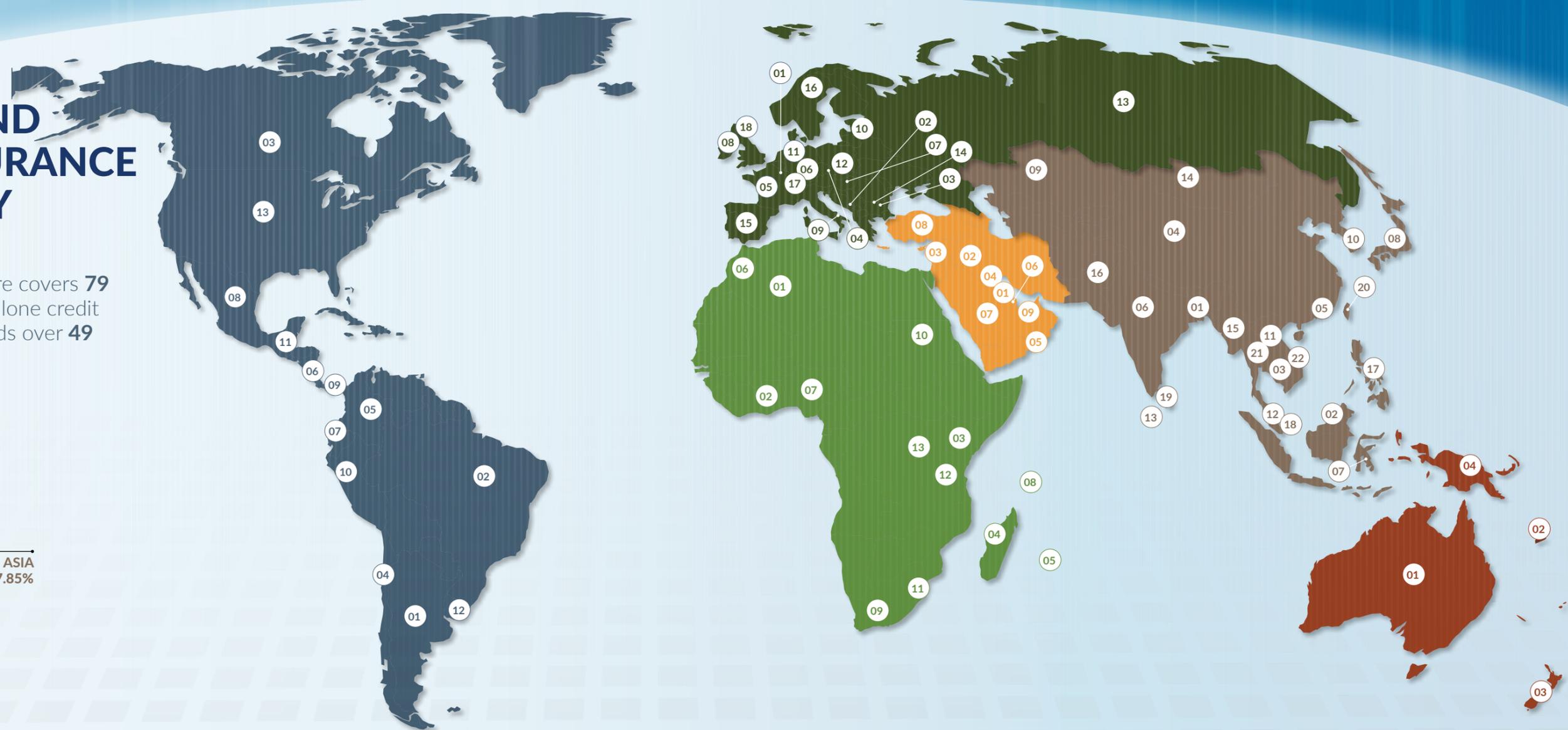
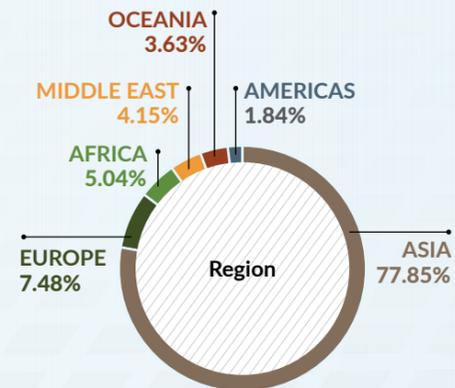


ITEM	FY2015 (RM'000)	FY2016 (RM'000) Restated	FY2017 (RM'000) Restated	FY2018 (RM'000)	FY2019 (RM'000)
Total Assets	14,719,132	15,735,658	13,599,081	11,986,106	9,501,903
Total Disbursement	9,056,422	10,349,258	10,190,959	7,381,600	4,854,289
Operating Revenue	472,543	492,236	570,178	554,492	381,131
Total Gross Loans & Financing Assets (with CCR)	12,217,683	13,611,634	12,219,769	10,677,194	7,011,033
Net Income	395,966	337,956	346,093	270,402	224,540
Net Impaired Loans	4.68%	9.15%	4.00%	10.34%	9.63%
Operating Profit	317,422	236,062	257,031	180,310	142,511
Profit/(Loss) Before Tax	46,013	(408,701)	(56,268)	(263,521)	(478,250)

BANKING AND CREDIT INSURANCE BY COUNTRY



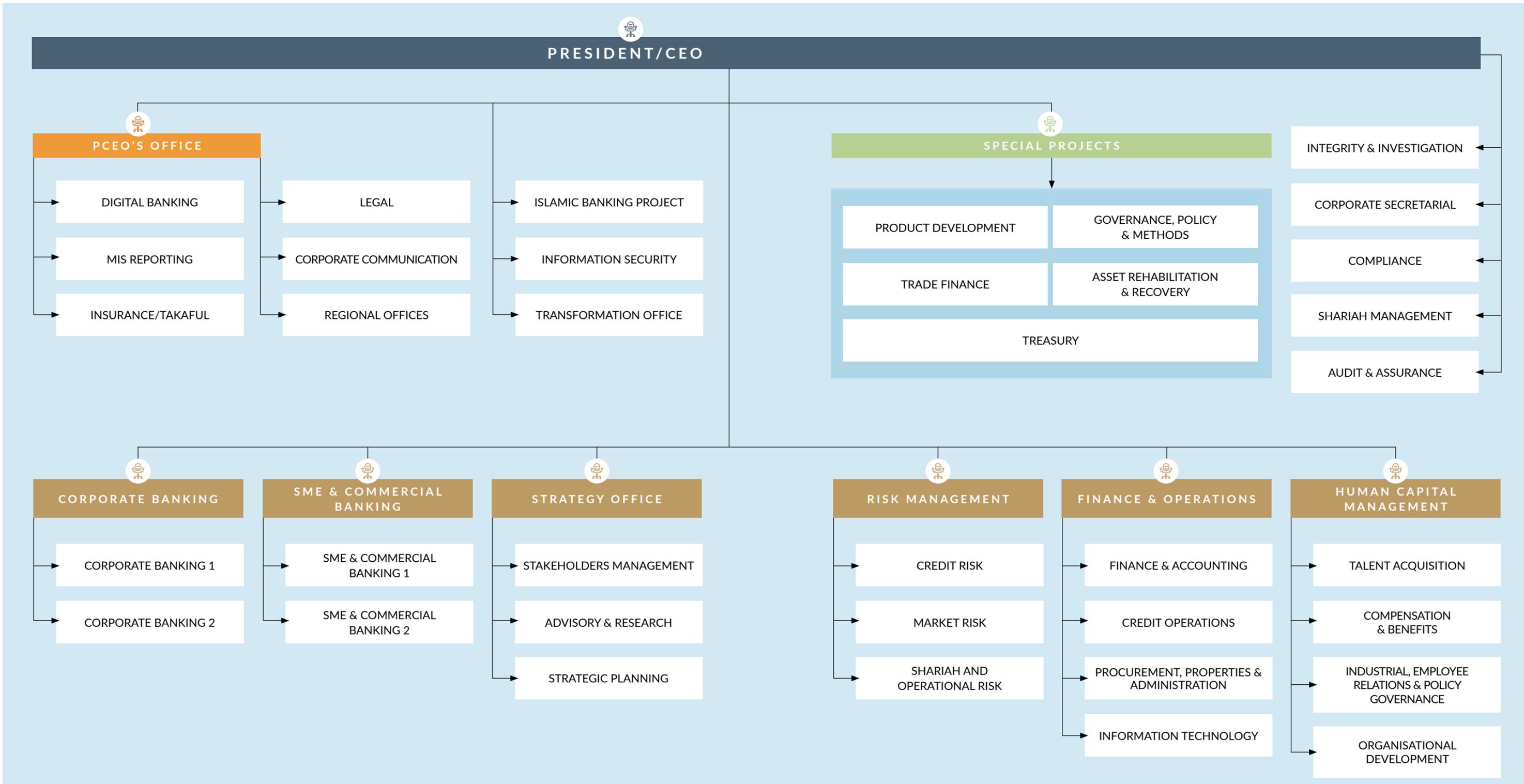
EXIM Bank's total exposure covers **79** countries while its stand-alone credit insurance exposure extends over **49** countries.



AMERICAS	EUROPE	AFRICA	MIDDLE EAST	OCEANIA	ASIA
01. Argentina	01. Belgium	01. Algeria	01. Bahrain	01. Australia	01. Bangladesh
02. Brazil	02. Bosnia-Herzegovina	02. Ghana	02. Iraq	02. Fiji	02. Brunei
03. Canada	03. Bulgaria	03. Kenya	03. Jordan	03. New Zealand	03. Cambodia
04. Chile	04. Czech Republic	04. Madagascar	04. Kuwait	04. Papua New Guinea	04. China
05. Colombia	05. France	05. Mauritius	05. Oman		05. Hong Kong
06. Costa Rica	06. Germany	06. Morocco	06. Qatar		06. India
07. Ecuador	07. Hungary	07. Nigeria	07. Saudi Arabia		07. Indonesia
08. Mexico	08. Ireland	08. Seychelles	08. Turkey		08. Japan
09. Panama	09. Italy	09. South Africa	09. United Arab Emirates		09. Kazakhstan
10. Peru		10. Sudan			10. Korea (South)
11. Guatemala		11. Swaziland			11. Laos
12. Uruguay		12. Tanzania			
13. U.S.A		13. Zambia			
					12. Malaysia
					13. Maldives
					14. Mongolia
					15. Myanmar
					16. Pakistan
					17. Philippines
					18. Singapore
					19. Sri Lanka
					20. Taiwan
					21. Thailand
					22. Vietnam

OUR CORPORATE STRUCTURE

OUR CORPORATE STRUCTURE



MESSAGE FROM THE CHAIRMAN



OVERVIEW

Having helmed the Board since April 2019, I note that the global economic landscape has been increasingly challenging, thus resulting in the Bank facing greater relative exposure to the circumstances presenting themselves in the Financial Year 2019.

The fact remains that EXIM Bank generally operates in emerging economies that are accompanied by higher attendant risks - it is the nature of our business. The year 2019, in particular, was marked by macroeconomic and political uncertainty and our clients had to tackle numerous challenges throughout the year.

The US and China led a prolonged and unpredictable escalation and de-escalation of trade tensions, causing uncertainty all around for investors and businesses. As a result, businesses we support were affected as global supply chains underwent a period of restructuring, worsening an ongoing downturn in global trade. Overall, growth of the global economy and global trade moderated to 2.9% and 1.0%, respectively in 2019 (2018: 3.6% and 3.7%), their lowest rates of expansion since 2009.

As a trading nation, Malaysia was not spared from the effects of these global trends. Its economic growth declined to 4.3% in 2019 (2018: 4.7%). Malaysia's total trade value decreased by 2.5% to RM1.835 trillion compared to 2018 with exports falling by 1.7%. Due to the softer external demand and weaker investment activity, imports were also affected, diminishing by 3.5%.

As 2019 drew to a close, the world was confronted with the onset of the COVID-19 pandemic, which will affect the world economy and the outlook for growth in 2020.

REBUILDING FOR THE FUTURE

The global economy has been impacted by a series of events in the past year. Rather than just contemplating the challenges, we must prime ourselves for recovery. The Bank conscientiously undertakes initiatives that will fortify our foundations and enable us to deliver strong, sustainable growth.

As part of this process, we carried out a major restructuring exercise, which also saw the appointment of a number of senior personnel. I would like to take this opportunity to highlight the appointment of Dato' Nazri Abdul Rahim, who has led the executive team since coming on board as President/CEO in July 2019. Dato' Nazri brings a wealth of experience, especially in the areas of strategic planning, business performance management and regulatory compliance, and I look forward to continue working with him to drive the Bank forward.

Dato' Nazri's appointment was accompanied by several other key appointments in the senior management team as we seek to Revitalise, Stabilise and Grow Responsibly.

The Bank has also enhanced its Performance Measurement Framework that was introduced by Bank Negara Malaysia (BNM) to gauge socio-economic impact. The Framework is designed to capture the broader contributions of DFIs beyond the narrow focus of financing growth indicators. With the enhanced Framework, the Bank is in a pole position to drive performance in a more holistic manner.



IT IS A GREAT HONOUR AND PRIVILEGE TO CONTINUE SERVING AS THE CHAIRMAN OF EXIM BANK, THE ONLY DEVELOPMENT FINANCIAL INSTITUTION (DFI) MANDATED BY THE GOVERNMENT TO SUPPORT CROSS-BORDER BUSINESSES.



MESSAGE FROM THE CHAIRMAN

The above initiatives are significant measures to enhance our culture and corporate sustainability. Concurrently, the Bank is exploring the alignment of its strategies to the United Nations Sustainable Development Goals, as calls by stakeholders for more sustainable and equitable growth become stronger each day.

GOVERNANCE

EXIM Bank seeks to uphold high governance and ethical standards. As part of this commitment, we have implemented, among others, a Vendor Code of Conduct and an Anti-Bribery & Corruption Policy, as well as adopting the Integrity Pact in 2019.

The Integrity Pact is a set of integrity declarations made by the Bank's employees, Tender Committee and suppliers involved in the tender process, declaring that they will refrain from bribery and collusion. The Pact goes hand-in-hand with the Anti-Bribery & Corruption Policy and Vendor Code of Conduct and essentially raises our standard of integrity and ethical practices.

The Bank remains committed to strengthening its governance framework. We do this by ensuring our Board is equipped with diverse members who have both the depth and breadth of relevant skills and experience. In this regard, it is with great pride that I extend a warm welcome to our new Board Directors, Encik Azizan Ahmad and Datuk Bahria Mohd Tamil, who were appointed to the Board in May and October of 2019, respectively. We look forward to your support and vast experience to help guide the Bank in what will be challenging times ahead.

OUR COMMITMENT TO COMMUNITIES AROUND US

EXIM Bank has always believed in creating positive social and environmental impact, something which is deeply embedded in our corporate culture.

We persevere in actively engaging with the various communities around us through a range of corporate social responsibility (CSR) programmes.

Through our initiatives, we seek to extend support to disadvantaged communities and safeguard wildlife and the environment. We are pleased to note that our initiatives have resulted in dual impact -

A positive impact on social and environmental causes and an uplift in the morale of our employees.

In 2019, we organised a special food truck initiative in conjunction with Ramadan. Collaborating with The Star Media Group (SMG), the Bank brought buka puasa meals to the less fortunate during the fasting month.

We also remained committed to our philanthropic initiatives aimed at various organisations championing causes for disadvantaged communities, sponsorship of our treasured rescue elephant, *Elly*, and initiated an electronic waste recycling campaign. As a responsible corporate citizen, the Bank remains committed to supporting and making a significant impact on the communities around us.

LOOKING AHEAD

A global recession appears unavoidable in 2020 with the ongoing COVID-19 pandemic significantly affecting growth in economies worldwide, as movement and business restrictions are enacted to slow down the outbreak.

Like many economies in the world, Malaysia has instituted restrictions on movement, followed by a string of stimulus packages to avoid the economy going into free-fall.

We forecast three contributors to a weaker Malaysian economy in 2020, namely diminishing global demand and the disruption of the electronics supply chain, declining oil and commodity prices and a tourism slump - a sector that contributed inflows of 5.6% of GDP in 2019.

Against this backdrop, a drastic decline in spending is expected within the Movement Control Order (MCO) period. Taking into account that 59% of nominal GDP is attributed to private consumption, we forecast a 2.9% contraction in real GDP in 2020.

The disruption to the economy and businesses will be severe. Prospects for and the speed of recovery are heavily reliant on how quickly and effectively this pandemic can be contained.

For EXIM Bank, we will use this period as an opportunity to refine our strategies and enhance our foundations. With a constantly evolving landscape, we must be ready to support companies as they seek to pivot their business models and recover from the crisis. As a DFI, we have a key role to play in nation-building.

In this regard, we have helped small and medium businesses (SMEs) to apply for the government's various emergency financing facilities, while also discussing how to ease the financial obligations of our clients.

ACKNOWLEDGEMENTS

Without a doubt, the Board, the Shariah Committee, Senior Management and the staff of EXIM Bank have been exemplary in carrying out their duties. I have been impressed with their constant devotion and dedication, which have helped the Bank fulfil its mandate and enabled the country to advance further as a trading nation.

I also take this opportunity to express my gratitude for the strong support given to us by the Ministry of Finance, the Ministry of International Trade and Industry and Bank Negara Malaysia. We take great pride in serving the nation and will unceasingly strive to create more value for all our stakeholders.

Three of our Board Directors, Encik Ismail Mahbob, Tunku Afwidia Tunku Abdul Malek and Datuk Syed Ahmad Helmy Syed Ahmad, have just completed their terms. I am truly grateful for the wisdom and guidance imparted to the Bank's Management during their years of service. I would like to personally thank each and every one of them for their time and dedication in ensuring the Bank has conducted its business professionally and responsibly.

As we move ahead, the only certainty is uncertainty. Given the Bank's strong foundations, we will navigate through this period proactively, steadily and strategically. The economy will recover in due course, and with it, business activities and opportunities will increase. We must therefore make effective use of the time we have now to do all we can to improve and prepare ourselves for that future.

Dato' Dr. Feizal Mustapha
Chairman

MESSAGE FROM THE PRESIDENT/ CHIEF EXECUTIVE OFFICER



THROUGHOUT 2019, EXIM BANK CONSISTENTLY SUPPORTED THE MALAYSIAN GOVERNMENT IN ALL ITS TRADE-RELATED VENTURES TO FACILITATE ECONOMIC GROWTH FOR THE NATION AND ITS BUSINESSES. THE BANK ALSO SPENT THE YEAR PREPARING TO FORGE AHEAD WITH A CLEAN SLATE IN 2020 BY TAKING STOCK OF CURRENT CHALLENGES AND IDENTIFYING WAYS TO OVERCOME THEM.



BUSINESS REVIEW

Despite a challenging year for businesses, EXIM Bank extended support to exporters totalling RM8.59 billion, comprising RM4.85 billion in disbursements and RM3.74 billion for insurance/takaful coverage.

The Bank recorded a respectable operating profit of RM142.5 million (FY2018: RM180.3 million) against an operating revenue of RM381.1 million (FY2018: RM554.5 million). Our Islamic Banking business contributed about 40% of this operating revenue, while our asset base declined to RM9.5 billion from RM11.9 billion in FY2018. The Bank recorded loss before tax and zakat of RM478.25 million for 2019.

IDENTIFYING OUR CHALLENGES

As the only Development Financial Institution (DFI) mandated by the government to support cross-border businesses, our exposure is mainly to companies involved in trade and overseas investments, most of which are in emerging economies that pose higher risks than Malaysia. The nature of our business, together with other external factors, have resulted in difficult, but not impossible, challenges to overcome.

Challenges such as weak asset quality and volatility of oil prices in the oil and gas exploration-related sectors had a significant impact to EXIM Bank's business throughout the Financial Year 2019. Since 2016, the loan book size continue to decline due to large loan repayments and on the reporting side, the introduction of MFRS 9 on new loan classification rules in 2018 has increased the Bank's impairments substantially.

Nevertheless, EXIM Bank is expected to maintain an adequate capital buffer in excess of its internal minimum total capital adequacy ratio of 16% due to its unique mandate and strong



support from the government. We have also noted the need to quickly explore further on ways to leverage digital disruption to improve our business prospects and organisational resilience.

OUR STRATEGIC PROGRESS

In 2020, EXIM Bank is paying close attention to three main strategic pillars under our Corporate Transformation Programme, known as Gear Up 21, to help us turn the tide.

The three pillars are strategic actions that seek to enhance the entire value chain. These actions comprise balance sheet management, the revitalisation of our business model and the transformation of our people, technology and processes.

We recognise that a strong balance sheet will lay a sturdy foundation for future growth. As such, we will strive to diversify our sources of capital funding and optimise and extract value from existing capital.

In revitalising our business model, we will pay particular attention to going back to basics by driving an unrelenting focus on our customer needs. Meanwhile, we will grow quality assets by targeting high-growth and high-yield sectors and countries. We realise that collaboration is also an important factor in driving growth and will be exploring opportunities with peers and potential partners regionally.

In addition to entering into a digital banking consortium, we have also begun collaborative efforts through various partnerships with both local and international financial institutions, technology partners and solutions providers that will enable the Bank to extend its support and promotion of small and medium enterprises (SMEs), as well other corporations, to grow beyond their local markets.

The Bank has also taken steps to embrace digital disruption by signing agreements that are set to offer our financial and insurance products and services through web-based digital platforms meant for total cargo and trade management services.

For our people, we want to drive a culture of high performance, establish clear criteria and standards to encourage the right behaviours and actions to equip them for the digital future. The Bank has engaged a new Executive Committee to drive these changes, underscoring its importance to our transformation efforts.

In the area of technology, the aim is to deploy technology to modernise and build resilience in our operations, and build data analytics capabilities. As part of this, we are assessing our current technology capability and maturity and identifying future trends and opportunities to chart a new IT and Digital Blueprint that will guide our digital transformation in the coming years. We are also increasingly looking for partners and platforms that we can collaborate with and make ecosystem plays.

MESSAGE FROM THE PRESIDENT/ CHIEF EXECUTIVE OFFICER

In totality, the Gear Up 21 Programme is a holistic Bank-wide transformation programme that allows us to better serve our mandate, thereby benefitting our customers and all our stakeholders. The details of the initiatives and our desired outcomes are set out in the Management Discussion and Analysis section.

OUTLOOK AND PROSPECTS

Looking forward to 2020, the business environment will certainly be a challenging one as the world tries to adjust to the widespread implications of the COVID-19 pandemic. Many exporters and importers have faced disruptions to their businesses – from ships being trapped at ports, workers being quarantined and overall travel restrictions. These restrictions have come as a result of various movement controls imposed by governments worldwide to stem the outbreak, and have posed severe financial challenges to businesses, some of whom are our clients. In light of this, EXIM Bank is set to aid clients, whether existing or potential, whose businesses have been affected by exploring rescheduling and restructuring options in their financing, in addition to the Moratorium and Special Relief Facility as announced by Bank Negara Malaysia.

ACKNOWLEDGEMENTS

While we persevere through the challenges ahead, we must not forget those who have tirelessly supported us through thick and thin.

I would like to express our profound and heartfelt gratitude to the Ministry of Finance, Bank Negara Malaysia and the Ministry of International Trade and Industry, together with its agencies, for their unrelenting and valuable support, which has allowed EXIM Bank to grow from strength to strength.

I would also like to take this opportunity to thank the Board members, Shariah Committee and Executive Committee for their dedication and commitment in guiding the Bank to the many successes it has achieved to date, with the unwavering support and contribution of the staff of EXIM Bank.

The Bank remains committed to carrying out its mandate to the best of our abilities to facilitate trade and financial services for the nation and the businesses we serve.

Let us work together as a strong team in the year ahead to achieve all that we have set out to do.

Dato' Nazri Abdul Rahim
President/Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

OUR BUSINESS MODEL & STRATEGY IN 2019

Our Broad Strategy in 2019 was to focus on delivering sustainable business through capital conservation, asset preservation and the optimisation of returns.

This led to the creation of seven focus areas, which looked at operational excellence, cultural change and the upskilling of our talent, among others.

Our strategies for 2019 were intended to improve profitability, reduce impairments, build staff competency, strengthen our Islamic financing business, reinforce our core values and deliver strong support to sectors under our mandated role.

BROAD STRATEGY 2019: SHORT- TO MEDIUM-TERM AMBITIONS



FOCUS	STRATEGIES 2019	LONG-TERM ASPIRATIONS
CAPITAL ADEQUACY AND BALANCE SHEET OPTIMISATION	<ul style="list-style-type: none"> Conserve and build capital – leverage financing growth to ease capital burden initiatives, i.e. govt. guaranteed paper for insurance and off-B/S items Liquidity diversity Sustainable earnings – growing our business profitably 	<ul style="list-style-type: none"> Retain and maintain our capital adequacy and liquidity requirements
ENDURE BUSINESS GROWTH	<ul style="list-style-type: none"> Asset Preservation Leverage financing growth for export Build SMEs, i.e. structured financing Business approach: <ul style="list-style-type: none"> (a) Corporate (b) SME & Commercial (c) Structured Financing 	<ul style="list-style-type: none"> A well-balanced balance sheet Optimise the Bank's balance sheet while executing its developmental role and meeting business needs and requirements
OPERATIONAL EXCELLENCE	<ul style="list-style-type: none"> Business, Processes and People Credit Value Chain and its entirety Competency Assessment & Job Realignment, Training & Competency Building, Cultural Change and Driving Productivity 	<ul style="list-style-type: none"> Build human development capabilities through performance culture, i.e. improve behaviour and mindset, which translates into high levels of integrity and accountability that demonstrate good morals and values
RETAIN AND UPSKILL TALENT	<ul style="list-style-type: none"> Grow with Focus on Islamic Financing and Takaful EXIM's Core Values – Cultural Reinforcement Paradigm Shift via Behavioural Change 	<ul style="list-style-type: none"> Build the basic transformational blocks into an Islamic Financial Institution
AMPLIFY ISLAMIC BUSINESS	<ul style="list-style-type: none"> Performance Measurement Framework (PMF) Mandate-driven (Role-Based vs. Sector-Based) Align EXIM with stakeholders' aspirations (i.e. MITI) Syndicate with MITI's agencies to develop SME entrepreneurs in global markets 	<ul style="list-style-type: none"> As part of our journey, the PMF is designed to capture the broader contributions of DFIs beyond the focus of financial growth, namely in measuring the socio-economic impact of these institutions
CULTURAL CHANGE		
DELIVER MANDATE		

	EXTERNAL TRADE
<p>STRATEGIC POLICY: BANK- AND ROLE-BASED</p> <p>BANK POLICY Addresses financing gap to complement market needs</p>	<p>Malaysian Banks</p> <p>May not be able to extend exposure to certain countries, given limited overseas operations and lack of international experience</p>
	<p>Foreign Banks</p> <p>Support foreign multinationals operating in Malaysia</p>
	<p>EXIM Bank</p> <p>Clientele consists of locally incorporated companies, as well as foreign companies and foreign governments</p> <p>Able to provide financing support through international exposure – EXIM Bank's export credit financing value chain</p>

ROLE-BASED APPROACH	
Invigorate the development of cross-border transactions across all sectors	
Risks and Appetite	Underserved Segments (Traditional vs. Non-traditional)
Prudential Limits (country and sectoral limits)	Contribute higher Trade-in Value Added (TiVA), i.e. TiVA vs. Domestic Value Added

BUSINESS GAME PLAN OVERVIEW				
Invigorate exports	Focus on SMEs	Ideal mix portfolio: Trade vs. Non-trade and SME vs. Non-SME	Selective in high-yield assets for sustainability	Manage liquidity diversity

MANAGEMENT DISCUSSION AND ANALYSIS

OUR PERFORMANCE

As at 31 December 2019, the Bank's total loans outstanding relating to non-trade financing (including both conventional and Islamic banking facilities) amounted to **RM5.18 billion**

Cross-border term financing

EXIM Bank provides overseas projects, contracts and investment financing facilities to Malaysian contractors or investors to undertake projects overseas. These include manufacturing, infrastructure and other developmental projects and financing to Malaysian companies engaging in the supply of Malaysian goods and services and making investments overseas. Buyer credit facilities are also offered by the Bank to provide opportunities to Malaysian exporters and contractors in bidding for overseas jobs and contracts. The financing is also extended directly to foreign governments or foreign buyers to facilitate the import of Malaysian goods and services.

Additionally, the Bank provides export of services facilities to enable Malaysian companies to export their professional services overseas. These are typically in the form of consultancy in areas like information technology, engineering, architecture and design and other technical services.

As at 31 December 2019, the Bank's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to **RM2.17 billion**

Trade finance

The Bank makes available various facilities in support of cross-border trade. 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. This can be performed 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. They also provide 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 that are unavailable in Malaysia, to promote the country's socio-economic development.

Under the Export Credit Refinancing (ECR) scheme, the Bank makes available competitively priced short-term trade finance facilities to direct exporters and indirect exporters. This promotes the export of manufactured products, agricultural products and primary commodities. Financing is categorised under pre-shipment ECR and post-shipment ECR. Pre-shipment ECR is an advance to facilitate the production of goods prior to shipment. This encourages 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. Moreover, the Bank offers financing to Malaysian manufacturers that are involved in or support export-related industries in selected vendor programmes developed by the government or its agencies. This is carried out by financing the working capital needs of such manufacturers for the post delivery of goods or services supplied to their customers.

MANAGEMENT DISCUSSION AND ANALYSIS

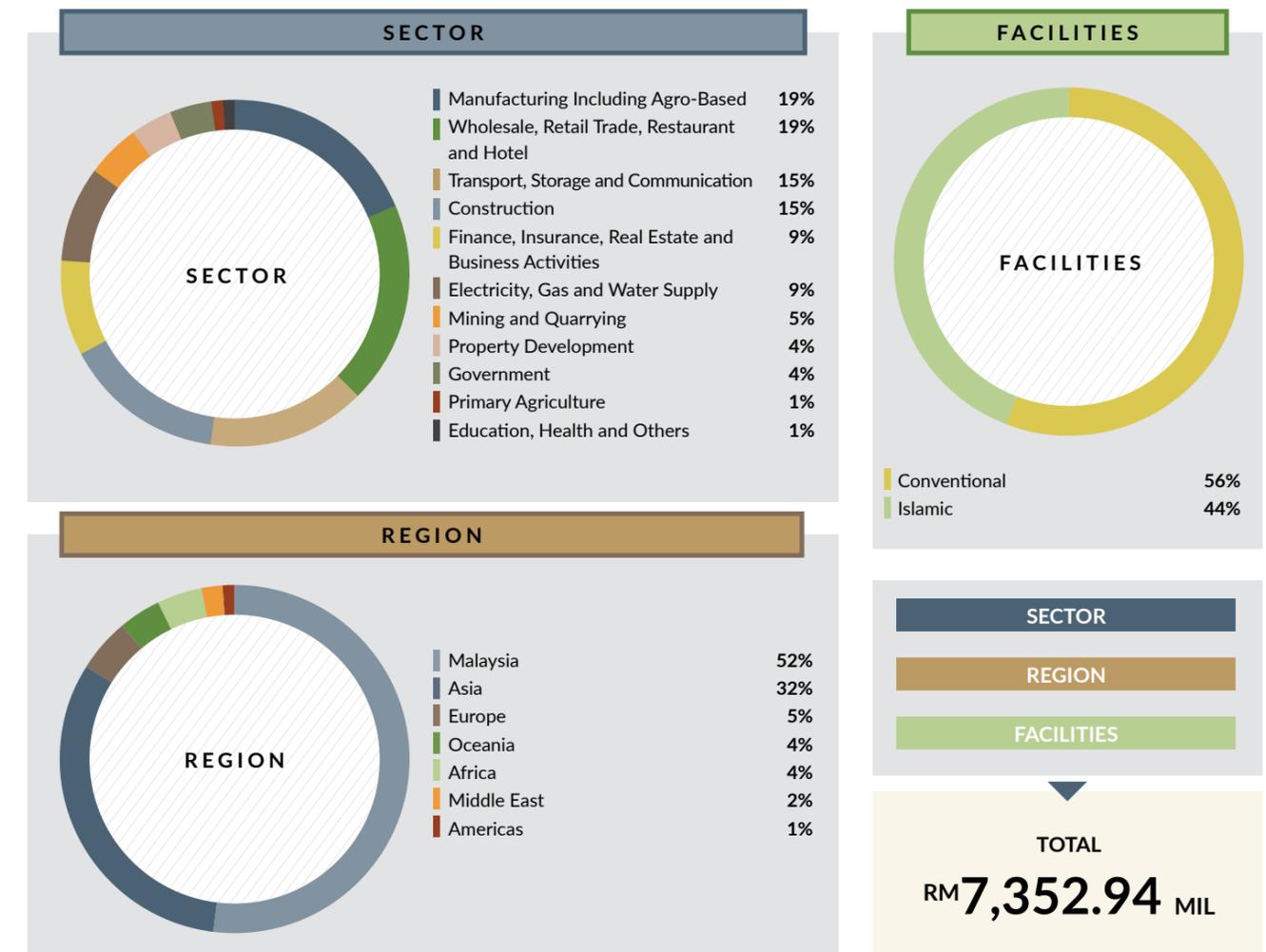
As at 31 December 2019, the Bank's total guarantees outstanding amounted to **RM336.31 million**

Guarantees

Guarantees are made available by the Bank to facilitate the issuance of advance payment bonds, performance bonds and standby letters of credit required by overseas contracts undertaken by Malaysian contractors. Such guarantees may also be offered to Malaysian investors seeking to raise funds overseas.

The Bank facilitates the import of strategic goods, being goods that will enhance the manufacturing capability of Malaysian companies or which are unavailable in Malaysia, through the issuance of letters of credit. In addition, the Bank offers forward foreign exchange facilities that allow customers to hedge against adverse fluctuations in the exchange rate.

2019 Sector and Region: Amount based on Gross Loan Outstanding plus Contingent Liability



MANAGEMENT DISCUSSION AND ANALYSIS

TRADE CREDIT TAKAFUL FACILITIES

The Bank offers Islamic takaful facilities for short-term trade credit insurance and medium- to long-term trade credit.

As at 31 December 2019, the Bank's total exposure under short-term trade credit takaful shipment amounted to

RM739.23

million

Short-term trade credit takaful 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 destinations overseas, without passing through Malaysia. Among the takaful facilities that the Bank provides to cover short-term commercial credit risk are Shariah-compliant bankers trade credit takaful facilities. These facilities protect financial institutions against the risk of non-payment by exporters, arising from default by their customers overseas.

Bank letter of credit takaful policies are also provided by the Bank, 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 2019, the Bank's total exposure under medium- to long-term trade credit takaful facilities amounted to

RM483.27

million

Medium- to long-term trade credit takaful facilities

Medium- to long-term trade credit takaful with 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. These include losses arising from restrictions on the conversion or transfer of local currency, expropriation, wars and civil disturbances and breaches of contract by counterparties.

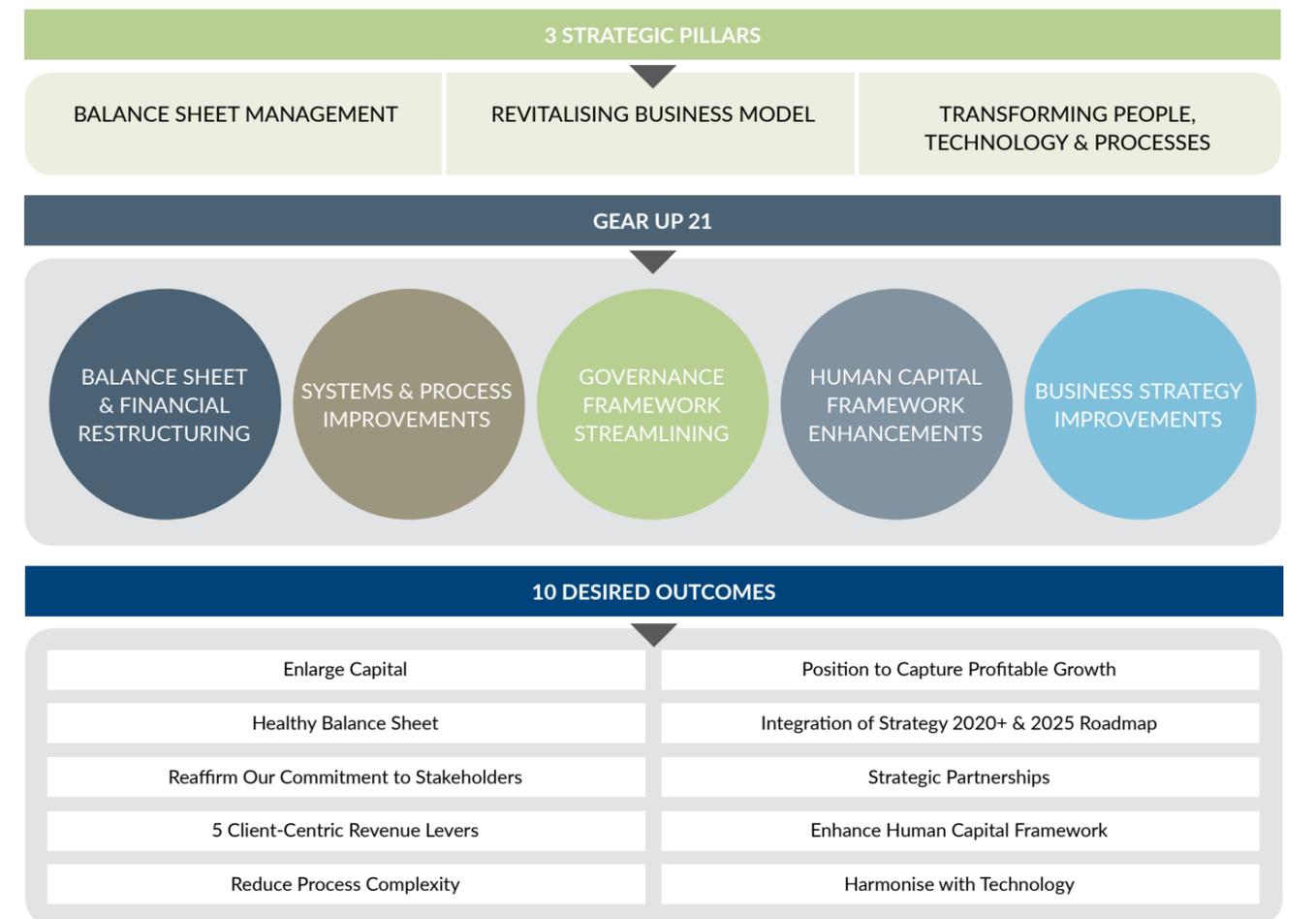
The Bank also offers specific takaful facilities to provide medium- to long-term Shariah-compliant coverage to Malaysian contractors and manufacturers undertaking one-off contracts. These contracts may be for the export of capital goods, turnkey projects or construction works or to render services abroad. The facilities cover commercial, economic and political risks and losses occurring outside Malaysia due to events that are beyond the control of the contractor or manufacturer or their buyer.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR STRATEGIC DIRECTION IN 2020

Building on the Broad Strategy 2019, the Bank has embarked on the Gear Up 21 strategic programme to turn around and transform EXIM that will guide us through 2020. The main strategic pillars include balance sheet management, revitalising the business model and transforming people, technology and processes.

Consisting of multiple projects to achieve 10 desired outcomes, this programme will strengthen our human capital, business strategy, balance sheet and work processes.



The Gear Up 21 Programme is the transformational catalyst for the Bank, as it sets out on the path towards Strategy 2025. Laying these foundations for growth will not only enable the Bank to be more resilient, but also give greater assurance that we will achieve our goal of being the preferred financier and advisor for global businesses.

OUR FUTURE FORWARD: STRATEGY 2025

Strategy 2025 embodies EXIM's long-term ambition to steer the Bank towards greater resilience and business sustainability. Through six strategic pillars, the Bank will amplify our Islamic business, drive sustainable performance and foster highly competent talent. In addition, we will strive for best-in-class business operations and a high-performance culture, while becoming the catalyst for export businesses.

VISION

Preferred financier & advisory for global business

MISSION

Contribute to the growth of Malaysia's economy through trade and investment partnerships worldwide



STREERING TOWARDS GREATER RESILIENCE AND SUSTAINABILITY

EXIM'S STRATEGIC OBJECTIVES	Focus on underserved segments that are mandate-driven	Strengthen strategic collaboration	Portfolio mix (medium/large corp. vs. SME)	100% Islamic product offering	Enhance area of business (advisory)	Targeted marketing - Country and Sectors (med-high yield)	Leverage trade finance, insurance & guarantee (off-B/S) to balance business growth
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STRATEGY 2025: LONG-TERM AMBITIONS

SUSTAINABLE PERFORMANCE	<ul style="list-style-type: none"> - Capital and balance sheet transformation - Funding and liquidity diversity - Sustainable earnings – growing our business profitably
EXPORT BUSINESS ECOSYSTEM CATALYST	<ul style="list-style-type: none"> - Platform for cross-border business - Deliver sustainable business driven by mandate - Business with focus on: <ul style="list-style-type: none"> (a) decent revenue growth (b) asset preservation (c) leverage financing growth for exports
BEST-IN-CLASS BUSINESS OPERATION	<ul style="list-style-type: none"> - Redesign our operating and governance model to achieve higher efficiency, even stronger controls, easier resolvability and reduce complexity – Credit Value Chain in its entirety
HIGHLY COMPETENT TALENT	<ul style="list-style-type: none"> - Develop and retain talent - Business Process and People – Competency Assessment & Job Realignment, Training & Competency Building, Cultural Change and Driving Productivity
AMPLIFY ISLAMIC BUSINESS	<ul style="list-style-type: none"> - Grow with focus on Islamic Financing and Takaful
HIGH-PERFORMING CULTURE	<ul style="list-style-type: none"> - EXIM's Core Values – Culture Reinforcement - Paradigm Shift via Behavioural Change

Aspiration 2025

MITIGATING RISKS

The effective management of risk is crucial to enable strong and sustained growth. Identifying the risks that have the potential to impact the Bank also gives us the chance to identify opportunities that can help advance the Bank and help shape our strategies moving forward.

RISK	CONTEXT	MITIGATION	LINK TO KEY GOALS
TIGHTER REGULATIONS	<p>Regulatory requirements for capital adequacy, leverage, liquidity and funding.</p> <p>The regulatory requirements include:</p> <ul style="list-style-type: none"> - Higher Capital Buffer - Capital Adequacy - New Liquidity Framework - Liquidity Coverage Ratio (LCR) - MFRS 9 	<ul style="list-style-type: none"> - Enhance the Bank's capital management via well-defined risk appetite and Board-approved risk strategies. - Strengthen Asset Liability Management (ALM) to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of assets and liabilities as a whole. - Implementation of MFRS 9 requirements on the classification and measurements of financial assets and liabilities based on business models, impairment methodology and hedge accounting. - Enhance risk management systems, which assist in delivering the Bank's growth plan. 	<ul style="list-style-type: none"> - To further strengthen the Bank's capital in order to remain resilient amid challenging future economic conditions. - The Bank's approach includes minimising undue concentrations of exposure, limiting potential losses from stress events initiatives, focusing particularly on preserving levels of liquidity and capital and effectively managing the risk portfolios. - Manage liquidity risk arising from maturity mismatches, aiming to stabilise short-term profits, long-term earnings and long-term sustainability of the Bank. - The Bank shall remain cautious and selective on financing approvals, with continuous efforts to tighten its credit appraisal systems, credit risk monitoring and effective risk management functions.
HIGHER RISK OF INFERIOR CREDIT PORTFOLIO PURSUANT TO CURRENT ECONOMIC ENVIRONMENT	<p>Global uncertainties, which include the volatile crude oil price, could impact international financial markets, leading to fluctuations in foreign currencies and the weakening of Ringgit.</p> <p>An economic downturn, as well as the pandemic that has affected business operations globally, may directly or indirectly affect the Bank's customers, leading to higher credit risk exposure.</p>	<ul style="list-style-type: none"> - Embark on competitive cost efficiency measures. - Proactively conduct reviews on the portfolios affected by an adverse credit event(s). - The Bank is guided by the statutory and regulatory requirements, Risk Appetite Statement (RAS), Risk Acceptance Criteria (RAC), policies, guidelines and risk controls in managing its business. It conducts regular reviews on the risk policies, processes and controls to ensure their relevance and effectiveness. - Maintain ideal portfolio mix subject to prudential limits and observe high-risk portfolios that could possibly cause imminent threats to the Bank's provisions at all times. 	<ul style="list-style-type: none"> - Remain cautious and selective on financing approvals, with continuous efforts to tighten its credit appraisal systems, credit risk monitoring and effective risk management functions. - Maintain and improve the Bank's portfolio of good-quality assets. - Ensure quality assets with adequate security are approved and monitored throughout the loan/financing tenure. - Monthly reporting on trend and movement of the Bank's assets are deliberated in risk management committees. - Establish trigger events for significant increase in credit risk to identify potential distressed accounts to facilitate timely remedial actions. - Thorough monitoring and management of delinquent and problematic assets.

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

Corporate Social Responsibility (CSR) is second nature to EXIM Bank. As a good corporate citizen, we strive to seek new ways to give back to society by contributing to the underprivileged and positively impacting their lives.

Our initiatives are wide-ranging, from improving the livelihoods of the less fortunate to conserving wildlife and benefitting our own employees. To ensure sustainable and impactful outcomes, we ensure that each programme is strategically planned with proper resources and objectives. The CSR initiatives we carry out are further aligned to the globally important UN SDGs, illustrated by our aspiration and commitment to working towards the goals as described below.

In 2019, the Bank carried out various internal and external programmes that enriched communities and improved its employee engagement. Among the highlights were the inclusion of neglected old folks in our community outreach programmes to further widen our contribution to society. In environmental conservation, we rolled out an in-house awareness campaign on electronic waste (e-waste), besides maintaining our sponsorship of rescued and endangered animals.

As the custodian for all the projects we undertake, the Bank's Corporate Communication Department is proud to present a summary of EXIM Bank's 2019 CSR activities.



IS COMMITTED TO THESE FIVE SUSTAINABLE DEVELOPMENT GOALS



SUSTAINABILITY matters where Corporate Social Responsibility (CSR) is concerned. EXIM Bank vigorously champions worthy causes and in 2020, the Bank perseveres to positively impact our ecosystem and environment through these five United Nations Sustainable Development Goals (UN SDGs).

COME EXIMERS, SHOW YOUR SUPPORT!



Aiding to eradicate poverty, EXIM Bank continues to embark on programmes that benefit the underserved.



EXIM Bank aims to offer access to affordable, reliable, sustainable and modern energy to underserved communities in the country, which will directly impact, empower and improve their livelihoods.



Reduce, Reuse, Recycle - This consideration powers EXIM Bank in its various sustainable consumption initiatives that will make us efficient resource consumers.



Biodiversity losses and the illicit poaching and trafficking of wildlife have prompted the Bank to focus on the protection and care of our wildlife as they are key to our survival too.



Striving to fulfil these SDG goals, EXIM Bank realises we cannot do all of this alone. We seek and forge partnerships and alliances that will enable us to further the causes that are close to our hearts, with the support of our EXIMers.

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

WE ENDEAVOUR TO GIVE BACK TO THE COMMUNITY



In the second week, the food truck was stationed in Kajang at the Pusat Jagaan Al-Fikrah Malaysia (PJAFM) old folks' home, offering packed meals to its residents, as well as passers-by in the vicinity. The food truck continued its rounds during the third week to an orphanage in Selangor and on the final week, it gave out packed meals to two madrasah homes in Meru, Klang.

Caring for the Less Fortunate

EXIM Bank's contributions to society are not confined to the Klang Valley. In 2019, the Bank assisted two welfare homes that care for the less fortunate in Melaka.



Board members and Management shared packed meals for buka puasa with staff

Ramadan Food Truck Project

The holy month of Ramadan is when EXIM Bank goes all out to give back to the community, through donations and distribution of goodies, to bring festive cheer to various groups and ease the burden of the less fortunate.

In previous years, EXIM Bank organised its annual Iftar programme with orphans from different orphanages. In 2019, the Bank maintained its objectives but expanded its reach to include old folks.

Creating greater brand awareness through a collaboration with The Star Media Group, we introduced a one-month special Ramadan programme, known as the "Food Truck Project", as an alternative method of delivering buka puasa meals to the less fortunate communities. Emblazoned with EXIM Bank's logo, this food truck visited four areas, starting with the EXIM Bank building in the first week, distributing packed meals to staff and passers-by.



Pn. Azmin Hamzah presenting the Bank's donation to YTPZ's representatives

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

WE ENDEAVOUR TO GIVE BACK TO THE COMMUNITY



Visit to Pusat Jagaan AI-Fikrah Malaysia

In conjunction with the food truck's visit to PJAFM, the Bank also provided financial aid to the home that was established by Haji Mohd Azmi bin Mohd Zain and his siblings. In addition, EXIM Bank donated a new energy-saving washer/dryer – the most essential item requested by PJAFM – and provided them with new bed sheets, pillowcases, towels and sarong, such as *kain batik* and *kain pelikat*, for their daily use.

Home to 70 neglected old folks, PJAFM's primary source of income is through donations from corporates, non-governmental organisations (NGOs), charitable organisations and personal contributions. Apart from this, PJAFM staff also breed catfish and farm animals to support its expenses and run a small farm to enable residents to interact with nature.



EXIM Bank and The Star Media Group staff handing out buka puasa packed meals



Dato' Dr. Feizal handing out sarong to the residents of PJAFM

Program Desa Harapan

In support of the government's Program Desa Harapan (PDH), EXIM Bank participated in an initiative headed by the Ministry of Rural Development to accelerate the development of rural areas with the assistance of various private and corporate contributors. The focus is on contributing companies working together with the selected communities to develop and provide any facilities required by them. The aim is to improve rural areas' socio-economy and provide inspiration and new hope, besides turning the areas into holistic and productive villages to attract future business opportunities.

Following discussions with the Ministry, EXIM Bank decided to help SK Temonyong and the Kampung Kuala Temonyong Internet Resource Centre in Kedah. For the school, we contributed new computers, printers and scanners. As the school's computers were old and dysfunctional, the students had been deprived of the opportunity to improve their IT knowledge and skills. For the internet centre, we provided new computers, laptops, projectors and other electrical appliances to enhance the facilities in the area for the benefit of the public.

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

WE POSITIVELY IMPACT THE ENVIRONMENT



Electronic waste (e-waste)

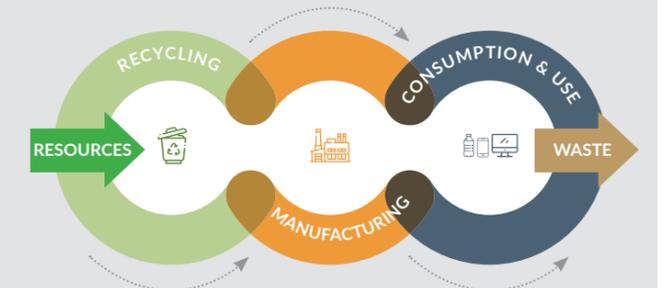
Electronic waste (e-waste) is growing rapidly due to affluent populations in the world and the need to replace electronic devices with the latest technology. It poses health and environmental risks if the waste is not well managed and handled properly.

Based on a published project report on e-waste in Malaysia by the Department of Environment Malaysia, it is projected that the total amount of discarded e-waste will see an average increase of 14% per annum and by the year 2020, a total of 1.17 billion units or 21.38 million tons of e-waste will be generated. Televisions and mobile phones will be among the largest contributors of e-waste in terms of volume.

Thus, EXIM Bank conducted a three-month in-house awareness campaign on e-waste from 1 April to 30 June to inculcate recycling habits among our employees through the collection of unused electronics peripherals, which were then sent for proper disposal. The goal of this initiative was to promote the importance of proper e-waste disposal and to educate staff on recycling, in order to preserve the environment.

The campaign kicked off with scheduled talks by speakers from the Department of Environment and selected non-governmental organisations. A collection box was also placed in the concourse area for staff to drop off their old and unused gadgets. We managed to collect 200kg of e-waste that consisted of mobile phones, digital cameras and other old electrical appliances, which were handed over to an appointed e-waste collector to ensure proper disposal.

The Bank hopes to create a circular economy that eliminates waste by recycling to create a closed-loop system, minimising the use of resource inputs and limiting the subsequent creation of waste, pollution and carbon emissions.



OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

WE POSITIVELY IMPACT THE ENVIRONMENT



Elly walking comfortably with her new prosthetic leg

The Bank is supporting Elly to ensure that she grows up healthy, providing her with the necessary medical treatments and supplements, as well as sponsoring the cost of adjustments to her prosthetic leg due to her rapid growth.

Elephant Rehabilitation Programme

Elly was only a year old when she was found unconscious at Kg. Sokut Toku, Tanah Merah, Jeli, Kelantan. The young elephant had lost her front lower right foot after it was caught in a trap laid by poachers. Elly was then brought to the Elephant Conservation Centre in Sg Deka, Terengganu to receive her initial medical treatment.

Months later, Elly was transferred to the National Elephant Conservation Centre (NECC) in Kuala Gandah, Pahang for rehabilitation. After hearing about her plight, the Bank adopted Elly in 2018 and contributed a custom-made prosthetic leg. To ensure a quicker recovery, we also sponsored a new portable paddock for Elly's daily mobility exercises and a one-year supply of milk, multivitamins and other supplements.

Renewal of Contribution to Zoo Negara for Macaw Birds

Macaw birds are beautiful and brilliant-coloured members of the parrot family that come in a combination of red, blue, gold and yellow. In support of the environment, the Bank renewed its contribution to support a pair of South American Macaw birds at Zoo Negara for the fourth consecutive year. EXIM Bank first sponsored the pair of birds on 21 May 2016. Apart from the birds representing the red and blue colours of our logo, there is an urgent need to play a part in conserving this bird as several of its 17 species are considered to be endangered.

Since the arrival of the birds, they have been trained to perform twice a day and they remain one of the most popular attractions at the zoo. EXIM Bank's name is repeated throughout the bird show and is also displayed on a "Fun Fact" plaque in the main animal show auditorium.



Dato' Dr. Feizal handing over the Bank's contribution to NECC for its ongoing efforts in preserving the "keystone" species



Dato' Dr. Feizal getting to know the gentle giants

OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

SUPPORTING SOCIAL GROWTH



EXIM Bank's sponsorship of Program Sahabat Korporat Tabung Haji Musim Haji 1440H/2019M

Sponsorship of Program Sahabat Korporat Tabung Haji

EXIM Bank has supported this initiative, organised by Tabung Haji (TH), for the past four years by contributing items that have positively impacted and benefitted over 30,000 pilgrims each year. In the past, EXIM Bank has sponsored face towels and the printing of books for the registered pilgrims. In 2019, TH once again requested EXIM Bank's support and contribution for Program Sahabat Korporat TH 1440H. Following a study of the shortlisted items proposed by TH, we contributed 20,000 Umrah lanyards and hostel identification cards for the pilgrims.

Sponsorship of "Malam Wartawan Malaysia 2019"

Since 2013, EXIM Bank has actively supported the Malaysian Press Institute (MPI) through the sponsorship of its annual "Malam Wartawan Malaysia". MPI is a non-governmental organisation established in 1968 by the Malaysian media with the support of the government via the then Ministry of Information, mainly to provide basic training in journalism for all Malaysian media practitioners.

In April 2019, EXIM Bank maintained its previous year's sponsorship of Malam Wartawan Malaysia. The sponsorship has also been our main platform in building rapport and engaging with various media teams, who have provided coverage of the Bank's business-related announcements and other events.



The President/CEO and Chairman seated in the middle with all recipients of EXIM Bank's Long Service Awards 2019

Blood Donation Programme

This annual programme is organised together with the National Blood Centre to encourage staff to donate blood for a good cause. The Bank also invited neighbouring companies, such as SME Bank, DBKL, UniKL and Bank Pembangunan Malaysia, to encourage their employees to participate in the programme.

EXIM Health Day

Together with Takaful Malaysia and MediExpress, the Bank organised the EXIM Health Day on 3 September 2019 for our staff to attend free health screenings and a health talk by Dr. Mazlifah Omar, a consultant rehabilitation physician from Universiti Teknologi MARA. Takaful Malaysia is the Bank's panel insurer, while MediExpress is the third-party administrator for our employee medical benefits programme.

Ministry of International Trade and Industry Inter-Agency Games

EXIM Bank hosted the launch of the Ministry of International Trade and Industry (MITI) Inter-Agency Games on 16 March 2019 by kicking off the Games with two indoor games, carom and darts, at the Bank's office building. Our team emerged fifth overall out of the 11 MITI agencies in the Games, which had 12 events that were organised by various agencies throughout the year. The Games, which saw over 200 participants from these agencies, ended with a golf tournament on 21 September. The objective of the annual sports event is to inculcate sportsmanship among the agencies under MITI, strengthen unity and create awareness on the health benefits of taking up sports.

Long Service Awards Ceremony

Long-serving employees who have persevered to make the Bank better throughout their years of service are acknowledged annually. On 15 November 2019, the Bank held its annual Long Service Awards Ceremony to honour staff who had served the Bank for more than 10 years. Staff who had completed 10, 15, 20, 25, 30 and 35 years of service were treated to a scrumptious hi-tea at Sheraton Imperial Hotel and were given a souvenir as well as a savings certificate (SSP Premium) that can be redeemed in the future.

CORPORATE EVENTS

EXIM Bank actively participates in a range of Corporate Events to build rapport with various stakeholders, including peers in the international fraternity, as we seek to facilitate bilateral trade for the country.

16 March 2019



MITI INTER-AGENCY GAMES 2019

Marking its commitment to the year's sporting event, EXIM Bank hosted the launch of the ministry's "Sukan Antara Agensi MITI 2019" at its office building. The Secretary General of the Ministry of International Trade and Industry (MITI), YBhg. Dato' Lokman Hakim Ali, was present to officiate the event and simultaneously kick off the first two sports at the venue.

EXIM Bank, Kuala Lumpur

9-11 April 2019



THE 15TH KUALA LUMPUR ISLAMIC FINANCE FORUM 2019

Joining an array of financial institutions to support this Islamic Finance forum, EXIM Bank also participated in the event. Themed "Technology Face and Sustainability Voice of Islamic Finance", the three-day forum offered an integrated basis for promoting Islamic financial system dialogue among speakers and delegates to foster the orderly development of an efficient, competitive, sound and innovative Islamic financial system in a rapidly changing global environment.

Royale Chulan Hotel, Kuala Lumpur

CORPORATE EVENTS

19 July 2019



CSR MALAYSIA AWARDS

A repeat victory, the Bank was honoured yet again by CSR Malaysia for the Company of the Year Award - Overall Sustainability Excellence. This was an acknowledgement of the Bank's unrelenting efforts in championing corporate social responsibility programmes.

Sheraton Imperial Hotel, Kuala Lumpur

19 October 2019



MITI DAY 2019

MITI Day 2019 was held in Kota Kinabalu, Sabah for the first time. It was graced by the Chief Minister of Sabah, Datuk Seri Panglima Haji Mohd Shafie Haji Apdal. Many programmes were held during the one-day event, from pocket talks to forums, as well as exhibitions by MITI agencies to promote their role to the public.

Hilton Hotel, Kota Kinabalu, Sabah

CORPORATE EVENTS

CORPORATE EVENTS

5-7 November 2019

2019 Asian EXIM Banks Forum
25th Annual Meeting

2019. 11. 6 08:00-16:00
Halla Hall I & II | Shilla Hotel Jeju, Korea

THE 25TH ANNUAL MEETING OF ASIAN EXIM BANKS FORUM

The 25th Annual Meeting of the Asian EXIM Banks Forum (AEBF) was hosted by Korea EXIM Bank during the year, and was attended by delegations from 11 countries. The forum discussed topics centred on "Facing a New Decade: Revisiting Asian ECA's Role in the Shifting Global Economic Landscape".

Shilla Hotel Jeju, Korea

18 December 2019

Signing Ceremony
Collaboration Agreement Between EXIM BANK and DNeX

18 December 2019, MITI Tower

SIGNING OF AGREEMENT BETWEEN EXIM BANK AND DNeX

In offering its trade finance and insurance products and services online to the trade facilitation and logistics community, the Bank entered into a collaboration agreement with Dagang NeXchange Berhad (DNeX).

Menara MITI, Kuala Lumpur

22 November 2019

GHANA OFFICIAL DELEGATES' VISIT

Delegates from Ghana were welcomed by the Bank to discuss bilateral trade between the two parties.

EXIM Bank, Kuala Lumpur

4 December 2019

APEC 2020 MALAYSIA LAUNCH

Malaysia is hosting APEC for the second time in 2020. Carrying the theme "Shared Prosperity", APEC 2020 was launched by then Prime Minister Tun Dr Mahathir Mohamad at the APEC Garden, Cyberview Resort and Spa in Cyberjaya.

Cyberview Resort and Spa, Cyberjaya

20 December 2019

BILATERAL MEETING BETWEEN EXIM BANK MALAYSIA AND THE REPUBLIC OF UZBEKISTAN

Dato' Dr. Feizal Mustapha sharing a light moment with the Deputy Prime Minister of Uzbekistan, H.E. Mr. Elyor Ganiev, and Dato' Shahrul Nazri Abdul Rahim following a meeting on trade relations.

Mandarin Oriental Hotel, Kuala Lumpur

23 December 2019

COURTESY VISIT FROM THE NEW TAJIKISTAN AMBASSADOR TO MALAYSIA

Dato' Shahrul Nazri Abdul Rahim with the Ambassador Extraordinary and Plenipotentiary of the Republic of Tajikistan, H.E. Mr. Ardasher Qodiri, exchanging mementoes after trade and finance exploratory talks between the Bank and the Ambassador.

EXIM Bank, Kuala Lumpur

BOARD OF DIRECTORS



BOARD OF DIRECTORS

- 01 DATO' DR. FEIZAL MUSTAPHA**
Chairman

Nationality: Malaysian
Gender: Male **Age:** 53
Date of Appointment:
9 April 2019
- 02 DATO' DR. AMIRUDDIN MUHAMED**
Non-Independent Non-Executive Director

Nationality: Malaysian
Gender: Male **Age:** 48
Date of Appointment:
15 January 2019
- 03 DATUK BAHRIA MOHD TAMIL**
Non-Independent Non-Executive Director

Nationality: Malaysian
Gender: Female **Age:** 51
Date of Appointment:
1 October 2019
- 04 HIJAH ARIFAKH OTHMAN**
Independent Non-Executive Director

Nationality: Malaysian
Gender: Female **Age:** 59
Date of Appointment:
3 January 2018
- 05 AZIZAN AHMAD**
Independent Non-Executive Director

Nationality: Malaysian
Gender: Male **Age:** 65
Date of Appointment:
9 May 2019

DIRECTORS' PROFILE

DATO' DR. FEIZAL MUSTAPHA
CHAIRMAN



BOARD COMMITTEE(S)

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

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Honorary Doctorate Degree in Financial Management, WIDAD University College
- Master in Business Administration (Finance), Cardiff Business School, Cardiff University, United Kingdom
- Bachelor of Arts (Economics), University of Stirling, United Kingdom
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Insolvency Practitioners Association of Malaysia (IPAM)
- Chartered Valuer and Appraiser, Institute of Valuers and Appraisers Singapore (IVAS)
- Fellow Member of CPA Australia

PRESENT DIRECTORSHIP(S)

- Director and Senior Advisor of BDO Malaysia
- Executive Chairman, Widad Group Berhad
- Member of the Board, National Film Development Corporation Malaysia (FINAS)
- Member of the Board, UPM Holdings Sdn Bhd
- Member of the Listing Committee of Bursa Malaysia Berhad

PRESENT APPOINTMENT(S)

None

PAST APPOINTMENT(S)

- 2015 - Chairman, BDO Malaysia (until February 2019)
- 2012 - Executive Director, Advisory, BDO Malaysia
- 2011 - Senior General Manager and Head, Market Development Department, Securities Commission Malaysia
- 2007 - General Manager/Senior General Manager and Head, Corporate Finance Group, Securities Commission Malaysia
- 2006 - Group Head, Securities Issues Department, Securities Commission Malaysia
- 2004 - Executive Director, Corporate Finance, KPMG Corporate Advisory Malaysia
- 2000 - Head, Primary Market Regulation Department, Securities Commission Malaysia
- 1993 - Began his career in Securities Issues Department, Securities Commission Malaysia

PAST DIRECTORSHIP(S)

None

DIRECTORS' PROFILE

DATUK BAHRIA MOHD TAMIL
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR



BOARD COMMITTEE(S)

- Board Credit Committee
- Board Risk Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master in International Relations, Waseda University, Japan
- L.L.B. in Business Law (Honours), Coventry University, United Kingdom
- Diploma in Public Administration

PRESENT DIRECTORSHIP(S)

- Perbadanan Kemajuan Ekonomi Negeri Perlis (PKENPs)

PRESENT APPOINTMENT(S)

- Deputy Secretary General (Investment), MITI

PAST APPOINTMENT(S)

- 2017 - Senior Director, Bilateral Economic & Trade Relations Division, MITI
- 2016 - Senior Director, Industry and Trade Support Division, MITI
- 2013 - Director, Entrepreneurship Development Division, MITI
- 2009 - Director, PEMUDAH (Pasukan Petugas Khas Pemudahcara Perniagaan) Sekretariat, MITI
- 2006 - Minister Counsellor, MITI Tokyo, Embassy of Malaysia in Japan
- 2006 - Principal Assistant Director, Strategic Planning Division, MITI
- 2000 - Assistant Director, Trade Support Division, MITI
- 1996 - Assistant Secretary, Bilateral Trade Relations Division, MITI
- 1995 - Assistant Secretary, Government Procurement Division, MOF

PAST DIRECTORSHIP(S)

- Perbadanan Kemajuan Negeri Melaka (PKNM)

DATO' DR. AMIRUDDIN MUHAMED
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR



BOARD COMMITTEE(S)

- Board Credit Committee
- Nomination and Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Doctorate Degree in Accounting and Finance, Durham University, United Kingdom
- Master of Economics (Economics Development), Universiti Kebangsaan Malaysia
- Bachelor of Accounting (Hons), Universiti Kebangsaan Malaysia

PRESENT DIRECTORSHIP(S)

- MRT Corporation Sdn Bhd
- SRC International Sdn Bhd
- Suria Strategic Energy Resources Sdn Bhd (SSER)
- Malaysia Airport Holdings Berhad - Alternate Director
- My Power (Company Limited by Guarantee)
- Transit Acquirer Sdn Bhd

PRESENT APPOINTMENT(S)

- Deputy Under Secretary, Government Investment Companies Division, Ministry of Finance

PAST APPOINTMENT(S)

- 2014 - Chief Executive Officer, Majlis Agama Islam dan Adat Melayu Perak
- 2013 - Strategic Investment Division, Ministry of Finance
- 2008 - Senior Principal Assistant Secretary, Investment, MKD (Inc.) and Privatisation Division, Ministry of Finance
- 2005 - Investment, MKD (Inc.) and Privatisation Division, Ministry of Finance
- 1998 - Assistant Director, Accounting and Management Development, Accountant General Department, Ministry of Finance
- 1996 - Served in Corporate Planning Unit of Business Focus Group Sdn Bhd

PAST DIRECTORSHIP(S)

None

WHO GOVERNS US

DIRECTORS' PROFILE

HIJAH ARIFAKH OTHMAN
INDEPENDENT
NON-EXECUTIVE DIRECTOR



BOARD COMMITTEE(S)

- Board Risk Committee (Chairman)
- Board Credit Committee
- Board Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Science in Mathematics and Computer Science, City University of London, United Kingdom

PRESENT DIRECTORSHIP(S)

- KAF Investment Bank Berhad
- Takaful Ikhlas General Berhad
- Member of the Listing Committee of Bursa Malaysia Berhad

PRESENT APPOINTMENT(S)

None

PAST APPOINTMENT(S)

- 2009 - Managing Director/Chief Executive Officer of Hong Leong Islamic Bank Berhad
- 2006 - Executive Vice President (EVP)/Head of Group Treasury Business in Maybank
- 2000 - Director/Head of Asian Fixed Income in Standard Chartered Bank Malaysia Berhad
- 1998 - Assistant General Manager/Head of Treasury Danamodal, Danamodal Nasional Berhad
- 1989 - Manager/Head of Fixed Income Portfolio Management, Banking and Treasury Department, BNM
- 1984 - Began her career in Bank Negara Malaysia (BNM)

PAST DIRECTORSHIP(S)

- MNRB Holdings Berhad

AZIZAN AHMAD
INDEPENDENT
NON-EXECUTIVE DIRECTOR



BOARD COMMITTEE(S)

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

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Diploma in Agriculture, Universiti Putra Malaysia

PRESENT DIRECTORSHIP(S)

- Bank Islam Malaysia Berhad

PRESENT APPOINTMENT(S)

None

PAST APPOINTMENT(S)

- 2016 - Principal Consultant for School of Credit, Agrobank
- 2016 - Executive Vice President, President/CEO Office, Agrobank
- 2011 - Chief Credit Officer, Agrobank
- 2010 - Chief Commercial Officer, Agrobank
- 2005 - Executive Vice President, Credit Management Division, Bank Muamalat (M) Berhad
- 1998 - General Manager, Human Resource Division, Maybank
- 1996 - General Manager, Credit Control Division, Maybank
- 1995 - Regional Manager, Federal Territory, Maybank
- 1994 - Regional Manager, Johor/Melaka, Maybank
- 1993 - Regional Manager, Sarawak, Maybank
- 1984 - Credit Manager/Senior Credit Manager, Maybank
- 1975 - Began his career with Maybank Group

PAST DIRECTORSHIP(S)

None

Note:

None of the Directors have:

- (i) any family relationship with any Director and/or major shareholder of EXIM.
- (ii) any conflict of interest with EXIM.
- (iii) 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 2019 (*other than traffic offences).

SHARIAH COMMITTEE

01

DR. ZAHARUDDIN ABD RAHMAN
Chairman

Nationality	Age
Malaysian	45

Date of Appointment
2 April 2013 (as member) 13 July 2016 (as Chairman)

02

ASSOC. PROF. DR. ZULKIFLI HASAN
Committee Member

Nationality	Age
Malaysian	43

Date of Appointment
7 December 2012

03

TN. HJ. ZAINAL ABIDIN MOHD TAHIR
Committee Member

Nationality	Age
Malaysian	65

Date of Appointment
2 November 2017



04

PROF. DR. RUSNI HASSAN
Committee Member

Nationality	Age
Malaysian	53

Date of Appointment
2 January 2018

05

DR. SAFINAR SALLEH
Committee Member

Nationality	Age
Malaysian	44

Date of Appointment
1 January 2019

06

TN. HJ. ABD. RASID ABD. KADIR
Committee Member

Nationality	Age
Malaysian	69

Date of Appointment
2 April 2019

SHARIAH COMMITTEE PROFILE

DR. ZAHARUDDIN ABD RAHMAN
CHAIRMAN



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Doctorate Degree in Shariah and Islamic Finance from the University of Wales, United Kingdom, specialising in Islamic Derivatives and Maqasid al-Shariah
- Master in Islamic Law (Hons) from Al-Yarmouk University, Jordan
- Bachelor of Arts (Hons) in Usuluddin from Universiti of Malaya
- Research Fellow of International Shariah Research Academy (ISRA)
- Shariah Scholar, Bursa Marketplace Malaysia
- Registered Shariah Advisor, Securities Commission Malaysia

PRESENT APPOINTMENT(S)

- Adjunct Professor at Faculty of Business and Accountancy of UNISEL
- Shariah Committee Chairman, BNP Paribas Malaysia Berhad & PUNB, Onexox Malaysia
- Shariah Committee, EPF Malaysia and Sedania Salam Capital Malaysia
- Zakat Consultant, Celcom Axiata Berhad, Malaysia
- Founding Managing Director of Elzar Group of Companies, Malaysia
- Director, University Sultan Zainal Abidin (UNISZA), Malaysia
- Trustee, Yayasan Pembangunan Ekonomi Islam Malaysia (YAPIEM)
- Member of State Consultative Committee (Syura), Penang, Malaysia
- Member, Perlis Fatwa Council, Malaysia

PAST APPOINTMENT(S)

- Assistant Professor at the Kulliyah of Economics & Management Sciences, International Islamic University Malaysia
- Shariah Expert & Consultant of Bank Negara Malaysia
- Senior Shariah Manager & Product Development, RHB Islamic Bank Ltd, Malaysia
- Head of Shariah Compliance, Asian Finance Bank Ltd, Malaysia
- Senior Consultant & Advisor for OSK Investment Bank, Deutsche Bank, Al-Rajhi Bank Malaysia, Standard Chartered Saadiq Bank, ACR ReTakaful Bahrain, BIMB Securities Sdn Bhd, CIMB Islamic Bank

ASSOC. PROF. DR. ZULKIFLI HASAN
COMMITTEE MEMBER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Doctorate Degree in Islamic Finance from Durham University, United Kingdom
- Master of Comparative Laws from International Islamic University Malaysia
- LLB (Bachelor of Laws) and LL.B.S (Bachelor of Shariah) from International Islamic University Malaysia
- Academic advisor of Dar al Hikmah College, Selangor

PRESENT APPOINTMENT(S)

- Deputy Rector (Student Development and Community Engagement), International Islamic University Malaysia
- Shariah panel member for the Institute of Fatwa Management and Research, USIM
- Shariah Committee of Zurich Takaful (Malaysia) Berhad, Affin Islamic Bank Berhad, Koperasi Belia Islam, Lembaga Pertubuhan Peladang, ISRA and JAKIM
- Editor for the Malaysian Journal of Shariah and Law, the International Journal of Business and Finance Research, Shariah Law Reports, Journal of Antitrust Enforcement and Corporate Governance: An International Review
- Associate Editor for the Journal of Islamic Accounting and Business Research
- Legislation editor for the Malaysian Journal of Shari'ah and Law
- Committee on Shariah and Legal Education, and Syarie Lawyers, JAKIM
- Member of AUKU Technical Committee, and University Arbitration Subcommittee of Inns of Court Malaysia
- Board member of Majlis Agama Islam, Negeri Sembilan, and Board director of the Malaysian-American Commission on Educational Exchange (MACEE)
- Chairman of Muslim Youth Movement of Malaysia, Negeri Sembilan

PAST APPOINTMENT(S)

- Dean of Faculty of Shariah and Law, USIM
- In-house legal counsel for Bank Muamalat Malaysia Berhad
- Member of Rules and Regulations Working Committee for Association of Islamic Banking Institutions Malaysia (AIBIM)
- Member of corporate governance working committee for Awqaf South Africa

TN. HJ. ZAINAL ABIDIN MOHD TAHIR
COMMITTEE MEMBER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master in Islamic Banking & Finance from International Islamic University Malaysia
- Bachelor of Economics (Hons) in Analytical Economics from Universiti of Malaya
- Diploma (post-graduate) in Islamic Finance from Kolej Dar al Hikmah, Malaysia
- Associate Member of the Asian Institute of Chartered Bankers

PRESENT APPOINTMENT(S)

- Accredited trainer with Islamic Banking & Finance Institute of Malaysia (IBFIM)

PAST APPOINTMENT(S)

- Teaching Fellow cum Deputy Dean of School of Professional Studies, INCEIF
- Vice President/Head of Entrepreneur Department with Bank Muamalat Malaysia Berhad
- Vice President/Head of Credit Risk Department with Bank Muamalat Malaysia Berhad
- Member of Bank Muamalat's Shariah Committee

PROF. DR. RUSNI HASSAN
COMMITTEE MEMBER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

PRESENT APPOINTMENT(S)

- Professor at the IIUM Institute of Islamic Banking and Finance
- Shariah Committee Member, Association of Islamic Banking Institutions Malaysia (AIBIM)
- Shariah Committee Member, Housing Development Finance Corporation and Housing Development Corporation, Maldives
- Secretary, Association of Shariah Advisors in Islamic Finance Malaysia (ASAS) and the Assistant Secretary, International Council of Islamic Finance Educators (ICIFE)

PAST APPOINTMENT(S)

- Member of the Shariah Advisory Council, Bank Negara Berhad

DR. SAFINAR SALLEH
COMMITTEE MEMBER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Doctorate Degree in Islamic Studies, Glasgow Caledonian University, United Kingdom
- Master in Shariah, Universiti of Malaya
- Bachelor of Shariah, Al-Azhar University, Cairo

PRESENT APPOINTMENT(S)

- Lecturer at the Department of Islamic Law, Ahmad Ibrahim Kulliyah of Law, International Islamic University Malaysia
- Member, Shariah Committee of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
- Member, Shariah Committee of Swiss Reinsurance Company Ltd. (Swiss Re-Takaful)

PAST APPOINTMENT(S)

- None

TN. HJ. ABD. RASID ABD. KADIR
COMMITTEE MEMBER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master in Business Administration (MBA), National University of Malaysia
- Bachelor of Arts (Hons) in Economics, National University of Malaysia
- Diploma in Education and Islamic Studies, National University of Malaysia
- Practising Member of the Chartered Institute of Islamic Finance Professionals (CIIF) Malaysia under Chartered Professionals Islamic Finance (CPIF) (a new name for the Association of Chartered Islamic Finance Professionals (ACIFP))
- Islamic Financial Planner (IFP) with the Institute of Islamic Banking and Finance Malaysia (IBFIM)
- Accredited Trainer in Islamic Banking and Finance by IBFIM

PRESENT APPOINTMENT(S)

- Advisor, Shariah Audit for PUNB under Aftass Syariah Advisory Sdn Bhd

PAST APPOINTMENT(S)

- Teaching Fellow at INCEIF for the Chartered Islamic Finance Professional (CIFP) and Masters Islamic Finance Practice (MIFP) programmes
- Member of the Shariah Committee of EXIM Bank (2008 until 2014)

SHARIAH COMMITTEE PROFILE

EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE

01 DATO' NAZRI ABDUL RAHIM
 President/
 Chief Executive Officer
Nationality: Malaysian
Gender: Male **Age:** 46
Date of Appointment:
 1 July 2019

02 CHIN CHON YOUNG
 Chief of Staff
Nationality: Malaysian
Gender: Male **Age:** 55
Date of Appointment:
 1 October 2019

03 ZUHEER MOHAMMED MAJID
 Chief Operating Officer
Nationality: Malaysian
Gender: Male **Age:** 57
Date of Appointment:
 14 October 2019

04 HUSSIEN MULLAR
 Chief Risk Officer
Nationality: Malaysian
Gender: Male **Age:** 50
Date of Appointment:
 1 September 1995

05 MARAZIZI OMAR
 Chief Business Officer
 (SME & Commercial Banking)
Nationality: Malaysian
Gender: Male **Age:** 52
Date of Appointment:
 2 January 2018

06 TAJUDDIN SHAHRUDDIN
 Chief Strategy Officer
Nationality: Malaysian
Gender: Male **Age:** 47
Date of Appointment:
 28 September 2009

07 SAFIDAH TAHIR
 Chief People Officer
Nationality: Malaysian
Gender: Female **Age:** 45
Date of Appointment:
 3 February 2020

08 THANGAMANI RAJAGOPAL
 Chief Internal Audit
**Permanent Invitee*
Nationality: Malaysian
Gender: Male **Age:** 60
Date of Appointment:
 2 January 2020

09 KAMARUDIN SAMSUDIN
 Chief Compliance Officer
**Permanent Invitee*
Nationality: Malaysian
Gender: Male **Age:** 50
Date of Appointment:
 15 May 2018

10 ZULHAIDI AHMAD
 Chief Information Security Officer
**Permanent Invitee*
Nationality: Malaysian
Gender: Male **Age:** 48
Date of Appointment:
 1 November 2019



LENGTH OF SERVICE >>>

BELOW 2 YEARS

60% MORE THAN 2 YEARS 40%

ETHNICITY >>>

INDIAN 1 CHINESE 1 MALAY 8

EXECUTIVE COMMITTEE PROFILE

DATO' NAZRI ABDUL RAHIM
PRESIDENT/CHIEF EXECUTIVE OFFICER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Law (LLB) (Hons) from Anglia University, United Kingdom

RESPONSIBILITIES & EXPERIENCE

A seasoned banker, Dato' Nazri Abdul Rahim helms EXIM Bank as its President/Chief Executive Officer since July 2019 whose primary responsibilities include making major corporate decisions, managing the overall operations and resources of the Bank, acting as the main point of communication between the Board of Directors and corporate operations and being the public face of EXIM Bank. He also provides strategic direction for the Bank and promotes a sustainable culture of high performance, innovation and accountability.

Prior to his appointment in EXIM Bank, Dato' Nazri was the Senior Managing Director of CIMB Group. As part of the senior leadership team in CIMB, he played an integral role in overseeing the Group Corporate Development and International Business. Preceding this, he served as the Chief Strategy Officer in Maybank Kim Eng, where he was instrumental in the strategic acquisition of Kim Eng Holdings in 2010 and subsequently drove the group's post-merger integration, transformation management and regional expansion programme across 10 countries.

His other earlier appointments include senior positions in Kenanga Holdings Berhad and Tune Money Sdn Bhd, and was a founding member of iPerintis Sdn. Bhd.

EXECUTIVE COMMITTEE PROFILE

CHIN CHON YOUNG
CHIEF OF STAFF



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor in Commerce from Victoria University of Wellington, New Zealand

RESPONSIBILITIES & EXPERIENCE

Chin Chon Young, an experienced banker of more than 20 years, is directly accountable and responsible to the Bank for a variety of matters including the Bank-wide Transformation Agenda, the Digital Banking Programme, Legal and Corporate Communication to name a few. In addition, he plays a significant role in serving as a strategic advisor and counsel to the President/CEO and the rest of the Management Team of the Bank and creates and maintains cross-departmental relationships to enable leadership success. Besides providing support to other leaders where required and relevant, Chin also helps to create and sustain a culture of high performance, innovation and enablement, underpinned by and expressing the values and philosophy of the Bank. He also has a fiduciary duty to the Board of the Bank.

Chin's previous work repertoire before joining EXIM Bank include being the Group Head of Trade Product in CIMB after serving a six-year stint as Country Head of Global Transaction Services with the Royal Bank of Scotland Berhad. Among his other notable positions, Chin has also served Standard Chartered Bank Berhad as its Director of Strategy & Planning.

ZUHEER MOHAMMED MAJID
CHIEF OPERATING OFFICER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Diploma in Accountancy from Universiti Teknologi MARA, Malaysia

RESPONSIBILITIES & EXPERIENCE

As the Chief Operating Officer, Zuheer is directly accountable and responsible to the Bank for a variety of matters including formulating, redesigning, where required, and implementing business strategies, plans and operations for effective delivery of services to support the Bank's Mandate. He plays a critical role in providing advice and support to the Management Team on all aspects of the Bank's finance, technology, administration & operations, including process improvement initiatives while adhering to approved governance, risk and regulatory frameworks. He also has a fiduciary duty to the Board.

An experienced banker of more than 33 years of working knowledge in the entire gamut of Cash and Trade Operations, Zuheer was Citibank Malaysia Berhad's Client Operations Head managing their Treasury & Trade Services Operations. He extended his tenure there which began in 2000 with Citigroup Transaction Services (Malaysia) Sdn Bhd (CTSM), where his last position was Senior Vice President and a member of CTSM's senior management team. He also held various operations mid-management positions in Hong Leong Bank, ABN AMRO Bank Berhad and United Malayan Banking Corporation Berhad.

HUSSIEN MULLAR
CHIEF RISK OFFICER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor's Degree in Economics from the University of Malaya, Malaysia
- Institute of Enterprise Risk Practitioners Professional Certificate in Enterprise Risk Management (ERM)

RESPONSIBILITIES & EXPERIENCE

With a fiduciary duty to the Board of the Bank, Hussien is accountable and responsible for all risk management related matters, as 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 an overall risk management process, Hussien also reviews and prepares risk reports to the Board and Management Risk Committees respectively as well as provide recommendations for appropriate risk mitigation to ensure material decision makers are updated and are able to act accordingly.

A long-serving personnel of the Bank, Hussien has widen his work repertoire in various capacities within the Bank. He began his career in 1995 in the then Malaysia Export Credit Insurance Berhad (MECIB), which later merged with EXIM Bank in 2005.

EXECUTIVE COMMITTEE PROFILE

MARAZIZI OMAR
CHIEF BUSINESS OFFICER
(SME & COMMERCIAL BANKING)



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Master in Business Administration (MBA), University of South Australia
- Bachelor of Business Administration, Midwestern State University, Texas, USA

RESPONSIBILITIES & EXPERIENCE

Marazizi is directly accountable and responsible to the Bank for a variety of matters, including formulating, redesigning and implementing business and marketing strategies and operations for effective delivery of services to support the Bank's SME and Commercial Banking Mandate. Playing a critical role in providing advice and support to the Management Team on all aspects of the Bank's delivery of services in this area, he is also accountable for revenue generation, as well as constant financial margin enhancement for solutions, products and services offered to the Bank's customer base. With a crucial role to position the Bank as a Preferred Financial & Advisory for Global Business, Marazizi is accountable for the growth of the business as per the agreed targets. He provides leadership and guidance to the leaders of the business line and encourages process improvement initiatives, via enhanced relationship nurturing and building initiatives with customers and the market at large, whilst adhering to approved governance and risk frameworks.

Preceding his service with EXIM Bank, Marazizi has worn various hats in both the corporate and banking sector. He was the Chief Executive Officer at Pembangunan Leasing Corporation Sdn Bhd, and before that the Chief Operating Officer and Director at SME Factors Sdn Bhd. His banking sector exposure includes various positions in banks such as CIMB and Southern Bank Berhad.

TAJUDDIN SHAHRUDDIN
CHIEF STRATEGY OFFICER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Accounting, Universiti Teknologi MARA, Malaysia
- Malaysian Institute of Accountants, Certified Chartered Accountant

RESPONSIBILITIES & EXPERIENCE

As the Chief Strategy Officer, Tajuddin oversees a variety of matters including strategy formulating, business plan crafting, market and trend analysis at global, regional, and local levels, bank-wide roadmap development, crafting of corporate scorecards and interlinked business line scorecards and metrics to support the Bank's overarching Mandate. He also plays a vital role in providing advice and critical support to the Management Team on all aspects of the Bank's formulation and delivery of the strategies, plans, budgets and implementation details, where relevant. While he formulates the reporting and monitoring of the Bank's performance levels at the business and operating end, he also provides constructive and critical recommendations to all relevant parties on intervention plans and actions to ensure the achievement of the agreed business objectives. All this is done within the prescribed governance and risk frameworks.

Vocation-wise, Tajuddin started his career with Petroliaam Nasional Berhad (Petronas) and Petronas Carigali prior to joining EXIM Bank. His formative years begin with Perbadanan Usahawan Nasional Berhad (PUNB), JB Securities Sdn Bhd (member of KLSE) and Bank Islam Berhad.

SAFIDAH TAHIR
CHIEF PEOPLE OFFICER



ACADEMIC/PROFESSIONAL QUALIFICATION(S)

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

RESPONSIBILITIES & EXPERIENCE

As the Chief People Officer, Safidah has a fiduciary duty to the Board of the Bank in relation to human capital management. She is accountable and responsible for the human capital strategy formulation, strategic plan crafting and its successful implementation across the organisation to support the Bank's overarching mandate. As business partner, she also plays a crucial role in providing advice and critical support to the Management Team in all aspects of the Bank's human capital requirements and delivery of strategies, plans, budgets and the implementation. This includes, amongst other initiatives, area of talent management and development, succession planning, compensation and benefits and the operationalising of a high-performance work environment. Besides formulating, reporting and monitoring the Bank's human capital demands and operations within the prescribed governance and risk frameworks, she is entrusted to creating and sustaining a culture of high performance, innovation and enablement, underpinned by and expressing the values and philosophy of the Bank.

Prior to EXIM Bank, Safidah who carries with her 20 years of human resources experiences was attached to Sapura Energy Berhad as its Human Resources General Manager. She had held various human resource related roles across multiple industries, including KPMG Consulting (M) Sdn Bhd, Bank Muamalat Malaysia Bhd, Radicare Sdn Bhd and Ranhill Engineers & Constructors Sdn Bhd.

THANGAMANI RAJAGOPAL
CHIEF INTERNAL AUDIT



*Permanent Invitee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor of Economics (Hons), University of Malaya, Malaysia
- Certified Internal Auditor, the Institute of Internal Auditors

RESPONSIBILITIES & EXPERIENCE

Thangamani acts as the Chief Internal Audit with a fiduciary duty to the Board of the Bank. He is directly accountable and responsible for all audit and assurance related matters, where he is required to set up and effectively execute audit control strategies, frameworks and governance processes and operations across the Bank. He also provides advice and support to the Board Audit Committee (BAC) and Management on good corporate governance and risk management practices, as well as effectively recommend improvements on the Bank's governance, risk management, and control processes. Steering changes and strategising the adaptation of the annual risk-based audit plan to ensure effective implementation, Thangamani also drives and directs the internal audit activity effectively to ensure it adds value to the Bank through its deliverables. Besides his audit duties, Thangamani also leads, coaches and guides staff in both of the management skills and technical expertise related to internal audit to enhance capabilities and deliver up to expectations. He sets and assures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved audit plan.

A highly experienced auditor and banker for the last 33 years, Thangamani has been with the widely known merged entity of CIMB Bank, since 1985. His last held position at CIMB was its Managing Director of Group Internal Audit. In addition, during his tenure with the CIMB Group, he was also appointed the Chairman for the Board of Controllers (Audit Committee) for CIMB Vietnam.

KAMARUDIN SAMUDIN
CHIEF COMPLIANCE OFFICER



*Permanent Invitee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Masters in Business Administration (Finance), Universiti Putra Malaysia
- Bachelor of Science in Accounting, Purdue University, USA
- Certified Credit Professional (CCP), IBBM
- Certified Risk Professional, USA
- Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer, ABS
- Associate Qualification in Islamic Finance, IBFIM

RESPONSIBILITIES & EXPERIENCE

Playing a fiduciary duty to the Board of the bank, Kamarudin oversees all governance related matters of the Bank. He is responsible for the setting up and effective execution of control frameworks and compliance risk management programmes across the Bank, by leading and driving the identification and management of compliance risk at the institution-wide level to ensure adherence to the relevant statutory and regulations. He also develops plans and strategy for the timely communication and escalation of compliance issues, findings, analyses and risks to the Management and Boards. By keeping abreast of the developments in legal and regulatory requirements to manage compliance risk, Kamarudin also establishes development and training plans to ensure adequate training is provided to bank staff on relevant legal and regulatory requirements governing the Bank's activities. He is responsible for the Bank's compliance with the Regulatory system, relevant BNM regulatory requirements, and standards as applicable to the Bank, while also maintaining ongoing relationship with the regulators relevant to the Bank. In addition to the timely communication and escalation of compliance issues to the Management and the Board, he oversees and drives the overall surveillance and monitoring activities through ongoing compliance testing/reviews in the Bank to ensure the effectiveness of compliance practices.

Kamarudin's past experiences include serving as the Chief Internal Auditor at Malaysia Building Society Berhad (MBSB) for 8 years, and an earlier 13-year service with the RHB Banking Group in various capacities.

EXECUTIVE COMMITTEE PROFILE

ZULHAIDI AHMAD
CHIEF INFORMATION SECURITY OFFICER



*Permanent Invitee

ACADEMIC/PROFESSIONAL QUALIFICATION(S)

- Bachelor in Business Administration, Rhode Island University, USA
- NCC Diploma in Computer Studies, MARA EDP School Kuala Lumpur

RESPONSIBILITIES & EXPERIENCE

Zulhaidi is charged with driving the IT Security strategy and its successful implementation across the Bank to protect the organisation from all security and cyber threats. This includes the operational compliance to all local and global standards and regulations that will be required to support the Bank's overarching digital transformation journey and Mandate. He also formulates, budgets for implements and monitors rigorous cyber security plans across the Bank. As he plays a critical role in providing advice and critical support to the Management Team on all aspects of the Bank's Information Security strategies, and rolls out plans, he also ensures business continuity by working closely with all business leaders with the Bank.

Prior to EXIM Bank, Zulhaidi was a Program/Project Manager with Petronas ICT Sdn Bhd, as well as a Senior IT Operations Manager in iPERINTIS Sdn Bhd (now known as Petronas ICT). Other companies Zulhaidi has worked with include Malaysia International Shipping Corporation (MISC) and Affin Finance Bhd, as a system administrator and system engineer respectively.

CORPORATE GOVERNANCE DISCLOSURE REPORT

The Board of Directors (Board) of Export-Import Bank of Malaysia Berhad (EXIM Bank or the Bank) is cognisant of the principles and best practices of corporate governance as set out in Bank Negara Malaysia's (BNM) Corporate Governance Policy Document (BNM/RH/PD 035-5). The Board is committed to upholding good corporate governance and endeavours to vigilantly advocate the highest standards of transparency, accountability, responsibility and integrity.

This commitment enables the Bank to achieve an optimal governance framework and maximise shareholder value, as well as lay a solid foundation for EXIM Bank to carry out its policy role and realise sustainable, long-term growth.

BOARD OF DIRECTORS

Board Composition and Balance

Article 94(1) of the Constitution of EXIM Bank provides that there should not be less than two and not more than 12 members of the Board. The Board currently has five (5) members, with three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors [nominees of the Ministry of Finance (MOF) and Ministry of International Trade and Industry (MITI) respectively]. The Directors are from diverse backgrounds with expertise and skills in banking, finance, business, accounting, industry and international trade. The present composition of the Board is in compliance with BNM/RH/PD 035-5 as more than half of its members are Independent Directors.

EXIM Bank's Directors are persons of high calibre and integrity and they possess the appropriate skills, knowledge, experience

and competencies to address key risks and major issues relating to the Bank's policies and strategies. The Directors more than adequately fulfil the fit and proper criteria as specified in the Financial Services Act 2013 (FSA) and BNM's Fit and Proper Criteria (BNM/RH/PD 035-4).

A brief profile of each member of the Board is presented on pages 36 to 38 of this Annual Report.

Board Charter

Recognising that robust and well thought out corporate governance practices are essential to safeguard the interests of EXIM Bank, the Board is guided by a Board Charter in respect of the Board's role, powers, duties and functions.

The Board Charter not only reflects current best practices and applicable rules and regulations, but also outlines the processes and procedures to ensure the Board's and Board Committees' effectiveness and efficiency.

The Board has also delegated specific authority to several Board Committees. Notwithstanding this delegation of authority, the Board remains responsible for its fiduciary duties.

The Board Charter comprises, among others, the following areas:

Roles of the Board	Board Composition and Board Balance	Board Appointments, Reappointments and Re-election	Conflict of Interest	Training Requirements	Balance of Power and Authority between the Chairman and the P/CEO	Supply of Information
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CORPORATE GOVERNANCE DISCLOSURE REPORT

Roles and Responsibilities of the Board

The roles and responsibilities of the Board and that of the Management are clearly demarcated in the Board Charter. The respective principles, roles and responsibilities of the Chairman and the President/Chief Executive Officer (P/CEO) are segregated. Nevertheless, their respective functions remain mutually co-dependent, enabling efficient and effective execution of their duties and responsibilities.

The Board's principal focus is the overall strategic direction, development and control of EXIM Bank in an effective and responsible manner. The role of Management, on the other hand, is to run the business operations and general activities and administration of financial matters of EXIM Bank in accordance with established delegated authority from the Board.

The following core responsibilities serve as guiding principles for the Board in discharging its duties:

The Board is charged with leading and managing EXIM Bank in an effective and responsible manner. 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 EXIM Bank are managed. The Board sets EXIM Bank's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.

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 understand its overall responsibilities to stakeholders. The Board will not be involved in the day-to-day operations of the institutions, but will provide an effective check and balance mechanism in the overall management of EXIM Bank.

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' interests is performed through rigorous and diligent oversight of EXIM Bank's affairs. This establishes, among others, the corporate values, vision and strategy that will direct the activities of the Bank, and the types of material financial activities the Bank intends to pursue.

The Board has a fiduciary responsibility to act in the best interest of EXIM Bank and to protect it from inappropriate actions or influences of dominant or controlling shareholders that are detrimental or not in the best interest of the Bank and its other shareholders and stakeholders.

The Board understands that the responsibility for good corporate governance rests with it and therefore strives to follow the principles and best practices stated in the Malaysian Code on Corporate Governance (MCCG).

The roles and responsibilities of the Board shall be governed by the Development Financial Institutions Act 2002 (DFIA), Companies Act 2016, BNM's Corporate Governance policy document (BNM/RH/PD 035-5) and the Constitution of the Bank, including any guidelines as may be issued by the relevant authorities from time to time.

Segregation of the positions of the Chairman and the P/CEO

EXIM Bank's leadership model adopts a clear division of responsibilities between the Chairman and the P/CEO, which ensures an appropriate balance of power, increased accountability and enhanced independence in decision-making. The positions of Chairman and P/CEO are held by different individuals with distinct and separate roles to enhance governance and transparency so that no individual or group dominates Board proceedings.

CORPORATE GOVERNANCE DISCLOSURE REPORT

Board Appointment Process

The Nomination and Remuneration Committee (NRC) is responsible for screening and proposing to the Board qualified candidates to serve as Directors and members of the Board Committees based on the candidates' skills, core competencies, experience, integrity and time to effectively discharge his or her role. The screening process is in accordance with the BNM Guidelines and guided by the criteria outlined in EXIM Bank's Policy on Fit and Proper Criteria and Policy on the Appointment/Reappointment of Chairman, Directors and P/CEO.

Detailed assessments are conducted on candidates with the relevant skill sets, expertise and experience to fill the gaps and the NRC recommends the appointments for the Board's approval prior to the submission to BNM for verification.

The following aspects are considered by the Board in making the selection, with the assistance of the NRC:

PROBITY AND REPUTATION	COMPETENCY	FINANCIAL INTEGRITY
The person must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness.	The person must have the necessary skills, experience, ability and commitment to carry out the role.	The person must manage his or her debts or financial affairs prudently.

EXIM Bank also conducts annual assessments on the suitability of the Directors to consistently exercise their strategic leadership roles subsequent to the appointment process, in accordance with EXIM Bank's Policy on Fit and Proper Criteria and BNM's Corporate Governance policy document (BNM/RH/PD 035-5). The fit and proper assessment involves self-declarations by the Directors to ensure the suitability of the Directors to continue to serve as Directors of EXIM Bank.

Board Meetings and Supply of Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration. During the financial year ended 31 December 2019, the Board met 17 times.

The Board has full and timely access to information with Board papers distributed in advance of meetings to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed prior to the meetings. The Board papers include the minutes of previous Board meeting, minutes of meetings of Board Committees and reports relevant to the issues of the meetings covering the areas of finance, information technology, operations, current review of the operations of the Bank and annual management plans.

Whenever necessary, Management or external advisors are also invited to attend the Board and Board Committee meetings to explain matters within their competencies and provide clarity on agenda items being discussed. This enables the Board and/or Board Committees to arrive at a considered and informed decision.

All issues raised, discussions, deliberations, decisions and conclusions, including dissenting views made at Board meetings, with clear actions to be taken by responsible parties, are recorded in the meetings.

The Directors have a duty to declare immediately to the Board should they have an interest in any transaction to be entered into, either directly or indirectly, by the Bank. An interested Director, or a Director deemed as a "connected party", is required to abstain from the deliberations and decisions of the Board on the transaction and he or she does not exercise any influence over the Board in respect of the transaction.

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary, who is responsible for ensuring that the procedures for Board meetings are followed and that all applicable rules and regulations are complied with.

Directors, collectively or individually, may seek independent professional advice in furtherance of their duties, in the event such services are required. EXIM Bank also provides the Board full access to necessary materials and relevant information, including the services of the Company Secretary, in order for the Board to fulfil its duties and specific responsibilities.

CORPORATE GOVERNANCE DISCLOSURE REPORT

Details of attendance of each Director at the Board and respective Board Committee meetings during the financial year ended 31 December 2019 are as follows:

Name of Director	Number of Board Meetings		Number of BCC Meetings		Number of BRC Meetings		Number of NRC Meetings		Number of BAC Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Directors										
Dato' Dr. Feizal Mustapha ¹	11	11	8	7	-	-	-	-	3	3
Hijah Arifakh Othman	17	16	24	23	12	12	-	-	9	9
Dato' Dr. Amiruddin Muhamed ²	16	13	23	22	-	-	15	15	-	-
Azizan Ahmad ³	10	10	13	13	5	5	5	5	4	4
Datuk Bahria Mohd Tamil ⁴	3	2	5	4	-	-	-	-	-	-
Directors who have ceased to hold office/ resigned since the last report										
Ismail Mahbob ⁵	11	11	16	16	7	7	12	12	-	-
Tunku Afwida Tunku A. Malek ⁶	11	11	16	15	7	7	-	-	6	6
Datuk Syed Ahmad Helmy bin Syed Ahmad ⁷	11	10	10	10	-	-	12	12	6	6
Dato' Dzulkifli Mahmud ⁸	17	17	24	23	12	12	17	16	-	-
Mohammad Fadzlan Dato' Abdul Samad ⁹	17	17	24	24	12	12	17	17	3	3

Notes:

- ¹ Appointed as the Chairman of the Board with effect from 9 April 2019 as well as member of the BCC and BAC with effect from 16 August 2019.
- ² Appointed as a member of the Board as well as member of the BCC and NRC with effect from 15 January 2019.
- ³ Appointed as a member of the Board and member of the BCC and BAC with effect from 9 May 2019, as well as member of the BRC and NRC and as the Chairman of the BAC with effect from 16 August 2019.
- ⁴ Appointed as a member of the Board as well as member of the BCC with effect from 1 October 2019.
- ⁵ Term ended with effect from 9 August 2019.
- ⁶ Term ended with effect from 14 August 2019.
- ⁷ Excluded from the BCC with effect from 30 April 2019 and term ended with effect from 23 August 2019.
- ⁸ Term ended with effect from 8 March 2020.
- ⁹ Term ended with effect from 28 April 2020.

CORPORATE GOVERNANCE DISCLOSURE REPORT

Training and Development of Directors

EXIM Bank places importance on the ongoing development of its Directors and encourages Directors to participate in courses or activities as this will serve to enhance their knowledge and performance as members of the Board and Board Committees. EXIM Bank regularly keeps Directors informed of relevant training courses for their consideration.

Newly appointed Directors are required to complete the Financial Institutions Directors' Education (FIDE) core programme developed by BNM and PIDM, in collaboration with the International Centre for Leadership in Finance (ICLIF), as well as the Basic Course or Onboarding Programme organised by the Malaysian Directors Academy (MINDA). In addition, the Directors are also required to attend an induction programme coordinated by the Management of the Bank in order to facilitate new Directors with the necessary information and overview to assist them in understanding the operations of the Bank. This will foster an appreciation of the challenges and issues the Bank faces in achieving its objectives. The programme covers a diverse range of subject matter, including, among others, EXIM Bank business and strategy, work processes, Board Committees and the duties and responsibilities of Directors of financial institutions.

The Company Secretary facilitates the Directors' attendance at external seminars and programmes and keeps a complete record of the training received by the Directors. A comprehensive list of training programmes, covering topics relevant to the Directors and training assessments, is sent to all Directors at the beginning of the financial year to assess the training needs and identify key areas of focus for training programmes.

In furtherance of the quest for ongoing learning and acquisition of relevant skills and knowledge in order to enhance their business expertise and professionalism, the following are conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2019:

	Training Focus			
	Corporate Governance	Economics/Finance	Audit, Compliance and Risk	Fintech/Digital/IT
List of Conferences/Seminars and Training Programmes	<ul style="list-style-type: none"> - Corporate Governance for Development Financial Institutions - Making Wise Decisions - Accelerated Workshop Series: Be the Change - Introduction to Corporate Directorship - Mandatory Accreditation Programme - FIDE Core Programme - 3rd Distinguished Board Leadership Series: "Artificial Intelligence and Its Role in FIs" by Ms Clara Durodié - MKD Directors Talk Series #2: The Board of Directors of the 21st Century: When Disruption Meets Tradition - International Directors Summit 2019 - Leadership in a Disruptive World: The Changing Role of Boards - ADFIM PowerTalk: Dialogue Session With Tan Sri Datuk Seri Rafidah Aziz 	<ul style="list-style-type: none"> - Chartered Institute of Islamic Finance Professionals - Chartered & Fellowship Masterclass (CFM) - Reading the Signs: The next financial crisis and its potential impact on Asia - Islamic Finance for Board Programme - Early Warning Signals in Banks - MFRS 9 Financial Instruments - MFRS 15 Financial Instruments - MFRS 16 Financial Instruments - MFRS 17 Financial Instruments 	<ul style="list-style-type: none"> - Let's Get Real on Anti-Bribery - Anti-Bribery Management System (ABMS) ISO:37001 - Risk Appetite, Tolerance & Board Oversight - Strategic ERM: A Primer for Directors 	<ul style="list-style-type: none"> - Understanding Fintech and Its Implications for Banks - BNM-FIDE FORUM Dialogue on Key Aspects of Fintech and Regulation - 4th Distinguished Board Leadership Series: Digital to The Core - Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions

Board Performance Evaluation

The individual performance assessment and performance evaluation of the Board of EXIM Bank are implemented based on MOF's and BNM's Guidelines to ensure the appointed Directors contribute to the effectiveness of the role of the Board. This is undertaken upon the completion of every financial year and will also be used as the basis for the extension of tenure of the Director concerned.

The performance evaluation comprises Director Peer Evaluation and Board Self Evaluation. 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 cohesion of the Board despite its diversity.

The findings are 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.

Directors' Remuneration

EXIM Bank acknowledges the importance of attracting and retaining qualified Directors of high calibre, having the necessary skills, qualifications and experience for the effective functioning of the Board.

Non-Executive Director (NED)

The NEDs' remuneration package is generally commensurate with the expertise, skills, responsibilities and risks undertaken by the NEDs concerned. NEDs are entitled to monthly fees, meeting allowances and reimbursement of expenses incurred in the course of their duties as Directors. Remuneration of NEDs is decided by the shareholders following recommendation made by EXIM Bank.

Executive Director (ED)

The component parts of the ED's remuneration are structured so as to link rewards to corporate and individual performance. The make-up of the ED's remuneration consists of basic salary, performance bonus, benefits-in-kind and Employees Provident Fund (EPF) contribution. The ED is not entitled to fees nor entitled to receive any meeting allowances for the Board and Board Committee meetings attended. The performance of the ED is measured based on the achievements, which are determined based on the individual Key Performance Indicators in a scorecard aligned with the corporate objectives and approved by the Board.

CORPORATE GOVERNANCE DISCLOSURE REPORT

The following table outlines the remuneration for monthly fees and meeting allowances for EXIM Bank's NEDs:

	Directors' Fees* (per month) (RM)	Meeting Allowance* (per meeting) (RM)
Board		
Chairman	12,000.00	4,000.00
NED	4,000.00	2,400.00
		* maximum once a month
Board Credit Committee		
Chairman	-	4,000.00
Members	-	2,400.00
		* maximum twice a month
Board Risk Committee and Board Audit Committee		
Chairman	-	4,000.00
Members	-	2,400.00
		* maximum once a month
Nomination and Remuneration Committee		
Chairman	-	3,200.00
Members	-	2,000.00
		* maximum once a month

Note: The remuneration was revised downwards by the MOF with effect from 14 June 2019.

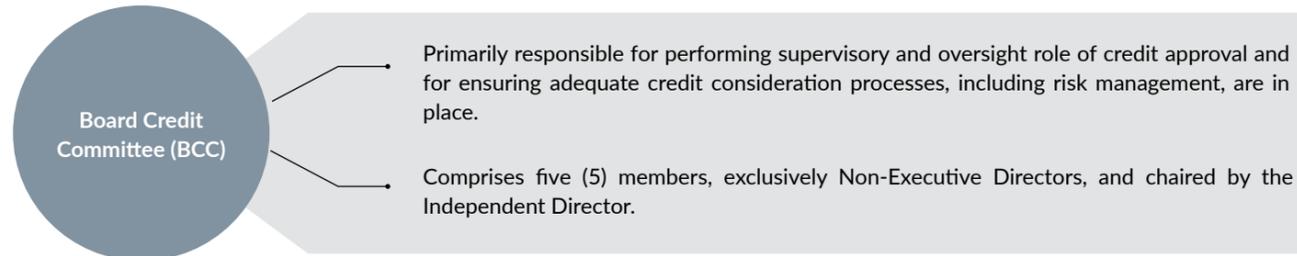
A summary of the total remuneration of the Directors, distinguishing between the ED and NEDs, in aggregate with categorisation into appropriate components for the financial year ended 31 December 2019 is set out on page 154 of this Annual Report.

BOARD COMMITTEES

The Board has delegated several of its governance responsibilities to its Board Committees, which operate within clearly defined terms of reference, 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 operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board. The Chairmen of the respective Board Committees report to the Board on matters dealt with at their respective Committee Meetings.

The Board Committees are as follows:			
Board Credit Committee	Board Audit Committee	Board Risk Committee	Nomination and Remuneration Committee

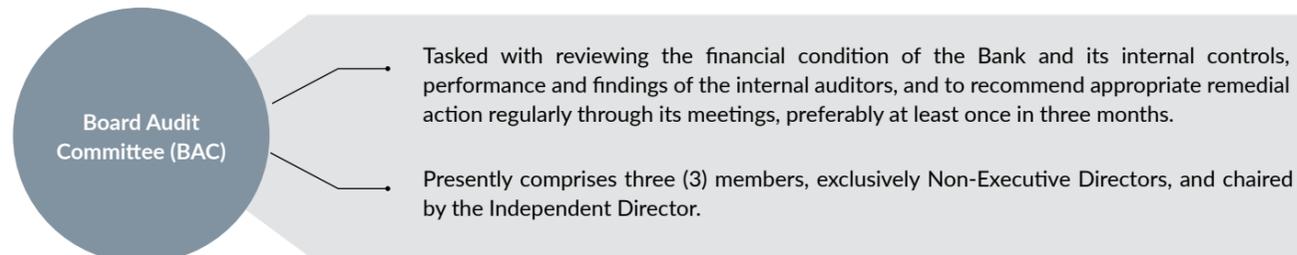
CORPORATE GOVERNANCE DISCLOSURE REPORT



The BCC shall have the following specific responsibilities:

- Veto power to challenge and reject credit and modify the terms of credit that have been approved by the full-time executive committee should the majority of the BCC be of the opinion that the loan/financing would expose the Bank to undue or excessive risk.
- To approve policy loans/financing and loans/financing that are required by the statute to be approved by the Board, provided that the initial filter of approval is conducted by the full-time executive committee.
- Has full authority to seek/obtain any information it requires from any employee of the Bank and to commission any investigations, reports or surveys which it deems necessary.

During the financial year ended 31 December 2019, the BCC met 24 times. Members of BCC and details of the meetings attended by members are stated on page 51 of this Annual Report.



The responsibilities of the BAC are as follows:

External Audit

- Reviewing with the external auditors the scope of their audit plan, the system of internal accounting controls, the audit reports, the assistance and cooperation given by the Management and its staff to the auditors and any findings and actions to be taken. The BAC should also select external auditors for appointment by the Board each year and review their remuneration, the scope and quality of their work and their discharge or resignation.
- Ensuring coordination where more than one audit firm is involved.
- Monitoring and assessing the effectiveness of the external audit, including meeting with the external auditors, without the presence of Senior Management, at least annually.
- Maintaining regular, timely, open and honest communication with the external auditors, requiring the external auditors to report to the BAC on significant matters, mainly on:
 - (i) Appropriateness of the accounting and financial reporting principles used by the Bank.
 - (ii) Unbiased opinion on the business conduct of the Management and staff.
 - (iii) New implementation or enforcement of regulatory requirements.
- Ensuring that Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.

CORPORATE GOVERNANCE DISCLOSURE REPORT

Internal Audit

- Overseeing the functions of the internal audit department and ensuring compliance with BNM/RH/GL013-4 (Guidelines on Internal Audit Function of Licensed Institutions), UPW/GP1 (Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)), BNM/RH/GL-012-3 (Shariah Governance Framework for Islamic Financial Institutions) and the requirements of the relevant laws and regulations of other supervisory authorities.
- Reviewing internal controls, including the scope of the internal audit programme and the internal audit findings, and recommending action to be taken by Management. The reports of internal auditors and the BAC should not be subject to the clearance of the P/CEO or executive directors.
- Approving the Audit Charter before being endorsed by the Board, so that the internal audit function may be effectively discharged.
- Approving the audit plan for the internal audit and should be flexible to respond to changing priorities and needs.
- Ensuring that adequate and appropriate resources are made available to the internal audit function and the compensation scheme of internal auditors is consistent with the objectives and demands of the internal audit function.
- Ensuring the consistent professional development of internal audit staff and ensure that they have sufficient up-to-date knowledge of auditing and the activities of the Bank.
- Noting significant disagreements between the Chief Internal Auditor and the Management team, in order to identify any impact the disagreements may have on the audit process or findings.

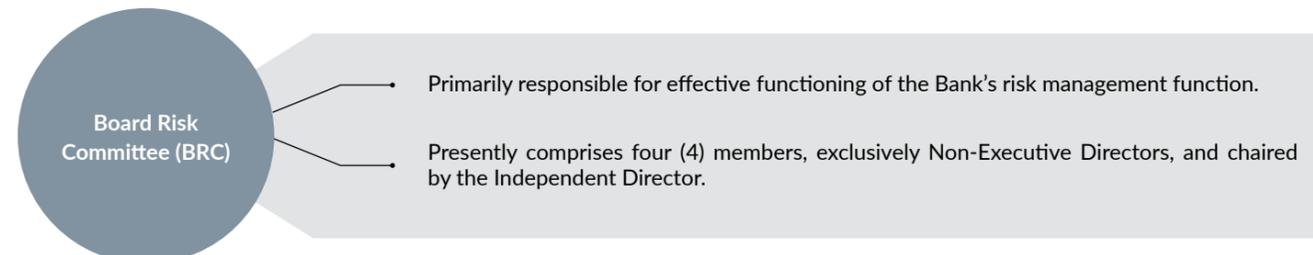
Financial Reporting

- Ensuring that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
- Reviewing the balance sheet and profit and loss account for submission to the full Board and ensure the prompt publication of annual accounts.

Related Party Transactions

- Reviewing any related party transactions that may arise within EXIM group.

The BAC held nine meetings during the financial year 31 December 2019. Members of the BAC and details of meetings attended by members are stated on page 51 of this Annual Report.



The BRC shall have the following specific responsibilities on:

Strategy and Policy

- Reviewing and recommending risk management philosophy and strategy to the Board for approval.
- Reviewing and approving the risk management policies, controls and systems of the Bank in line with the Board-approved risk management philosophy and strategy.
- Reviewing and proposing the setting of the risk appetite/tolerance of the Bank at enterprise and strategic business unit levels to the Board.
- Approving new products/services that are fundamentally different from the Bank's existing products/services, based on advice from the Management Risk Committee (now known as the Management Audit, Risk and Compliance Committee (MARCC)) and Risk Management Division. In case approval is granted, to notify the Board of the same in accordance with local regulatory requirements.
- Maintaining constant 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.

CORPORATE GOVERNANCE DISCLOSURE REPORT

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.
- Ensuring that there are clear and independent reporting lines and responsibilities for the overall business activities and risk management functions and recommending risk management-derived organisational alignments where necessary to the Board.
- Cultivating a proactive risk management culture within the Bank so that risk management processes are applied in the day-to-day business and activities.
- Appropriating an independent review of the Bank's risk management infrastructure, capabilities, environment and processes where necessary.

Measurement

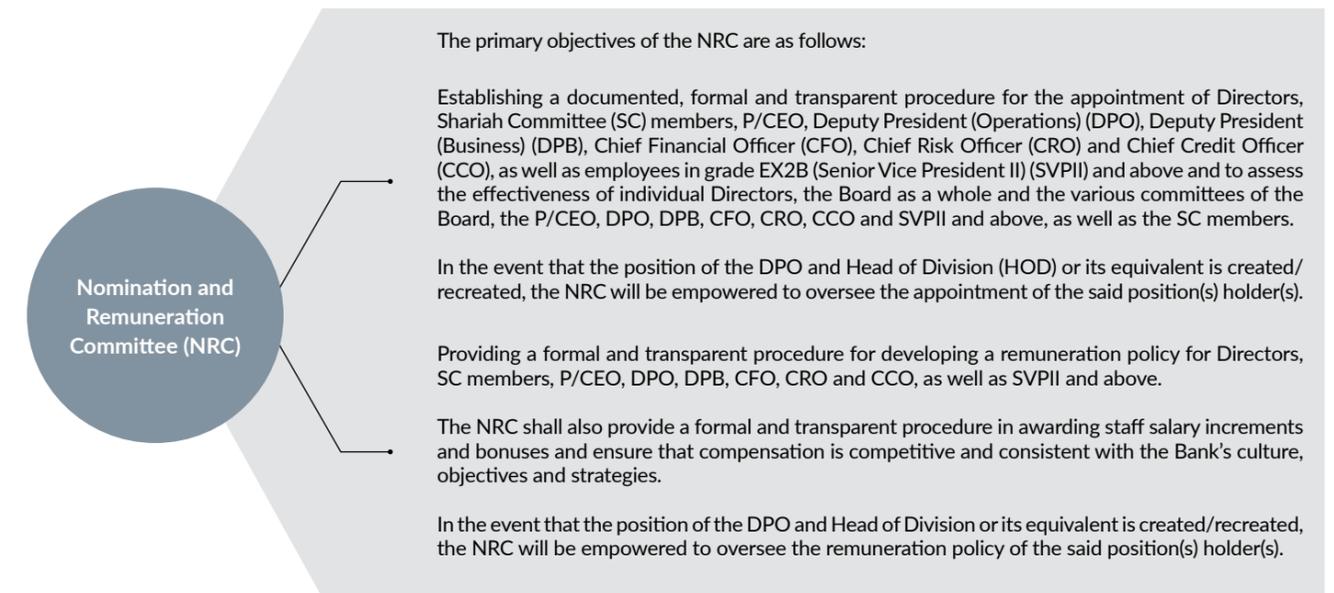
- Approving risk methodologies for measuring and managing risks arising from the Bank's business and operational activities.
- Ensuring the appropriateness of the risk measurement methodologies (including assumptions made within the methodologies) under the prevailing business environment.
- Engaging external and independent reviewers for the validation of risk measurement methodologies and outputs.
- Reviewing and recommending broad-based risk limits to the Board for approval and ensuring the risk limits are appropriate for the Bank's business activities.
- Approving detailed risk limits based on broad-based risk limits as approved by the Board and ensuring the risks limits are appropriate for the Bank's business activities.

Processes and Technology Enabler

- Ensuring sufficient internal controls to detect any deficiencies in the internal control environment in a timely manner; reviewing the independence and robustness of risk management processes and internal controls throughout the Bank; and approving the Bank's key risk control and mitigation processes.
- Periodically reviewing risk exposures of the Bank in line with its risk strategy and objectives.
- Determining the extent of deviations from limits and empowering the MARCC or members of Management with the authority to approve deviations from limits.
- Approving contingency plans for dealing with various extreme internal/external events or disasters.
- Ensuring the adequacy of tools, systems and resources for the successful management of risk management functions within the Bank.
- Reviewing the progress of all core risk management initiatives within the Bank.

The BRC met 12 times during the financial year ended 31 December 2019. Members of the BRC and details of meetings attended by members are stated on page 51 of this Annual Report.

CORPORATE GOVERNANCE DISCLOSURE REPORT



The NRC comprises three (3) members, exclusively Non-Executive Directors, and is chaired by the Independent Director.

The functions and responsibilities of the NRC are as follows:

Nomination functions:

Establishing minimum requirements for the Board and the P/CEO to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors, and the mix of skills and other core competencies required, through annual reviews.

Recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the P/CEO and the SC members. This includes assessing Directors, the P/CEO and the SC members proposed for reappointment, before an application for verification is submitted to BNM.

Establishing a mechanism for a formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Board's various committees;

Making recommendations to the Board on the removal of a Director or P/CEO or SC member if he/she is ineffective, errant or negligent in discharging his/her responsibilities;

Ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

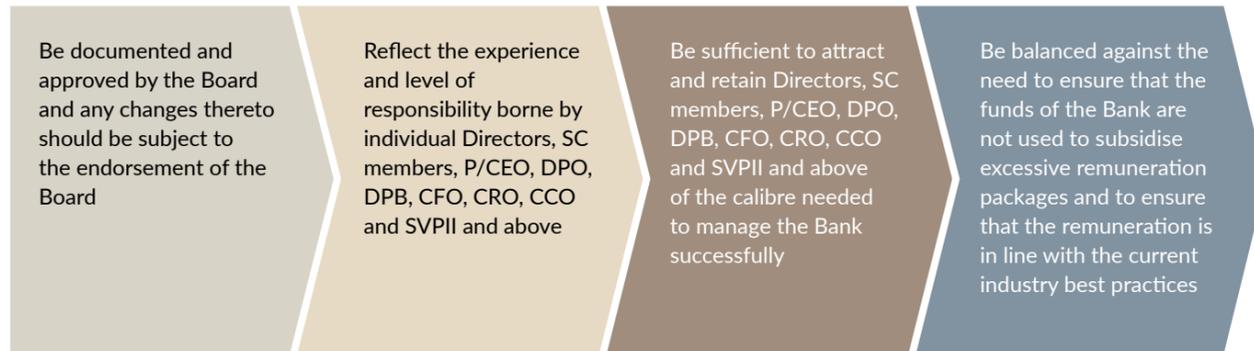
Overseeing the appointment, management succession planning and performance evaluation of the P/CEO, DPO, DPB, CFO, CRO and CCO including SVPII and above and recommending to the Board the removal of the P/CEO, DPO, DPB, CFO, CRO and CCO or SVPII and above if they are ineffective, errant and negligent in discharging their responsibilities.

Formulating, reviewing and making recommendations to the Board in respect of human resource development (training) policies and human resource management policies, including the terms and conditions of service of the Bank.

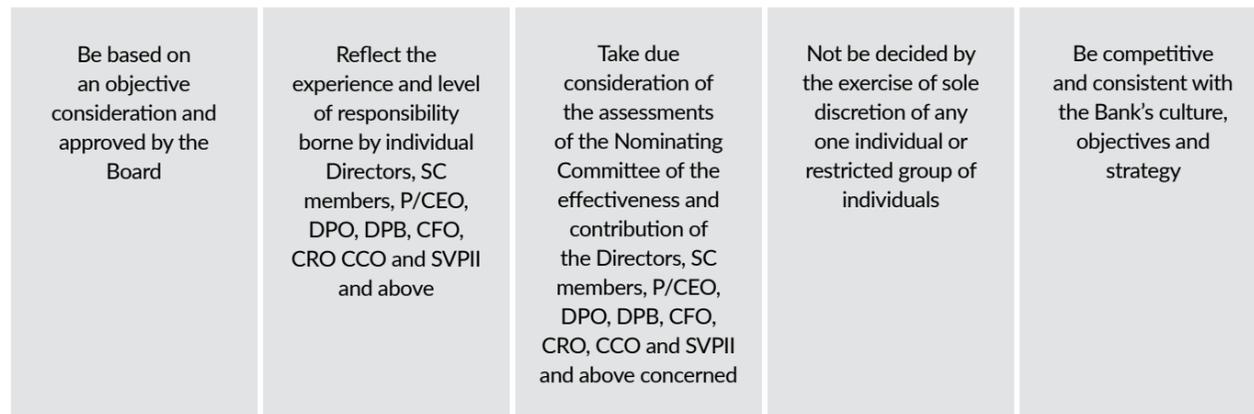
CORPORATE GOVERNANCE DISCLOSURE REPORT

Remuneration functions:

- A. Proposing and recommending to the Board the remuneration policy and guidelines for the Directors, SC members, P/CEO, DPO, DPB, CFO, CRO and CCO of EXIM Bank including SVPII and above. The remuneration policy should:



- B. Proposing and/or periodically reviewing and recommending to the Board the specific remuneration packages for Directors, SC members, P/CEO, DPO, DPB, CFO, CRO and CCO including employees engaged at EX2B level/SVPII and above. The remuneration packages should:



- C. Making recommendations to the Board with regard to the payment guidelines for staff bonuses and annual salary increments of the Bank.

The NRC held 17 meetings during the financial year ended 31 December 2019. Members of the NRC and details of meetings attended by members are stated on page 51 of this Annual Report.

SHARIAH GOVERNANCE DISCLOSURE REPORT

1. OBJECTIVE

The Shariah Committee (SC) is responsible for ensuring that the Islamic banking and takaful business activities of EXIM Bank are in compliance with and conform to Shariah rules and principles.

2. COMPOSITION

EXIM Bank's SC consists of six (6) members. During the financial year ended 31 December 2019, thirteen (13) meetings, including one (1) special meeting, were held. The details of attendance of each SC member are as follows:

No.	Name of SC Member	No. of Meetings Attended
1	YBr. Dr. Zaharuddin bin Abd. Rahman (Chairman)	13/13
2	YBr. Assoc. Prof. Dr. Zulkifli bin Hasan	11/13
3	YBr. Tn. Hj. Zainal Abidin Mohd Tahir	13/13
4	YBr. Prof. Dr. Rusni Hassan	13/13
5	YBr. Dr. Safinar Salleh*	13/13
6	YBr. Tn. Hj. Abd Rasid Abd Kadir**	9/13

* appointed on 1.1.2019

** appointed on 2.4.2019

3. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the SC are governed by the DFIA 2002 (including any amendment that will be made from time to time) and BNM Shariah Governance Framework for Islamic Financial Institutions.

<p>Responsibility & Accountability The SC shall be responsible and accountable for all Shariah decisions, opinions and views provided by them.</p>	<p>To advise the Board on Shariah matters in its Islamic business operations The SC shall advise the Board on Shariah matters in order to ensure that the Islamic business operations of the Bank comply with Shariah principles at all times.</p>
<p>To endorse Shariah Policy and Procedure The Shariah Policy and Procedure shall be endorsed by the SC to ensure that the contents do not contain any elements which are not in line with Shariah.</p>	
<p>To endorse and validate relevant documentation To ensure that the Islamic financing products of the Bank comply with Shariah principles in all aspects, the SC must endorse the following:</p> <ul style="list-style-type: none"> - The terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and - The product manual, marketing advertisements, sales illustrations and brochures used to describe the product. 	

SHARIAH GOVERNANCE DISCLOSURE REPORT

<p>To assess work carried out by Shariah review, research, compliance and audit The SC assesses work carried out by Shariah review, research compliance and audit functions in order to ensure compliance with Shariah matters in its Islamic business operations.</p>	<p>To assist the SAC of BNM on reference for advice The SC must explain the Shariah issues involved and the recommendations for a decision. This must be supported by relevant Shariah jurisprudential literature from the established sources.</p>
<p>To assist related parties with advice on Shariah matters upon request The related parties of the Bank, such as its legal counsel, auditor or consultant, may seek advice on Shariah matters from the SC.</p>	<p>The SC is also expected to assist the SAC in any matters referred by the Bank. Upon obtaining any advice from the SAC, the SC shall ensure that all the SAC's decisions are properly implemented by the Bank.</p>
<p>The SC is expected to provide assistance to them so that the compliance with Shariah principles can be assured completely.</p>	<p>To make recommendations on the appointment and reappointment of SC members and the Chairman The SC may make recommendations on the appointment and reappointment of SC members and the Chairman for consideration and submission to the Nomination Committee and Board of Directors.</p>
<p>To advise on matters to be referred to the Shariah Advisory Council (SAC), BNM The SC may advise the Bank to consult the SAC on any Shariah matters that have not been resolved or endorsed by the SAC.</p>	<p>To review, verify and recommend to the Board the financial year report on Islamic finance business and activities The SC shall review, verify and recommend to the Board that the financial year report on Islamic financing business and activities does not contravene Shariah principles.</p>
<p>To provide written Shariah opinion The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:</p> <ul style="list-style-type: none"> - Where the Bank makes reference to the SAC for advice; or - Where the Bank submits an application to BNM for new product approval. The SC shall provide the endorsement and decision with regard to the Shariah compliance of the concept and the mechanism/structure of every new product, furnishing the relevant fiqh literature, supporting evidence and reasoning. The endorsement shall be in the form of a letter and a copy of the Shariah paper presented to the SC. 	<p>To represent the Bank or attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Bank's Islamic business and operations.</p> <p>The SC shall maintain the confidentiality of the Bank's internal information. All information shall be kept in strict confidence, except when disclosure is authorised by the Bank or required by the law.</p>

STATEMENT OF RISK MANAGEMENT AND 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 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, but not absolute, assurance 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 stakeholders' investments, customers' interests and EXIM Bank's assets. Reviews are carried on an ongoing basis by the Bank to ensure effectiveness of the system.

THE 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 EXIM Bank's range of interrelated risks in an integrated manner. The key processes that the Board has established in reviewing the integrity of the systems of internal controls are as follows:

Reviewing the Integrity of the Systems of Internal Controls	
<p>The President/Chief Executive Officer (P/CEO) is entrusted with the management of EXIM Bank, where his/her roles, responsibilities and authority limits are set by the Board. The appointment of the P/CEO requires the approval of the Board.</p>	<p>Specific responsibilities have been delegated to the relevant Board Committees, based on their respective terms of reference. The Committees have the authority to examine all matters within their scope of responsibility and submit their recommendations to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board.</p>
<p>Delegations of authority, including limits at various levels of Management and those requiring the Board's approval, are documented and designed to ensure proper accountability.</p>	<p>Policies and procedures manuals for key processes are documented and regularly reviewed and updated for application across EXIM Bank.</p>
<p>The BAC regularly 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. It also 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;</p>	

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Reviewing the Integrity of the Systems of Internal Controls

EXIM Bank's annual business plan and budget are submitted to the Board for approval. In addition, variances between actual and targeted results are also presented to the Board on a monthly basis. This allows for timely responses and corrective actions to be taken to mitigate risks.

The Internal Audit Department (IAD) 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.

The BAC 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, the external auditor and regulatory authorities.

INTERNAL AUDIT DEPARTMENT

The IAD independently reviews the adequacy and integrity of the systems of internal controls in managing key risks, and reports accordingly to the Board Audit Committee (BAC) every two months. Where weaknesses have been identified as a result of reviews, improvement measures are recommended to strengthen controls and follow-up audits are conducted by the IAD to assess the status of implementation thereof by Management.

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.

RISK MANAGEMENT FRAMEWORK

The Bank's risk management framework, which governs its risk management initiatives, consists of four elements:

STRATEGY

Strategy refers to clear risk management strategies that enable the Bank to control and manage its risks in its conduct of business.

ORGANISATION

Organisation refers to a risk-based organisation structure with appropriate checks and balances and that focuses on responsibilities in relation to risk management.

PROCESSES AND ENABLERS

Processes and Enablers refer to common, systematic and consistent application of a standard risk management process across all levels within the Bank. Enablers are operational and management tools that are established to support and monitor the effectiveness of the risk management processes.

MEASUREMENT AND CONTROL

Measurement and Control refer to the comprehensive measurement of risks undertaken by the Bank with risk control mechanisms that act to limit the effect of the measured risks.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT STRATEGIES

The Bank's risk management strategies were formulated based on the objective of protecting its capital from potential losses through effective management of risks, which arise from fulfilling its vision to become a leading financial institution in Malaysia's cross-border ventures.

In order to achieve the above objective, the Bank has identified the following risk strategies:

Clear Responsibilities for Risk Management

The roles and responsibilities of the parties involved in the entire risk management process are clearly defined by the Bank. The ultimate responsibility for understanding the risks run by the Bank and ensuring that they are properly managed lies with the Board. The Bank's management team (the Management) is responsible for effective oversight management of risk.

Integrate Risk Management in All Decision-making Processes

As risk management is an essential component of good management, the Bank integrates risk management into its existing strategic management and operational processes.

Comprehensive Assessment of Risks in all Activities

All material risks faced by the Bank are assessed. Risk assessment is conducted based on consistent application of the following process: identification of risk, measurement of risk and evaluation of risk.

Effective Risk Control Mechanisms

Risk control mechanisms include policies, guidelines, procedures and risk limits. Each risk control ensures that each risk has a process or measure to help contain or control that risk and that such process or measure is applied and works as intended. The Bank ensures that a proper risk control mechanism is established for each of its key risk areas.

Adequate System for Monitoring and Reporting

The Bank ensures the adequacy of its systems for monitoring and reporting risk exposures by assessing how the Bank's changing risk profile affects the need for capital. The Board and Management receive reports on the Bank's risk profile and capital needs on a regular basis.

Effective Internal Control Review

An effective internal control review system has been established by the Bank to support its risk management process. Effective control of the risk management processes includes an independent review and, where appropriate, the involvement of internal or external audits.

Risk Management Process

An integrated risk management system facilitates the Bank in achieving a uniform view of risk across its various business operations, which is vital in performing its strategic role effectively.

It is also critical for the Bank to be able to respond swiftly to changes in the regulatory requirements and operating environment, as well as the overall business strategies. Hence, it is crucial to be able to identify the categories of risk, as well as its risk management practices, in order to achieve its desired business growth, long-term viability and success.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

With risk management processes in place, the Bank identifies the risk categories and their management as follows:

Risk category	Risk Management Practices
Credit Risk	<ul style="list-style-type: none"> - The Bank has in place a sound framework for managing credit risk that includes a Risk Appetite Statement and credit risk strategies, policies and guidelines, where it outlines credit underwriting standards, credit risk measurement, credit risk rating, prudential limit monitoring, credit risk mitigation, the review process, rehabilitation and restructuring, credit impairment, loss provisioning and reporting. - Credit limits are governed under an approving authority structure to ascertain prudent credit decision-making. These authority limits are approved by the Board and reviewed periodically. - Concentration risks are managed via the setting of a Country Limit, Sector Limit, Large Exposure Limit and Single Counter Party Exposure Limit. The limits enable the Bank to avoid substantial credit impacts in the event of adverse changes in a particular country, sector or group of customers. The Bank also closely monitors its exposures to concerned industries such as oil & gas, aviation and tourism. - To enable the Bank to better manage credit exposure at the transactional as well as portfolio level, it is embarking on a project to enhance the end-to-end credit risk management process.
Capital Management	The Bank has a systematic approach to ensure a sufficient level of capital in accordance with the requirements of internal capital targets, as well as regulatory requirements.
Asset Liability Management and Market Risk	<ul style="list-style-type: none"> - Appropriate strategies are adopted by the Bank in managing the liquidity level, which include monitoring and managing the structural liquidity indicators, liquidity gaps and stress testing, in accordance to policies, controls and limits approved. - Sufficient liquidity is maintained by the Bank to fund its day-to-day operations, meet cash flow obligations and repayments of borrowings and participate in new investments. - The Assets and Liabilities Committee (ALCO) was established to oversee the Bank's asset and liability management (ALM) focused on the balance sheet. In addition, ALCO is also responsible for: <ul style="list-style-type: none"> (i) Ensuring that all ALM risks remain within the risk appetite set by the Board of Directors (ii) Endorsing appropriate strategies developed in response to emerging ALM risks in the Bank's portfolio (iii) Deliberating on the net interest income (NII) performance, and (iv) Deliberating on economic indicators and market outlook - The Bank's balance sheet, liquidity and market risk positions are monitored against the established policies, procedures and limits, and are reported to the relevant Management Committees and Board on a monthly basis. - The Risk-Based Pricing Model is utilised by the Bank to ensure appropriateness and to apply a standardised approach in evaluating and determining the loan and financing pricing for banking facilities, based on the concept of the risk-return relationship.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Risk category	Risk Management Practices
Shariah Risk	<ul style="list-style-type: none"> - The Bank has established Shariah risk management control functions as a part of the Bank's Shariah governance structure and integrated risk management framework, as governed by the Shariah Governance Framework for Islamic Financial Institutions, issued by Bank Negara Malaysia (BNM). - Shariah risk management is executed through three lines of defence in managing Shariah Non-Compliance (SNC) risks. <ul style="list-style-type: none"> 1st Line of Defence – Risk Taking: <ul style="list-style-type: none"> (i) All business and support units (ii) Shariah Management Department 2nd Line of Defence – Control Functions: <ul style="list-style-type: none"> (i) Shariah Risk Unit, Risk Management Division (ii) Shariah Review Unit, Compliance Department 3rd Line of Defence – Independent Assurance: <ul style="list-style-type: none"> (i) Shariah Audit Unit, Internal Audit Department - The Bank adopts Operational Risk Management (ORM) tools in managing the SNC risks such as Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Key Control Testing (KCT) and Loss Event Database (LED).
Operational Risk	<ul style="list-style-type: none"> - An Operational Risk Management Framework has been established by the Bank in managing the operational risk. This is meant to minimise the operational risk to an acceptable level via established tools and techniques, as practised by the industry. - The Operational Risk Management (ORM) tools include Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Key Control Testing (KCT) and Loss Event Database (LED). - The Bank has in place a programme, plan and strategy for managing crises and business continuity, which may arise from unforeseen events such as disasters or non-disasters, including pandemic outbreaks, which impact the workforce, workplace, processes and systems of the Bank.
Emerging and Other Risks	<ul style="list-style-type: none"> - Processes and strategies to manage the affected portfolios have been implemented by the Bank, which include close monitoring and reporting of affected accounts to the respective Board Committees, as well as conducting related scenario analysis through stress testing, etc. The stress test conducted covers, among others, countries with negative outlooks, changes in government policies and concerned accounts. - The Bank also actively aims to improve compliance with the applicable laws and regulations and enhance the compliance awareness culture. The existing policies and processes are further strengthened in meeting the new laws' and regulations' requirements.

DIRECTORS' REPORT

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 2019.

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
Loss for the year	(477,257)	(479,573)

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:

Mohammad Fadzlan bin Abdul Samad	
Hijah Arifakh binti Othman	
Dato' Dzulkifli bin Mahmud	
Dato' Dr. Amiruddin bin Muhamed	(Appointed on 15 January 2019)
Dato' Feizal Mustapha @ Feizal bin Mustapha	(Appointed on 9 April 2019)
Azizan bin Ahmad	(Appointed on 9 May 2019)
Datuk Bahria binti Mohd Tamil	(Appointed on 1 October 2019)
Norzilah binti Mohammed	(Resigned on 7 March 2019)
Ismail bin Mahbob	(Resigned on 9 August 2019)
YM Tunku Afwida binti Tunku A. Malek	(Resigned on 14 August 2019)
Datuk Syed Ahmad Helmy bin Syed Ahmad	(Resigned on 23 August 2019)

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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

Azhar bin Awang Kechil	(Appointed on 7 March 2019)
Norzilah binti Mohammed	(Resigned on 7 March 2019)
Norlela binti Sulaiman	

EXIM Sukuk Malaysia Berhad

Yam Kwai Ying Sharon	(Appointed on 1 August 2018)
Thiru Selvi A/P Suparamaniam	(Appointed on 1 October 2019, resigned on 31 January 2020)
Edmund Lee Kwing Mun	(Appointed on 16 December 2019)
Kew Thean Yew	(Appointed on 31 January 2020)
Norhayati Binti Azit	(Resigned on 1 October 2019)

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 amounted to RM56,853 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 2019.

ISSUE OF SHARES AND DEBENTURES

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

There were no issuance of debentures during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position, statement 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 statement of financial position and statement of profit and loss 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 paragraph (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

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 in 2019 as follows:

Rating agencies	Date	Ratings
Moody's Investors Service	7 August 2019	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
Fitch Ratings	29 August 2019	Long-term Foreign Currency Issuer Default Rating: A- Support Rating: 1 Support Rating Floor: A- Senior Unsecured Notes: A- Outlook: Stable
RAM Ratings	November 2019	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

AUDITORS AND AUDITORS' REMUNERATION

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 4 June 2020.

Azizan bin Ahmad

Dato' Feizal Mustapha @ Feizal bin Mustapha

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.

السَّلَامَةُ 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 Governance Framework as well as the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2019:

1. The Committee had conducted thirteen (13) meetings during the financial year to review and approve various new and 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 new and enhanced products, transactions and operational processes of Islamic banking and takaful activities of EXIM Bank for the period from 1 January 2019 until 31 December 2019.
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. The Committee has assessed the work carried out by Shariah review. The report has been presented and deliberated in the Committee meeting, which the findings be 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.
4. The Committee has confirmed that moneys derived from late payment charges on Islamic financing activities is channelled to charity fund and distributed progressively to the eligible beneficiaries.
5. For financial year ended 31 December 2019, 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.
6. 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.
7. The Committee has played a pivotal role in supporting the implementation of the Bank's strategic plan to be an Islamic financial institution.
8. The Committee had attended monthly Board of Directors meetings and two series of engagement sessions in 2019 were conducted to further promote effective communication between the Board of Directors and the Committee.

SHARIAH COMMITTEE'S REPORT

We also affirm that the Bank's management is responsible for ensuring that the Islamic banking and takaful businesses are conducted in accordance with Shariah rules and principles. Our responsibility is to form an independent opinion, based on the information and explanations provided on the operations of the Bank and thereby report to you.

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 the Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2019 have been conducted in conformity with the Shariah rules and principles.

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

Signed on behalf of the Committee,

Dr. Zaharuddin Abd Rahman
Chairman

Kuala Lumpur, Malaysia
4 June 2020

Assoc. Prof. Dr Zulkifli Hasan
Member

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Dato' Feizal Mustapha @ Feizal bin Mustapha and Azizan bin Ahmad, 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 79 to 222 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 2019 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 dated 4 June 2020.

Azizan bin Ahmad

Dato' Feizal Mustapha @ Feizal bin Mustapha

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' Feizal Mustapha @ Feizal bin Mustapha and Dato' Shahrul Nazri bin Abdul Rahim, being the Director and management 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 79 to 222 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' Feizal Mustapha @ Feizal bin Mustapha and Dato' Shahrul Nazri bin Abdul Rahim at Kuala Lumpur in the Federal Territory on 4 June 2020.

Before me,



Dato' Feizal Mustapha @ Feizal bin Mustapha

Dato' Shahrul Nazri bin Abdul Rahim

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 2019 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 79 to 222.

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 2019, 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 judgment, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd.)

Risk area and rationale	Our response
<p><u>Expected credit losses ("ECL") of loans, advances and financing, and financial investments not carried at fair value through profit or loss</u></p> <p>As at 31 December 2019, loans, advances and financing represent approximately 50.2% and 49.9% 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 12.7% and 12.6% of the total assets of the Group and of the Bank, respectively.</p> <p>The measurement of ECL requires the use of a forward-looking ECL approach, and the application of significant judgment 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 and probability-weighted multiple scenarios.</p> <p>Management also uses externally available industry and financial data, as appropriate, to supplement internally available credit experiences.</p> <p>Refer to summary of significant accounting policies in Note 2.4(g), significant accounting estimates and judgment in Note 3 and the disclosures of loans, advances and financing and investments in Notes 7 and 6, respectively, to the financial statements.</p>	<p>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.</p> <p>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 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.</p> <p>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.</p> <p>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 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.</p> <p>We also assessed whether the financial statements' disclosures appropriately reflect the Group's and the Bank's exposures to credit risk.</p> <p>We involved our credit modelling specialists in the performance of these procedures where their specific expertise was required.</p>
<p><u>Valuation of derivatives and hedge accounting</u></p> <p>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.</p> <p>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.</p>	<p>We engaged our valuation and financial risk management professionals in accordance with the requirements of International Standard on Auditing 620: <i>Reliance on the Work of an Auditors' Expert</i> 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:</p> <ul style="list-style-type: none"> (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;

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
<p><u>Valuation of derivatives and hedge accounting (cont'd.)</u></p> <p>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.</p> <p>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.</p>	<p>(c) performed independent valuation of selected derivatives and compared our analysis to those performed by management;</p> <p>(d) reviewed the risk management strategies and basis of the economic hedges applied by the management; and</p> <p>(e) reviewed the hedge effectiveness determined and documented by the management for the purpose of applying hedge accounting.</p> <p>We also considered whether the disclosures in relation to derivatives and hedge accounting comply with the relevant disclosure requirements.</p>
<p><u>Insurance contract/Takaful certificate and expense liabilities</u></p> <p>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.</p> <p>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 2019 based on requirements of MFRS 4 <i>Insurance Contracts</i>.</p> <p>Refer to summary of significant accounting policies in Note 2.4(m), significant accounting estimates and judgment in Note 3 and the disclosures of these provisions in Notes 21 and 22 to the financial statements.</p>	<p>We engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: <i>Reliance on the Work of an Auditors' Expert</i> 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:</p> <p>(a) understood and documented the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating these liabilities;</p> <p>(b) tested the completeness and sufficiency or accuracy of data used in the actuarial valuation;</p> <p>(c) compared the actuarial valuation methodologies and assumptions against recognised actuarial practices, and with industry data;</p> <p>(d) reviewed the assumptions used by the Appointed Actuary and rationale for conclusions made thereon;</p> <p>(e) assessed consistency of valuation methodologies applied;</p> <p>(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;</p> <p>(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</p> <p>(h) reviewed management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the underlying reinsurance counterparties.</p> <p>We also considered whether the disclosures in relation to the provision for these liabilities comply with the relevant disclosure requirements.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EXPORT-IMPORT BANK OF MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

Information other than the financial statements and auditors' report thereon

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

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.

FINANCIAL STATEMENTS

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.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

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

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

 Kuala Lumpur, Malaysia
4 June 2020

 Yeo Beng Yean
No. 03013/10/2020 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group	
		2019 RM'000	2018 RM'000
Assets			
Cash and bank balances	4	62,593	130,082
Deposits and placements with banks and other financial institutions	5	3,047,168	1,576,420
Financial investments	6	1,204,442	1,240,151
Loans, advances and financing	7	4,768,642	8,813,651
Insurance receivables	8	89	521
Derivative financial instruments	9	61,218	49,146
Other assets	10	289,512	102,188
Deferred tax assets	11	-	-
Investment properties	13	850	868
Intangible assets	14	2,350	3,375
Property and equipment	15	64,533	69,704
Right-of-use assets	16	506	-
Total assets		9,501,903	11,986,106
Liabilities			
Borrowings	17	7,438,434	9,389,743
Lease liabilities	18	584	-
Other payables and accruals	19	333,550	369,498
Provision for commitments and contingencies	20	81,353	17,106
Derivative financial instruments	9	18,531	113,032
Deferred tax liabilities	11	-	2,316
Deferred income	21	22,338	37,551
Provision for guarantee and claims	22	48,863	18,932
Total liabilities		7,943,653	9,948,178

** amount is less than RM1,000

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group	
		2019 RM'000	2018 RM'000
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		(7,932)	(21,598)
Accumulated losses		(1,382,809)	(891,002)
Shareholders' funds		1,567,924	2,046,065
Takaful participants fund	42	(9,674)	(8,137)
Total liabilities, shareholders' fund and Takaful participants fund		9,501,903	11,986,106
Commitments and contingencies	38	3,034,206	3,988,859

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Bank	
		2019 RM'000	2018 RM'000
Assets			
Cash and bank balances	4	62,593	130,082
Deposits and placements with banks and other financial institutions	5	3,047,168	1,576,420
Financial investments	6	1,204,442	1,240,151
Loans, advances and financing	7	4,768,642	8,813,651
Insurance receivables	8	89	521
Derivative financial instruments	9	61,218	49,146
Other assets	10	289,512	102,188
Deferred tax assets	11	-	-
Investment in subsidiaries	12	64,129	64,129
Investment properties	13	850	868
Intangible assets	14	2,350	3,375
Property and equipment	15	64,533	69,704
Right-of-use assets	16	506	-
Total assets		9,566,032	12,050,235
Liabilities			
Borrowings	17	7,438,434	9,389,743
Lease liabilities	18	584	-
Other payables and accruals	19	333,561	369,506
Provision for commitments and contingencies	20	81,353	17,106
Derivative financial instruments	9	18,531	113,032
Deferred tax liabilities	11	-	-
Deferred income	21	22,338	37,551
Provision for guarantee and claims	22	48,863	18,932
Amount due to subsidiaries	39	64,123	64,126
Total liabilities		8,007,787	10,009,996

** amount is less than RM1,000

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Bank	
		2019 RM'000	2018 RM'000
Financed by:			
Share capital	23 (a)	2,708,665	2,708,665
RCCPS	23 (b)	250,000	250,000
Fair value adjustment reserve		(7,932)	(21,598)
Accumulated losses		(1,382,814)	(888,691)
Shareholders' funds		1,567,919	2,048,376
Takaful participants fund	42	(9,674)	(8,137)
Total liabilities, shareholders' fund and Takaful participants fund		9,566,032	12,050,235
Commitments and contingencies	38	3,034,206	3,988,859

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

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	24	381,131	554,492	381,131	554,492
Interest income	25	219,910	306,321	219,910	306,321
Interest expense	26	(142,323)	(167,392)	(142,323)	(167,392)
Net interest income		77,587	138,929	77,587	138,929
Underwriting results	27	(21,965)	8,458	(21,965)	8,458
Income from Islamic business	42	122,265	168,213	122,265	168,213
Other income/(expenses), net	28	46,653	(45,198)	46,653	(45,198)
Net income		224,540	270,402	224,540	270,402
Overhead expenses	29	(82,029)	(90,092)	(82,029)	(90,092)
Operating profit		142,511	180,310	142,511	180,310
Allowances for losses on loans advances and financing	32	(566,135)	(478,585)	(566,135)	(478,585)
(Allowances for)/writeback of commitments and contingencies	33	(64,947)	31,553	(64,947)	31,553
Writeback of allowances on financial investments	34	10,321	3,201	10,321	3,201
Loss before taxation		(478,250)	(263,521)	(478,250)	(263,521)
Taxation	35	993	-	(1,323)	-
Zakat		-	-	-	-
Net loss for the year		(477,257)	(263,521)	(479,573)	(263,521)
Basic/diluted loss per share (sen)	36	(17.62)	(9.73)	(17.71)	(9.73)

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net loss for the year		(477,257)	(263,521)	(479,573)	(263,521)
Other comprehensive income/(loss):					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Fair value changes of financial investments at FVOCI		13,666	(92,909)	13,666	(92,909)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		13,666	(92,909)	13,666	(92,909)
Total comprehensive loss for the year, net of tax		(463,591)	(356,430)	(465,907)	(356,430)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital RM'000	(Accumulated losses) RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
Group				
At 1 January 2018,	2,708,665	(617,630)	71,311	2,162,346
Issuance of RCCPS (Note 23 (b))	250,000	-	-	250,000
Dividends on RCCPS (Note 37)	-	(9,851)	-	(9,851)
Total comprehensive loss for the year	-	(263,521)	(92,909)	(356,430)
At 31 December 2018	2,958,665	(891,002)	(21,598)	2,046,065
At 1 January 2019	2,958,665	(891,002)	(21,598)	2,046,065
Effect of adopting MFRS 16	-	(142)	-	(142)
At 1 January 2019, as restated	2,958,665	(891,144)	(21,598)	2,045,923
Dividends on RCCPS (Note 37)	-	(14,408)	-	(14,408)
Total comprehensive (loss)/income for the year	-	(477,257)	13,666	(463,591)
At 31 December 2019	2,958,665	(1,382,809)	(7,932)	1,567,924
Bank				
At 1 January 2018	2,708,665	(615,319)	71,311	2,164,657
Issuance of RCCPS (Note 23 (b))	250,000	-	-	250,000
Dividends on RCCPS (Note 37)	-	(9,851)	-	(9,851)
Total comprehensive loss for the year	-	(263,521)	(92,909)	(356,430)
At 31 December 2018	2,958,665	(888,691)	(21,598)	2,048,376
At 1 January 2019	2,958,665	(888,691)	(21,598)	2,048,376
Effect of adopting MFRS 16	-	(142)	-	(142)
At 1 January 2019, as restated	2,958,665	(888,833)	(21,598)	2,048,234
Dividends on RCCPS (Note 37)	-	(14,408)	-	(14,408)
Total comprehensive (loss)/income for the year	-	(479,573)	13,666	(465,907)
At 31 December 2019	2,958,665	(1,382,814)	(7,932)	1,567,919

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Loss before taxation	(478,250)	(263,521)	(478,250)	(263,521)
Adjustments for:				
ECL Stage 3 loans, advances and financing (Note 32)				
- Charged for the year	896,040	670,212	896,040	670,212
- Written back during the year	(313,174)	(105,790)	(313,174)	(105,790)
ECL Stage 1 and 2 loans, advances and financing (Note 32)				
- Written back during the year	(16,732)	(87,879)	(16,732)	(87,879)
Allowance on financial investments (Note 34)	(10,321)	(3,201)	(10,321)	(3,201)
Allowance on commitment and contingencies (Note 33)	64,947	(31,553)	64,947	(31,553)
Claim and guarantee				
- Charged for the year	37,899	(635)	37,899	(635)
- Written back during the year	378	54	378	54
Depreciation				
- Property and equipment	4,616	5,742	4,616	5,742
- Investment properties	18	18	18	18
- Right of use assets	237	-	237	-
Amortisation of intangible assets	2,333	6,691	2,333	6,691
(Gain)/loss on disposal of equipment	(27)	6	(27)	6
Asset written-off	(3,353)	-	(3,353)	-
Unrealised foreign exchange (gain)/loss	(444,964)	116,823	(444,964)	116,823
Unrealised (gain)/loss on derivatives	(107,809)	6,336	(107,809)	6,336
Unrealised loss on MTN/Sukuk	88,628	31,359	88,628	31,359
Reversal for doubtful debt	197	3	197	3
Amortisation of premium less accretion of discount	(1,478)	(1,292)	(1,478)	(1,292)
Premium liabilities	3,009	(323)	3,009	(323)
Operating (loss)/profit before changes in working capital	(277,806)	343,050	(277,806)	343,050

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd.)				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	1,487,668	248,521	1,487,668	248,521
Loans, advances and financing	2,631,407	1,516,282	2,631,407	1,516,282
Insurance receivables	235	1,839	235	1,839
Other assets	(179,806)	9,476	(179,806)	9,476
Derivative financial instruments	2,481	9,204	2,481	9,204
Other payables and accruals	(57,075)	1,073	(57,072)	1,081
Provision for commitments and contingencies	(700)	(40,476)	(700)	(40,476)
Deferred income	(18,222)	(7,427)	(18,222)	(7,427)
Net claims paid for bank guarantee and insurance claims	(8,346)	(84)	(8,346)	(84)
Takaful participants fund	(1,537)	(1,971)	(1,537)	(1,971)
Amount due to subsidiary	-	-	(3)	(8)
Cash generated from operations	3,578,299	2,079,487	3,578,299	2,079,487
Income tax refund	10,083	8	10,083	8
Zakat paid	-	(3,163)	-	(3,163)
Net cash generated from operating activities	3,588,382	2,076,332	3,588,382	2,076,332
Cash flows from investing activities				
Proceeds from disposals of property and equipment	9	9	9	9
Purchases of property and equipment	(762)	(1,353)	(762)	(1,353)
Purchases of intangible assets	(1,308)	(1,460)	(1,308)	(1,460)
Proceed from disposal of investment	34,686	-	34,686	-
Purchases of investments	-	(318,424)	-	(318,424)
Net cash generated from/(used in) investing activities	32,625	(321,228)	32,625	(321,228)

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

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from financing activities				
Net repayment of borrowings	(2,200,527)	(923,629)	(2,200,527)	(923,629)
Net repayment of lease liabilities	(301)	-	(301)	-
Issuance of RCCPS	-	250,000	-	250,000
Advance received from Ministry of Finance Inc.	-	(250,000)	-	(250,000)
Net cash used in financing activities	(2,200,828)	(923,629)	(2,200,828)	(923,629)
Net increase in cash and cash equivalents	1,420,179	831,475	1,420,179	831,475
Cash and cash equivalents at beginning of the year	1,534,408	702,933	1,534,408	702,933
Cash and cash equivalents at end of the year	2,954,587	1,534,408	2,954,587	1,534,408
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	62,593	130,082	62,593	130,082
Deposits and placements with banks and other financial institutions	3,047,168	1,576,420	3,047,168	1,576,420
Less: Deposits and placements on behalf of customers and government (Note 5)	(130,174)	(146,457)	(130,174)	(146,457)
Less: Deposits and placements more than three months	(25,000)	(25,637)	(25,000)	(25,637)
Cash and cash equivalents	2,954,587	1,534,408	2,954,587	1,534,408

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 liability 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 year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2020.

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.

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 2019, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods on or after 1 January 2019.

- MFRS 16 *Leases*
- MFRS 9 *Prepayment Features with Negative Compensation (Amendments to MFRS 9)*
- MFRS 128 *Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)*
- MFRS 119 *Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements to MFRS Standards 2015–2017 Cycle

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and the Bank, except as follows:

MFRS 16 Leases

Before the adoption of MFRS 16, the Group and the Bank classified each of their leases such as premises for branches and equipment as an operating lease in accordance with MFRS 117 *Leases*. In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in the statements of profit and loss on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under other assets and other liabilities respectively.

MFRS 16 is mandatorily applicable initially for annual periods beginning on or after 1 January 2019 and replaces MFRS 117, IC Interpretation 4 -Determining whether an Arrangement contains a Leases, IC Interpretation 115 Operating Lease – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions involving the Legal Form of a Leases. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

The Group and the Bank have analysed the impact of the first-time application of MFRS 16 in a Group-wide project, including existing processes, systems and policies. The Group and the Bank have developed its approach for assessing the different types of leases including applying the recognition exemptions in the standard that allows the Group and the Bank not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets; and incorporating forward-looking assumptions in making certain decisions such as extension and termination options on lease contracts of which management have assessed on a case by case basis.

Leases previously classified as operating leases - The Group and the Bank as lessee

On 1 January 2019, the Group and the Bank have applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restate prior year/period comparatives information which remain as previously reported under MFRS 117 and related interpretations.

The Group and the Bank also applied the available practical expedients wherein it:

- Used a single discount rate of 3.75% for all leases;
- Applied short-term leases exemptions to leases with lease term not exceeding 12 months from the initial date of application;
- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Right-of-Use Assets

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

The lease term includes periods covered by an option to extend if the Group and the Bank are reasonably certain to exercise that option. Unless the Group and the Bank are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)
Lease Liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

The Group and the Bank have performed a detailed impact assessment of MFRS 16. The following table analyses the impact, net of tax arising from changes in accounting policies on the statements of financial position of the Group and the Bank as at 1 January 2019:

	RM'000
Right-of-use assets	
Closing balance at 31 December 2018	-
- Recognition of right-of-use assets under MFRS 16	743
Opening balance at 1 January 2019	743
Lease liabilities	
Closing balance at 31 December 2018	-
- Recognition of lease liabilities under MFRS 16	885
Opening balance at 1 January 2019	885

As disclosed in Note 16, the Group and the Bank have adopted the modified restrospective approach in the adoption of MFRS 16, and comparative financial statements have not been restated. However, a comparison of the effects of MFRS 16 on the statement of profit and loss is presented below:

	Group and Bank	
	2019 RM'000	2018 RM'000
Depreciation expense	237	-
Interest expense - lease liabilities	27	-
Rental of equipment	-	467
Total charges recognised	264	467

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 2020

- Amendments to MFRS 7 *Financial Instruments: Disclosure*, MFRS 9 *Financial Instruments and MFRS 139 Financial Instruments: Recognition and Measurement Interest Rate Benchmark Reform*
- MFRS 101 *Definition of Material (Amendments to MFRS 101)*
- MFRS 108 *Definition of Material (Amendments to MFRS 108)*
- MFRS 3 *Definition of business (Amendments to MFRS 3)*

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship, and the information needed to assess management's stewardship
- Reintroduces the concept of prudence
- Defines the concept of measurement uncertainty
- Reinstates on explicit reference to the need to "faithfully represent the substance of the phenomena that is purports to represent"
- Made changes to the definitions of an asset and a liability

Effective for annual periods beginning on or after 1 January 2020.

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*.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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.

MFRS 17 is effective for annual periods beginning on or after 1 January 2021. 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 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.

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 so as 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.

(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 like 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.

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.)

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.

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.

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.)

(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.

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.

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.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Impairment of non-financial assets (cont'd.)

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 asset are recognised in the statement 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 and 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.

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 considers 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.

NOTES TO THE FINANCIAL STATEMENTS

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.)

Business Model assessments (cont'd.)

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 difference 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 a 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).

The most significant elements if 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 considers relevant factors such as the currency in which the financial assets is denominated, and the period for which the interest rate is set.

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.)

(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 or 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 to 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 statement 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 a 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 trade derivative 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.

(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 risk, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

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 (cont'd.)

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.

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 is 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 statement 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 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 is 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 EIR or 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.

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.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Revenue recognition (cont'd.)

(i) Interest/profit and similar income and expense (cont'd.)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.)

(v) Islamic income recognition (cont'd.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Income tax (cont'd.)

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 and 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 working capital 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*).

(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 and on disposal of a foreign operation, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(r) Foreign currencies (cont'd.)

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 2018 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.

(v) Leases

Right-of-use assets are classified as assets and measured at cost, less any accumulated depreciation and impairment losses.

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 certificated 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").

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

The preparation of the financial statements involved making certain estimates, assumptions and judgments 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 judgments 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 judgments, which have the most significant effect on the amounts recognised in the financial statements:

3.1 Judgments

(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, judgment 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 make judgment 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;
- (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 was described in Note 7(ix) and commitments and contingencies was described 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT (CONT'D.)

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.

3.3 Potential impact of the coronavirus outbreak subsequent to the reporting date

With the recent and rapid development of the coronavirus outbreak in Malaysia, the Government of Malaysia has issued a Movement Control Order ("MCO") from 18 March 2020 to 14 April 2020 (or whichever date if further extended).

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 estimated credit loss from loans, advances and financing, liabilities in respect of certain insurance/Takaful products and the valuation of 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 the impact, if any, of the outbreak on their financial statements as they occur subsequent to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

4. CASH AND BANK BALANCES

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash and bank balances	62,593	130,082

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2019 RM'000	2018 RM'000
Deposits and placements with:		
Licensed banks	1,973,870	1,194,809
Other financial institutions	1,073,298	381,611
	3,047,168	1,576,420
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	2,916,994	1,429,963
On behalf of customers and government**	130,174	146,457
	3,047,168	1,576,420

** 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 amounting to RM26,119,486 (2018: RM23,099,325).

6. FINANCIAL INVESTMENT

	Group and Bank	
	2019 RM'000	2018 RM'000
Investments at FVOCI:		
Unquoted debt securities	769,696	812,300
Less: Allowance for expected credit losses	(101,192)	(100,015)
	668,504	712,285
Investments at amortised costs:		
Unquoted debt securities	607,180	610,606
Less: Allowance for expected credit losses	(71,242)	(82,740)
	535,938	527,866
Total financial investment	1,204,442	1,240,151

6. FINANCIAL INVESTMENTS (CONT'D.)

Included in financial investments at FVOCI is to meet the requirement of Sukuk Programme of the Group amounting to RM160,036,300 (2018: RM539,557,536).

Movements in the expected credit losses on financial investments at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2018	9	-	100,000	100,009
Allowance during the year	6	-	-	6
At 31 December 2018/1 January 2019	15	-	100,000	100,015
Allowance during the year	1,177	-	-	1,177
At 31 December 2019	1,192	-	100,000	101,192

Movements in the expected credit losses on financial investments at amortised cost are as follow:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2018	-	85,947	-	85,947
Allowance during the year	2	-	-	2
Exchange differences	-	(3,209)	-	(3,209)
At 31 December 2018/1 January 2019	2	82,738	-	82,740
Allowance during the year	1	(11,499)	-	(11,498)
Exchange differences	-	-	-	-
At 31 December 2019	3	71,239	-	71,242

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Loans, advances and financing	6,769,144	10,203,280
Loans under MKFF scheme	9,776	11,908
Amount due from Export Credit Refinancing ("ECR")* debtors	231,136	460,816
Staff loans	977	1,190
Gross loans, advances and financing	7,011,033	10,677,194
Less: Allowance for impaired loans, advances and financing:		
- 12 month ECL - Stage 1	(83,810)	(140,324)
- Lifetime not impaired ECL - Stage 2	(190,300)	(150,518)
- Lifetime ECL credit impaired - Stage 3	(1,968,281)	(1,572,701)
Net loans, advances and financing	4,768,642	8,813,651

* 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.

(i) Gross loans, advances and financing analysed by facility are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Buyer Credit	837,608	760,512
Overseas Contract Financing	106,980	136,840
Overseas Investment Financing	576,613	902,703
Term Financing	15,468	-
Overseas Project Financing	1,749,273	3,208,569
Supplier Credit	224,389	250,654
Export Finance	8,108	8,103
Buyer Credit-i	(1,178)	347,181
Supplier Financing-i	1,439,805	1,574,121
Term Financing-i	953,588	1,652,262
Overseas Investment Financing-i	174,088	445,696
Overseas Contract Financing-i	98,494	84,282
Overseas Project Financing-i	474,044	674,885

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Gross loans, advances and financing analysed by facility are as follows: (cont'd.)

	Group and Bank	
	2019 RM'000	2018 RM'000
Contract Financing Domestic-i	-	12,119
Malaysian Kitchen Financing Facility ("MKFF")	7,216	8,083
Malaysian Kitchen Financing Facility-i ("MKFF-i")	2,560	3,825
ECR	231,136	460,816
Vendor Financing	13,449	10,074
Vendor Financing-i	98,415	135,279
Staff loans and advances	977	1,190
	7,011,033	10,677,194

Included in Term Financing-i are amounts to meet the requirement of Sukuk Programme of the Group amounting to RM51,907,426 (2018 :RM143,059,603).

(ii) Gross loans, advances and financing analysed by contractual maturity are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Within one year	2,270,245	3,515,378
One year to three years	600,245	1,499,722
Three years to five years	1,789,856	1,640,210
Over five years	2,350,687	4,021,884
	7,011,033	10,677,194

(iii) Gross loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Conventional		
Fixed rate	28,528	166,604
Variable rate	3,734,582	5,593,058
Islamic		
Fixed rate	2,755	309,348
Variable rate	3,245,168	4,608,184
	7,011,033	10,677,194

NOTES TO THE FINANCIAL STATEMENTS

7. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iv) Gross loans, advances and financing analysed by geographical area are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Malaysia	3,704,633	4,764,684
East Asia	1,960,047	3,932,469
South Asia	74,425	144,496
Central Asia	347,513	326,851
Middle East	145,188	248,969
Africa	254,619	229,723
Europe	365,393	741,782
America	80,053	80,348
Oceania	79,162	207,872
	7,011,033	10,677,194

(v) Gross loans, advances and financing analysed by industry are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Primary agriculture	134,471	627,603
Manufacturing	1,455,686	1,703,890
Transport, storage and communication	1,325,258	2,253,569
Construction	1,353,630	1,594,394
Wholesale and retail trade, and restaurants and hotels	1,157,852	1,171,163
Others	1,584,136	3,326,575
	7,011,033	10,677,194

(vi) Movements of gross impaired loans, advances and financing ("impaired loans") are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 January	2,676,982	1,578,316
Impaired during the year	705,467	1,312,129
Reclassified as non-impaired	-	(140,123)
Recoveries	(565,492)	(68,575)
Amount written off	(170,113)	(26,684)
Exchange differences	(3,227)	21,919
At 31 December	2,643,617	2,676,982

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: (cont'd.)

	Group and Bank	
	2019 RM'000	2018 RM'000
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	37.71%	25.07%
- without ECR debtors	38.99%	26.20%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	9.63%	10.34%
- without ECR debtors	9.96%	10.81%

(vii) Gross impaired loans, advances and financing analysed by geographical area are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Malaysia	886,310	1,012,760
East Asia	1,151,210	1,001,265
South Asia	50,092	38,999
Central Asia	347,513	315,227
Middle East	23,623	8,241
Africa	97,090	105,854
Europe	4,289	69,966
America	80,053	80,348
Oceania	3,437	44,322
	2,643,617	2,676,982

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	
	2019 RM'000	2018 RM'000
Primary agriculture	83,227	138,382
Manufacturing	488,919	230,242
Transport, storage and communication	639,331	835,013
Construction	775,478	563,184
Wholesale and retail trade, and restaurants and hotels	328,094	343,003
Others	328,568	567,158
	2,643,617	2,676,982

(ix) Movements in the allowance for ECL for loans, advances and financing are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2019				
At 1 January	140,324	150,518	1,572,701	1,863,543
Transferred from Stage 1	(23,653)	-	-	(23,653)
Transferred to Stage 2	-	75,976	-	75,976
Transferred to Stage 3	-	-	500,464	500,464
(Written back)/allowance recognised in profit and loss	(6,079)	(28,833)	82,403	47,491
Financial assets derecognised	(30,941)	(2,455)	-	(33,396)
Changes due to change in credit risk	2,295	1,227	-	3,522
Modification to contractual cash flows of financial assets	1,864	(6,133)	-	(4,269)
Total amount charged to profit and loss during the period	(56,514)	39,782	582,867	566,135
Other movement with no profit and loss impact				
Write offs	-	-	(170,113)	(170,113)
Exchange differences	-	-	(17,174)	(17,174)
At 31 December	83,810	190,300	1,968,281	2,242,391

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	Stage 2	Stage 3	Total ECL RM'000
	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2018				
At 1 January 2018	255,993	122,728	968,931	1,347,652
Transferred to Stage 1	(71,212)	-	-	(71,212)
Transferred to Stage 2	-	80,612	-	80,612
Transferred to Stage 3	-	-	624,248	624,248
(Written back)/allowance recognised in profit and loss	(22,399)	(6,416)	(57,784)	(86,599)
Financial assets derecognised	(16,558)	(33,025)	-	(49,583)
Changes due to change in credit risk	(2,107)	(14,707)	-	(16,814)
Modification to contractual cash flows of financial assets	(3,393)	1,326	-	(2,067)
Total amount charged to profit and loss during the period	(115,669)	27,790	566,464	478,585
Other movement with no profit and loss impact				
Write offs	-	-	(28,175)	(28,175)
Exchange differences	-	-	25,006	25,006
Transferred from stage 3 commitments and contingencies	-	-	40,475	40,475
At 31 December 2018	140,324	150,518	1,572,701	1,863,543

	Group and Bank	
	2019 RM'000	2018 RM'000
Breakdown of expected credit losses Stage 1 and 2:		
From non-impaired loans, advance and financing	274,110	290,842
	274,110	290,842
As % of net loans, advances and financing	5.70%	3.36%

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE RECEIVABLES

	Group and Bank	
	2019 RM'000	2018 RM'000
Amount due from agents, brokers and co-insurers	607	1,019
Less: Allowance for expected credit losses	(518)	(498)
	89	521

Movements in the allowance for expected credit losses for insurance receivables are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
<u>Expected credit losses</u>		
At 1 January	498	542
Allowance made during the year	217	-
Amount written back	(197)	(44)
At 31 December	518	498

9. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts, recorded at gross, is the amount of derivative's 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 indicative of neither 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 2019, the Bank has entered into the following derivative financial instruments:

	Group and Bank					
	2019			2018		
	Fair Value		Notional Amount RM'000	Fair Value		Notional Amount RM'000
Assets RM'000	Liabilities RM'000	Assets RM'000		Liabilities RM'000		
<u>Derivatives used in fair value hedges</u>						
Interest/profit rate swaps	42,587	18,531	2,866,328	11,745	98,086	4,550,841
Cross currency interest/profit rate swap	18,631	-	470,947	37,401	14,946	962,635
Total	61,218	18,531	3,337,275	49,146	113,032	5,513,476

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 40.

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 2019				
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
USD75 million*	Floating rate of 6 months Libor + 1.264% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million*	Floating rate of 6 months Libor + 1.2615% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million*	Floating rate of 6 months Libor + 1.26% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million*	Floating rate of 6 months Libor + 1.264% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD50 million**	Floating rate of 3 months Libor + 1.01% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million***	Floating rate of 3 months Libor + 1.00% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% 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

* The derivative financial instruments matured on 19 February 2019.

** The derivative financial instrument matured on 11 April 2019.

*** The derivative financial instrument matured on 17 April 2019.

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 2019 (cont'd.)				
Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
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
Notional amount	Hedging instrument: Cross Currency Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
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
JPY3 billion*	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a. (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency
USD40 million**	GBP 25.99 million at fixed rate of 2.43% p.a. (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million***	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

* The derivative financial instrument matured on 8 May 2019.

** The derivative financial instrument matured on 7 June 2019.

*** The derivative financial instrument matured on 5 August 2019.

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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 2018				
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
USD75 million	Floating rate of 6 months Libor + 1.264% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.2615% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.26% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD50 million	Floating rate of 3 months Libor + 1.01% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% 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

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 2018 (cont'd.)				
Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
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
Notional amount	Hedging instrument: Cross Currency Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
HKD402 million*	USD51.82 million at floating rate of 3 months USD Libor + 0.88% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 1.6% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
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
JPY3 billion	USD29.34 million at floating rate of 3 months Libor + 0.94% p.a. (receive fixed JPY semi-annually/pay float USD quarterly)	Fixed 0.65% per annum (payable semi-annually)	Fair value hedge	Interest rate & foreign currency
HKD610 million**	USD 78.69 million at floating rate of 3 months USD Libor + 0.51% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 1.43% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
USD40 million	GBP 25.99 million at fixed rate of 2.43% p.a. (receive fixed GBP semi-annually/pay USD semi-annually)	Fixed 2.45% per annum (payable semi-annually)	Fair value hedge	Profit rate & foreign currency
HKD400 million	USD 51.57 million at floating rate of 3 months USD Libor + 1.18% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.10% per annum (payable annually)	Fair value hedge	Profit rate & foreign currency

* The derivative financial instruments were matured on 8 March 2018.

** The derivative financial instruments were matured on 26 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

9. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hedge (cont'd.)

The gain/(loss) arising from the fair value hedges are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Gain/(loss) arising from fair value hedges:		
Hedging instruments	107,809	(6,336)
Hedged items	(88,628)	(31,359)
	19,181	(37,695)

10. OTHER ASSETS

	Group and Bank	
	2019 RM'000	2018 RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	47,425	67,763
Other receivables, deposits and prepayments*	230,688	12,943
Tax prepayment	11,399	21,482
	289,512	102,188

* Included in other receivables, deposits and prepayments is an amount related to a Bank Guarantee called in 2019 amounting to RM31,991,623 and a settlement received subsequent to the reporting date of RM181,469,859 for which the underlying financing was subsequently written off.

11. DEFERRED TAX (LIABILITIES)/ASSETS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	(2,316)	(2,316)	-	-
Recognised in profit and loss (Note 35)	2,316	-	-	-
At 31 December	-	(2,316)	-	-

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 2018	-	4,138	35,226	1,213	40,577
Recognised in statement profit and loss	-	(37)	(27,658)	(1,213)	(28,908)
At 31 December 2018	-	4,101	7,568	-	11,669
Recognised in statement profit and loss	-	(4,101)	(1,593)	-	(5,694)
At 31 December 2019	-	-	5,975	-	5,975
Bank					
At 1 January 2018	2,229	4,225	35,226	1,213	42,893
Recognised in statement profit and loss	-	(37)	(27,658)	(1,213)	(28,908)
At 31 December 2018	2,229	4,188	7,568	-	13,985
Recognised in statement profit and loss	(2,229)	(4,188)	(1,593)	-	(8,010)
At 31 December 2019	-	-	5,975	-	5,975

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

Deferred tax liabilities

	Other temporary differences RM'000	Unrealised gain on foreign exchange RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Group				
At 1 January 2018	(22,259)	(15,915)	(4,719)	(42,893)
Recognised in statement profit and loss	-	28,038	870	28,908
At 31 December 2018	(22,259)	12,123	(3,849)	(13,985)
Recognised in statement profit and loss	20,356	(12,123)	(223)	8,010
At 31 December 2019	(1,903)	-	(4,072)	(5,975)

	Other temporary differences RM'000	Unrealised gain on foreign exchange RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Bank				
At 1 January 2018	(22,259)	(15,915)	(4,719)	(42,893)
Recognised in statement profit and loss	-	28,038	870	28,908
At 31 December 2018	(22,259)	12,123	(3,849)	(13,985)
Recognised in statement profit and loss	20,356	(12,123)	(223)	8,010
At 31 December 2019	(1,903)	-	(4,072)	(5,975)

NOTES TO THE FINANCIAL STATEMENTS

11. DEFERRED TAX (LIABILITIES)/ASSETS (CONT'D.)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	5,975	11,669	5,975	13,985
Deferred tax liabilities	(5,975)	(13,985)	(5,975)	(13,985)
	-	(2,316)	-	-

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	24,900	39,693	24,900	39,693
Tax rate	24%	24%	24%	24%
	5,976	9,526	5,976	9,526

The deferred tax assets have been recognised as at 31 December 2019 to the extent that the Group and the Bank has sufficient taxable temporary differences to utilise.

At the reporting date, the Group and the Bank have not recognised deferred tax assets for the following items:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised business losses	1,448,821	1,044,583	1,448,821	1,044,583
Unabsorbed capital allowances	11,271	8,831	11,271	8,831
Other deductible temporary differences	308,713	257,237	308,713	257,237
	1,768,805	1,310,651	1,768,805	1,310,651
Tax rate	24%	24%	24%	24%
	424,513	314,556	424,513	314,556

The unutilised tax losses above are available for offset against future taxable profits at the Group and the Bank.

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%).

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

(a) Investment in subsidiaries

	Bank	
	2019 RM'000	2018 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 (%)	
			2019	2018
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.

13. INVESTMENT PROPERTIES

	Group and Bank	
	2019 RM'000	2018 RM'000
Cost		
At 1 January	1,300	1,300
Accumulated depreciation		
At 1 January	432	414
Charged for the year (Note 29)	18	18
At 31 December	450	432
Carrying amount	850	868

NOTES TO THE FINANCIAL STATEMENTS

13. INVESTMENT PROPERTIES (CONT'D.)

	Group and Bank	
	2019 RM'000	2018 RM'000
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	450	468
	850	868
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 14 January 2019. 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	
	2019 RM'000	2018 RM'000
Computer software		
Cost		
At 1 January	24,413	22,953
Additions	-	1,460
Transfer from property and equipment	1,308	-
At 31 December	25,721	24,413
Accumulated depreciation		
At 1 January	21,038	14,347
Charged for the year (Note 29)	2,333	6,691
At 31 December	23,371	21,038
Carrying amount	2,350	3,375

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Work-in- progress RM'000	Total RM'000
Cost								
At 1 January 2019	30,000	33,000	1,404	28,508	1,043	5,417	1,082	116,223
Additions	-	-	120	36	-	121	181	762
Transfer to intangible assets	-	-	-	-	-	-	(995)	(1,308)
Disposals	-	-	-	-	(138)	-	-	(658)
At 31 December 2019	30,000	33,000	1,524	28,544	905	5,538	268	115,019
Accumulated depreciation								
At 1 January 2019	-	6,270	1,273	19,026	843	4,754	-	46,519
Charged for the year	-	660	81	2,834	77	261	-	4,616
Disposals	-	-	-	-	(138)	-	-	(649)
At 31 December 2019	-	6,930	1,354	21,860	782	5,015	-	50,486
Carrying amount								
At 31 December 2019	30,000	26,070	170	6,684	123	523	268	64,533

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group and Bank	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Work-in- progress RM'000	Total RM'000
Cost								
At 1 January 2018	30,000	33,000	1,402	28,442	1,043	5,224	783	115,463
Additions	-	-	25	66	-	193	1,759	2,813
Transfer to intangible assets	-	-	-	-	-	-	(1,460)	(1,460)
Disposals	-	-	(23)	-	-	-	-	(593)
At 31 December 2018	30,000	33,000	1,404	28,508	1,043	5,417	1,082	116,223
Accumulated depreciation								
At 1 January 2018	-	5,610	1,172	16,181	739	4,428	-	41,355
Charged for the year	-	660	115	2,845	104	326	-	5,742
Disposals	-	-	(14)	-	-	-	-	(578)
At 31 December 2018	-	6,270	1,273	19,026	843	4,754	-	46,519
Carrying amount								
At 31 December 2018	30,000	26,730	131	9,482	200	663	1,082	69,704

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS

	Group and Bank 2019 RM'000
Cost	
At 1 January/At 31 December	1,697
Accumulated depreciation	
At 1 January	954
Charged for the year (Note 29)	237
At 31 December	1,191
Carrying amount	506

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS

	Group and Bank 2019 RM'000	2018 RM'000
Term loans/Revolving credits - unsecured	1,244,832	1,575,027
Medium Term Notes/Sukuk	4,979,143	7,814,716
Syndication financing	1,214,459	-
	7,438,434	9,389,743
	Group and Bank 2019 RM'000	2018 RM'000
(i) <u>Term loans/Revolving credits - unsecured</u>		
Repayable within one year	1,183,322	1,502,909
One year to three years	61,510	-
Three years to five years	-	72,118
	1,244,832	1,575,027
(ii) <u>Medium Term Notes/Sukuk</u>		
Repayable within one year	360,160	2,883,707
One year to three years	3,346,908	2,269,643
Three years to five years	752,795	2,163,136
Over five years	519,280	498,230
	4,979,143	7,814,716
(iii) <u>Syndication financing</u>		
Three years to five years	1,214,459	-
	1,214,459	-
	7,438,434	9,389,743

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

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
2019					
- USD	6,023,717	2,037,127	3,189,007	278,303	519,280
- RM	35,928	-	35,928	-	-
- EUR	395,573	212,090	183,483	-	-
- GBP	268,860	268,860	-	-	-
- SGD	168,179	168,179	-	-	-
- AUD	71,685	71,685	-	-	-
- HKD	474,492	-	-	474,492	-
- JPY	-	-	-	-	-
	7,438,434	2,757,941	3,408,418	752,795	519,280
2018					
- USD	6,865,726	2,643,113	2,269,643	1,454,740	498,230
- RM	35,928	-	-	35,928	-
- EUR	212,756	212,756	-	-	-
- GBP	431,910	431,910	-	-	-
- SGD	297,252	297,252	-	-	-
- AUD	495,168	221,833	-	273,335	-
- HKD	968,377	497,126	-	471,251	-
- JPY	82,626	82,626	-	-	-
	9,389,743	4,386,616	2,269,643	2,235,254	498,230

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 RM143,255,000) (2018: USD35,000,000 (approximately RM144,760,000)). 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% (2018: 0.395%) per annum above LIBOR.

- (b) Revolving multi-currency loan up to an aggregate of USD150,000,000 (approximately RM613,950,000) (2018: USD150,000,000 (approximately RM620,400,000))

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% (2018: 0.80%) per annum above LIBOR.

- (c) Commodity Murabahah Revolving Credit-i up to an aggregate of USD100,000,000 (approximately RM409,300,000) (2018: USD100,000,000 (approximately RM413,600,000)) renewable after one (1) year.

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 2019, 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% (2018:0.50%) per annum above the Islamic Cost of Fund since March 2014.

- (d) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM137,721,000) (2018: EUR30,000,000 (approximately RM141,837,000)).

The loan was obtained on 12 March 2012. Interest rate on the loan is charged at the rate of 0.80% (2018: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

- (e) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM347,905,000) (2018: USD85,000,000 (approximately RM351,560,000)) renewable after one (1) year.

The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013 and profit rate was reduced to 0.80% per annum on 4 August 2014. Profit rate on the financing is charged at the rate of 0.80% (2018: 0.80%) per annum above the Islamic Cost of Fund.

- (f) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM102,325,000) (2018: USD25,000,000 (approximately RM103,400,000)) 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% (2018: 0.50%) per annum above the Islamic Cost of Fund.

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.)

- (g) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM163,720,000) (2018:USD40,000,000 (approximately RM165,440,000)) 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% (2018 : 0.75%) per annum above the Islamic Cost of Fund.

- (h) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM550,884,000) (2018: EUR120,000,000 (approximately RM567,348,000)).

The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% (2018: 0.80%) per annum above EURIBOR.

- (i) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM204,650,000) (2018: USD50,000,000 (approximately RM206,800,000)).

The loan was obtained on 17 February 2014 and renewable yearly. Interest on loan is charged at the rate of 0.80% (2018 : 0.80%) per annum over cost of fund.

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD40,000,000 (approximately RM163,720,000) (2018 : USD40,000,000 (approximately RM165,440,000)).

The financing was obtained on 29 October 2015 and renewable yearly. Profit rate on the financing is charged at the rate of 0.93% (2018 : 1.02%) per annum above LIBOR.

- (k) Commodity Murabahah Revolving Credit-i up to an aggregate of USD75,000,000 (approximately RM306,975,000) (2018 : USD75,000,000 (approximately RM310,200,000)).

The financing was obtained on 26 February 2016 and renewable yearly. Profit rate on the financing is charged at the rate of 1.00% (2018: 1.00%) per annum above the LIBOR.

- (l) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM102,325,000) (2018 : USD25,000,000 (approximately RM103,400,000)).

The financing was obtained on 28 January 2016. Profit rate on the financing is charged at the rate of 0.45% (2018:0.45%) per annum above the Islamic Cost of Fund.

- (m) 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 June 2016, the Bank has partially repaid to Government of Malaysia amounting to RM134,171,653. The remaining amount available for utilisation under this Scheme is RM35,928,347.

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) Commodity Murabahah Revolving Credit-i up to an aggregate of USD50,000,000 (approximately RM204,650,000) renewable after one (1) year.

The financing was obtained on 14 November 2019. Profit rate on the financing is charged at the rate of 0.75% per annum above LIBOR.

- (o) Revolving US Dollar loan up to a maximum facility of USD60,000,000 (approximately RM245,580,000). (2018 : USD60,000,000 (approximately RM248,160,000)).

The loan was obtained on 9 January 2017. Interest on loan is charged at the rate of 0.80% (2018 : 0.80%) per annum above LIBOR.

- (p) Syndicated Term Financing Facility of USD300,000,000 (approximately RM1,227,900,000).

The loan was obtained on 5 November 2019 and repayable after a period of 4.5 years. Profit on the financing is charged at 0.90% per annum above LIBOR.

Medium Term Notes

In June 2012, the Bank established multicurrency Medium Term Notes ("MTN") programme. The maximum principal of notes that may be issued under the programme was USD1,500,000,000, which was subsequently upsized to USD3,000,000,000 in October 2016. 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.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
11 July 2012	USD63 mil	10 years	3.509%	Fixed
12 March 2013	HKD896 mil	10 years	2.950%	Fixed
13 March 2014*	USD25 mil	5 years	3m Libor + 1.00%	Floating
14 March 2014*	SGD60 mil	5 years	6m SOR + 0.90%	Floating
3 April 2014*	USD20 mil	5 years	3m Libor + 1.03%	Floating
11 April 2014*	USD50 mil	5 years	2.850%	Fixed
17 April 2014*	USD50 mil	5 years	2.660%	Fixed
8 May 2014*	JPY3 bil	5 years	0.650%	Fixed
28 May 2014*	USD25 mil	5 years	3m Libor + 0.95%	Floating
29 May 2014*	USD50 mil	5 years	3m Libor + 0.80%	Floating
6 June 2014	USD100 mil	15 years	4.250%	Fixed

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

Medium Term Notes (cont'd.)

Issuances made as at year end are as follows: (cont'd.)

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
20 October 2016	USD500 mil	5 years	2.480%	Fixed
21 August 2017	EUR40 mil	5 years	3m Euribor + 0.75%	Floating
7 November 2017	USD20 mil	5 years	3m Libor + 0.85%	Floating
8 November 2017	USD100 mil	5 years	3m Libor + 0.85%	Floating
10 November 2017	USD15 mil	5 years	3m Libor + 0.85%	Floating
10 November 2017	USD25 mil	5 years	3m Libor + 0.85%	Floating
28 February 2018	USD23 mil	5 years	3m Libor + 0.85%	Floating
4 May 2018	USD45 mil	5 years	3m Libor + 0.85%	Floating

- * The Medium Term Note of USD25 million has matured on 13 March 2019.
- * The Medium Term Note of SGD60 million has matured on 14 March 2019.
- * The Medium Term Note of USD20 million has matured on 3 April 2019.
- * The Medium Term Note of USD50 million has matured on 11 April 2019.
- * The Medium Term Note of USD50 million has matured on 17 April 2019.
- * The Medium Term Note of JPY3 billion has matured on 8 May 2019.
- * The Medium Term Note of USD25 million has matured on 28 May 2019.
- * The Medium Term Note of USD50 million has matured on 29 May 2019.

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 Berhad, to issue the abovementioned Multi-currency Sukuk Programme. Correspondingly, the borrowings from Sukuk are transacted with the SPV at the Bank level. In the contrary, at the Group level, the borrowings from Sukuk are transacted with third parties who subscribed to and invested in the Sukuk.

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS (CONT'D.)

Multi-currency Sukuk Programme (cont'd.)

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
19 February 2014*	USD300 mil	5 years	2.874%	Fixed
6 May 2015	USD20 mil	10 years	3.350%	Fixed
8 June 2015*	USD40 mil	4 years	2.450%	Fixed
8 June 2015	USD50 mil	5 years	2.700%	Fixed
28 January 2016	USD37.3 mil	5 years	3.010%	Fixed
28 July 2016*	USD17 mil	3 years	3m Libor + 1.20%	Floating
5 August 2016*	HKD400 mil	3 years	2.100%	Fixed
4 May 2017	USD45 mil	5 years	3.00%	Fixed

- * The Sukuk of USD300 million has matured on 14 February 2019.
- * The Sukuk of USD40 million has matured on 7 June 2019.
- * The Sukuk of USD17 million has matured on 28 July 2019.
- * The Sukuk of HKD400 million has matured on 5 August 2019.

18. LEASE LIABILITIES

	Group and Bank 2019 RM'000
Repayable within one year	309
One year to three years	261
Three years to five years	14
	584

NOTES TO THE FINANCIAL STATEMENTS

19 OTHER PAYABLES AND ACCRUALS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sinking fund and debt services reserve accounts	111,664	127,421	111,664	127,421
Interest payable	69,046	119,239	69,046	119,239
Amount due to the Government of Malaysia for MKFF scheme	1,481	1,320	1,481	1,320
Amount due to Teraju*	52,364	51,568	52,364	51,568
Dividend RCCPS payables	26,512	12,104	26,512	12,104
Others	72,483	57,846	72,494	57,854
	333,550	369,498	333,561	369,506

* 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	
	2019 RM'000	2018 RM'000
Provision for commitments and contingencies	81,353	17,106

Movements in the provisions for commitments and contingencies are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL
	12-months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	40,327	8,332	40,475	89,134
Transferred to Stage 3 - loan, advances and financing	-	-	(40,475)	(40,475)
Reversal of allowance during the year (Note 33)	(25,314)	(6,239)	-	(31,553)
At 31 December 2018/ 1 January 2019	15,013	2,093	-	17,106
Changes due to changes in credit risk (Note 33)	10,028	(850)	44,935	54,113
Allowance during the year (Note 33)	6,129	4,705	-	10,834
Exchange differences	-	-	(700)	(700)
At 31 December 2019	31,170	5,948	44,235	81,353

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED INCOME

	Group and Bank		
	Gross RM'000	Reinsurance RM'000	Net RM'000
2019			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	13,046	-	13,046
Addition during the year	4,400	-	4,400
Recognised in statement profit and loss	(8,826)	-	(8,826)
At 31 December	8,620	-	8,620
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	8,527	-	8,527
Addition during the year	2,116	-	2,116
Recognised in statement profit and loss	(3,699)	-	(3,699)
At 31 December	6,944	-	6,944
(iii) Premium liabilities			
At 1 January	39	4,348	4,387
Decrease in reserve	(3,256)	(286)	(3,542)
At 31 December	(3,217)	4,062	845
(iv) Takaful contribution liabilities			
At 1 January	10,634	957	11,591
Decrease in reserve	(6,619)	957	(5,662)
At 31 December	4,015	1,914	5,929
	16,362	5,976	22,338

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED INCOME (CONT'D.)

	Group and Bank		Net RM'000
	Gross RM'000	Reinsurance RM'000	
2018			
Arising from:			
(i) Guarantee and fee from conventional banking activities			
At 1 January	17,627	-	17,627
Addition during the year	5,231	-	5,231
Recognised in profit and loss	(9,812)	-	(9,812)
At 31 December	13,046	-	13,046
(ii) Guarantee and fee from Islamic banking activities			
At 1 January	12,788	-	12,788
Addition during the year	772	-	772
Recognised in profit and loss	(5,033)	-	(5,033)
At 31 December	8,527	-	8,527
(iii) Premium liabilities			
At 1 January	16,376	(11,341)	5,035
Decrease in reserve	(16,337)	15,689	(648)
At 31 December	39	4,348	4,387
(iv) Takaful premium liabilities			
At 1 January	15,985	(6,457)	9,528
Increase in reserve	(5,351)	7,414	2,063
At 31 December	10,634	957	11,591
	32,246	5,305	37,551

NOTES TO THE FINANCIAL STATEMENTS

22. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank	
	Gross RM'000	Net RM'000
2019		
Arising from:		
(i) Insurance claims		
At 1 January	11,980	11,980
Addition during the year (Note 27(ii))	28,328	28,328
Paid during the year (Note 27(ii))	(8,346)	(8,346)
At 31 December	31,962	31,962
(ii) Takaful claims		
At 1 January	6,669	6,669
Addition during the year	9,571	9,571
At 31 December	16,240	16,240
(iii) Expenses liabilities		
At 1 January	283	283
Addition during the year	378	378
At 31 December	661	661
	48,863	48,863
2018		
Arising from:		
(i) Insurance claims		
At 1 January	13,752	13,752
Addition during the year	(1,688)	(1,688)
Paid during the year (Note 27(ii))	(84)	(84)
At 31 December	11,980	11,980
(ii) Takaful claims		
At 1 January	5,616	5,616
Addition during the year	1,053	1,053
At 31 December	6,669	6,669
(iii) Expenses liabilities		
At 1 January	229	229
Reversal during the year	54	54
At 31 December	283	283
	18,932	18,932

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL AND REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

(a) Share capital

	Group and Bank			
	2019		2018	
	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.

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE CAPITAL AND REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

(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).

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	
	2019 RM'000	2018 RM'000
Banking	338,836	488,764
Insurance and takaful	7,702	7,827
Recoveries from impaired loans	34,593	57,901
	381,131	554,492

The timing of revenue recognition by the Group and the Bank are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
At a point in time	53,553	74,852
Over a period of time	327,578	479,640
	381,131	554,492

NOTES TO THE FINANCIAL STATEMENTS

25. INTEREST INCOME

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial assets at amortised cost		
Loans, advances and financing		
- Interest income from non-impaired loans	172,316	263,757
- Recoveries from impaired loans	24,835	38,304
Money at call and deposit placements with banks and other financial institutions	39,740	21,985
Financial investment at FVOCI and at amortised cost	12,237	6,321
Amortisation of premium, net	(209)	(101)
Financial assets at FVTPL Net interest on derivatives	(29,009)	(23,945)
	219,910	306,321

26. INTEREST EXPENSE

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial liabilities at amortised cost		
Borrowings:		
Term loans/Revolving credits	4,243	13,218
Medium Term Notes	138,080	154,174
	142,323	167,392

27. UNDERWRITING RESULTS

	Group and Bank	
	2019 RM'000	2018 RM'000
Gross premium	10,948	8,329
Reinsurance	(8,636)	(2,531)
Net premium	2,312	5,798
Decrease in premium liabilities reserves	3,009	(323)
Net earned premium (Note 27(i))	5,321	5,475
Other Fee Income	845	1,284
Write-back of allowance for doubtful debts	197	3
	6,363	6,762
Net claims (incurred)/recovered (Note 27(ii))	(28,328)	1,696
Underwriting results	(21,965)	8,458

NOTES TO THE FINANCIAL STATEMENTS

27. UNDERWRITING RESULTS (CONT'D.)

(i) Net earned premium

	Group and Bank	
	2019 RM'000	2018 RM'000
Gross premium	10,948	8,329
Change in premium liabilities reserves	3,009	(323)
	13,957	8,006
Net premium ceded	(8,636)	(2,531)
Net earned premium	5,321	5,475

(ii) Net claims (incurred)/recovered

	Group and Bank	
	2019 RM'000	2018 RM'000
Gross claims paid less salvage (Note 22)	(8,346)	(84)
Recoveries	-	8
Net claims paid	(8,346)	(76)
Change to insurance claims (Note 22)	(19,982)	1,772
Net claims (incurred)/recovered	(28,328)	1,696

28. OTHER INCOME/(EXPENSE), NET

	Group and Bank	
	2019 RM'000	2018 RM'000
Fee income from loans, advances and financing	22,023	23,969
Unrealised foreign exchange gain/(loss)	444,964	(116,823)
Realised foreign exchange (loss)/gain		
- Financial assets at amortised cost	(190,915)	100,228
- Financial liabilities at FVTPL	(249,797)	(15,214)
Gain/(loss) on disposal of equipment	27	(6)
Rental of income	25	23
Unrealised gain/(loss) on derivatives	107,809	(6,336)
Loss on MTN/Sukuk		
- unrealised	(88,628)	(31,359)
Others	1,145	320
	46,653	(45,198)

NOTES TO THE FINANCIAL STATEMENTS

29. OVERHEAD EXPENSES

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs	(i)	46,984	50,063	46,984	50,063
Establishment related expenses	(ii)	11,779	16,972	11,779	16,972
Promotion and marketing expenses	(iii)	2,225	2,415	2,225	2,415
General administrative expenses	(iv)	21,041	20,642	21,041	20,642
		82,029	90,092	82,029	90,092

(i) Personnel costs

	Group and Bank	
	2019 RM'000	2018 RM'000
Salaries, allowances and bonuses	33,692	35,925
Defined contribution plan	6,316	6,176
Other staff related expenses	6,976	7,962
	46,984	50,063

(ii) Establishment related expenses

	Group and Bank	
	2019 RM'000	2018 RM'000
Depreciation:		
- Property and equipment (Note 15)	4,616	5,742
- Investment properties (Note 13)	18	18
- Right-of-use assets (Note 16)	237	-
Amortisation of intangible assets (Note 14)	2,333	6,691
Rental of equipment	246	467
Interest expense - lease liabilities	27	-
Repairs and maintenance of property and equipment	4,302	4,054
	11,779	16,972

NOTES TO THE FINANCIAL STATEMENTS

29. OVERHEAD EXPENSES (CONT'D.)

(iii) Promotion and marketing expenses

	Group and Bank	
	2019 RM'000	2018 RM'000
Advertisement and publicity	2,225	2,415

(iv) General administrative expenses

	Group and Bank	
	2019 RM'000	2018 RM'000
Administrative expenses	2,755	3,084
Auditors' remuneration		
- statutory audit	533	611
- underprovision in prior year	-	460
- regulatory related services	3	3
- other services	199	746
Property and equipment written off	3,353	435
General expenses	8,848	8,549
Non-Executive directors remuneration (Note 30)	1,601	2,195
Professional fees	2,655	5,637
Charge/(reversal) of brokerage fees	19	(2,602)
Others	1,075	1,524
	21,041	20,642

NOTES TO THE FINANCIAL STATEMENTS

30. DIRECTORS' FEES AND REMUNERATION

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank					
2019					
Executive Director:					
Norzilah binti Mohammed	107	-	-	87	194
Dato' Shahrul Nazri bin Abdul Rahim	486	-	-	18	504
	593	-	-	105	698
Non-Executive Directors: (Note 29)					
Dato' Feizal Mustapha @ Feizal bin Mustapha	-	173	-	27	200
Mohammad Fadzlan bin Abdul Samad	-	256	-	-	256
Hijah Arifakh binti Othman	-	213	-	-	213
Dato' Dzulkifli bin Mahmud	-	210	-	-	210
Dato' Dr. Amiruddin bin Muhamed	-	161	-	-	161
Azizan bin Ahmad	-	123	-	-	123
Datuk Bahria binti Mohd Tamil	-	29	-	-	29
Ismail bin Mahbob	-	147	-	-	147
YM Tunku Afwida binti Tunku A. Malek	-	149	-	-	149
Datuk Syed Ahmad Helmy bin Syed Ahmad	-	113	-	-	113
	-	1,574	-	27	1,601
Total Directors' remuneration (excluding benefits in-kind)	593	1,574	-	132	2,299

NOTES TO THE FINANCIAL STATEMENTS

30. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank					
2018					
Executive Director:					
Norzilah binti Mohammed	480	-	40	153	673
	480	-	40	153	673
Non-Executive Directors:					
Datuk Mat Noor bin Nawi	-	265	-	27	292
Dato' Rosli bin Mohamed Nor	-	161	-	-	161
Dato' Sri Dr. Mohamad Isa bin Hussain	-	36	-	-	36
Dato' Md Agil bin Mohd Natt	-	252	-	-	252
Encik Ismail bin Mahbob	-	248	-	-	248
Hijah Arifakh binti Othman	-	206	-	-	206
Dato' Dzulkifli bin Mahmud	-	178	-	-	178
YM Tunku Afwida binti Tunku A. Malek	-	243	-	-	243
Encik Mohammad Fadzlan bin Abdul Samad	-	256	-	-	256
Datuk Syed Ahmad Helmy bin Syed Ahmad	-	230	-	-	230
Normah binti Osman	-	93	-	-	93
	-	2,168	-	27	2,195
Total Directors' remuneration (excluding benefits in-kind)	480	2,168	40	180	2,868

NOTES TO THE FINANCIAL STATEMENTS

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 of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Short-term employee benefits (excluding benefit in-kind)	698	673
Included in the total key management personnel is:		
Executive Director's remuneration (Note 30)	698	673

32. ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2019 RM'000	2018 RM'000
Allowances for losses on loans, advances and financing		
- 12-month ECL - Stage 1, net	(56,514)	(115,669)
- Lifetime not credit impaired ECL - Stage 2, net	39,782	27,790
- Lifetime ECL credit impaired - Stage 3, charged for the year	725,928	670,212
- Lifetime ECL credit impaired - Stage 3, written back during the year	(313,174)	(105,790)
- Bad debts written off	170,113	2,042
	566,135	478,585

33. ALLOWANCES FOR/(WRITEBACK) ON COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2019 RM'000	2018 RM'000
Allowances for commitments and contingencies		
- 12-month ECL - Stage 1, net	16,157	(25,314)
- Lifetime not impaired ECL - Stage 2, net	3,855	(6,239)
- Lifetime ECL credit impaired - Stage 3, net	44,935	-
	64,947	(31,553)

34. WRITEBACK OF ALLOWANCES ON FINANCIAL INVESTMENTS

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial investments at FVOCI		
- 12-month ECL - Stage 1, net	1,177	6
	1,177	6
Financial investments at amortised costs		
- Lifetime not impaired ECL - Stage 2, net	(11,498)	(3,207)
	(11,498)	(3,207)
Total allowances on financial investments	(10,321)	(3,201)

35. TAXATION

The major components of taxation for the years ended 31 December 2019 and 2018 are:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax expense:				
- Overprovision of income tax in prior year	1,323	-	1,323	-
Deferred tax expense (Note 11):				
- Origination and reversal of temporary differences	3,550	-	3,550	-
- Benefits from previously unutilised business losses	(3,550)	-	(3,550)	-
- Underprovision of income tax in prior year	(2,316)	-	-	-
	(993)	-	1,323	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

35. TAXATION (CONT'D.)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loss before taxation	(478,250)	(263,521)	(478,250)	(263,521)
Income tax using Malaysian statutory tax rate of 24% (2018: 24%)	(114,780)	(63,245)	(114,780)	(63,245)
Non-deductible expenses	4,823	4,811	4,823	4,811
Deferred tax assets not recognised on unutilised business losses	109,957	58,434	109,957	58,434
Underprovision of deferred tax in prior year	(2,316)	-	-	-
Overprovision of income tax in prior year	1,323	-	1,323	-
	(993)	-	1,323	-

36. BASIC/DILUTED LOSS PER SHARE

	Group		Bank	
	2019	2018	2019	2018
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Loss after taxation (RM'000)	(477,257)	(263,521)	(479,573)	(263,521)
Basic/diluted loss per share (sen)	(17.62)	(9.73)	(17.71)	(9.73)

The basic/diluted loss per ordinary share has been calculated based on the loss after taxation and the weighted average number of ordinary shares during the year.

37. 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.

NOTES TO THE FINANCIAL STATEMENTS

38. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2019 RM'000	2018 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	336,306	433,653
Letter of credit	5,598	5,220
Undrawn loans and financing	1,464,482	1,652,604
	1,806,386	2,091,477
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	739,232	727,658
One year or later and no later than five years	483,275	1,153,794
	1,222,507	1,881,452
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	5,313	15,930
Total commitments and contingencies	3,034,206	3,988,859

39. 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 of the Group and the Bank. The key management personnel compensation is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

39. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES (CONT'D.)

(b) The significant outstanding balances of the Bank with the related companies are as follows:

	Bank	
	2019 RM'000	2018 RM'000
Amount due to subsidiaries	64,123	64,126

(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	
	2019 RM'000	2018 RM'000
Amount due from The Government of Malaysia	2,114	2,160

The transaction of management fee represented by the following:

	Group and Bank	
	2019 RM'000	2018 RM'000
Transaction during the year		
Other income: Management fee	539	512

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:

NOTES TO THE FINANCIAL STATEMENTS

39. 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.)

	Group and Bank	
	2019 RM'000	2018 RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loan repayment	(134,172)	(134,172)
	35,928	35,928
Less:		
Loans and financing	(9,776)	(11,908)
Allowance for ECL for loans and financing	(4,473)	(3,439)
Add:		
Interest earned from financing	1,401	5,651
Interest income on investment	6,511	1,051
Net repayable	29,591	27,283

(d) Licensed banks and other financial institutions

	Group and Bank	
	2019 RM'000	2018 RM'000
Deposits and placements	26,119	23,099

NOTES TO THE FINANCIAL STATEMENTS

40. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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. Bank Negara Malaysia 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%.

NOTES TO THE FINANCIAL STATEMENTS

40. 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:

	2019 RM'000	2018 RM'000
Ordinary share capital	2,708,665	2,708,665
Accumulated losses	(888,833)	(615,319)
Current year loss	(479,573)	(263,521)
Eligible Tier 1 capital	1,340,259	1,829,825
Loss provision and regulatory reserve*	346,544	373,597
Redeemable convertible cumulative preference shares	250,000	250,000
Provision for guarantee and claims	39,705	14,603
Provision for commitment and contingencies	37,118	17,106
Eligible Tier 2 capital	673,367	655,306
Investment in subsidiaries	(64,129)	(64,129)
Total capital base	1,949,497	2,421,002
Risk weighted assets	6,674,261	10,602,288
Capital Ratio		
- With proposed RCCPS dividend (Note 37)		
Core capital ratio	19.87%	17.17%
RWCR	28.99%	22.74%
- Without proposed RCCPS dividend		
Core capital ratio	20.08%	17.26%
RWCR	29.21%	22.83%

* The loss provision for 2019 is computed based on Para 13.1 (d)(ii) or Capital Adequacy Framework (capital components) issued by BNM on 2 February 2018. The Tier 2 Capital comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Capital monitoring

The Group's and the Bank's capital are closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Group and the Bank have set an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Group and the Bank a "well capitalised" status. The MRC shall be responsible in managing and monitoring both the internal capital limit and regulatory capital requirement.

Market risk managementApproach 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.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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
2019					
EUR	5	362	(362)	362	(362)
GBP	5	1,324	(1,324)	1,324	(1,324)
SGD	5	2,266	(2,266)	2,266	(2,266)
USD	10	3,839	(3,839)	3,839	(3,839)
AUD	10	2,182	(2,182)	2,182	(2,182)
		9,973	(9,973)	9,973	(9,973)
2018					
EUR	5	110,700	(110,700)	110,700	(110,700)
GBP	5	111	(111)	111	(111)
SGD	5	1,636	(1,636)	1,636	(1,636)
USD	10	22,831	(22,831)	22,831	(22,831)
AUD	10	1,855	(1,855)	1,855	(1,855)
HKD	5	6	(6)	6	(6)
		137,139	(137,139)	137,139	(137,139)

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.

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Asset liability management (cont'd.)
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.

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
2019						
Assets						
Cash and bank balances	-	-	-	-	62,593	62,593
Deposits and placement with banks and other financial institutions	3,022,168	25,000	-	-	-	3,047,168
Financial Investment	-	-	1,204,442	-	-	1,204,442
Loans, advances and financing	1,025,259	292,669	1,815,073	959,327	676,314	4,768,642
Derivative financial instruments	-	-	-	-	61,218	61,218
Other assets	-	-	-	-	357,840	357,840
Total assets	4,047,427	317,669	3,019,515	959,327	1,157,965	9,501,903
Liabilities and equity						
Borrowings	2,394,740	363,201	4,161,213	519,280	-	7,438,434
Derivative financial instruments	-	-	-	-	18,531	18,531
Other liabilities	-	-	-	-	486,693	486,693
Shareholders' and Takaful participants fund	-	-	-	-	1,558,245	1,558,245
Total liabilities and equity	2,394,740	363,201	4,161,213	519,280	2,063,469	9,501,903
Period gap	1,652,687	(45,532)	(1,141,698)	440,047	(905,504)	-
Cumulative gap	1,652,687	1,607,155	465,457	905,504	-	-

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2018						
Assets						
Cash and bank balances	-	-	-	-	130,082	130,082
Deposits and placement with banks and other financial institutions	1,550,783	25,637	-	-	-	1,576,420
Financial Investment	-	5,018	935,999	299,134	-	1,240,151
Loans, advances and financing	1,464,025	1,431,556	2,870,490	2,510,625	536,955	8,813,651
Derivative financial instruments	-	-	-	-	49,146	49,146
Other assets	-	-	-	-	176,656	176,656
Total assets	3,014,808	1,462,211	3,806,489	2,809,759	892,839	11,986,106
Liabilities and equity						
Borrowings	3,528,634	857,982	4,504,897	498,230	-	9,389,743
Derivative financial instruments	-	-	-	-	113,032	113,032
Other liabilities	-	-	-	-	445,403	445,403
Shareholders' and Takaful participants fund	-	-	-	-	2,037,928	2,037,928
Total liabilities and equity	3,528,634	857,982	4,504,897	498,230	2,596,363	11,986,106
Period gap	(513,826)	604,229	(698,408)	2,311,529	(1,703,524)	-
Cumulative gap	(513,826)	90,403	(608,005)	1,703,524	-	-

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2019						
Assets						
Cash and bank balances	-	-	-	-	62,593	62,593
Deposits and placement with banks and other financial institutions	3,022,168	25,000	-	-	-	3,047,168
Financial Investment	-	-	1,204,442	-	-	1,204,442
Loans, advances and financing	1,025,259	292,669	1,815,073	959,327	676,314	4,768,642
Derivative financial instruments	-	-	-	-	61,218	61,218
Other assets	-	-	-	-	421,969	421,969
Total assets	4,047,427	317,669	3,019,515	959,327	1,222,094	9,566,032
Liabilities and equity						
Borrowings	2,394,740	363,201	4,161,213	519,280	-	7,438,434
Derivative financial instruments	-	-	-	-	18,531	18,531
Other liabilities	-	-	-	-	550,822	550,822
Shareholders' and Takaful participants fund	-	-	-	-	1,558,245	1,558,245
Total liabilities and equity	2,394,740	363,201	4,161,213	519,280	2,127,598	9,566,032
Period gap	1,652,687	(45,532)	(1,141,698)	440,047	(905,504)	-
Cumulative gap	1,652,687	1,607,155	465,457	905,504	-	-

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2018						
Assets						
Cash and bank balances	-	-	-	-	130,082	130,082
Deposits and placement with banks and other financial institutions	1,550,783	25,637	-	-	-	1,576,420
Financial Investment	-	5,018	935,999	299,134	-	1,240,151
Loans, advances and financing	1,464,025	1,431,556	2,870,490	2,510,625	536,955	8,813,651
Derivative financial instruments	-	-	-	-	49,146	49,146
Other assets	-	-	-	-	240,785	240,785
Total assets	3,014,808	1,462,211	3,806,489	2,809,759	956,968	12,050,235
Liabilities and equity						
Borrowings	3,528,634	857,982	4,504,897	498,230	-	9,389,743
Derivative financial instruments	-	-	-	-	113,032	113,032
Other liabilities	-	-	-	-	507,221	507,221
Shareholders' and Takaful participants fund	-	-	-	-	2,040,239	2,040,239
Total liabilities and equity	3,528,634	857,982	4,504,897	498,230	2,660,492	12,050,235
Period gap	(513,826)	604,229	(698,408)	2,311,529	(1,703,524)	-
Cumulative gap	(513,826)	90,403	(608,005)	1,703,524	-	-

NOTES TO THE FINANCIAL STATEMENTS

40. 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	
	2019	2018	2019	2018
	Impact on profit and loss Increase/ (decrease) RM'000	Impact on profit and loss Increase/ (decrease) RM'000	Impact on profit and loss Increase/ (decrease) RM'000	Impact on profit and loss Increase/ (decrease) RM'000
Interest/Profit rate - parallel shift				
+ 50 basis points	388	695	604	836
- 50 basis points	(388)	(695)	(604)	(836)

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:

	2019	2018
	Impact on OCI Increase/ (decrease) RM'000	Impact on OCI Increase/ (decrease) RM'000
+ 50 basis points	68	465
- 50 basis points	(68)	(465)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Liquidity risk management (cont'd.)

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
2019						
Assets						
Cash and bank balances	62,593	-	-	-	-	62,593
Deposits and placements with banks and other financial institutions	-	3,022,168	25,000	-	-	3,047,168
Financial Investment	-	-	-	1,204,442	-	1,204,442
Loans, advances and financing	676,314	1,025,259	292,669	1,815,073	959,327	4,768,642
Derivative financial instruments	61,218	-	-	-	-	61,218
Other assets	357,840	-	-	-	-	357,840
Total assets	1,157,965	4,047,427	317,669	3,019,515	959,327	9,501,903
Liabilities						
Borrowings	-	2,394,740	363,201	4,161,213	519,280	7,438,434
Derivative financial instruments	18,531	-	-	-	-	18,531
Other liabilities	486,693	-	-	-	-	486,693
Total liabilities	505,224	2,394,740	363,201	4,161,213	519,280	7,943,658
Net maturity mismatch	625,741	1,652,687	(45,532)	(1,141,698)	440,047	1,558,245

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2018						
Assets						
Cash and bank balances	130,082	-	-	-	-	130,082
Deposits and placements with banks and other financial institutions	-	1,550,783	25,637	-	-	1,576,420
Financial Investment	-	-	5,018	935,999	299,134	1,240,151
Loans, advances and financing	-	1,464,025	1,431,556	2,870,490	3,047,580	8,813,651
Derivative financial instruments	49,146	-	-	-	-	49,146
Other assets	176,656	-	-	-	-	176,656
Total assets	355,884	3,014,808	1,462,211	3,806,489	3,346,714	11,986,106
Liabilities						
Borrowings	-	3,528,634	857,982	4,504,897	498,230	9,389,743
Derivative financial instruments	113,032	-	-	-	-	113,032
Other liabilities	445,403	-	-	-	-	445,403
Total liabilities	558,435	3,528,634	857,982	4,504,897	498,230	9,948,178
Net maturity mismatch	(202,551)	(513,826)	604,229	(698,408)	2,848,484	2,037,928

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2019						
Assets						
Cash and bank balances	62,593	-	-	-	-	62,593
Deposits and placements with banks and other financial institutions	-	3,022,168	25,000	-	-	3,047,168
Financial Investment	-	-	-	1,204,442	-	1,204,442
Loans, advances and financing	676,314	1,025,259	292,669	1,815,073	959,327	4,768,642
Derivative financial instruments	61,218	-	-	-	-	61,218
Other assets	421,969	-	-	-	-	421,969
Total assets	1,222,094	4,047,427	317,669	3,019,515	959,327	9,566,032
Liabilities						
Borrowings	-	2,394,740	363,201	4,161,213	519,280	7,438,434
Derivative financial instruments	18,531	-	-	-	-	18,531
Other liabilities	550,822	-	-	-	-	550,822
Total liabilities	569,353	2,394,740	363,201	4,161,213	519,280	8,007,787
Net maturity mismatch	652,741	1,652,687	(45,532)	(1,141,698)	440,047	1,558,245

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2018						
Assets						
Cash and bank balances	130,082	-	-	-	-	130,082
Deposits and placements with banks and other financial institutions	-	1,550,783	25,637	-	-	1,576,420
Financial Investment	-	-	5,018	935,999	299,134	1,240,151
Loans, advances and financing	-	1,464,025	1,431,556	2,870,490	3,047,580	8,813,651
Derivative financial instruments	49,146	-	-	-	-	49,146
Other assets	240,785	-	-	-	-	240,785
Total assets	420,013	3,014,808	1,462,211	3,806,489	3,346,714	12,050,235
Liabilities						
Borrowings	-	3,528,634	857,982	4,504,897	498,230	9,389,743
Derivative financial instruments	113,032	-	-	-	-	113,032
Other liabilities	507,221	-	-	-	-	507,221
Total liabilities	620,253	3,528,634	857,982	4,504,897	498,230	10,009,996
Net maturity mismatch	(200,240)	(513,826)	604,229	(698,408)	2,848,484	2,040,239

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2019						
Derivative financial instruments	-	28,363	80,517	634,629	65,537	809,046
Non-derivative financial liabilities						
Borrowings	-	2,435,288	498,132	4,546,489	600,049	8,079,958
Other liabilities	486,693	-	-	-	-	486,693
Total financial liabilities	486,693	2,435,288	498,132	4,546,489	600,049	8,566,651
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	336,306	-	-	-	-	336,306
Letter of credit	5,598	-	-	-	-	5,598
Undrawn loans and financing	3,662	448,504	610,470	69,844	332,002	1,464,482
	345,566	448,504	610,470	69,844	332,002	1,806,386
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	739,232	-	-	739,232
One year or later and no later than five years	-	-	-	483,275	-	483,275
	-	-	739,232	483,275	-	1,222,507
Total commitments and contingencies	345,566	448,504	1,349,702	553,119	332,002	3,028,893

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2018						
Derivative financial liabilities instruments	-	19,400	62,200	226,800	42,300	350,700
Non-derivative financial liabilities						
Borrowings	-	3,091,600	1,514,500	5,336,000	606,100	10,548,200
Other liabilities	443,092	-	-	-	-	443,092
Total financial liabilities	443,092	3,091,600	1,514,500	5,336,000	606,100	10,991,292
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	433,653	-	-	-	-	433,653
Letter of credit	5,220	-	-	-	-	5,220
Undrawn loans and financing	91,859	306,500	529,760	724,485	-	1,652,604
	530,732	306,500	529,760	724,485	-	2,091,477
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	727,658	-	-	727,658
One year or later and no later than five years	-	-	-	1,153,794	-	1,153,794
	-	-	727,658	1,153,794	-	1,881,452
Total commitments and contingencies	530,732	306,500	1,257,418	1,878,279	-	3,972,929

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk managementApproach 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.

Credit risk managementMeasurement

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

40. FINANCIAL RISK MANAGEMENT POLICIES (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
2019			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	62,593	-	62,593
Deposits and placements with banks and other financial institutions	3,047,168	-	3,047,168
Financial investment	1,204,442	-	1,204,442
Loans, advances and financing	4,768,642	3,012,318	1,756,324
Insurance receivables	89	-	89
Net derivative financial instruments	42,687	-	42,687
Other assets excluding tax prepayment	278,113	-	278,113
	9,403,734	3,012,318	6,391,416
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	1,806,386	-	1,806,386
Insurance operations commitments			
Short term	739,232	-	739,232
Medium/Long term	483,275	-	483,275
	3,028,893	-	3,028,893
	12,432,627	3,012,318	9,420,309

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2018			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	130,082	-	130,082
Deposits and placements with banks and other financial institutions	1,576,420	-	1,576,420
Financial investment	1,240,151	-	1,240,151
Loans, advances and financing	8,813,651	9,686,358	-
Insurance receivables	521	-	521
Net derivative financial instruments	(63,886)	-	(63,886)
Other assets excluding tax prepayment	80,706	-	80,706
	11,777,645	9,686,358	2,963,994
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,091,477	-	2,091,477
Insurance operations commitments			
Short term	727,658	-	727,658
Medium/Long term	1,153,794	-	1,153,794
	3,972,929	-	3,972,929
	15,750,574	9,686,358	6,936,923

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.

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:

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit risk exposure (cont'd.)

Collateral and credit enhancement (cont'd.)

	2019 RM'000	2018 RM'000
<u>Collateral type</u>		
Secured by cash	121,331	238,295
Secured by property	1,710,566	3,597,490
Secured by machinery	1,180,421	5,850,573
	3,012,318	9,686,358

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
2019				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,643,617	1,968,281	675,336	1,630,357
Investment securities	100,000	100,000	-	-
Total credit impaired financial assets	2,743,617	2,068,281	675,336	1,630,357
2018				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,676,982	1,572,701	1,104,281	452,474
Investment securities	100,000	100,000	-	-
Total credit impaired financial assets	2,776,982	1,672,701	1,104,281	452,474

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

40. 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	Deposits and placements with banks		Financial investments	Gross loans, advances and financing	Insurance receivables	Net derivative financial investments	Other assets	Total
	Cash and bank balances	and other financial institutions						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019								
Malaysia	62,593	3,047,168	1,204,442	3,338,293	89	42,687	278,113	7,973,385
East Asia	-	-	-	68,725	-	-	-	68,725
South Asia	-	-	-	1,961,305	-	-	-	1,961,305
Central Asia	-	-	-	335,923	-	-	-	335,923
Middle East	-	-	-	345,562	-	-	-	345,562
Africa	-	-	-	239,604	-	-	-	239,604
Europe	-	-	-	562,406	-	-	-	562,406
America	-	-	-	80,053	-	-	-	80,053
Oceania	-	-	-	79,162	-	-	-	79,162
	62,593	3,047,168	1,204,442	7,011,033	89	42,687	278,113	11,646,125
2018								
Malaysia	130,082	1,576,420	1,240,151	4,749,369	521	(63,886)	80,706	7,713,363
East Asia	-	-	-	3,598,084	-	-	-	3,598,084
South Asia	-	-	-	144,496	-	-	-	144,496
Central Asia	-	-	-	315,227	-	-	-	315,227
Middle East	-	-	-	464,493	-	-	-	464,493
Africa	-	-	-	229,723	-	-	-	229,723
Europe	-	-	-	887,924	-	-	-	887,924
America	-	-	-	80,348	-	-	-	80,348
Oceania	-	-	-	207,530	-	-	-	207,530
	130,082	1,576,420	1,240,151	10,677,194	521	(63,886)	80,706	13,641,188

NOTES TO THE FINANCIAL STATEMENTS

40. 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	Insurance operation short term	Insurance operation medium/long term	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Malaysia	1,263,490	317,392	-	1,580,882
East Asia	117,915	135,600	296,379	549,894
Central Asia	-	-	-	-
South Asia	-	17,508	24,496	42,004
Middle East	95,741	24,238	-	119,979
Africa	15,390	29,233	162,400	207,023
Europe	-	101,361	-	101,361
America	-	82,648	-	82,648
Oceania	313,850	31,252	-	345,102
	1,806,386	739,232	483,275	3,028,893
2018				
Malaysia	734,438	304,912	-	1,039,350
East Asia	881,423	122,207	896,709	1,900,339
Central Asia	-	-	-	-
South Asia	-	16,779	163,233	180,012
Middle East	107,945	43,164	16,184	167,293
Africa	44,334	26,996	77,668	148,998
Europe	39,086	82,267	-	121,353
America	-	89,096	-	89,096
Oceania	284,251	42,237	-	326,488
	2,091,477	727,658	1,153,794	3,972,929

NOTES TO THE FINANCIAL STATEMENTS

40. 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

	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
2019								
Primary agriculture	-	-	49,040	608,422	-	-	-	657,462
Mining and quarrying	-	-	-	339,975	-	-	-	339,975
Manufacturing	-	-	-	1,298,316	-	-	-	1,298,316
Transport, storage and communication	-	-	313,987	1,505,785	-	-	-	1,819,772
Construction	-	-	-	216,186	-	-	-	216,186
Wholesale and retail trade and restaurants and hotels	-	-	-	858,049	-	-	-	858,049
Finance, insurance, real estate and business activities	62,593	3,047,168	305,478	643,669	-	42,687	-	4,101,595
Electricity, gas and water	-	-	235,035	458,324	-	-	-	693,359
Education, health & others	-	-	-	99,074	-	-	-	99,074
Government	-	-	300,902	426,828	-	-	-	727,730
Property development	-	-	-	556,405	-	-	-	556,405
Others	-	-	-	-	89	-	278,113	278,202
	62,593	3,047,168	1,204,442	7,011,033	89	42,687	278,113	11,646,125

40. 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.)

	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
2018								
Primary agriculture	-	-	101,190	733,668	-	-	-	834,858
Mining and quarrying	-	-	-	359,922	-	-	-	359,922
Manufacturing	-	-	-	1,940,335	-	-	-	1,940,335
Transport, storage and communication	-	-	223,863	2,376,164	-	-	-	2,600,027
Construction	-	-	-	186,699	-	-	-	186,699
Wholesale and retail trade and restaurants and hotels	-	-	-	1,033,800	-	-	-	1,033,800
Finance, insurance, real estate and business activities	130,082	1,576,420	299,475	1,142,601	-	(63,886)	-	3,084,692
Electricity, gas and water	-	-	314,509	1,703,622	-	-	-	2,018,131
Education, health & others	-	-	-	167,449	-	-	-	167,449
Property development	-	-	-	693,060	-	-	-	693,060
Government	-	-	301,114	339,874	-	-	-	640,988
Others	-	-	-	-	521	-	176,135	176,656
	130,082	1,576,420	1,240,151	10,677,194	521	(63,886)	176,135	13,736,617

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

40. 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
2019				
Manufacturing	794,336	623,456	131,784	1,549,576
Transport, storage and communication	82,612	-	-	82,612
Construction	13,881	-	51,981	65,862
Electricity, gas and water supply	-	-	42,613	42,613
Finance, insurance, real estate and business activities	112,948	-	171,906	284,854
Wholesale and retail trade and restaurants and hotels	450,288	15,014	-	465,302
Government	89,235	-	-	89,235
Mining and quarrying	204,650	-	3,131	207,781
Education, health and others	7,605	-	81,860	89,465
Property development	50,831	-	-	50,831
Others	-	100,762	-	100,762
	1,806,386	739,232	483,275	3,028,893
2018				
Manufacturing	321,340	531,228	115,442	968,010
Transport, storage and communication	2,799	-	-	2,799
Construction	79,757	-	96,147	175,904
Electricity, gas and water supply	69,627	-	65,373	135,000
Finance, insurance, real estate and business activities	115,283	-	173,712	288,995
Wholesale and retail trade and restaurants and hotels	677,535	24,590	-	702,125
Government	217,140	-	-	217,140
Mining and quarrying	206,800	-	82,720	289,520
Primary agriculture	-	-	-	-
Education, health and others	284,498	-	620,400	904,898
Property development	116,698	-	-	116,698
Others	-	171,840	-	171,840
	2,091,477	727,658	1,153,794	3,972,929

NOTES TO THE FINANCIAL STATEMENTS

40. 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	2019 RM'000	2018 RM'000
Financial investments at FVOCI (Gross):		
AA	50,210	106,208
D	100,000	100,000
Government guarantees	619,486	606,092
	769,696	812,300
Investment securities at amortised cost (Gross):		
Long-term		
BBB	306,275	309,492
Government guarantees	300,905	301,114
	607,180	610,606
Net derivative financial assets/(liabilities)		
Financial institutions		
AAA	100	(81,583)
A+	1,625	(15,883)
AA-	40,681	11,745
AA+	-	(2,086)
AA2	281	23,921
	42,687	(63,886)

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets

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:

	ECL Stage 1 RM'000	ECL Stage 2 RM'000	ECL Stage 3 RM'000	Total RM'000
2019				
Commercial customer				
Risk Rating 1	-	-	-	-
Risk Rating 2	534,608	-	-	534,608
Risk Rating 3	544,420	14,919	-	559,339
Risk Rating 4	163,040	766,548	-	929,588
Risk Rating 5	734,248	82,147	-	816,395
Risk Rating 6	196,583	163,123	-	359,706
Risk Rating 7	-	571,397	-	571,397
Risk Rating 8	-	32,993	-	32,993
Risk Rating 9	-	1,508	-	1,508
Impaired	-	-	2,643,617	2,643,617
	2,172,899	1,632,635	2,643,617	6,449,151
Sovereign				
Risk Rating b-	2,710	-	-	2,710
Risk Rating b+	305,363	-	-	305,363
Risk Rating bb	21,696	-	-	21,696
	329,769	-	-	329,769
	2,502,668	1,632,635	2,643,617	6,778,920

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Credit quality by class of financial assets (cont'd.)

Credit quality by loans, advances and financing (cont'd.)

	ECL Stage 1 RM'000	ECL Stage 2 RM'000	ECL Stage 3 RM'000	Total RM'000
2018				
Commercial customer				
Risk Rating 1	-	-	-	-
Risk Rating 2	1,645,388	-	-	1,645,388
Risk Rating 3	1,975,667	-	-	1,975,667
Risk Rating 4	2,221,768	5,260	-	2,227,028
Risk Rating 5	749,893	6,183	-	756,076
Risk Rating 6	348,862	51,915	-	400,777
Risk Rating 7	298,919	-	-	298,919
Risk Rating 8	331	-	-	331
Risk Rating 9	-	-	-	-
Impaired	-	-	2,676,982	2,676,982
	7,240,828	63,358	2,676,982	9,981,168
Sovereign				
Risk Rating b+	3,061	-	-	3,061
Risk Rating bb	23,404	-	-	23,404
Risk Rating bb+	207,555	-	-	207,555
	234,020	-	-	234,020
	7,474,848	63,358	2,676,982	10,215,188

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 no impaired loans restructured by the Group and the bank during the year (2018: RM127,682,059.70).

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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.

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
2019			
Financial assets			
Assets measured at fair value			
Financial investments at FVOCI			
- Unquoted debt securities	668,504	668,504	-
Derivative financial instruments	61,218	61,218	-
Total financial assets carried at fair value	729,722	729,722	-
Assets not measured at fair value			
Investment properties	850	-	1,140
Investment securities at amortised cost			
- Unquoted debt securities	535,938	558,361	-
Loans, advances and financing	4,768,642	-	4,766,632
Financial liabilities			
Liabilities measured at fair value			
Derivative financial instruments	18,531	18,531	-
Total financial liabilities carried at fair value	18,531	18,531	-
Liabilities not measured at fair value			
Borrowings	7,438,434	7,443,665	-

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(i) Fair value hierarchy (cont'd.)

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
2018			
Financial assets			
Assets measured at fair value			
Financial investments at FVOCI			
- Unquoted debt securities	712,285	712,285	-
Derivative financial instruments	49,146	49,146	-
Total financial assets earned at fair value	761,431	761,431	-
Assets not measured at fair value			
Investment properties	868	-	1,140
Investment securities at amortised cost			
- Unquoted debt securities	527,866	596,095	-
Loans, advances and financing	8,813,651	-	8,326,451
Financial liabilities			
Liabilities measured at fair value			
Derivative financial instruments	113,032	113,032	-
Total financial liabilities carried at fair value	113,032	113,032	-
Liabilities not measured at fair value			
Borrowings	9,389,743	9,373,668	-

There were no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

(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.

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 securities 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, financing and advances

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 judgments 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

Fair values (cont'd.)

Investment properties

The fair value 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.

41. 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 so 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 insurer 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 reliance's 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.

NOTES TO THE FINANCIAL STATEMENTS

41. INSURANCE RISKS (CONT'D.)

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.

	2019 Net RM'000		2018 Net RM'000	
Estimated claim liabilities (Note 22)	48,863		18,932	

Claim liability sensitivity analysis

a. Change in claim costs

Assumed an average claim cost of RM400,000 (2018: RM360,000) 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:

	2019 Net RM'000		2018 Net RM'000	
	High +10%	Low -10%	High +10%	Low -10%
Estimated claim liabilities	49,112	48,616	20,037	17,827

b. Change in average number of claims

Assumed 8% (2018: 9%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following result:

	2019 Net RM'000		2018 Net RM'000	
	High +10%	Low -10%	High +10%	Low -10%
Estimated claim liabilities	49,137	48,566	20,011	17,789

NOTES TO THE FINANCIAL STATEMENTS

41. INSURANCE RISKS (CONT'D.)

Claim liability sensitivity analysis (cont'd.)

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:

	2019 Net RM'000		2018 Net RM'000	
	High +10%	Low -10%	High +10%	Low -10%
Estimated claim liabilities	49,090	48,638	19,021	18,842

d. Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 20%. Changing this by 10% (to 22% and 10% respectively) gives the following result:

	2019 Net RM'000		2018 Net RM'000	
	High +10%	Low -10%	High +10%	Low -10%
Estimated claim liabilities	49,678	48,050	19,247	18,616

	2019 Net RM'000	2018 Net RM'000
Estimated premium	-	-

NOTES TO THE FINANCIAL STATEMENTS

41. INSURANCE RISKS (CONT'D.)

Premium/contribution liability sensitivity analysis

a. Change in probability of default

Managements has assumed 1-year probability of default of ranging from 0.5% to 2.5% 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 BB- rating which equated to a 1% 1-year probability of default. Changing this rating assumption to B- rating (less trustworthy - for the "High" Scenario) and BBB- rating (more trustworthy - for the "Low" Scenario) gives the following result:

	2019 Net		2018 Net	
	High B- rating points	Low BBB- rating points	High B- rating points	Low BBB- rating points
	RM'000	RM'000	RM'000	RM'000
Estimated premium/contribution	9,773	7,065	42,113	8,253

b. Change in recovery rates

On the premium liability front, some of the MLT policies have reinsurance cover. For the "High" Scenario, management reduce all of these by 10%. For the "Low" scenario management increase them by 10%.

	2019 Net		2018 Net	
	High +10%	Low -10%	High +10%	Low -10%
	RM'000	RM'000	RM'000	RM'000
Estimated premium liabilities/contribution	7,065	7,065	19,654	12,225

NOTES TO THE FINANCIAL STATEMENTS

41. 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% points gives the following result:

	2019 Net		2018 Net	
	High +10%	Low -10%	High +10%	Low -10%
	RM'000	RM'000	RM'000	RM'000
Estimated premium liabilities/contribution	7,087	7,043	15,972	15,907

d. Change in PRAD %

Assumed a premium PRAD of 35%. Changing this by 10% (to 38.5% and 31.5% respectively) gives the following result:

	2019 Net		2018 Net	
	High +10%	Low -10%	High +10%	Low -10%
	RM'000	RM'000	RM'000	RM'000
Estimated premium liabilities	7,219	6,911	16,353	15,527

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS FUNDS

Statement of financial position as at 31 December 2019

Group and Bank	Note	2019			2018		
		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)	454	341	795	21,602	269	21,871
Deposits and placements with banks and other financial institutions	(b)	1,190,689	14,047	1,204,736	353,905	11,456	365,361
Financial investments	(c)	903,540	-	903,540	939,039	-	939,039
Islamic financing	(d)	2,486,294	-	2,486,294	4,014,165	-	4,014,165
Derivative financial instruments	(e)	279	-	279	27,211	-	27,211
Contribution receivable		-	435	435	-	472	472
Other receivables		180,221	9,930	190,151	15,978	8,416	24,394
Total assets		4,761,477	24,753	4,786,230	5,371,900	20,613	5,392,513
Liabilities							
Financing payable	(f)	2,709,440	-	2,709,440	3,489,150	-	3,489,150
Deferred income		6,943	5,929	12,872	8,527	11,591	20,118
Derivative financial instruments	(e)	-	-	-	14,530	-	14,530
Deferred taxation	(j)	-	-	-	-	-	-
Provision for commitments and contingencies	(q)	40,963	-	40,963	12,482	-	12,482
Provision for claim	(22(i))	-	16,240	16,240	-	6,669	6,669
Provision for expenses liability		661	-	661	283	-	283
Other liabilities	(p)	1,478,006	2,584	1,480,590	1,369,513	2,353	1,371,866
Total liabilities		4,236,013	24,753	4,260,766	4,894,485	20,613	4,915,098
Financed by:							
Islamic banking fund		800,000	-	800,000	800,000	-	800,000
Reserves		(7,932)	-	(7,932)	(21,598)	-	(21,598)
Accumulated losses		(256,930)	-	(256,930)	(292,850)	-	(292,850)
Takaful participants fund	(l)	(9,674)	-	(9,674)	(8,137)	-	(8,137)
Total Islamic business fund and Takaful fund		525,464	-	525,464	477,415	-	477,415
Total liabilities, Islamic business fund, and Takaful participants fund		4,761,477	24,753	4,786,230	5,371,900	20,613	5,392,513
Commitments and contingencies	(m)	1,283,548	899,812	2,183,360	738,122	517,349	1,255,471

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of profit and loss for the year ended 31 December 2019

Group and Bank	Note	2019			2018		
		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)	214,738	-	214,738	265,905	-	265,905
Financing cost		(94,011)	-	(94,011)	(98,760)	-	(98,760)
Net income from Islamic banking fund		120,727	-	120,727	167,145	-	167,145
Gross contribution		-	3,964	3,964	-	2,017	2,017
Wakalah fee		1,687	(1,687)	-	995	(995)	-
Reinsurance outward		-	(139)	(139)	-	(33)	(33)
Decrease/(increase) in contribution liability		-	6,142	6,142	-	(1,948)	(1,948)
Increase in claim liability		-	(9,571)	(9,571)	-	(1,053)	(1,053)
Increase in expenses liability		(393)	-	(393)	(54)	-	(54)
Brokerage commission		-	-	-	-	-	-
Takaful fees		244	(29)	215	127	-	127
Income from Takaful activities		1,538	(1,320)	218	1,068	(2,012)	(944)
Islamic banking fund and Takaful fund results		122,265	(1,320)	120,945	168,213	(2,012)	166,201
Other expenses	(h)	(11,450)	-	(11,450)	(963)	-	(963)
Net Income from Islamic business		110,815	(1,320)	109,495	167,250	(2,012)	165,238
Administrative expenses		(812)	-	(812)	(1,109)	-	(1,109)
Reversal of allowance on doubtful debt		-	(217)	(217)	-	41	41
Allowances for losses on financing	(i)	(55,924)	-	(55,924)	(330,712)	-	(330,712)
(Allowance)/writeback for commitments and contingencies		(28,481)	-	(28,481)	7,996	-	7,996
Writeback of allowances on financial investments		10,322	-	10,322	3,203	-	3,203
Profit/(loss) for the year before zakat		35,920	(1,537)	34,383	(153,372)	(1,971)	(155,343)
Taxation	(k)	-	-	-	-	-	-
Zakat		-	-	-	-	-	-
Net profit/(loss) for the year		35,920	(1,537)	34,383	(153,372)	(1,971)	(155,343)

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of Comprehensive Income for the year ended 31 December 2019

Group and Bank	Note	2019			2018		
		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		35,920	(1,537)	34,383	(153,372)	(1,971)	(155,343)
Other comprehensive income to be reclassified to profit or (loss) in subsequent periods:							
Fair value changes on FVOCI		13,666	-	13,666	(92,909)	-	(92,909)
Net other comprehensive income to be reclassified to profit or (loss) in subsequent periods		13,666	-	13,666	(92,909)	-	(92,909)
Total comprehensive income/(loss) for the year		49,586	(1,537)	48,049	(246,281)	(1,971)	(248,252)

Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2019

Group and Bank	Islamic Banking Fund RM'000	Retained profits/ (Accumulated losses) RM'000	Fair value adjustment reserve RM'000	Total RM'000
At 1 January 2018	800,000	(145,644)	71,311	725,667
Net loss for the year	-	(155,343)	-	(155,343)
Other comprehensive loss	-	-	(92,909)	(92,909)
At 31 December 2018	800,000	(300,987)	(21,598)	477,415
Net profit for the year	-	34,383	-	34,383
Other comprehensive income	-	-	13,666	13,666
At 31 December 2019	800,000	(266,604)	(7,932)	525,464

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of cash flows for Islamic business fund the financial year ended 31 December 2019

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash flows from operating activities		
Profit/(loss) before zakat	35,920	(153,372)
Adjustments for:		
ECL Stage 3 of financing		
- Charged for the year	193,595	422,188
- Written back during the year	(291,543)	(41,783)
ECL Stage 1 and 2 of financing		
- Charged for the year	25,972	36,247
- Written back during the year	(42,213)	(85,940)
Reversal of allowance on financial investments	(10,322)	(3,203)
ECL Stage 3 of commitments and contingencies	12,943	-
ECL Stage 1 and 2 of commitments and contingencies		
- Charged for the year	21,910	-
- Written back during the year	(6,372)	(7,996)
Unrealised foreign exchange (gain)/loss	(266,834)	55,496
Unrealised loss/(gain) on derivatives	12,433	(10,155)
Unrealised (gain)/loss on Sukuk	(5,722)	15,435
Amortisation of premium less accretion of discount	(1,269)	(1,292)
Operating (loss)/profit before working capital changes	(321,502)	225,625
Changes in working capital:		
Deposits and placements with banks and other financial institutions	848,010	197,453
Islamic financing	1,086,506	194,499
Other assets	(164,490)	677
Derivative financial instruments	(43)	1,019
Other liabilities	(90,021)	(431,841)
Deferred income	(1,584)	(4,261)
Net claims paid for bank guarantee and takaful claims	378	54
Zakat paid	-	(3,163)
Net cash generated from operating activities	1,537,296	180,062

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS FUNDS (CONT'D.)

Statement of cash flows for Islamic business fund the financial year ended 31 December 2019 (cont'd.)

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash flow from investing activities		
Proceed from disposal of investments	34,267	68,637
Net cash generated from investing activities	34,267	68,637
Cash flows from financing activities		
Net repayment of financing payable	(744,701)	(76,897)
Net cash used in financing activities	(744,701)	(76,897)
Net increase in cash and cash equivalents	826,862	171,802
Cash and cash equivalents at beginning of year excluding on behalf of customer	314,281	142,479
Cash and cash equivalents at end of year	1,141,143	314,281
Cash and cash equivalents comprise:		
Cash and bank balances	454	21,602
Deposits and placements with financial institutions	1,190,689	353,905
Less: Deposits and placements on behalf of customers	(50,000)	(61,226)
	1,141,143	314,281

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019

(a) Cash and bank balances

	Group and Bank	
	2019 RM'000	2018 RM'000
Cash and bank balances	795	21,871

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS FUNDS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(b) Deposits and placements with banks and other financial institutions

	Group and Bank	
	2019 RM'000	2018 RM'000
Deposits and placements with:		
Licensed banks	502,659	201,215
Other financial institutions	702,077	164,146
	1,204,736	365,361
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	1,154,736	304,135
On behalf of customers and government	50,000	61,226
	1,204,736	365,361

(c) Financial investments

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial investments at FVOCI		
Unquoted debt securities	769,696	812,300
Less: Allowance for expected credit losses	(101,192)	(100,015)
	668,504	712,285
Investment securities at amortised costs		
Unquoted debt securities	306,275	309,494
Less: Allowance for expected credit losses	(71,239)	(82,740)
	235,036	226,754
Total financial investments	903,540	939,039

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(c) Financial investments (cont'd.)

Included in financial investments at FVOCI are to meet the requirement of Sukuk Programme of the Group amounting to RM160,036,300 (2018: RM539,557,536).

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 2018	9	-	100,000	100,009
Allowance during the year	6	-	-	6
At 1 January 2019	15	-	100,000	100,015
Allowance during the year	1,177	-	-	1,177
At 31 December 2019	1,192	-	100,000	101,192

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 2018	-	85,947	-	85,947
Allowance during the year	2	-	-	2
Exchange differences	-	(3,209)	-	(3,209)
At 1 January 2019	2	82,738	-	82,740
Reversal during the year	(2)	(11,499)	-	(11,501)
At 31 December 2019	-	71,239	-	71,239

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(d) Islamic financing

	Group and Bank	
	2019 RM'000	2018 RM'000
(i) Murabahah	781,476	1,075,113
Istisna'	200,515	167,140
Tawarruq	2,011,767	3,140,517
Ijarah**	156,055	393,499
Ad- Dayn	98,110	141,263
	3,247,923	4,917,532
Less: Allowance for expected credit losses on impaired advances and financing		
- 12-month ECL - Stage 1	(35,801)	(65,036)
- Lifetime not impaired ECL - Stage 2	(39,453)	(26,459)
- Lifetime ECL credit impaired - Stage 3	(686,375)	(811,872)
Net advances and financing	2,486,294	4,014,165

** RM51,907,426 (2018: RM143,059,603) is in respect of Sukuk Programme of the Group.

(ii) The maturity structure of the advances and financing are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Within one year	1,424,056	1,741,899
One year to three years	101,244	953,607
Three years to five years	813,978	794,960
Over five years	908,645	1,427,066
	3,247,923	4,917,532

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(d) Islamic financing (cont'd.)

(iii) Islamic gross financing analysed by profit rate sensitivity are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Fixed rate	2,755	309,348
Variable rate	3,245,168	4,608,184
	3,247,923	4,917,532

(iv) Islamic gross financing analysed by geography are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Malaysia	2,331,353	3,040,517
East Asia	536,727	429,751
South Asia	32,624	918,319
Europe	-	241,069
West Africa	135,864	85,767
Oceania	72,755	157,371
Middle East	127,010	32,803
Central Asia	11,590	11,935
	3,247,923	4,917,532

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(d) Islamic financing (cont'd.)

(v) Islamic gross financing analysed by industry are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Primary agriculture	134,471	177,804
Mining and quarrying	-	97,704
Manufacturing	378,202	1,146,946
Transport, storage and communication	627,458	924,361
Construction	750,809	752,767
Wholesale and retail trade, and restaurants and hotels	1,011,643	1,033,288
Other	345,340	784,662
	3,247,923	4,917,532

(vi) Movements in impaired financing are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 January	1,341,356	549,926
Impaired during the year	333,018	890,861
Recoveries	(523,251)	(2,936)
Written-off	(170,113)	-
Exchange differences	19,680	(96,495)
At 31 December	1,000,690	1,341,356

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(d) Islamic financing (cont'd.)

(vii) Advance and financing analysed by facility and Shariah contract are as follows:

2019	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
At amortised cost						
Buyer Credit-i	-	-	-	(1,178)	-	(1,178)
Malaysian Kitchen Financing Facility-i	1,375	-	-	1,185	-	2,560
Overseas Contract Financing-i	-	-	-	98,494	-	98,494
Overseas Investment Financing-i	-	-	-	174,088	-	174,088
Overseas Project Financing-i	3,364	176,836	-	258,580	35,264	474,044
Supplier Financing-i	776,432	-	-	561,574	109,906	1,447,912
Term Financing-i	-	23,679	-	919,024	10,885	953,588
Vendor Financing-i	305	-	98,110	-	-	98,415
Gross financing	781,476	200,515	98,110	2,011,767	156,055	3,247,923
Allowances for expected credit losses on advances and financing:						
- 12-month ECL - Stage 1	-	-	-	-	-	(35,801)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	-	(39,453)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	-	(686,375)
Net advances and financing	781,476	200,515	98,110	2,011,767	156,055	2,486,294

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(d) Islamic financing (cont'd.)

(vii) Advance and financing analysed by facility and Shariah contract are as follows: (cont'd.)

2018	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
At amortised cost						
Buyer Credit-i	-	-	-	347,181	-	347,181
Malaysian Kitchen Financing Facility-i	-	-	-	3,825	-	3,825
Overseas Contract Financing-i	-	-	-	84,282	-	84,282
Overseas Investment Financing-i	-	-	-	445,696	-	445,696
Overseas Project Financing-i	-	167,140	-	431,562	76,183	674,885
Supplier Financing-i	1,068,461	-	5,984	499,676	-	1,574,121
Term Financing-i	6,652	-	-	1,328,295	317,316	1,652,263
Vendor Financing-i	-	-	135,279	-	-	135,279
Gross financing	1,075,113	167,140	141,263	3,140,517	393,499	4,917,532
Allowances for expected credit losses on advances and financing:						
- 12-month ECL - Stage 1	-	-	-	-	-	(65,036)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	-	(26,459)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	-	(811,872)
Net advances and financing	1,075,113	167,140	141,263	3,140,517	393,499	4,014,165

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (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
2019				
At 1 January	65,036	26,459	811,872	903,367
Transferred to Stage 1	(4,128)	-	-	(4,128)
Transferred to Stage 2	-	14,259	-	14,259
(Written back)/allowance	(6,833)	760	72,165	66,092
Financial assets derecognised	(17,027)	(2,455)	-	(19,482)
Changes due to change in credit risk	(3,111)	430	-	(2,681)
Modification to contractual cash flows of financial assets	1,864	-	-	1,864
Total net profit and loss charge during the period	(29,235)	12,994	72,165	55,924
Write offs	-	-	(170,113)	(170,113)
Exchange differences	-	-	(27,549)	(27,549)
At 31 December	35,801	39,453	686,375	761,629
2018				
At 1 January	123,473	17,715	561,677	702,865
Transferred to Stage 1	(36,959)	-	-	(36,959)
Transferred to Stage 2	-	22,762	-	22,762
(Written back)/allowance	(17,474)	(7,233)	380,405	355,698
Financial assets derecognised	(33)	-	-	(33)
Changes due to change in credit risk	(578)	(8,110)	-	(8,688)
Modification to contractual cash flows of financial assets	(3,393)	1,325	-	(2,068)
Total net profit and loss charge during the period	(58,437)	8,744	380,405	330,712
Write offs	-	-	-	-
Exchange differences	-	-	(130,210)	(130,210)
At 31 December	65,036	26,459	811,872	903,367

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(e) Derivatives financial instrument

	Group and Bank					
	2019			2018		
	Fair Value		Notional	Fair Value		Notional
	Assets RM'000	Liability RM'000	Amount RM'000	Assets RM'000	Liability RM'000	Amount RM'000
<u>Derivatives used as fair value hedges</u>						
Profit rate swaps	279	-	152,669	-	11,625	1,365,222
Cross currency profit rate swaps	-	-	-	27,211	2,095	369,080
Total	279	-	152,669	27,211	14,530	1,734,302

(f) Financing Payable

	Group and Bank	
	2019 RM'000	2018 RM'000
(i) <u>Revolving credit facility - unsecured</u>		
Repayable within one year	868,987	1,191,532
	868,987	1,191,532
(ii) <u>Sukuk</u>		
Within one year	360,160	1,669,540
One year to three years	184,292	359,584
Three years to five years	-	185,934
Over five years	81,542	82,560
	625,994	2,297,618
(iii) <u>Syndication loan</u>		
Three years to five years	1,214,459	-
	2,709,440	3,489,150

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(g) Income derived from investment of Islamic banking fund

	Group and Bank	
	2019 RM'000	2018 RM'000
Islamic financing:		
Murabahah	64,454	75,279
Istisna'	12,092	17,438
Tawarruq	64,842	99,818
Ijarah	3,108	11,550
Recoveries from impaired financing	9,758	16,543
Deposits and placements with banks and other financial institutions	23,726	11,051
Financial investments	44,484	45,120
Net income from profit rate swaps	(7,726)	(10,894)
	214,738	265,905

(h) Other income/(expenses)

	Group and Bank	
	2019 RM'000	2018 RM'000
Fee Income	5,255	6,239
Foreign exchange gain/(loss)		
- unrealised	266,834	(55,496)
- realised	(276,828)	53,574
Unrealised (loss)/gain on derivatives	(12,433)	10,155
Unrealised gain/(loss) on Sukuk	5,722	(15,435)
	(11,450)	(963)

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(i) Allowances for expected credit losses on advances and financing

	Group and Bank	
	2019 RM'000	2018 RM'000
Allowances for losses on expected credit losses on advances and financing		
- 12-month ECL - Stage 1, net	(29,235)	(61,918)
- Lifetime not impaired ECL - Stage 2, net	12,994	12,225
- Lifetime ECL credit impaired - Stage 3, net	193,595	422,188
- Lifetime ECL written back - Stage 3, net	(291,543)	(41,783)
- Bad debts written off	170,113	-
	55,924	330,712

(j) Deferred taxation

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 January	-	-
Recognised in profit and loss	20,356	-
Recognised in profit and loss	(20,356)	-
At 31 December	-	-

Deferred tax assets

	Unutilised business losses RM'000
Group and Bank	
At 1 January 2019	(22,259)
Recognised in profit and loss	20,356
At 31 December 2019	(1,903)

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(j) Deferred taxation (cont'd.)

Deferred tax liabilities

	Other temporary differences RM'000
Group and Bank	
At 1 January 2019	22,259
Recognised in profit and loss	(20,356)
At 31 December 2019	1,903

Presented after appropriate offsetting as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Deferred tax assets	(1,903)	(22,259)
Deferred tax liabilities	1,903	22,259
	-	-

(k) Taxation

The major components of taxation for the financial year ended 31 December 2019 and 2018 are:

	Bank	
	2019 RM'000	2018 RM'000
Deferred tax expense (Note j)		
- Origination and reversal of temporary differences	20,356	22,259
- Benefits from previously unutilised business losses	(20,356)	(22,259)
	-	-

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(k) Taxation (cont'd.)

A reconciliation of the taxation applicable to profit/(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:

	Bank	
	2019 RM'000	2018 RM'000
Profit/(loss) before taxation	35,920	(153,372)
Income tax using Malaysian statutory tax rate of 24% (2018: 24%)	8,621	(36,809)
Deferred tax assets recognised on unutilised business losses	-	36,809
Utilisation of previously unrecognised tax losses	(8,621)	-
	-	-

(l) Takaful participants fund

	2019 RM'000	2018 RM'000
Takaful participants fund		
Accumulated deficit (i)	(9,674)	(8,137)
Qard (ii)	9,674	8,137
	-	-

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 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

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(l) Takaful participants fund (cont'd.)

Measurement and impairment of Qard (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.

	2019 RM'000	2018 RM'000
(i) <u>Accumulated deficit</u>		
At beginning of the year	(8,137)	(6,166)
Net deficit of the Takaful fund	(1,537)	(1,971)
At end of the year	(9,674)	(8,137)
(ii) <u>Qard</u>		
At beginning of the year	8,137	6,166
Increase in Qard	1,537	1,971
At end of the year	9,674	8,137

(m) Commitments and contingencies

	Group and Bank	
	2019 RM'000	2018 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	29,368	53,847
Letter of credit	2,225	314
Undrawn financing	1,251,955	683,961
	1,283,548	738,122
<u>Takaful operation commitments</u>		
Contracted but not provided for:		
Within one year	727,906	343,637
One year or later and no later than five years	171,906	173,712
	899,812	517,349
Total commitments and contingencies	2,183,360	1,255,471

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(n) Shariah disclosures

(i) Shariah non-compliant events

There is no Shariah non-compliant event occurred for the financial year ended 31 December 2019.

(ii) Sources and uses of charity funds

	Group and Bank	
	2019 RM'000	2018 RM'000
At 1 January	3,956	2,903
Funds collected during the year		
- Income earned from late payment charges	2,527	2,315
Funds distributed during the year		
- Contribution to non-profit organisation	(968)	(1,262)
At 31 December	5,515	3,956

Monies derived from the Shariah non-compliant event and late payment charges on Islamic financing activities were channelled to charity fund and distributed progressively to the eligible beneficiaries.

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(o) Regulatory Capital

	Group and Bank	
	2019 RM'000	2018 RM'000
Ordinary share capital	800,000	800,000
Accumulated losses	(292,850)	(139,478)
Current year profit/(loss)	35,920	(153,372)
Eligible Tier 1 capital	543,070	507,150
Collective allowance on Islamic financing*	147,685	174,248
Provision for commitments and contingencies	28,020	12,482
Provision for guarantee and claim	13,854	6,490
Eligible Tier 2 capital	189,559	193,220
Total capital base	732,629	700,370
Risk weighted assets	3,450,305	4,765,805
RWCR	21.23%	14.70%

* The eligible amounts for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

(p) Other liabilities

	Group and Bank	
	2019 RM'000	2018 RM'000
Sinking fund and debt services reserve accounts	77,348	81,504
Interest payable	9,850	39,406
Amount due from the Government of Malaysia for MKFF scheme	(591)	339
Amount due to Teraju	52,365	51,568
Financing from banking business*	1,322,302	1,182,961
Others	19,316	16,088
	1,480,590	1,371,866

* The financing from banking business is unsecured, does not bear profit and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

42. ISLAMIC BUSINESS (CONT'D.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2019 (cont'd.)

(q) Provision for commitments and contingencies

	Group and Bank	
	2019 RM'000	2018 RM'000
Provision for commitments and contingencies	40,963	12,482

Movements in the provisions for commitments and contingencies are as follow:

	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2018	14,196	6,282	-	20,478
Reversal ECL during the year	(3,371)	(4,625)	-	(7,996)
At 31 December 2018/1 January 2019	10,825	1,657	-	12,482
Changes due change in credit risk	10,467	(1,037)	9,430	
Allowance during the year	6,100	8	12,943	19,051
At 31 December 2019	27,392	628	12,943	40,963

NOTES TO THE FINANCIAL STATEMENTS

43. 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

43. SEGMENT INFORMATION (CONT'D.)

	2019				2018			
	Business segments		Support RM'000	Total RM'000	Business segments		Support RM'000	Total RM'000
Banking RM'000	Insurance and Takaful RM'000	Banking RM'000			Insurance and Takaful RM'000	Banking RM'000		
Net interest income	25,819	-	51,768	77,587	110,725	-	28,204	138,929
Underwriting results	-	(21,965)	-	(21,965)	-	8,458	-	8,458
Income from Islamic business	120,727	1,538	-	122,265	167,145	1,068	-	168,213
Other income	22,023	-	24,630	46,653	23,969	-	(69,167)	(45,198)
Net income	168,569	(20,427)	76,398	224,540	301,839	9,526	(40,963)	270,402
Overhead expenses	(28,379)	(6,579)	(47,071)	(82,029)	(24,665)	(5,498)	(59,929)	(90,092)
Operating profit	140,190	(27,006)	29,327	142,511	277,174	4,028	(100,892)	180,310
Allowance for expected credit losses on advances and financing	(566,135)	-	-	(566,135)	(478,585)	-	-	(478,585)
Allowance for expected credit losses on commitment and contingencies	(64,947)	-	-	(64,947)	31,553	-	-	31,553
Allowance for expected credit losses on investment securities	-	-	10,321	10,321	-	-	3,201	3,201
	(490,892)	(27,006)	39,648	(478,250)	(169,858)	4,028	(97,691)	(263,521)
Taxation				(1,323)				-
Zakat for the Bank				-				-
Net loss for the year - Bank				(479,573)				(263,521)
Add: taxation for the Group				2,316				-
Net loss for the year - Group				(477,257)				(263,521)

NOTES TO THE FINANCIAL STATEMENTS

44. RESTATEMENT AND RECLASSIFICATION OF COMPARATIVES

The restatement and reclassification of comparatives balances were mainly due to the following and the effects which are as below:

- (i) Over-recognition of the disclosure of loss arising from fair value hedges as stated in Note 9.
- (ii) Over-recognition of the disclosure of allowance for losses on loans and advancing relating to government related parties as stated in Note 39.
- (iii) Reclassification on financing income from deposits and placements with banks and other financial institutions to financial investments as stated in Note 42 (g).

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
At 31 December 2018			
Gain/(loss) arising from fair value hedges: (i)			
Hedging instruments	(8,591)	2,255	(6,336)
Government related parties: (ii)			
Allowance for losses on loans and financing	(4,298)	859	(3,439)
Income derived from investment of Islamic banking fund: (iii)			
Deposits and placements with banks and other financial institutions	25,897	(14,846)	11,051
Financial investments	30,274	14,846	45,120



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