



MALAYSIA BUILDING SOCIETY BERHAD
Registration No. 18108-000113 (2017-18)
A subsidiary of the BFR



NAVIGATING THROUGH
THE PANDEMIC

INTEGRATED ANNUAL REPORT 2020



20.769%
CET1 CAPITAL RATIO



RM427.64 MILLION
PROFIT BEFORE TAX



RM48.44 BILLION
IN ASSETS

COVER RATIONALE



THE COVER DESIGN IS INSPIRED BY OUR SUCCESS IN CHARTING A COURSE TO COPE WITH THE COVID-19 PANDEMIC. THE GLOBE SIGNIFIES HOW EVENTS AROUND THE WORLD CHANGED IN AN INSTANT TO ADAPT TO THE NEW NORMAL. THE GLOWING DOTS SYMBOLISE HOW TECHNOLOGY PLAYS AN ESSENTIAL ROLE IN NOT ONLY CONNECTING INDIVIDUALS, BUT ALSO BUSINESSES. HOLISTICALLY, IT CONVEYS OUR DETERMINATION TO RISE TO THE CHALLENGE.



SCAN QR CODE
FOR DIGITAL COPY

WHAT'S INSIDE?

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About this Report

This Report is Malaysia Building Society Berhad ("MBSB")'s inaugural Integrated Annual Report (the "Report"). In 2020, we embarked on our integrated reporting journey to further enhance our corporate reporting and internal processes. This Report has been prepared with reference to the International Integrated Reporting Council ("IIRC")'s International Integrated Reporting Framework (the "<IR> Framework").

This Report aims to provide concise and transparent communication about how we create value over the short, medium and long-term for our stakeholders through our strategy, governance, performance and prospects, in the context of the external environment. We also see the benefits of integrated thinking, and we are taking steps to improve our internal processes to realise the benefits fully via our 2-year <IR> roadmap.

Reporting Scope and Boundaries

This Report covers the activities of MBSB as a Group, including MBSB Bank Berhad ("MBSB Bank" or "the Bank"). It provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance, covering 1 January 2020 to 31 December 2020 ("FY2020").

Information in this Report pertaining to the previous year has not been restated unless otherwise specified.

Reporting Suite and Framework

This year, MBSB has taken its first steps in adopting the <IR> Framework. We are committed to fully adopting the <IR> Framework by FY2022. In addition, this Report also adheres to the following frameworks:

- Bursa Malaysia Securities Berhad ("Bursa") Main Market Listing Requirements
- Malaysian Financial Reporting Standards ("MFRS")
- International Financial Reporting Standards ("IFRS")
- Malaysian Code on Corporate Governance ("MCCG")
- Companies Act 2016
- Bursa Sustainability Reporting Guidelines
- Global Reporting Index ("GRI") Sustainability Reporting Standards - Core Option
- FTSE4Good Bursa Malaysia ("F4GBM")
- United Nations Sustainable Development Goals ("UN SDGs")
- Bank Negara Malaysia Policy Documents and Guidelines
- Financial Services Act 2013
- Islamic Financial Services Act 2013

Our 2020 Reporting Suite

Integrated Annual Report

Our primary report that provides a holistic assessment of our ability to create sustainable value in the short, medium and long term.

Corporate Governance Report

A report that outlines MBSB's corporate governance practices.

Sustainability Report

Communicates our approach and sustainability performance in relation to issues material to MBSB and its stakeholders.



Our reports are available at www.mbsb.com.my

Assurance


MBSB's senior management team including the internal audit function collaborated to ensure the accuracy and reliability of the information presented in this Report. We have continued our efforts to obtain external assurance on the financial statements and limited assurance on selected non-financial information for the year. The independent auditors' report for our financial and non-financial information is presented on pages 170 of this Report and page 121 of our 2020 Sustainability Report, respectively.

ABOUT THIS REPORT

Key Concepts


Our value creation process

We create value through our business model by managing our key resources – our six capitals – in our business activities and interactions to generate the desired output and outcomes that benefit our stakeholders, society and the environment. Our value creation process is integrated into our decision-making process.

 *Our value creation process is described from pages 24 to 27*

Materiality and material matters

We applied the principle of materiality in this Report. This Report covers our approach in managing the identified material matters, being matters that have the potential to affect our value creation and the achievement of our strategy. These matters form the anchor of the content throughout this Report and inform our long-term business strategies, targets and business direction.

 *We provide a more detailed discussion on the material matters from pages 33 to 39*

Feedback

We recognise that integrated reporting and stakeholder information requirements continue to evolve. We welcome feedback to improve our Integrated Annual Report. Comments and feedback can be sent to our investor relations team at enquiry@mbsbbank.com.


























Forward-looking Statement

All statements (other than statements of historical facts) regarding MBSB's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are identified by the use of forward-looking terminology such as 'believe', 'expects', 'may', 'will', 'could', 'should', 'shall', 'risk', 'intends', 'aims', 'plans', 'continues', 'positioned' or 'anticipates' or the negative thereof, amongst others. As such, MBSB makes no express or implied representation or assurance that the results anticipated by these forward-looking statements would be achieved as they involve risks, uncertainties and assumptions in their representation of various possible future scenarios, future trends, economic conditions, overnight policy rate, change in government regulations and laws or any action or inaction by government or local authority, or any strike, boycott, blockade, Act of God, pandemic, epidemic, civil disturbance or cause beyond the control of MBSB.

Responsibility of the Board

The Board acknowledges its responsibility of ensuring the integrity of this Integrated Annual Report, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and fairly presents the integrated performance of MBSB.

Navigation Icons

<p>Our six capitals for value creation</p> <p> Financial  Human  Social and Relationships</p> <p> Manufactured  Intellectual  Natural</p>	<p>Our stakeholders</p> <p> Shareholders  Government  Regulators  Employees</p> <p> Media and Analysts  Shariah Advisory Committee  Customers</p> <p> Partners and Alliances  Society and NGOs  Board of Directors</p>
<p>Our sustainability pursuits</p> <p> Our Integrity  Our Technology  Our Planet  Our People</p> <p> Our Communities  Our Customers  Our Products</p>	<p>Navigation icons</p> <p> This icon directs the reader to page(s) or other report(s) for further details.</p> <p> This icon directs to the MBSB or MBSB Bank website for further details.</p>

2020 Performance Snapshot

RM 3.1

billion
total revenue

RM 427.6

million profit before
taxation and zakat

3.1%

return on equity
(ROE)

RM 1.1

million invested on
training and development

18.4

average hours of
training per employee

RM 426.0

million cumulative green
financing approved and
accepted

84.4%

Customer
Satisfaction Index

RM 3.1

billion total gross
financing for low and
middle-income groups

1.7

tCO₂e/ employee carbon
intensity per full-time
employee

Our Differentiating Factor

1

Dynamic and
strong
leadership

2

Diversified
team of
skilled
professionals
with technical
capabilities

3

Innovative
product
offerings and
services

4

Lean and
agile
business
model

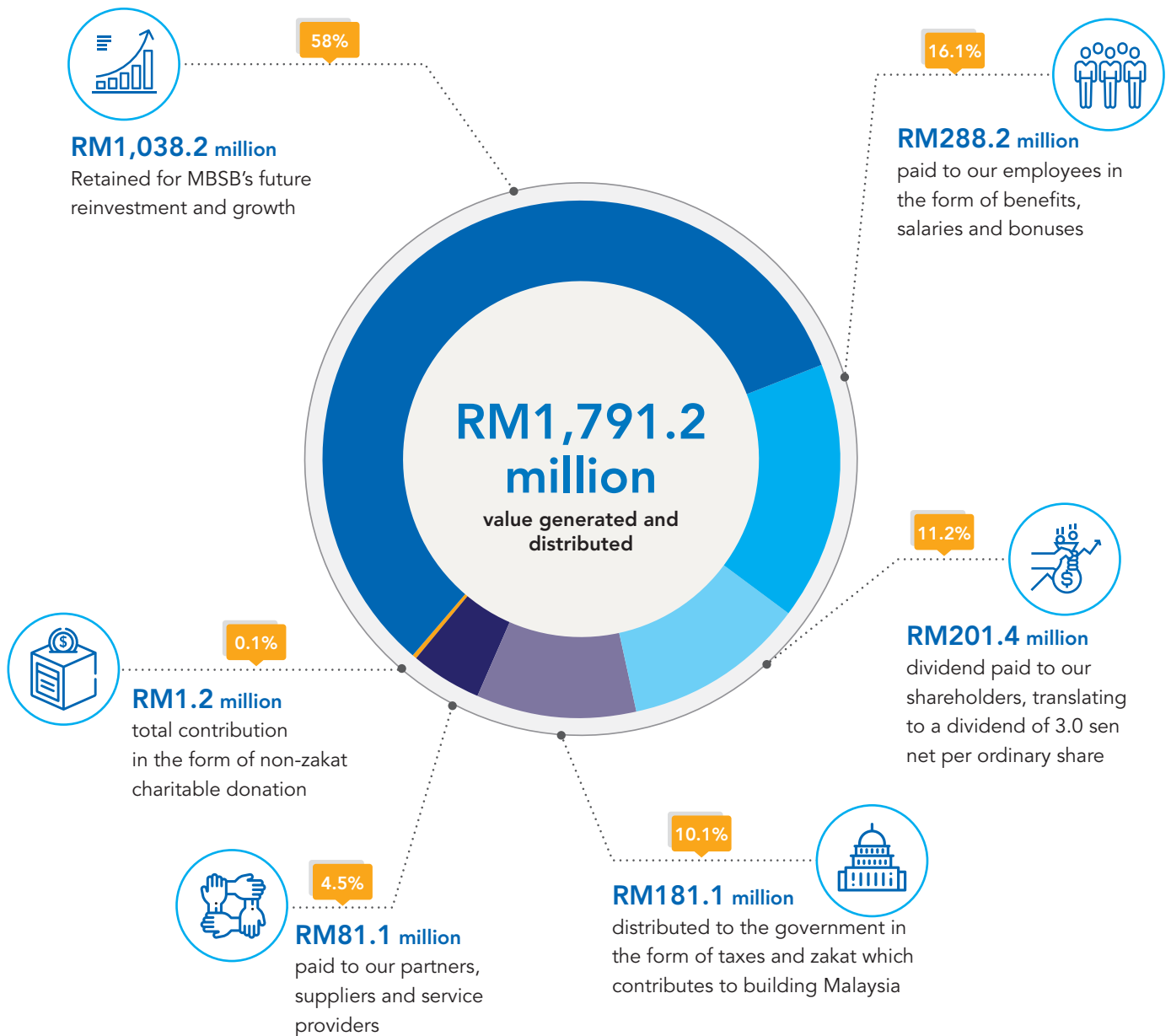
5

Strong
exposure in
growth
sectors

6

Strong
customer
relationships

2020 Value Distributed



ABOUT THIS REPORT
Chairman's Message



Chairman's Message

Assalamualaikum wbt

Dear All,

It has been twenty years since I began my journey with MBSB as its Chairman. To have been a part of a great and long-standing institution is certainly a huge honour to me and I am very grateful to the Almighty Allah swt for the opportunity granted. One cannot deny that MBSB has faced many tribulations and made remarkable achievements since its inception but having entered the banking industry in 2018 is undoubtedly the most notable.

However, the year 2020 marked the final lap of my Chairmanship with MBSB. It is regrettable that my departure occurs following a year that was one of the most challenging as the country was faced with the unprecedented health and economic crises due to the global Covid-19 pandemic. Nevertheless, it is during times of hardships and uncertainties that we are known to thrive exceptionally well to overcome the challenges. At MBSB, I am confident that with the execution of the Group's strategic plans and initiatives to minimize the impact from the pandemic, MBSB is poised to weather the difficult years ahead.

To further strengthen MBSB's position, I am pleased to welcome my successor, YBhg Tan Sri Azlan Zainol, a highly distinguished corporate leader whom along my side, had also served the Group during MBSB's recovery years. It is a pleasure to have him on board as he has decades of industry experience and the foresight needed to navigate the Group during this challenging period.

In view of my departure, I wish to take this opportunity to express my sincere appreciation to my fellow Board members, the Shariah Advisory Committee and the President and Chief Executive Officer, Datuk Seri Ahmad Zaini Othman as well as all employees. I am blessed to have received the abundant support and encouragement throughout my tenure in office. The amazing display of dedication, passion and commitment to the vision of becoming a top progressive Islamic bank has transformed all of us into a winning team.

I also thank our shareholders, especially the majority shareholder, the Employees' Provident Fund (EPF) and all stakeholders for the trust and confidence in me to steer the Group during the last twenty years. I also thank Bank Negara Malaysia, Ministry of Finance and other regulators for rendering their support to MBSB.

I wish everyone the best for the future. With the permission of the Almighty, I hope that our paths will one day cross again.

Thank you.

Tan Sri Abdul Halim Ali
5 February 2021





ABOUT MBSB

In this section:

- PCEO's Statement
- MBSB Bank Vision and Core Values
- Overview of MBSB
- Where we operate
- Our products and services
- Corporate structure
- Corporate Information
- Our key achievements for FY2020
- How we create value
- Our value creation model
- Engaging our stakeholders
- Our contribution to the UN SDGs
- What matters most
- Employee Interview

PCEO's Statement

" We have embarked on the integrated reporting journey, showcasing different management approaches in creating value that will guide our decision making based on interconnected and holistic data, also known as the 'Integrated Thinking' ."

- Datuk Seri Ahmad Zaini bin Othman -



Dear stakeholders of MBSB,

Due to the health risk it could cause, COVID-19 changed the world in an unprecedented way. Borders were closed and restrictions were emplaced on many business and social activities leaving many in deteriorating situations.

In parallel with MBSB, the disruption in economic activities and low financing rates has adversely affected the financial sector and our earnings. Moreover, as a financial institution, we were given the mandate by the government to operate as an essential service to serve the public.

We had no room to slow down and we had to spearhead the volatile economy while attending to the social issues surrounding us.

These challenges have prompted us to accelerate our efforts in innovation. We quickly adapted and focused our efforts on three areas: serving our customers and society, caring for our employees and managing the economic impact on MBSB.

Even though the pandemic has disrupted some of our planned initiatives, it has not stopped us from enhancing our digital capabilities and sustainability practices. Despite the challenges, we managed to introduce various digitalisation efforts, which include Malaysia's first 'shariah-compliant' e-wallet and M Fast online financing application platform. These digital initiatives will allow convenient access to our financial services for our customers.

We have embarked on the integrated reporting journey showcasing different management approaches in creating value that will guide our decision making based on interconnected and holistic data, also known as the 'Integrated Thinking'.

This approach will guide us in delivering value to society and the environment. In this inaugural Integrated Annual Report, we share our value creation model, our approach in managing material matters and the corresponding risks and opportunities, strategies, and financial and non-financial performances.

Additionally, we have value-added our immediate business plan and our long-term plan, the Journey 25 plan, by incorporating recovery scenarios with initiatives to strengthen our assets and profitability sustainably and responsibly. I am proud to say that throughout, we have maintained MBSB's values in everything that we do.

I would like to take this opportunity to thank YBhg Tan Sri Abdul Halim Ali, the former Chairman of MBSB for his invaluable contribution and remarkable service to MBSB over the last 20 years. Indeed, what a tremendous journey it has been. I wish him all the best in his future endeavours.

I would also like to welcome YBhg Tan Sri Azlan Zainol as the new chairman of MBSB. Tan Sri Azlan brings with him the industry experience, knowledge and foresight that would lead MBSB in achieving its goals and vision.

Lastly, I would like to express my heartfelt gratitude and appreciation to our employees, who have worked hard in delivering quality services to our customers through this pandemic. With that, I also thank our customers for their unwavering support.

Thank you, and stay safe.

Datuk Seri Ahmad Zaini bin Othman
GROUP PRESIDENT AND CHIEF EXECUTIVE OFFICER (PCEO)

MBSB Bank Vision and Core Values

OUR VISION

TO BE A TOP PROGRESSIVE
ISLAMIC BANK

OUR CORE VALUES

- HUMILITY
- PROFESSIONALISM
 - ETHICS
 - EMPATHY
 - PASSION

Overview of MBSB

Malaysia's first property financier, supporting low and medium-income groups

Supporting the nation's economic growth for more than 70 years

Established MBSB Bank, Malaysia's second largest standalone Islamic bank

BUILDING SOCIETY - CREATING LONG-TERM VALUE

MBSB is a pioneer in Malaysia's financial services industry and has been at the forefront of the nation's economic development for more than 70 years. The origin of MBSB can be traced back to the Federal and Colonial Building Society Limited, incorporated in 1950, being the first financial institution in the region to extend housing loans to the low and middle-income groups, even before Malaysia's independence.

In 1956, it changed its name to Malaya Borneo Building Society Limited ("MBBS") when it extended loan activities to Borneo, present-day Sabah and Sarawak. In 1970, its business transferred to the newly incorporated MBSB.

Since its inception, MBSB's objective has been to provide support to the average citizen, granting lifechanging opportunities to the lower and middle income populations and enabled the development of many residential areas, including Petaling Jaya. MBSB has always been supportive of government policies, government projects and government servants. This tradition has been firmly cemented over the years and continues to be our corporate purpose to this day.

In 2018, MBSB acquired Asian Finance Bank, which was then renamed to MBSB Bank via a rebranding exercise. This acquisition marks a significant milestone for MBSB as it transitions to becoming one of the nation's largest Islamic banks. We are proud to continue our heritage of "building society" and bring it to the next level by providing full-fledged Shariah compliant banking and financial services to more than 300,000 customers with 1,945 employees through our extensive distribution network of 47 branches.

Value-based Intermediation ("VBI") principles are embedded in our DNA as we aim to realise the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment; through our practices, processes, offerings and conduct.

Through the years of growth and evolution, our focus on supporting nation-building remains unchanged. Today, we continuously innovate our business focusing on "Banking on Technology" by embracing technology and introducing digital initiatives to improve accessibility and convenience to financial services for the average citizens and small and medium-sized enterprises, especially during the COVID-19 pandemic. We also provide financial literacy programme to help our customers make better financial decisions.

Our sustainable success is the result of dynamic leadership and the hard work of all our employees. Moving forward, we aspire to be the top progressive Islamic Bank, guided by our business plans and Journey 25 (J25) strategies. We are confident to continue playing a leading role in the Malaysian economy in the future, just as we have done in the past.



Where We Operate

47

Branches
nationwide

48

Self Service
Terminals across
the branches

15

fully transformed
branches under the
3-year Branch
Transformation
Plan

* Information as at 28 February 2021



PERLIS

- Kangar

KEDAH

- Alor Setar
- Kulim
- Langkawi
- Sungai Petani

PENANG

- Butterworth
- Penang

PERAK

- Ipoh
- Sitiawan
- Taiping

KELANTAN

- Kota Bharu (Opened in February 2021)

TERENGGANU

- Kemaman
- Kuala Terengganu

PAHANG

- Kuantan

SELANGOR

- Bandar Baru Bangi
- Batu Caves
- Kajang
- Klang
- Petaling Jaya
- Puchong
- Shah Alam Emira
- Kelana Jaya

WILAYAH PERSEKUTUAN

- Cheras
- Damansara
- Kuala Lumpur
- Jalan Sultan Ismail
- Putrajaya
- Wangsa Maju

NEGERI SEMBILAN

- Seremban

MELAKA

- Melaka

JOHOR

- Batu Pahat
- Johor Bahru
- Kluang
- Muar
- Taman Molek
- Tebrau
- Kulai

SABAH

- Kota Kinabalu Main
- Kota Kinabalu
- Sandakan
- Tawau
- Keningau

SARAWAK

- Kuching
- Miri
- Sibiu
- Bintulu
- Mukah

ABOUT MBSB
Where We Operate

WILAYAH PERSEKUTUAN

- 1 DAMANSARA
Ground Floor, Wisma MBSB,
48, Jalan Dungun,
Damansara Heights,
50490 Kuala Lumpur.
TEL. NO. 03-20963333
FAX NO. 03-20963376
- 2 KUALA LUMPUR
No. 8, Wisma RKT,
Jalan Raja Abdullah,
Off Jalan Sultan Ismail,
50300 Kuala Lumpur.
TEL. NO. 03-26912689
FAX NO. 03-26912830
- 3 CHERAS
185, Jalan Sarjana,
Taman Connaught,
56000 Cheras, Kuala Lumpur.
TEL. NO. 03-91322955
FAX NO. 03-91322954
- 4 PUTRAJAYA
No.30, Jalan Diplomatik 3/1,
Presint 15,
62000 Putrajaya.
TEL. NO. 03-88810569
FAX NO. 03-88810572
- 5 WANGSA MAJU
Ground Floor,
No. 52, Jalan Wangsa Delima 6,
Pusat Bandar Wangsa Maju,
53300 Kuala Lumpur.
TEL. NO. 03-41421292
FAX NO. 03-41421269

- 6 JALAN SULTAN ISMAIL
Ground Floor, Podium Block,
Kenanga International,
Jalan Sultan Ismail,
50250 Kuala Lumpur.
TEL. NO. 03-20791144
FAX NO. 03-20791100

SELANGOR

- 1 PETALING JAYA
No. 3 Jalan 52/16,
46200 Petaling Jaya,
Selangor.
TEL. NO. 03-79569200
FAX NO. 03-79569627
- 2 KLANG
33, Jalan Tiara 3,
Bandar Baru Klang,
41150 Klang, Selangor.
TEL. NO. 03-33426822
FAX NO. 03-33411410
- 3 BATU CAVES
Lot 1-0, Jalan SM1
Taman Sunway Batu Caves
68100 Batu Caves, Selangor.
TEL. NO. 03-61777956
FAX NO. 03-61772404
- 4 BANDAR BARU BANGI
No. 49, Jalan Medan Pusat 2D,
Seksyen 9,
43650 Bandar Baru Bangi, Selangor.
TEL. NO. 03-89257584
FAX NO. 03-89257708
- 5 PUCHONG
1-G-1, Ground Floor,
Tower 1 @ PFCC,
Jalan Puteri 1/2, Bandar Puteri,
47100 Puchong, Selangor.
TEL. NO. 03-80635208
FAX NO. 03-80635867

- 6 SHAH ALAM EMIRA
Lot R-01-01 & R-01-02.
Emira D'Kayangan, Seksyen 13,
40100 Shah Alam, Selangor.
TEL. NO. 03-55231381
FAX NO. 03-55231392

- 7 KELANA JAYA
A-11-1 & A-11-2, Blok A,
Plaza Glomac,
Jalan SS7/19, Kelana Jaya,
47301 Petaling Jaya, Selangor.
TEL. NO. 03-78830089
FAX NO. 03-78830120

- 8 KAJANG
No. 2A-G,
Jalan Semenyih,
Pekan Kajang,
43000 Kajang, Selangor.
TEL. NO. 03-87301521
FAX NO. 03-87401436

PULAU PINANG

- 1 PENANG
No W-00 Ground Floor,
Wisma Penang Garden,
No 42, Jalan Sultan Ahmad Shah,
10050 Pulau Pinang.
TEL. NO. 04-2266275
FAX NO. 04-2286275
- 2 BUTTERWORTH
No. 2783 Jalan Chain Ferry,
Taman Inderawasih,
13600 Perai, Pulau Pinang.
TEL. NO. 04-3980145
FAX NO. 04-3980898

ABOUT MBSB
Where We Operate

KEDAH

- 1 ALOR SETAR
No. 165 & 166,
Kompleks Perniagaan Sultan Abdul
Hamid Fasa 2
11, Susur Sultan Abdul Hamid
05050 Alor Setar Kedah.
TEL. NO. 04-771 4355
FAX NO. 04-772 4308
- 2 SUNGAI PETANI
No. 114, Jalan Pengkalan,
Taman Pekan Baru,
08000 Sungai Petani, Kedah.
TEL. NO. 04-4229302
FAX NO. 04-4212046
- 3 KULIM
No. 26, Jalan Raya,
09000 Kulim,
Kedah.
TEL. NO. 04-4951400
FAX NO. 04-4904400
- 4 LANGKAWI
No.26 & 28,
Jalan Pandak Mayah 4,
Pusat Bandar Kuah,
07000 Langkawi, Kedah.
TEL. NO. 04-9666055
FAX NO. 04-9669055

PERLIS

- 1 KANGAR
No. 35,
Jalan Seruling,
01000 Kangar, Perlis.
TEL. NO. 04-9766400
FAX NO. 04-9774141

PERAK

- 1 IPOH
No. 45, Persiaran Greenhill,
30450 Ipoh,
Perak.
TEL. NO. 05-2545659
FAX NO. 05-2544748
- 2 TAIPING
No. 1, Lot 10958,
Jalan Saujana,
Taman Saujana 3,
34600 Kamunting, Perak.
TEL. NO. 05-8074000
FAX NO. 05-8041444
- 3 SITIAWAN
Ground Floor,
No. 35, Persiaran PM 3/2,
Pusat Bandar Sri Manjung, Seksyen 3,
32040 Sri Manjung, Perak.
TEL. NO. 05-6882700
FAX NO. 05-6882703

JOHOR

- 1 JOHOR BAHRU
D-1-5, D-2-5, D-3-5 & D-4-5
Pusat Komersial Bayu Tasek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru, Johor
TEL. NO. 07-3364707
FAX NO. 07-3383124
- 2 TEBRAU
No. 17 & 17-1,
Jalan Mutiara Emas 9/3,
Austin Boulevard,
Taman Mount Austin,
81100 Johor Bahru, Johor.
TEL. NO. 07-3581700
FAX NO. 07-3581703

3 KULAI

19, Jalan Sri Putra,
Bandar Putra,
81000 Kulai, Johor.
TEL. NO. 07-6633458
FAX NO. 07-6633284

4 TAMAN MOLEK

No. 65 & 65A,
Jalan Molek 2/4,
Taman Molek,
81100 Johor Bahru, Johor.
TEL. NO. 07-3542240
FAX NO. 07-3542241

5 BATU PAHAT

No. 28 & 29,
Jalan Persiaran Flora Utama,
Taman Flora Utama,
83000 Batu Pahat, Johor.
TEL. NO. 07-4316614
FAX NO. 07-4317382

6 MUAR

No 30A-2,
Jalan Arab,
84000 Muar, Johor.
TEL. NO. 06-9532000
FAX NO. 06-9533200

7 KLUANG

No. 6, Lot 9053,
Jalan Hj Manan,
86000 Kluang, Johor.
TEL. NO. 07-7717585
FAX NO. 07-7726572

MELAKA

1 MELAKA

No. 203 & 204,
Jalan Melaka Raya 1,
Taman Melaka Raya,
75000 Melaka.
TEL. NO. 06-2828255
FAX NO. 06-2847270

NEGERI SEMBILAN

- 1 SEREMBAN
Lot 11-G & Lot 12-G, 11-1 & 12-1
Seremban City Centre, Jalan Pasar
70000 Seremban, Negeri Sembilan
TEL. NO. 06-7638455
FAX NO. 06-7630701

TERENGGANU

- 1 KUALA TERENGGANU
104-A, 104-B,
Tingkat Bawah dan Tingkat 1
Jalan Sultan Ismail
20200 Kuala Terengganu,
Terengganu.
TEL. NO. 09-6227844
FAX NO. 09-6220744
- 2 KEMAMAN
K-10723, Taman Chukai Utama,
Fasa 4, Jalan Kubang Kurus,
24000 Kemaman,
Terengganu.
TEL. NO. 09-8589486
FAX NO. 09-8589291

PAHANG

- 1 KUANTAN
No. A157 & A159, Sri Dagangan,
Jalan Tun Ismail,
25000 Kuantan, Pahang.
TEL. NO. 09-5157677
FAX NO. 09-5145060

KELANTAN

- 1 KOTA BHARU
Ground & 1st Floor,
PT315, Section 21,
Jalan Sultan Yahya Petra,
15200 Kota Bharu, Kelantan.
TEL. NO. 09-7405999
FAX NO. 09-7461191

SABAH REGION

- 1 KOTA KINABALU MAIN
Lot 144, Q6 Block Q,
Lorong Plaza Permai 1,
Alamesra-Sulaman Coastal Highway,
88450 Kota Kinabalu, Sabah.
TEL. NO. 088-485680
FAX NO. 088-485620

- 2 KOTA KINABALU
Lot 11 & 12, Ground Floor,
Block C, Lintasjaya Uptownship,
88300 Kota Kinabalu, Sabah.
TEL. NO. 088-722500
FAX NO. 088-713503

- 3 SANDAKAN
Lot 201,
Prima Square,
Phase 3, Jalan Utara,
90000 Sandakan, Sabah.
TEL. NO. 089-223400
FAX NO. 088-223544

- 4 TAWAU
Ground Floor,
TB 15590, Block B,
Lot 45, Kubota Square,
91000 Tawau, Sabah.
TEL. NO. 089-755400
FAX NO. 089-749400

- 5 KENINGAU
Ground Floor,
Lot No. 7,
Block A, Keningau Plaza,
89000 Keningau, Sabah.
TEL. NO. 087-337611
FAX NO. 087-337617

SARAWAK REGION

- 1 KUCHING
Tingkat Bawah & Satu,
Bangunan Tunku Muhammad Al-Idrus,
439, Jalan Kulas Utara 1,
93400 Kuching, Sarawak.
TEL. NO. 082-248240
FAX NO. 082-248611

- 2 MIRI
No 1115, Ground Floor,
Pelita Commercial Centre,
98000 Miri, Sarawak.
TEL. NO. 085-424400
FAX NO. 085-424141

- 3 SIBU
Ground Floor, SL 166 Lorong
Pahlawan 7B3,
Jalan Pahlawan,
96000 Sibu, Sarawak.
TEL. NO. 084-210703
FAX NO. 084-210714

- 4 BINTULU
No. 1, Ground Floor,
Jalan Tun Ahmad Zaidi /
Jalan Kambar Bubin,
97000 Bintulu, Sarawak.
TEL. NO. 086-336400
FAX NO. 086-339400

- 5 MUKAH
Ground Floor,
Sub Lot 77, Lot 927,
New Mukah Town Centre,
Jln Green, Block 68,
96400 Mukah, Sarawak.
TEL. NO. 084-874262
FAX NO. 084-874259

Our Products and Services

We offer a wide range of financial products and services through three customer-facing segments to meet our customers' needs.

CATEGORIES

Consumer Banking	Serving:	Products and Services:	Market Presence and Performance:
	Individual clients	Personal financing, Property financing, fund transfer services, self-service banking, e-wallet, wealth management	<ul style="list-style-type: none"> • >200,000 customers served • >RM26.4 billion financing provided to individuals
Business Banking	Serving:	Products and Services:	Market Presence and Performance:
	Global, regional, small and medium-sized enterprises ("SMEs"), larger corporations, financial institutions, and public sector institutions	Deposit, financing, fund transfer services, self-service banking, wealth management	<ul style="list-style-type: none"> • >2,500 businesses served • Assisted >2,000 SMEs (micro, small and medium) with total financing of RM2.9 billion • > 9,500 accounts created
Trade Financing	Serving:	Products and Services:	Market Presence and Performance:
	Global, regional, SMEs, larger corporations, financial institutions, and public sector institutions	Documentary credit, guarantees, financing, bills for collection	<ul style="list-style-type: none"> • >950 accounts created • >RM1.0 billion total trade financing

ABOUT MBSB

Our Products and Services

JOURNEY

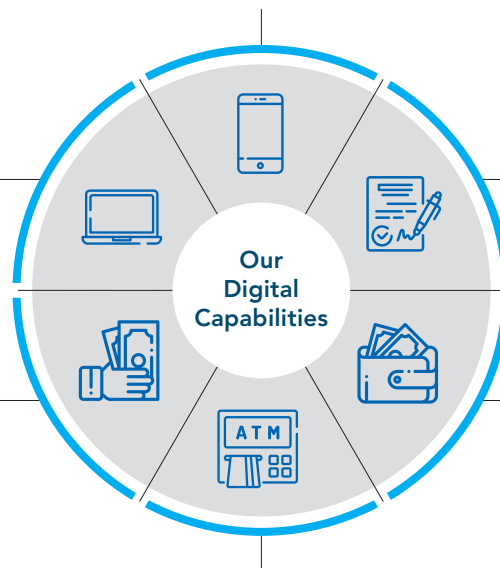
- Fund Transfer within MBSB Bank
- JOMPAY
- DuitNow (Pay to Proxy & Pay to Account)
- Interbank Giro ("IBG")
- Foreign Telegraphic Transfer
- e-Statement
- Payroll & Bulk Payment
- Financing Payment
- Statutory Board (LHDN, EPF & SOCSO)
- TD-i Placement & Withdrawal
- Cheque Book Inquiry / Stop Cheque

JOURNEY

- Fund Transfer within MBSB Bank
- Interbank GIRO ("IBG")
- JOMPAY
- DuitNow (Pay to Proxy & Pay to Account)
- TD-i Placement & Withdrawal
- Financing Payment

FAST

- Account Opening:
 - Current Account
 - Savings Account



FAST

- Apply online Personal Financing ("PF-i")
- Financing eligibility check
- Self-check for application status
- 24/7 accessibility



- Cash deposit
- Cash withdrawal
- Check account balance
- Transfer to Current Account and Savings Account ("CASA")
- Interbank transfer
- Cheque book application



- Reload e-wallet
- Airtime reloads
- Bill payment
- Payment via QR
- Merchant application

Corporate Structure



Note:

* Currently in Member's
Voluntary Winding-up

Corporate Information

Board Of Directors

1 — Tan Sri Azlan bin Mohd Zainol
Chairman / Non-Independent
Non-Executive Director

2 — Encik Szaliza bin Zainuddin
Non-Independent Executive Director

3 — Encik Lim Tian Huat
Non-Independent Non-Executive
Director

4 — Puan Lynette Yeow Su-Yin
Senior Independent Non-Executive
Director

5 — Ir. Moslim bin Othman
Independent Non-Executive Director

6 — Encik Mohamad Abdul Halim bin
Ahmad
Independent Non-Executive Director

7 — Dr. Loh Leong Hua
Independent Non-Executive Director

Group President And Chief Executive Officer

Datuk Seri Ahmad Zaini bin Othman

Company Secretaries

Koh Ai Hoon (MAICSA 7006997)
Practicing Certificate No.:
201908003748

Tong Lee Mee (MAICSA 7053445)
Practicing Certificate No.:
201908001316

Registrar

Tricor Investor & Issuing
House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : 03- 2783 9299
Fax : 03- 2783 9222

Auditors

KPMG PLT (*Chartered Accountants*)

Registered Office

11th Floor, Wisma MBSB
48 Jalan Dungun,
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2096 3000
Fax : 03-2096 3144
Website : www.mbsb.com.my

Stock Exchange Listing

Main Market of Bursa Malaysia
Securities Berhad
(Listed since 14 March 1972)

Our Key Achievements for FY2020



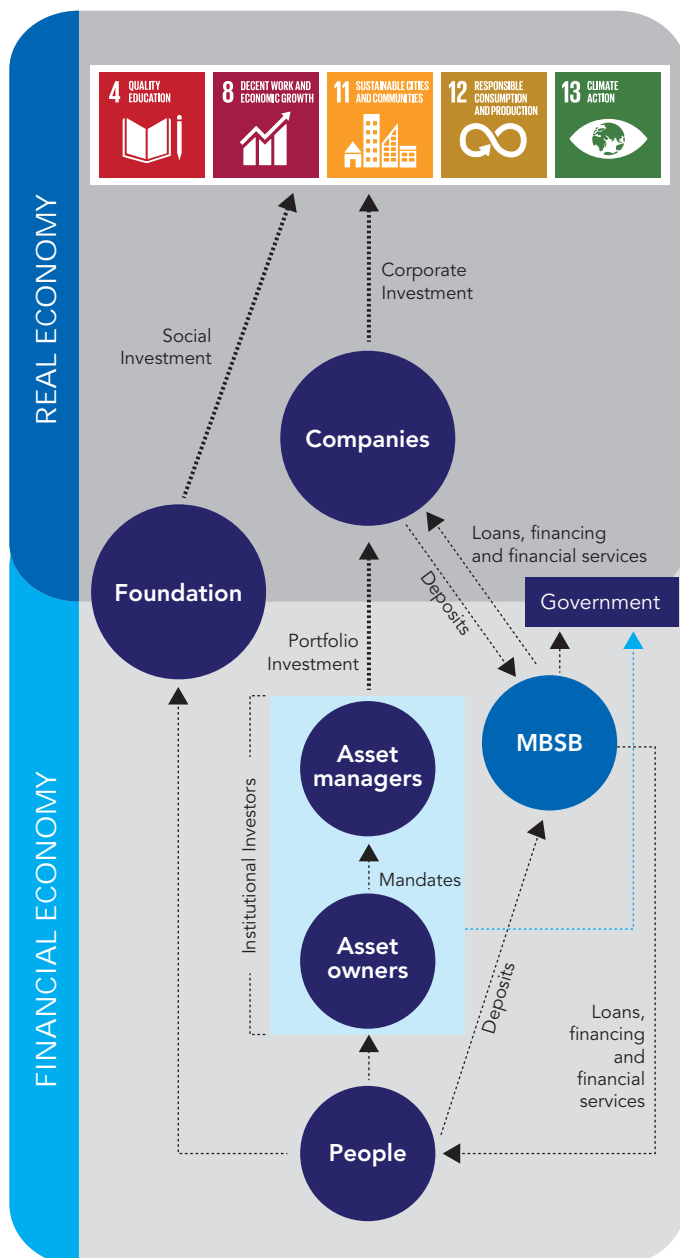
ABOUT MBSB
Our Key Achievements for FY2020

- 1 2019 Asean Corporate Governance Scorecard Award
Asean Asset Class PLCs (Malaysia)
- 2 Human Resources Asia Recruitment Awards 2020
In-house Recruitment Team of The Year
- 3 MSWG Asean Corporate Governance Awards 2019
Industry Excellence Award
- 4 Alpha Southeast Asia Awards 2020
Best Financial Institution Group (FIG) Islamic Finance Deal
of The Year
- 5 The Edge Billion Ringgit Club 2020
Highest Growth Profit After Tax Over Three Years
- 6 Best Islamic Finance Awards 2020
Best Islamic Finance Wealth Management Bank



How We Create Value

As a leading Islamic Financial Institution, we adopt the value-based intermediation approach. We bring more to society than just our financial value. Our business model aims to bring positive and sustainable impacts to the economy, community, and environment.



Banks act as financial intermediary (as safe havens for depositors and credit or cashflow provider for households, companies and governments) and play an essential role in supporting economic development. They can have a significant influence on the nature of business operations. Since the beginning of MBSB, we have always focused on nation-building, especially supporting civil servants, low and medium-income groups and SMEs by providing access to affordable financial services. The diagram is a simplified illustration of our role in the real economy.

We acknowledge our role in contributing to the United Nations' Sustainable Development Goals ("UN SDGs") and have integrated the UN SDGs in our sustainability strategy to support the achievement of the SDGs through our business activities, policies and initiatives. We are continuously improving our processes, including our risk management and lending practices, to ensure our financing contributes to a positive impact and does not cause harm to the society and environment.



Kindly refer to MBSB Sustainability Report 2020 for more information on our commitment to the UN SDGs

Our value creation model outlines how we create value for our key stakeholders where we transform various inputs or capitals through business activities and interactions to produce outputs and outcomes that create value over the short, medium and long-term for our stakeholders.

OUR SIX CAPITALS



Financial Capital

Funds available to MBSB for use in the provision of services. This include equity, debt, deposits, grants and funds generated through our business operations or investments.



Manufactured Capital

MBSB's established network of bank branches and touch points across Malaysia to provide excellent services to key stakeholders.



Human Capital

Our people's competencies, capabilities and experience and how they align with and support MBSB's governance framework, risk management approach, and ethical values.



Intellectual Capital

MBSB's knowledge-based intangibles including its brand and reputation, management systems and procedures, digital capabilities and intellectual property.



Social and Relationship Capital

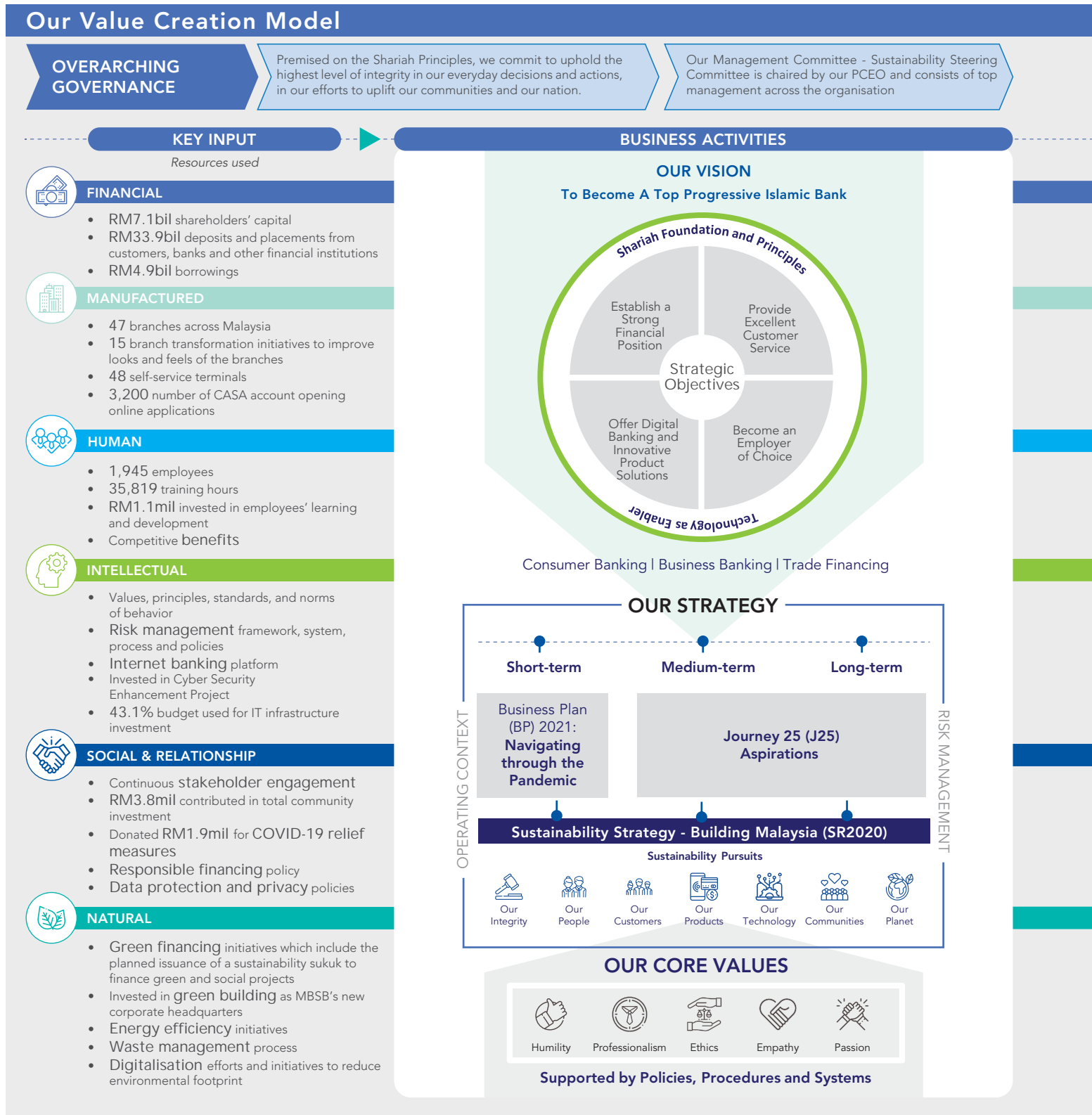
The relationships MBSB has built within the community and with key stakeholders that allow knowledge exchange to enhance individual and collective well-being.



Natural Capital

All renewable and non-renewable environmental resources used by MBSB to provide services that support the past, current or future prosperity.

Our Value Creation Model



ABOUT MBSB

Our Value Creation Model

Our Shariah Advisory Committee ("SAC") oversees the Bank's compliance to our internal Shariah Governance Framework and to all regulatory Shariah standards and guidelines issued by Bank Negara Malaysia

We have robust policies and procedures across the Group to ensure our banking services are ethical, transparent and secure

Our Board of Directors is diverse in skills, qualification and experience. 66.7% of MBSB Board and 70% of MBSB Bank are independent non-executive directors

OUTPUT

Value Created



- RM3.1bil revenue
- RM427.6mil profit before tax and zakat
- 24.5% cost-to-income ratio
- Best Islamic Finance Award 2020, Best Islamic Finance Wealth Management Bank



- 486 customer complaints received, of which 80% have been resolved within turnaround time (TAT)
- RM5.8bil in total approved financing supporting both retail and corporate
- Diversified portfolio for business lines by specific region and size



- 168 new hires
- 20% women representation at MBSB bank Board level while 33.3% women representation at MBSB Board level
- Diverse workforce with 53% women employees
- RM288.3mil total wages and benefits expenses



- Five new channels/platforms and features including Malaysia's first Shariah-compliant e-wallet
- Zero non-compliance fines and sanctions
- RM179.6mil in Advertising and Marketing Value
- RM5.5mil in public relation ("PR") Value



- 11 substantiated complaints concerning breaches of customer privacy
- RM7.16mil products and services designed to deliver a specific social benefit
- Financed the development of UKM Children's Specialist Hospital, an iconic children hospital in Malaysia



- RM426.0mil cumulative green financing approved and accepted
- 5,069MWh in energy consumption
- 36,092 m³ in water consumption
- 2,905.8tCO₂e in carbon emissions (scope 2)
- 14,827 reams of paper purchased

VALUE FOR STAKEHOLDERS



Shareholders

- RM201.4mil dividend declared/paid
- RM4.7bil market capitalisation
- RM753.0mil economic value distributed



Government

- RM181.1mil total tax and zakat distributed
- Contributed to national economy
- Positive impacts on society and environment



Media and Analyst

- 220,177 social media reach
- Enhanced brand quality
- Increased transparency and information reliability



Regulators

- Complied with regulations and standards
- Improved socio economic welfare



Customers

- Achieved 84.4% Customer Satisfaction Index Score
- Enhanced customer experience



Employees

- High average number of service of 10 years
- 5.7% employee turnover rate
- 18.4 hours average training hours provided to employees



Board of Directors

- Transparent and accountable leadership
- Reliable management and systems



Partners and Alliances

- Successful projects and partnerships
- More future collaboration opportunities



Society

- Relieved COVID-19 impact on the community
- Environmental efficient processes and operations






Engaging Our Stakeholders

Engaging with stakeholders through meaningful and transparent communication enables us to cultivate relationships valuable to MBSB's long-term business viability and success. We define our stakeholders as one that our business has a significant impact on, and those with a vested interest in our growth and sustainability efforts. We identified ten key stakeholder categories that are most affected by our business operations.

We foster two-way communications, through internal and external consultation, whereby these engagements also provide a forum for management to solicit feedback regarding the practices and policies that are important to our shareholders. Throughout the reporting period, a wide range of stakeholder engagements were conducted across a broad spectrum.

Engagement Frequency

● **Annually** ● **Quarterly** ● **As and when required** ● **Bi-Annually** ● **Monthly** ● **Throughout the year**

Our Stakeholders	How is value created for them?	How do we engage them?
Board of Directors 	<ul style="list-style-type: none"> Delivering sustainable growth and financial performance 	<ul style="list-style-type: none"> Board meetings Board training and forums
Shariah Advisory Committee 	<ul style="list-style-type: none"> Compliance of Shariah principles in MBSB Bank's operations 	<ul style="list-style-type: none"> Meeting Training programmes
Shareholders 	<ul style="list-style-type: none"> Delivering sustainable returns and building long-term wealth 	<ul style="list-style-type: none"> Annual General Meeting Extraordinary General Meeting
Customers 	<ul style="list-style-type: none"> Creating customer value and better customer experiences through personalised financial solutions 	<ul style="list-style-type: none"> Customer Satisfaction Index Survey Product Launch Promotions and Campaigns
Employees 	<ul style="list-style-type: none"> Fostering employee skill sets and reward efforts and performances accordingly 	<ul style="list-style-type: none"> Online meetings and discussions Online training Employee engagement survey Employee engagement activities





ABOUT MBSB
Engaging Our Stakeholders

Why do we engage them?	Key topics discussed in FY2020	Related material matters
<p>The Board of Directors plays a significant role in providing oversight and ensuring business strategies are properly implemented</p>	<ul style="list-style-type: none"> • Business performance • Growth opportunities • Employee welfare, remunerations and benefits • Good governance • IT infrastructure and information system 	<ul style="list-style-type: none"> • Economic Performance • Green Financing • Innovation • Employment • Business Ethics and Integrity • Cyber Security
<p>Responsible in providing objective and sound Shariah-related advice to the Bank for key business decisions</p>	<ul style="list-style-type: none"> • Good governance • Reputation • Shariah risk, audit and compliance • Sustainable financing practices • Transparent reporting 	<ul style="list-style-type: none"> • Business Ethics and Integrity • Regulatory and Shariah Compliance • Responsible Financing • Financial Inclusion
<p>Shareholders provide the capital and funding necessary to support MBSB's expansion and growth</p>	<ul style="list-style-type: none"> • Business performance and dividend • Reputation • Growth opportunities 	<ul style="list-style-type: none"> • Economic Performance • Market Presence • Innovation • Green Financing
<p>Our customers play an essential role as capital providers (depositors), users and feedback providers to allow us to improve our products and services and build long-term trust</p>	<ul style="list-style-type: none"> • Customer experience • Shariah compliance • Data integrity and security • Products and services • Affordability and accessibility 	<ul style="list-style-type: none"> • Customer Experience and Satisfaction • Regulatory and Shariah Compliance • Customer Privacy • Innovation • Financial Inclusion
<p>Employees are the executors of our business plans and strategies, and they are our brand ambassadors</p>	<ul style="list-style-type: none"> • Health and safety • Employee welfare • Career development • Equal opportunities 	<ul style="list-style-type: none"> • Occupational Safety and Health • Employment • Training and Education • Diversity and Equal Opportunities

ABOUT MBSB
Engaging Our Stakeholders

Engagement Frequency

● Annually ● Quarterly ● As and when required ● Bi-Annually ● Monthly ● Throughout the year

Our Stakeholders	How is value created for them?	How do we engage them?
<p>Regulators</p> 	<ul style="list-style-type: none"> • Enable a sound and stable banking system that supports economic growth 	<ul style="list-style-type: none"> ● Online briefing ● Internet Banking Task Force ("IBTF") ● Industry engagement
<p>Media & Analysts</p> 	<ul style="list-style-type: none"> • Kept informed on MBSB's key updates and highlights 	<ul style="list-style-type: none"> ● Analyst briefings ● One-on-one meetings ● Press conference
<p>Government</p> 	<ul style="list-style-type: none"> • Promote the stability and growth of the banking industry 	<ul style="list-style-type: none"> ● Dialogues ● Conferences
<p>Society and NGOs</p> 	<ul style="list-style-type: none"> • Make essential contributions that promotes economic development, environmental sustainability, financial inclusivity across all populations 	<ul style="list-style-type: none"> ● Meetings ● PROTÉGÉ programme ● Corporate Social Responsibility ("CSR") initiatives initiatives
<p>Partners and Alliances</p> 	<ul style="list-style-type: none"> • Potential opportunities for collaboration and projects 	<ul style="list-style-type: none"> ● Meetings ● Associations

ABOUT MBSB
Engaging Our Stakeholders

Why do we engage them?	Key topics discussed in FY2020	Related material matters
<p>Regulators provide directions towards sustainable and ethical practices through introducing policies, standards and guidelines</p>	<ul style="list-style-type: none"> • Sustainable financing practices • Risk management • Good governance • Transparency • Customer relief assistance 	<ul style="list-style-type: none"> • Responsible Financing • Financial Inclusion • Business Ethics and Integrity
<p>Media and analysts provide insights and coverage on our business to our stakeholders. Media includes both traditional media as well as new media such as social media. Media and analysts can influence the public opinion of our business, both positively and also negatively</p>	<ul style="list-style-type: none"> • Business performance • Business strategy and growth • Transparency 	<ul style="list-style-type: none"> • Economic Performance • Market Presence • Responsible Financing • Green Financing • Business Ethics and Integrity
<p>The government has the authority to influence changes through setting new policies</p>	<ul style="list-style-type: none"> • COVID-19 relief and financing measures • Affordable housing financing • Compliance • Green initiatives 	<ul style="list-style-type: none"> • Responsible Financing • Financial Inclusion • Business Ethics and Integrity • Green Financing
<p>Society and NGOs can help us understand how we can play a part in developing society, improving communities, empowering marginalised groups and reducing inequality</p>	<ul style="list-style-type: none"> • Corporate Social Responsibility (“CSR”) activities • Green initiatives • Financial literacy • Accessibility 	<ul style="list-style-type: none"> • Local Communities • Direct Environmental Footprint • Responsible Financing • Financial Inclusion
<p>To build strong industry rapport for shared knowledge and expertise</p>	<ul style="list-style-type: none"> • Partnership for growth • Reputation • Product innovation • IT infrastructure and information system 	<ul style="list-style-type: none"> • Economic Performance • Innovation • Cyber Security

Our Contribution to the UN SDGs

Our Contribution and Impact:

- Approved and accepted of RM11.5 million of green financing application in FY 2020, resulting in a cumulative green financing of RM426.0 million as at 31 December 2020
- 2,905.8tCO₂e of indirect energy (Scope 2) GHG emissions
- Our new headquarters achieved LEED (Gold) certifications
- Implemented energy efficiency improvement initiatives in our existing buildings

Our Contribution and Impact:

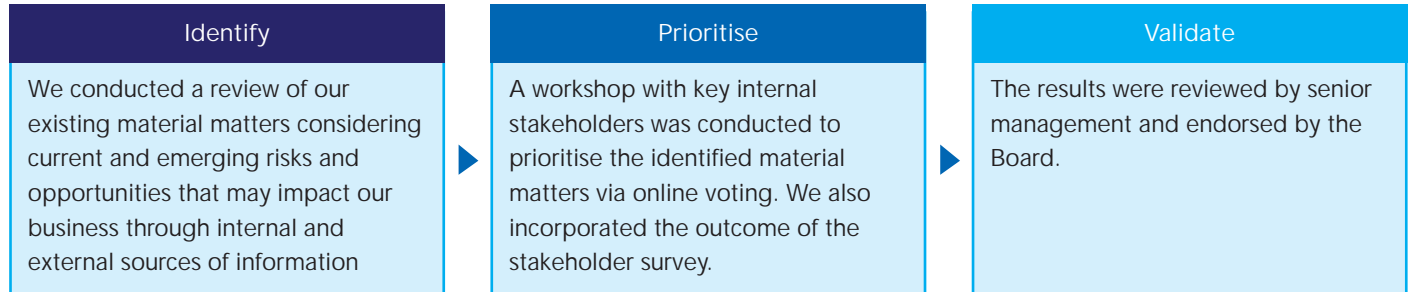
- Provided RM43.2 million of financing to the affordable housing sector
- Offer affordable home financing products
- Contributed over RM1.9 million for COVID-19 relief measures
- Provided COVID-19 special relief for affected customers



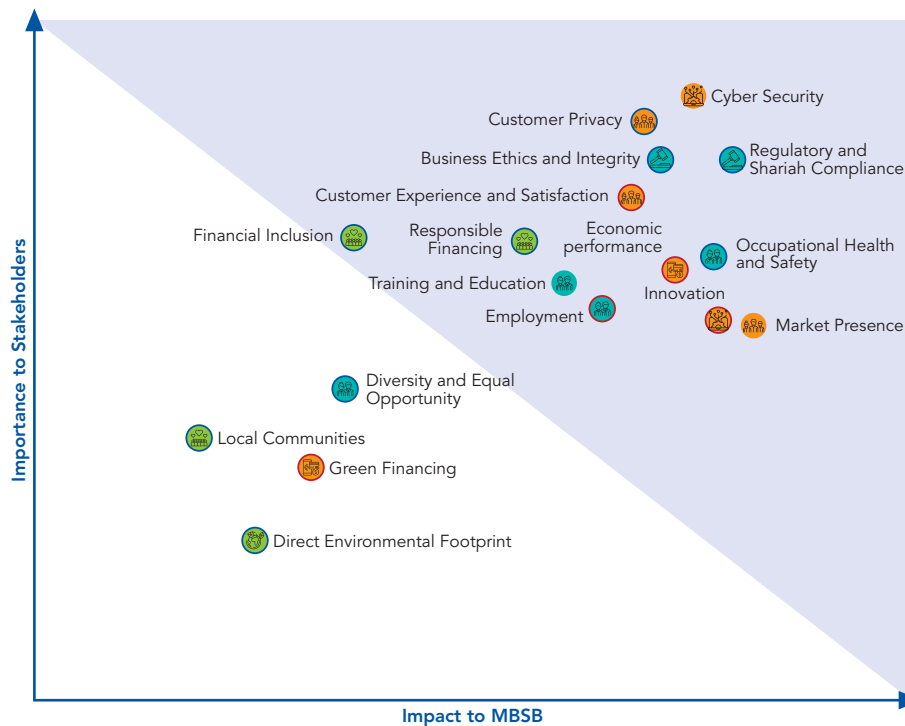
What Matters Most

We conduct a materiality assessment annually by engaging our internal and external stakeholders to identify ESG risks and opportunities. We seek to identify the material matters - issues that have the most potential to impact our ability to operate successfully and create value for our stakeholders. We use the assessment to inform our strategy, ESG targets and reporting.

Materiality Assessment Process



MBSB Materiality Matrix FY2020



We asked our stakeholders: What are the matters that matter the most to you as MBSB's stakeholder?

From the 1,011 responses we received:







1. Cyber security
2. Customer privacy
3. Business ethics and integrity
4. Regulatory and Shariah compliance
5. Customer experience and satisfaction

Kindly refer to MBSB Sustainability Report 2020 for more information on the stakeholder survey

Legend: ○ Increased in priority ○ Decreased in priority □ Very High Priority □ High Priority

<p>Creating a fair, safe and inclusive workplace</p> <ul style="list-style-type: none"> Upholding core values Growing capacity and capabilities 	<p>Innovating Value through technology</p> <ul style="list-style-type: none"> Maximising outreach and experience Financing sustainable growth Harnessing the power of technology 	<p>Operating sustainably and responsibly</p> <ul style="list-style-type: none"> Bridging the social gaps Helping the environment
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ABOUT MBSB
What Matters Most

Material matters	Boundary	Importance of managing them	Risks
<p>Business ethics and integrity</p> 	MBSB Group	Business ethics and integrity is the foundation of every banking institution and is of critical interest to regulators, employees and customers alike. This is because we are entrusted to look after our customers' money and we have a duty to finance that money responsibly.	<ul style="list-style-type: none"> - Reputational risk: Risk of damaging MBSB's brand and losing stakeholders' trusts - Operational risk: Increase misconduct and conflict internally
<p>Regulatory and shariah compliance</p> 	MBSB Group	Regulatory and Shariah Compliance ensures our license to operate. We are committed to ensure that all reporting or regulatory requirements are fulfilled.	<ul style="list-style-type: none"> - Reputational risk: Non-compliance will result in tarnished reputation - Regulatory risk: Changes in regulations resulting in non-compliance - Financial risk: Increased regulatory fines for non-compliance - Operational risk: Non-compliance may lead to loss of a license to operate
<p>Employment</p> 	MBSB Bank	Our employees are our greatest assets, they are our ambassadors, our front liners and the backbone of our organisation which enable us to achieve our business strategy and to deliver value for all stakeholders.	<ul style="list-style-type: none"> - Operational risk: High turnover may lead to disruption in operations - Operational risk: Low employee engagement may lead to a decline in productivity and team morale - Financial risk: The cost of replacing a departing employee can be high
<p>Training and education</p> 	MBSB Bank	To build a future-ready workforce, we develop our people's skills and competencies to meet the increasing expectations and demand from our stakeholders.	<ul style="list-style-type: none"> - Reputational risk: Lack of training resulting in poor customer service and damage to reputation - Operational risk: Employees not up to date with the latest skills and capabilities - Operational risk: Low productivity and ineffective management due to lack of skills and knowledge
<p>Occupational safety and health</p> 	MBSB Bank	Safe and comfortable working environment protects our employees from harm and improves productivity.	<ul style="list-style-type: none"> - Operational risk: Productivity affected due to lost time injuries or lost days - Reputational risk: Unsafe working environment
<p>Diversity and equal opportunity</p> 	MBSB Bank	We focus on being open-minded and providing equal opportunities for all to embrace the benefits of diversity in terms of culture, background, gender and skills.	<ul style="list-style-type: none"> - Operational risk: Limited perspectives in the workplace








Refer pg. 133 to 152 for our risk management process

Opportunities	Strategies	FY2020 Performance	Discussed further in
<ul style="list-style-type: none"> - Cultivate strong ethical culture across MBSB - Promote strong public image 	<ul style="list-style-type: none"> - Overall overarching governance - Sustainability approach: Create a fair, safe and inclusive workplace 	<ul style="list-style-type: none"> - Zero incidents of confirmed corruption - 100% of the Board and Senior management attended anti-corruption training 	<ul style="list-style-type: none"> - SR2020 (Pg 33)
<ul style="list-style-type: none"> - Growing demand for Shariah-compliant products, particularly in Malaysia and Indonesia - Responsible banking practices 		<ul style="list-style-type: none"> - Zero fines and non-monetary sanctions for non-compliance with laws and regulations - 88% completion of AML/CFT e-Learning programme 	<ul style="list-style-type: none"> - SR2020 (Pg 35)
<ul style="list-style-type: none"> - Strengthen employer brand - Establish high-performing culture 	<ul style="list-style-type: none"> - Strong management to become employer of choice - Sustainability approach: Create a fair, safe and inclusive workplace 	<ul style="list-style-type: none"> - 168 new employee hires - Low turnover rate of 5.7% below industry average 	<ul style="list-style-type: none"> - Strategic review (Pg 59) - SR2020 (Pg 45)
<ul style="list-style-type: none"> - Maintain competitive advantage - Increase job satisfaction - Higher productivity - Better customer service 		<ul style="list-style-type: none"> - 35,819 total hours of training - 18.4 average hours of training - Invested RM1.1 million in training and development programmes 	<ul style="list-style-type: none"> - Strategic review (Pg 59) - SR2020 (Pg 50)
<ul style="list-style-type: none"> - Promote safe environment for MBSB Bank's employees - Increase productivity with healthy employees 		<ul style="list-style-type: none"> - 11 cases of work-related injuries and 4 cases of work-related ill health (related to mishandling of office machines and motor vehicle accidents) 	<ul style="list-style-type: none"> - SR2020 (Pg 54)
<ul style="list-style-type: none"> - Boost employer brand - Attract top talent from diverse talent pools 		<ul style="list-style-type: none"> - 53:47 female-to-male gender ratio - Structured succession planning for each critical role 	<ul style="list-style-type: none"> - SR2020 (Pg 57)



Kindly refer to MBSB SR2020 for more information on our management approach for each material matter

ABOUT MBSB
What Matters Most

Material matters	Boundary	Importance of managing them	Risks
<p>Customer experience and satisfaction</p> 	MBSB Bank	Creating an exceptional customer experience is one of, if not the most important matter for us as a bank. Great customer experience builds brand loyalty and affinity, improves brand image and gives us a competitive advantage for sustainable growth.	<ul style="list-style-type: none"> - Reputational risk: Risk of losing customers - Financial risk: Higher cost to acquire new customers - Operational risk: Increased number of complaints leading to increased manpower to resolve them
<p>Market presence</p> 	MBSB Bank	Our presence in the market creates awareness on our brand and the products we offer which will allow us to expand our reach to more customers and ensure sustainable growth. Our aim is to make a memorable impression on customers and build loyalty.	<ul style="list-style-type: none"> - Reputational risk: Low brand awareness - Strategic risk: Restrict MBSB Bank's achievement of its strategy and growth - Business risk: Competition risk that threatens MBSB Bank's market position
<p>Customer privacy</p> 	MBSB Group	To create a strong digital relationship with customers based on trust and to prevent customer information from leaks.	<ul style="list-style-type: none"> - Compliance risk: Increased risk of non-compliance with data privacy rules - Financial risk: Increased penalties and fines - Reputational risk: Loss of customers' trusts and tarnished reputation
<p>Economic performance</p> 	MBSB Group	To ensure that we are maximising value creation for our shareholders and creating wealth in the economy.	<ul style="list-style-type: none"> - Financial risk: Profitability of business will impact business liquidity and credit ratings - Strategic risk: Poor financial performance lead to inability to achieve strategies and insufficient funds to invest in growth - Reputational risk: Loss of shareholders' confidence in MBSB
<p>Green financing</p> 	MBSB Bank	To play our part as a financial institution in supporting actions on mitigating and adapting to climate change, in line with the government's initiative of improving ecosystem resilience and diversify investments.	<ul style="list-style-type: none"> - Operational risk: Not adapting to stakeholders' demand on green and climate-related initiatives - Climate risk: Transition risks for not addressing climate change









Refer pg. 133 to 152 for our risk management process

Opportunities	Strategies	FY2020 Performance	Discussed further in
<ul style="list-style-type: none"> - Positive impact on brand image - Increase in recurring customers and referrals 	<ul style="list-style-type: none"> - Provide excellent customer service - Sustainability approach: Innovating value through technology 	<ul style="list-style-type: none"> - 84.4% Customer Satisfaction Index - 387 cases resolved within 14 days turnaround time ("TAT") 	<ul style="list-style-type: none"> - Strategic review (Pg 58) - SR2020 (Pg 63)
<ul style="list-style-type: none"> - Partnership opportunities to improve service delivery - Increase market share - Higher brand awareness 		<ul style="list-style-type: none"> - 47 branches (including Kota Bharu branch opened in February 2021) - 220,177 customer reach via social media - Invested RM10.7 million in advertising and marketing tools 	<ul style="list-style-type: none"> - SR2020 (Pg 66)
<ul style="list-style-type: none"> - Collaborate with regulators and industry working groups to manage data privacy 		<ul style="list-style-type: none"> - 15 instances of customer information breach mainly caused by external collection agencies which have been resolved and mitigating controls implemented 	<ul style="list-style-type: none"> - SR2020 (Pg 69)
<ul style="list-style-type: none"> - Diversification of revenue streams - Identify new growth areas - Improve liquidity and funds available to finance business growth - Improve share price performance 	<ul style="list-style-type: none"> - Establish a strong financial position 	<ul style="list-style-type: none"> - Total revenue of RM 3.1 billion - RM 269.3 million Profit After Tax ("PAT") - RM 1.8 billion value generated and distributed 	<ul style="list-style-type: none"> - Strategic review (Pg 53) - SR2020 (Pg 75)
<ul style="list-style-type: none"> - Contribute to the transition to a low carbon economy - New business opportunities 	<ul style="list-style-type: none"> - Offering digital banking and innovative product solutions - Sustainability approach: Innovating value through technology 	<ul style="list-style-type: none"> - Cumulatively approved and accepted RM426.0 million of green financing - Clean energy generation of 51.5MW from our portfolios 	<ul style="list-style-type: none"> - Strategic review (Pg 56) - SR2020 (Pg 77)



Kindly refer to MBSB SR2020 for more information on our management approach for each material matter

ABOUT MBSB
What Matters Most

Material matters	Boundary	Importance of managing them	Risks
Innovation 	MBSB Bank	Continuous innovation is key to future-proof our business. It unlocks new opportunities and informs better ways of attracting new business and increasing customer loyalty.	<ul style="list-style-type: none"> - Strategic risk: Failure to adapt to stakeholders' needs - Strategic risk: Loss of competitive advantage - Financial risk: Increased inefficiency and operation costs
Cyber security 	MBSB Bank	As we move towards a digitally-enabled future, cybercrime is becoming more serious and common. Cyber security is important as it safeguards and protects sensitive data, customers' information and intellectual property from theft and manipulation.	<ul style="list-style-type: none"> - Operational risk: More susceptible to cyber attacks - Reputational risk: Loss of stakeholders' confidence in MBSB
Responsible financing 	MBSB Bank	We conduct responsible business by considering the ESG impacts of our lending. This includes ensuring that consumers are only presented with financial products that meet their needs and within their means. This, in addition, will also allow us to manage our credit risks.	<ul style="list-style-type: none"> - Compliance risk: Non-compliance of guidelines on responsible financing - Credit risk: Inadequate suitability and affordability assessment would lead to increased credit risk and losses
Financial inclusion 	MBSB Bank	Financial inclusion is a key enabler to reducing poverty and ensuring sustainable growth for the local economy. We strive to improve the accessibility and affordability of our products.	<ul style="list-style-type: none"> - Business risk: Potential of losing business opportunities from the underserved SME segments
Local communities 	MBSB Bank	To create positive impact on society while maximising shared value creation for key stakeholders.	<ul style="list-style-type: none"> - Reputational risk: Eligible projects are limited to the budget allocated for corporate social responsibility (CSR) - Strategic risk: CSR programmes may be short-termistic and does not consider longer-term value
Direct environmental footprint 	MBSB Group	To manage and reduce the impacts from our operations on the environment.	<ul style="list-style-type: none"> - Climate risk: Susceptible to physical and transition risk due to inadequate management of environmental footprint - Compliance risk: Non-compliance of laws and regulations on environment related matters



Refer pg. 133 to 152 for our risk management process

Opportunities	Strategies	FY2020 Performance	Discussed further in
<ul style="list-style-type: none"> - More resilient to disruptions - Diversification of revenue streams - Attract new customers especially the younger and tech-savvy population 	<ul style="list-style-type: none"> - Offering digital banking and innovative product solutions - Sustainability approach: Innovating value through technology 	<ul style="list-style-type: none"> - 3,612 registered e-wallet users - 3,200 CASA online application - RM2.53 billion total value of transactions performed on digital platforms 	<ul style="list-style-type: none"> - Strategic review (Pg 56) - SR2020 (Pg 81)
<ul style="list-style-type: none"> - Improve information security and business continuity management - Faster recovery in the event of a breach 		<ul style="list-style-type: none"> - 43.1% of IT budget used to upgrade and improve IT infrastructure - Implemented and completed the Cyber Security Enhancement Project 	<ul style="list-style-type: none"> - Strategic review (Pg 57) - SR2020 (Pg 86)
<ul style="list-style-type: none"> - Adapt to greater demand for Shariah and ESG aligned products and services 		<ul style="list-style-type: none"> - 1.08% Gross Non-Performing Financing (“NPF”) Ratio for Retail Financing - Disbursed RM45.4 million to 31 customers under Cashline-i 	<ul style="list-style-type: none"> - SR2020 (Pg 91)
<ul style="list-style-type: none"> - Explore business opportunities from the untapped markets 		<ul style="list-style-type: none"> - RM1.36 billion total financing disbursed to SMEs - 268,537 loans deferred under the 6-month moratorium - RM25.63 billion total gross financing deferred under the 6-month moratorium 	<ul style="list-style-type: none"> - Strategic review (Pg 57) - SR2020 (Pg 93)
<ul style="list-style-type: none"> - Strengthen business reputation - Improve livelihood of society around MBSB Bank 	<ul style="list-style-type: none"> - Sustainability approach: Operating sustainably and responsibly 	<ul style="list-style-type: none"> - 15 CSR initiatives conducted - Over RM3.8 million community investments - RM2.0 million total contribution to COVID-19 relief programmes 	<ul style="list-style-type: none"> - SR2020 (Pg 96)
<ul style="list-style-type: none"> - Increase efficiency and reduce cost as a result of environmental management - Gain certification to recognised standards such as Green Building LEED certifications 		<ul style="list-style-type: none"> - 2,905.8tCO₂e indirect energy (scope 2) greenhouse gas emitted - 5,069MWh in electricity consumption - 36,092 m³ water consumption - 6.4% reduction in paper purchased 	<ul style="list-style-type: none"> - SR2020 (Pg 103)



Kindly refer to MBSB SR2020 for more information on our management approach for each material matter

Employee Interview



Puteri Nurina Syairah Shamshudin,
Relationship manager
Regional corporate business
Southern Region

At MBSB Bank, we understand the importance of employee engagement. Here, we have interviewed one of our employees to share her career growth and experience with MBSB Bank.

What are the top 3 things you value most working at MBSB Bank?

I value the career and personal development opportunities and interesting work exposure. Every day, I am learning new things at work and these factors keep me motivated.

How is MBSB Bank supporting your career development?

I joined MBSB Bank since I was a fresh graduate, after completing my bachelor's degree. It was my first working experience in the banking industry, and I gradually grew a passion for corporate banking. The exposure and knowledge gained were meaningful, and I learn new things in every task given. I learnt that it is crucial to adapt fast and be versatile as every task has a tight deadline.

It is also vital to gain trust from the leaders to maximise the opportunities provided. Overall, I am contented with the opportunities provided to me, which has moulded me into who I am today.

I have recently completed my part-time master's degree studies while working at MBSB Bank. I am very thankful for the highly supportive and understanding managers and HR personnel who encouraged me in pursuing my personal development goals. Hopefully, my journey with MBSB Bank will be a long fruitful one. Insyallah.

What do you envision MBSB Bank to be in 10 years?

I believe MBSB Bank will be achieving greater heights in the upcoming years while creating positive impact to the broader society. As the younger generations are more aware and concerned on ESG issues, I believe the shift to better ESG practices is inevitable. This is consistent with the steps MBSB is taking on promoting sustainability awareness and improving internal processes.

With the current leadership and valuable partnerships with our stakeholders, I envision that MBSB Bank will become the top progressive Islamic bank in Malaysia. We will work together towards this shared vision. Together, we can accomplish more.



2020: THE YEAR IN REVIEW

In this section:

- Calendar of events
- Operating context
- Strategic review
- 5-year financial highlights

Calendar of Events



21/ February
2020

FOOD AID FOUNDATION HQ, BANDAR TUN RAZAK
Cooking For a Cause
MBSB Bank employees volunteered to prepare and cook food that were distributed to the B40 group

07/ March
2020

TAMAN TUGU NURSERY
Cooking Oil for Cleaning
MBSB Bank employees learned how to filter cooking oil which can be repurpose into bar soap



9/ June
2020

WISMA MBSB
Primewin CASA-i Prize Giving Ceremony
The winners of Primewin CASA-i campaign received their mock cheque during a prize giving ceremony which was handed over by Deputy Chief Executive Officer, Datuk Nor Azam M Taib



30/ June
2020

WISMA MBSB

51st Annual General Meeting (online stream)

MBSB conducted its first virtual annual general meeting where board of directors (with the exception of the Chairman who was physically present at the Broadcast Venue) and shareholders attended the meeting via live stream

14/ September
2020

ALOR GAJAH MELAKA
Sejahtera Key Handover

Key Handover ceremony to a Sejahtera programme recipient



15/ September
2020

WISMA MBSB

"Are You a Star Employee?" Campaign

As a way to raise awareness on Service Transformation for Excellent Performance (STEP) Programme, merchandise which explains what the programme is about were given to employees nationwide

2020: THE YEAR IN REVIEW
Calendar of Events



06/ November
2020

WISMA MBSB
Fabric Recycling and Recycle Through Refashion
Campaign
MBSB Bank prepared a fabric recycling bin at Wisma
MBSB



13/ November
2020

PENJARA PULAU PINANG
Covid-19 relief contribution
500 PPE, hand sanitizers and basic necessities were
given to front-liners in Penang

19/ November
2020

PUSAT ZAKAT WILAYAH PERSEKUTUAN

Zakat contribution

MBSB Bank's Chief Operations Officer, Tuan Hj Asrul Bin Salleh handed a mock cheque to the CEO of Pusat Pungutan Zakat, Tuan Haji Shukri Yusof during the handover ceremony at Pusat Zakat Wilayah Persekutuan. The ceremony was witnessed by Minister in the Prime Minister's Department, YB Senator Datuk Dr Hj Zulkifli Mohamad Al Bakri





20/ November
2020

IBU PEJABAT KONTINJEN SELANGOR
Covid-19 relief contribution
MBSB Bank contributed PPE and basic necessities to the Selangor police department to contain Covid-19



07/ December
2020

WISMA MBSB
Mask hero campaign
MBSB Bank employees were encouraged to share photos of them wearing the customized MBSB Bank face mask

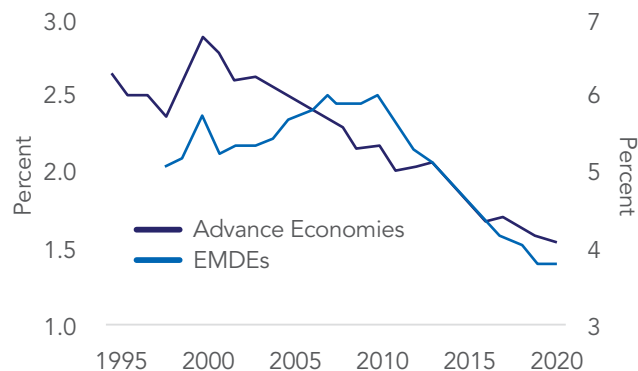
Operating Context

Global market economic review

Barring any sudden shocks to business or consumer confidence, the global economy is climbing out from the depths to which it had plunged during the Great Lockdown in April 2020. However, with the COVID-19 pandemic continuing to spread, many countries have delayed reopening of their economies. Some are reinstating partial lockdowns to safeguard vulnerable populations causing a contraction in Gross Domestic Product ("GDP") growth and increase in the unemployment rate. Although growth is expected to rise mildly in 2021, the global economy's ascent out of this calamity to pre-pandemic activity levels remains long, uneven, and highly uncertain.

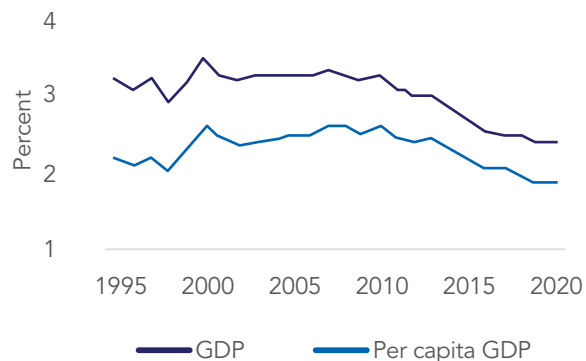
In 2020, the global economy fell by approximately 4.36% as compared to the previous year. The widespread COVID-19 pandemic has reflected more negative impact on economies in the first half ("1H") of 2020 than anticipated. The global economy headed into the pandemic after a decade of forecast disappointments and slowing potential output growth, as seen in Figure 1.

After a sharp plummet in 1H 2020, global economic activity rallied strongly in Q4 2020, with the gradual easing of stringent pandemic-related restrictions across most economies. Advanced economies have faced substantial decline in economic activity as they grapple with the pandemic's impacts as illustrated in Figure 2. Global financial conditions have remained uncertain, which is reflected by monetary policy accommodation in most economies. However, the underlying financial vulnerabilities have continued to rise, increasing debt levels and weak bank balance sheets. While economic activity in the developing East Asia and Pacific ("EAP") region has also improved since Q2 2020, the recovery pace has varied substantially across countries.



Source: World Bank

Figure 1: Output growths of advanced companies and Emerging Market and Developing Economies (EMDEs)



Source: World Bank

Figure 2: Global output and per capita GDP

How does this impact our business?

The global economic downturn plunged millions into poverty and depressed economic activities and incomes

On a macro level, the closure of businesses and services, coupled with the travel and movement controls had vast impacts on private consumption and business investment. Liquidity squeeze was also disproportionately felt by SME, and vulnerable groups such as lower-income individuals, part-time and unemployed workers which caused the local financial system to be saddled with non-performing loans, impacting on our financial performance in the form of higher impairment recognised.

2020: THE YEAR IN REVIEW

Operating Context

Malaysian economic review

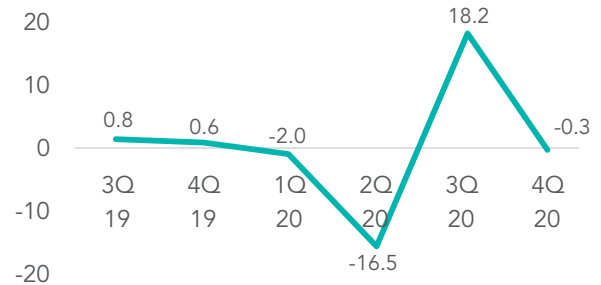
The Malaysian economy contracted 5.6% in 2020, its worst performance since the Asian financial crisis in 1998 due to the COVID-19 pandemic. The second quarter experienced a 16.5% contraction as the movement control order was enforced. Signs of recovery were seen in the third quarter as restrictions were relaxed. However, the fourth quarter recorded another round of contraction due to the resurgence in COVID-19 infections. Construction, mining and services sectors recorded smaller contractions as movement restrictions were relaxed.

Domestic demand

Domestic demand deteriorated, dragged down by the tightened movement restrictions from early November 2020. Private consumption declined further to a considerable degree, with a much deeper contraction of 3.4% during Q4 2020 (Q3: -2.1%). The Malaysian government has delivered a series of economic response packages to mitigate the impact of the crisis. Public policies, including Bantuan Prihatin Nasional cash transfers, i-Lestari Employees Provident Fund withdrawals, wage subsidies and loan moratorium, have helped reduce the pandemic's impact on vulnerable households and firms. In the meantime, public consumption grew at a softer rate of 2.7% in Q4 (Q3: 6.9%) due to higher amount of expenditure on supplies and services.

For the year, although aggregate investments continued to diminish, the rate of contraction fell. Gross fixed capital formation contracted by 11.9% to RM70,750 million in the fourth quarter.

This reduction in the contraction in investments resulted from the resumption in private and public investments. These include the manufacturing Purchasing Manager Index ("PMI") and industrial production index for the manufacturing sector that was observed to be on an upward trend since April 2020, reaching 49.1 in December 2020.



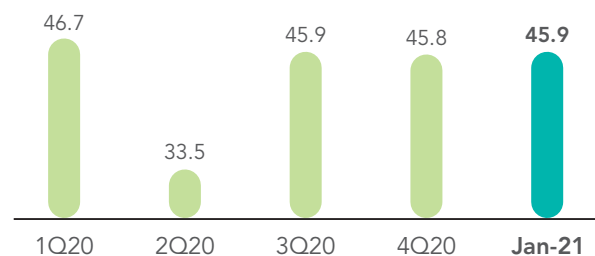
Source: Department of Statistics Malaysia

Figure 3: Malaysia's GDP (quarter-on-quarter % change)

Domestic trade

In terms of Malaysia's exports, the increase in the exports of manufactured and agriculture goods have driven the nation's recovery during this challenging time.

Exports from Malaysia rose 10.8% to a 26-month high of RM95.7 billion in December 2020. On the other hand, the rise in manufactured exports in the fourth quarter (3%) was due to a rally in Electronic and Electrical ("E&E") exports, especially driven by exports to People's Republic of China, Hong Kong SAR and Singapore. Total exports for manufactured goods increase 12.4%, agricultural goods by 47.1%, while the mining sector plummeted 31%.



Source: Department of Statistics Malaysia

Figure 4: Malaysia's new export orders (PMI)

Source: World Bank, Department of Statistics Malaysia and Bank Negara Malaysia

The conclusion of the Regional Comprehensive Economic Partnership ("RCEP") negotiations in November 2020, which will form the world's largest preferential trade area, is anticipated to be favourable for Malaysia's exports in the years ahead. The agreement will deepen trade and investment relations between member countries by reducing non-tariff barriers on goods and services trade.



Source: Bank Negara Malaysia

Figure 5: Malaysia's public debt as a percentage of GDP



How does this impact our business?

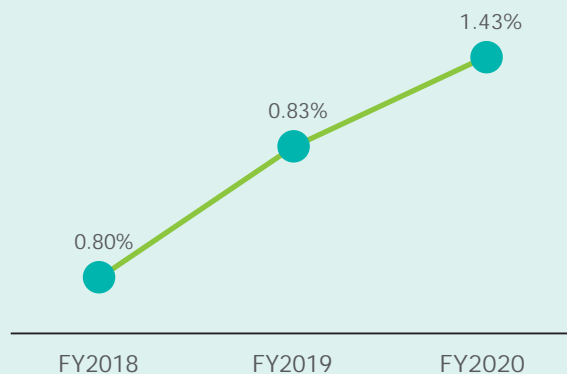
The automatic moratorium on all loans to support domestic demand and minimise the pandemic's impact on vulnerable households and firms

The six-month moratorium on financing repayment announced by Bank Negara Malaysia ("BNM") as part of COVID-19 relief has lessened the burden of customers at a time where job security is uncertain, and businesses are struggling to survive.

We have assisted over 268,537 eligible accounts by granting a 6-month moratorium to all retail and about 435 SME customers upon successful assessment based on the pre-determined criteria. In addition, we granted a further 3-month moratorium to 10,583 eligible accounts for B40 customers.

Increase in manufacturing activities and export of manufactured goods

Expectations for manufacturing activities heighten further with the expectation for the normalisation of economic activities within the country as well as in export markets. This has resulted in the gradual increase of MBSB Bank's credit exposure to the manufacturing sector, with a credit exposure of 1.43% in FY2020.



2020: THE YEAR IN REVIEW
Operating Context

Financial sector

A multi-year solvency stress test exercise conducted by BNM affirmed the financial sector's resilience under simulated adverse macroeconomic and financial condition. The capital buffers of banks remained healthy, recording in excess of the regulatory minimum at RM123 billion as at December 2020, which is double the buffer during the Global Financial Crisis in 2008.

In FY2020, BNM also kept the Overnight Policy Rate ("OPR") and Statutory Reserve Requirement to at 1.75% since July 2020. Although with the economic contraction, federal government revenue grew by 2%, higher than the -14% projection in 2020, due to broad-based reductions in all sources of revenue.

Net financing expanded by 4.4% in Q4 2020, with higher loan disbursements and repayments in the business segment. As at the end of 2020, there has been RM257 billion new loans disbursed, of which more than 95% are from bank's internal funds.

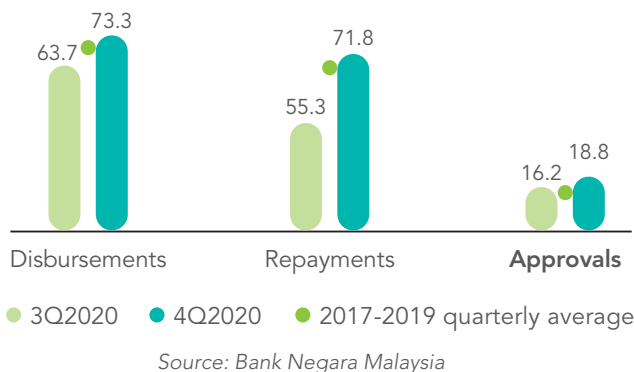


Figure 6: Malaysia's financing activity has returned to pre-COVID levels, driven by banks' own funds

Source: Data sourced from Department of Statistics Malaysia and Bank Negara Malaysia

How does this impact our business?

OPR impact on net profit margin ("NPM")

The Group's NPM saw an improvement to 3.29% in FY2020 compared to 2.89% in FY2019 as a result of lower cost of funds. Cost of funds decreased following OPR cuts and repricing of term deposits to lower rates during the year in review. Overall net profit margin has increased as OPR cuts did not impact income from fixed rate financing and fixed rate investment portfolio.

Domestic local Investor sentiments continued to improve towards Q4 2020 amid expectations of the use of COVID-19 vaccines.

Global and regional equity indices have recorded gains, indicating higher investor risk appetite. The FBM KLCI also recorded increase by 4.1%

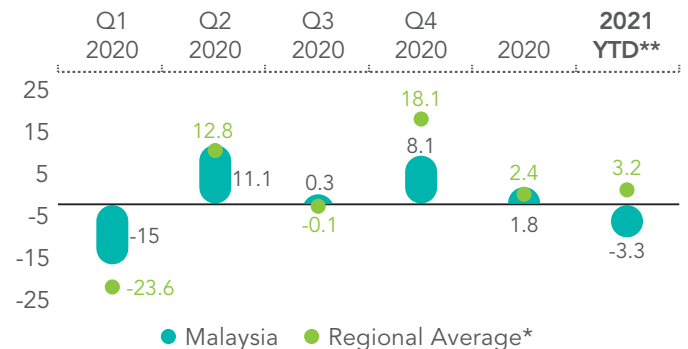


Figure 7: Movement of equity prices

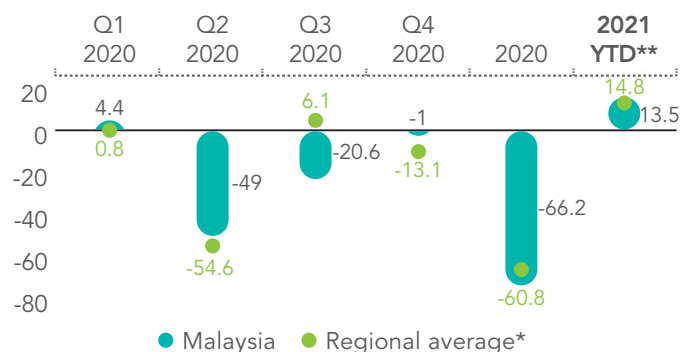


Figure 8: Movement of 10-Year Sovereign Bond Yields

Source: Bank Negara Malaysia

MBSB share price rebounded

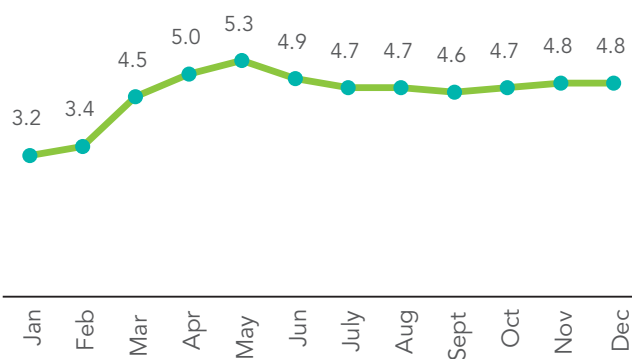
The domestic equity market rose higher as the economy normalises toward the end of the year. MBSB's share price, which hit a one-year low of 47 sen on 19 March 2020, has gained 44.7% to close at 67.5 sen on 31 December 2020.

2020: THE YEAR IN REVIEW

Operating Context

Labour market

In 2020, the labour market deteriorated due to the enactment of the MCO and disruption of economic activities. Halted business operations, mobility restrictions, cost-cutting measures and cash flow issues have weakened aggregate demand leading to an unemployment rate of 4.8%. However, there has been higher placement rate at 43%, reflecting 43 placements per 100 people retrenched at the end of 4Q 2020.



Source: Department of Statistics Malaysia

Figure 9: Malaysia's 2020 unemployment rate (%)

How does this impact our business?

Disruptions in economic activity caused by the pandemic has hit employment nationwide

Human capital is of significant importance to MBSB Bank. In FY2020, total staff strength has increased by 3%, to 1,945 employees despite the weaker economic condition.

The COVID crisis has led to a marked increase in digital and virtual practices. MBSB Bank's hiring rate has fallen from 15.2% in FY2019 to 8.6% in FY2020, as we focus on exploring capacity building, succession planning and alternative digital learning strategies.





Our COVID-19 responses

While we continue to drive the execution of our strategic objectives, we will need to consider the impact of the situation as it unfolds and prudently manages our risk appetite. We have strengthened our business continuity plans to sustain our operations across MBSB, with resilience planning concerning our financial and capital structure, our customers' needs, and our regulatory engagements.

We established the Multi-Disciplinary Pandemic Team ("MDPT") to proactively manage the unfolding risks of COVID-19 and implement precautionary measures to ensure MBSB Bank's business continuity during these challenging times. The MDPT oversees Guidelines on The New Norm ("GNN") focusing on employees' safety and welfare, in line with the National Security Council's requirements.

The MDPT is supported by six sub-committee working groups, as follows:

1. Cashflow, Capital and Business Working Group
2. Business and Technology Working Group
3. Communication and Pandemic Working Group
4. BNM Liaison Working Group
5. Operations and Collections Working Group
6. Human Resources Working Group

In terms of our digitisation initiatives, as of 31 December 2020, we have achieved the following:

Our Shariah-compliant e-wallet has tied up with 136 merchants with 3,505 outlets and accumulated over 3,612 registered users since March 2020

Mobile banking has captured 7,743 registered users since its launch in May 2020

Processed 3,200 number of applications for our online application for CASA since June 2020

40% accounts opened from the CASA online application initiative

The transaction value for online banking transaction achieved a total of more than RM2.5 billion

2020: THE YEAR IN REVIEW

Operating Context

EMPLOYEES

- Issued the Work From Home ("WFH") Guidelines
- Established MBSB Bank's Care Unit chaired by the PCEO to ensure effective implementation of Bank's Targeted Payment Flexibility Programmes
- Provided guidelines and support to facilitate remote working arrangements
- Conducted health talks centered around topics such as stress management and wellbeing
- Developed Guidelines on the New Norm - Post MCO by the MDPT team
- Increased sanitisation and health practices at our Head Office and branch premises
- Temporary closure of 19 branches nationwide with low traffic volumes and/or in high-risk areas during MCO in early 2020
- All physical conferences, functions, training and other events were prohibited
- MDPT established a Telegram account as a channel to communicate real-time updates and to create awareness on matters or information related to COVID-19 to all our employees



CUSTOMERS

- Launched our Mobile Banking and Current Account-i and Savings Account-i ("CASA") Online Application
- Implemented services such as Account Opening System and M Fast Online Financing Application to accelerate the process of onboarding potential customers during MCO. Future implementation of e-KYC will further simplify onboarding of new customers via our digital platforms
- Provided rehabilitation and assistance to companies and businesses via granting of moratorium
- Offered rescheduling and restructuring of facilities
- Offered financial assistance via Prihatin-related products such as PF-i and Cashlines
- Provided additional cash-flow financing



SOCIETY AND NGOS

- Established the Targeted Repayment Assistance for B40 and Flexibility Payment Assistance for M40 following the announcement made by the Minister of Finance in the 'Penggulungan Belanjawan' 2021
- Distributed RM264,150 worth of Personal Protective Equipment ("PPE") to front-liners
- Donated RM555,000 towards COVID-19 relief efforts – aid to purchase respiratory equipment and medical supplies, distribution of packed food, face masks, hand sanitisers
- Collaborated with Food Aid Foundation ("FAF") to distribute food nationwide where we helped 4,047,578 individuals

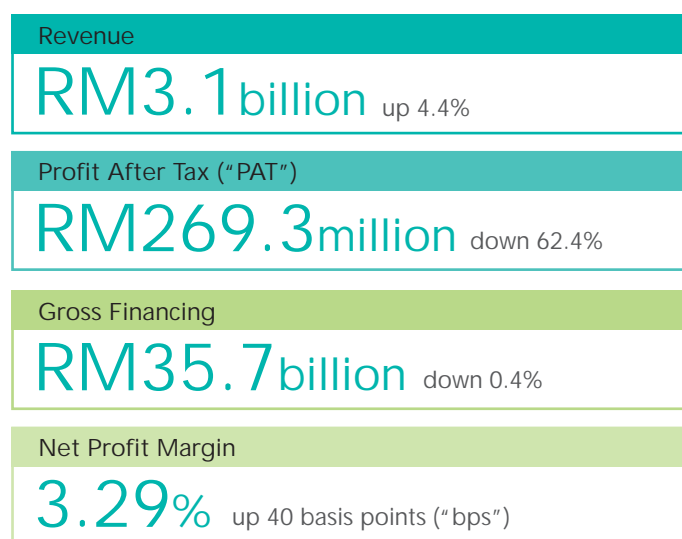


Strategic Review

Strategic objectives 1:

Establish a Strong Financial Position

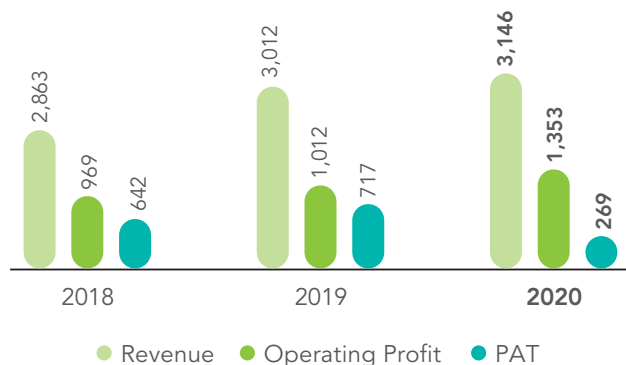
This year was like no other. We experienced one of the worst economic downturns in history due to the impact of the COVID-19 pandemic. To say that it was a challenging year is an understatement. However, we remained resilient throughout this year and came out stronger.



Overall profitability

MBSB Group achieved PAT for FY2020 of RM269.3 million, a 62.4% or RM447.6 million decrease compared to FY2019. This is due to a net increase in impairment of RM306.4 million and a loss on modification of cash flows of RM504.8 million due to the COVID-19 pandemic.

MBSB Earnings Trend (RM'mil)



Revenue

Despite the subdued economy, MBSB Group reported its total revenue of RM3.1 billion, reflecting 4.4% increase posted in the same period of 2019. This is primarily attributed to higher gain on sale of financial investments in FY2020 of RM249.6 million compared to RM60.0 million in FY2019. Overall profit income attributable to the loans, financing and advances has declined by 4.3% to RM136.6 million due to the drop in OPR.

Despite the fall in financing income, treasury arm registered a commendable performance with RM266.2million income gained from Forex and Fixed Income Trading as at year end.

The overall ratio of Islamic to Conventional income has shrunk to 87.1:12.9 from 92.1:7.9. This is due mainly to a significant gain on sale of financial instrument during the year. Precluding that, the Islamic banking operations would account for 94.5% of total revenue, increased with our efforts in actively converting the conventional assets. Personal Financing remains the main source of our financing income at 53.8% of total Islamic banking income, despite a 14.9% drop from RM1.4 billion. Nevertheless, a strong growth in Trade Financing of 77.7% from RM21.7 million, has slightly offset the decline in consumer banking revenue.

Cost-to-income ratio ("CIR")

MBSB Group recorded a CIR (excluding net allowance for impairment and loss on modification of cash flows amounting to RM925.7 million) of 24.5% for FY2020, from 28.4% in 2019, as a result of higher total income generated during this period. This was also supported by the Group's strategic cost management efforts which led to operational efficiencies by leveraging technology and digital initiatives.

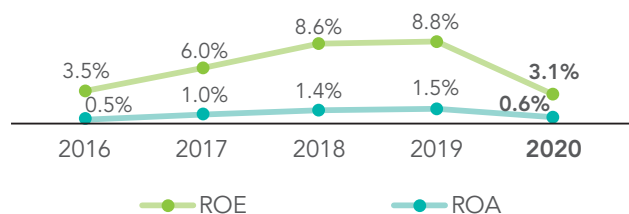
Net profit margin ("NPM")

The Group's NPM saw an improvement to 3.29% in FY2020 compared to 2.89% in FY2019 as a result of lower cost of funds. Cost of funds has decreased following OPR cuts and repricing of term deposits to lower rates during the year in review. Overall net profit margin has increased as OPR cuts did not impact income from fixed rate financing and fixed rate investment portfolio.



Return on equity (“ROE”) and return on assets (“ROA”) The Group’s ROE has been on an upward trend since 2016, reaching a high of 8.8% in 2019. However, due to the impact of COVID-19 on our overall net profit, our ROE fell by 5.7% to 3.1%, a 5-year low, while our ROA dropped by 0.9% to 0.6%. MBSB will strive to make gradual recovery in navigating the business under a highly uncertain economic environment.

MBSB Group ROE and ROA



Financial position

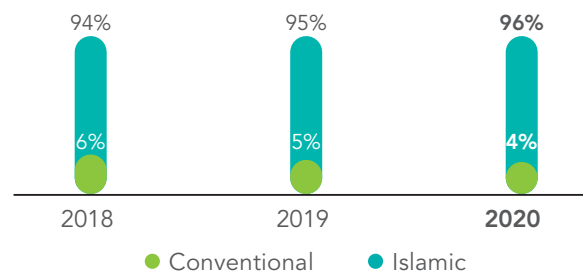
Total assets

In 2020, MBSB Group’s total assets has decreased by 4.5% to RM48.4 billion as at 31 December 2020. This is mainly due to the decline in interbank placements. Loans, financing and advances account for 69.7% of MBSB Group’s total assets.

Loans, financing and advances

Total gross loans, financing and advances only decreased marginally by 0.4% to RM35.7 billion as MBSB Group is impacted by slower disbursements and loss on modification of cash flows. The decrease is mainly contributed by a decline in conventional loans, financing and advances by 21.1% to RM1.5 billion from RM1.9 billion in FY2019. Nevertheless, a surge in financing can be seen in property financing (up 17.7% or RM915.4 million), trade financing (up 79.6% or RM 446.6 million), cash line (up 2126.0% or RM77.9 million) and staff financing (up 2.8% or RM1.3 million).

Financing by type



Islamic financing continues to account for the largest proportion of the Group’s financing at 95.8%. Despite the uncertainty and challenges posed by the pandemic, MBSB Group managed to record a slight increase in Islamic financing by 0.7% to RM34.2 billion. Personal financing accounts for 57.9% of total Islamic financing, followed by property financing at 17.8% and other term financing at 16.5%.

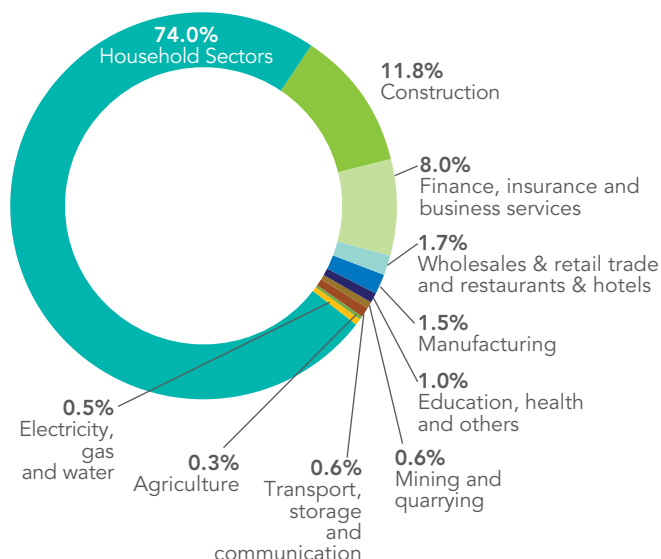
We believe our digital innovations such as the personal financing online application (“M Fast”) has contributed to maintain our portfolio despite the challenging economic environment. Personal financing remained the largest in our portfolio with 55.5% of total gross financing in FY2020, as compared to 55.7% in FY2019.



Refer to Note 10 to the financial statements for more information on the breakdown on the loans, financing and advances (pg 221 to 224)

In terms of our breakdown of financing by sectors, household sector remains the largest contributor to the Group's total financing at 74%, construction at 11.8% and finance, insurance and business services at 8%.

Financing by Sector (%)



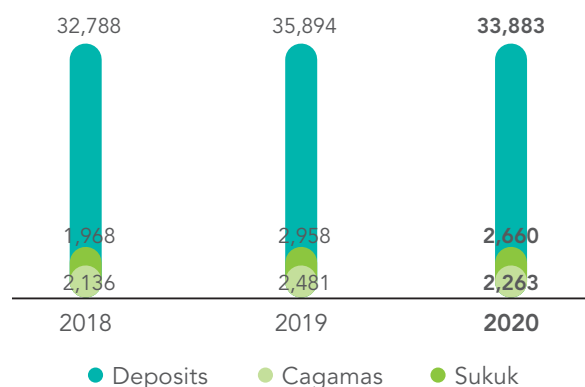
As at 31 December 2020, corporate portfolio has reduced by 4.8% with Corporate:Retail composition moved from 27:73 to 26:74.

Non-performing financing ("NPF")

Despite the challenges posed by COVID-19, MBSB Group managed to maintain the overall asset quality with a slight increase of gross NPF from 5.19% to 5.3%, which has proved the effectiveness of strengthening our credit policies. We apply a prudent policy that protects the Bank from incurring material credit losses, while promoting responsible and transparent financing practices for our customers.

Source of funds

To fund the financing of both corporate and retail asset growth, we practice efficient balance sheet management. The Group's main source of funds is derived from customers deposits which decreased by 5.6% to RM33.9 billion as at 31 December 2020 from RM35.9 billion a year ago.

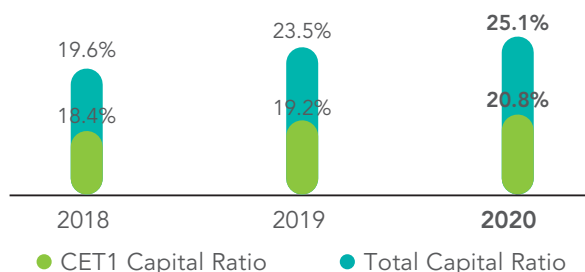


Liquidity and capital strength

Within the context of market uncertainty, we have focused on maintaining solid capital and liquidity levels in line with MBSB's Internal Capital Adequacy Assessment Process ("ICAAP") framework. Against a backdrop of many unknowns, the Group maintained adequate liquidity buffers in line with BNM's Net Stable Funding Ratio ("NSFR") standard with a minimum compliance level at the Group or consolidated level of 100%, effective 1 July 2020.

Through capital management excellence, the Group's reported 20.8% Common Equity Tier 1 ("CET1") Capital Ratio and 25.1% Total Capital Ratio, both exceeding our 2020 targets. The Group maintained a healthy liquidity coverage ratio of 203.9% as compared to 295.9% in FY2019.

MBSB Group Capital Ratio



Strengthened financial performance through restructuring
We continue to move shariah-compliant assets to MBSB Bank, liquidate dormant entities and streamline the group structure. This internal restructuring will further strengthen our financial position as a full-fledged Islamic Bank. Streamlining can improve our decision-making process and simplify our financial reporting procedures, consistent with our aim to preserve and create value for MBSB and our stakeholders.

Besides that, we will work on growing our fee-based income, such as wealth management and lower our gross impaired financing ratio.

Strategic objectives 2: Offering Digital Banking and Innovative Product Solutions

Innovation

The increasingly interconnected world influences how technology interacts within businesses and with their customers. We aspire to continuously operate with technology developments that contribute to an enabling relationship with our customers to optimise efficiency, operations, and proximity. We have implemented various investment enhancement initiatives in technology and our underpinning systems to grow demand for our products and services and enhance our reputation for the year.

Current Account-i and Savings Account-i ("CASA") Opening System

In June 2020, we successfully launched our CASA Opening System to allow our customers to open accounts online to simplify the application of services with faster turn-around-time ("TAT") and allow greater geographical reach to areas underserved by physical branches. This has also facilitated social distancing and Standard Operating Procedures implemented by the Ministry of Health during the MCO's imposition.

As of 31 December 2020, we have received over 3,200 online applications and 2,118 accounts opened from this channel .

e-Wallet

In March 2020, we launched the "first Shariah- compliant" e-wallet in Malaysia to enhance customers' access to our products and services, particularly for the underserved, underbanked and unbanked communities and provide seamless user experience. As of 31 December 2020, we have acquired 136 merchants with a total number of 3,505 outlets across the country. Currently, there are 3,612 registered users of the e-wallet since our launch.

Mobile Banking application

Our mobile banking application provides customers with the convenience and accessibility of performing various banking services anywhere, anytime. The mobile application was launched in May 2020, and since then, 66,442 transactions have been performed by 7,743 users with a total transaction value of more than RM74 million. Enhancement plans are in the pipeline to integrate more features, including DuitNow QR and JomPAY QR Payment, Request-to-Pay, Real-Time Debit and Live Chat



For more information on our innovation initiatives, please refer to MBSB Sustainability Report 2020

Green financing

Increase in renewable energy sector financing limit

In FY2020, the Board approved the increase of the sector limit for financing provided to renewable energy projects from RM1.2 billion to 5% of total outstanding financing amount, which is approximately RM1.8 billion as at 31 December 2020.

As at year-end, we have approved and accepted a total of RM426.0 million of green financing, cumulatively. This year, we approved RM11.5 million in green financing and disbursed over RM137.7 million to eligible projects. Our portfolio of green financing projects for FY2020 comprises solar energy generation and biogas, with a clean energy generation capacity of 51.5MW.

Developed risk assessment policy for renewable energy projects

Projects must attain relevant approval of compliance from local authorities and other requirements including submission of Environmental Impact Analysis and comply with an environmental requirement imposed by MBSB Bank.



For more information on our green financing initiatives, please refer to MBSB Sustainability Report 2020

Financial inclusion

At MBSB Bank, we promote inclusivity and fair participation by extending our financial services to small businesses, low-income groups, and underserved communities while simultaneously empowering these communities through financial literacy programmes.

Financing the low-income groups

We have revised our My First Home Scheme-I to include financing facility for the lower-income group. A mandatory financial literacy online course conducted by the Agensi Kaunseling dan Pengurusan Kredit ("AKPK") is required for potential borrowers seeking financing under this scheme. This is to increase their understanding of financial commitments before purchasing a home.

Stimulating entrepreneurial growth

We are actively participating in BNM's initiative to provide affordable financing to small businesses under its Special Fund Scheme for SMEs, and a fund set up by BNM to improve access to financing for SMEs and micro-enterprises to raise funds for capital expenditures and working capital at a reasonable cost.

We incentivise SMEs to automate processes and digitalise operations through our Automation and Digitalisation Facility (ADF). This aims to provide financing for the purchase of equipment, machinery, computer hardware and software, IT solutions and services, technology support services and other intangible assets to enhance productivity and efficiency.

Assisting the most vulnerable groups

The COVID-19 pandemic has disproportionately impacted vulnerable communities such as those in the lower-income bracket.

We have assisted over 268,537 eligible accounts by granting a 6-month moratorium to all retail and about 435 SME customers upon successful assessment based on the pre-determined criteria. Customers can also opt to restructure or reschedule their financing instead of deferring their financing repayment. In addition, we granted a further 3-month moratorium to 10,583 eligible accounts for B40 customers.



For more information on our financial inclusion, please refer to MBSB Sustainability Report 2020

Cyber security

As technologies evolve and become increasingly dominant in our operations, this inherently increases exposure to various cyber threats through phishing, social engineering and ransomware. We are cognisant of our obligations to manage information entrusted to us and cyber security threats, and we continuously develop strategies to ensure our operations' resilience against cyber threats.

Board Information Technology Oversight Committee

In March 2020, we established our Board Information Technology Oversight Committee to recommend technology strategies and inform MBSB Bank on how technology can be utilised to transform organisational operations and enhance the customer experience.

Infrastructure enhancements

We have intensified our investment in cyber security across the Bank on technology and other capabilities. We have invested in our Cyber Security Enhancement Project which has completed this year, as part of our technology modernisation strategy to strengthen our technology infrastructure and security controls. 43.1% of the technology budget is used to upgrade and improve IT infrastructure in FY2020.

IBM X-force

We have a subscription to IBM X-force exchange that allows us to be updated with the latest global security threats and collaborate with industry expert and peers on cyber security-related issues.



For more information on our cyber security initiatives, please refer to MBSB Sustainability Report 2020

2020: THE YEAR IN REVIEW

Strategic Review

Strategic objectives 3:

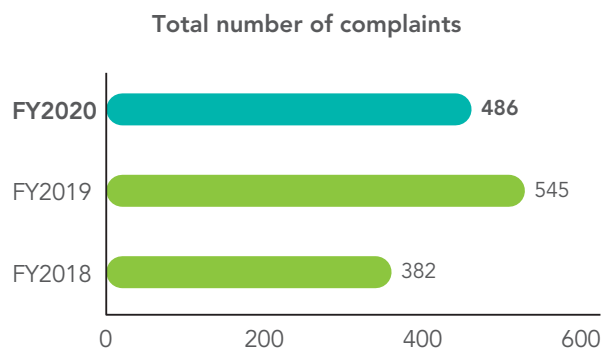
Provide Excellent Customer Service

Customer experience and satisfaction

Satisfied customers form the foundation of MBSB's operational success as it leads to customer loyalty, retention, positive word of mouth and enhanced brand image. We strive to improve customer satisfaction with good customer relationships through our multichannel touchpoints to improve our customers' high-level service delivery opportunities.

Case Management System

We continue to utilise our Case Management System ("CMS"), implemented in 2018, to effectively address customer complaints. CMS features built-in workflows such as new case notification, deadline notification and overdue escalation to improve performance and standardise support activities. Through CMS, we have achieved an improved TAT of 79.6% from 67.5% in FY2019.



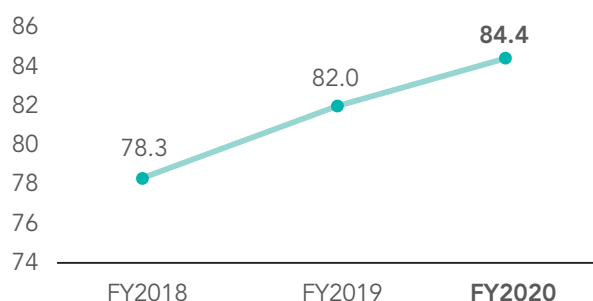
Mini Customer Relationship Management ("CRM") System

In FY2020, we have initiated the Mini CRM to enhance the current CMS and Customer Service Centre ("CSC") to increase the productivity of our CSC agents and improved customer experience levels. We aim to roll out the mini CRM in the first quarter of 2021.

Customer Satisfaction Survey ("CSS")

We utilise the CSS to gauge whether our products and services are meeting customer expectations. The CSS is conducted across two touchpoints, MBSB Bank's branches and the Customer Service Centre (General Line). In FY2020, we are proud to announce an improvement in our CSS to 84.4% from 82.0%.

Customer Satisfaction Index (%)



Post Transaction Survey

We launched our Post Transaction Survey in June 2020 to obtain immediate feedback on the specific experience that customers had after each interaction with MBSB Bank. All feedback is collected by the Customer Experience Management Department and shared to respective departments for future improvement monthly.



For more information on our customer experience and satisfaction initiatives, please refer to MBSB Sustainability Report 2020

Strategic objectives 4:

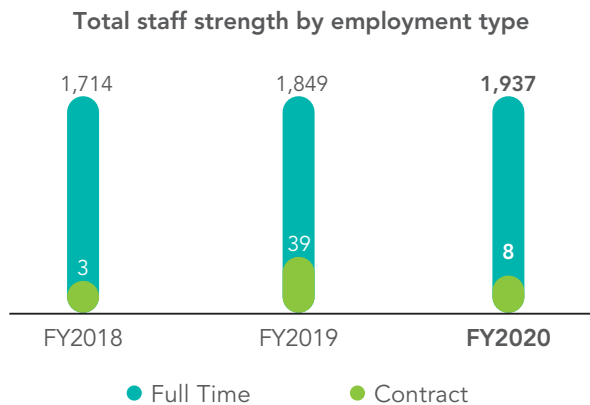
Strong Management to Become Employer of Choice

At MBSB Bank, our focus is directed at our employees. Our employee management strategies are focused on building a competent and agile workforce.

Nurturing an inclusive environment that embraces diversity is essential to our success and improves our competitive advantage in becoming an employer of choice.

2020: THE YEAR IN REVIEW
Strategic Review

As of 31 December 2020, we have 1,945 employees across our operations, to ensure we have the right capabilities to achieve our strategic objectives.








Succession planning

Succession planning is essential to make sure MBSB Bank always has the right leaders in place should a change happen. This year, we have identified and assessed prospective successors that have the potential to take on critical positions.

Remuneration and well-being

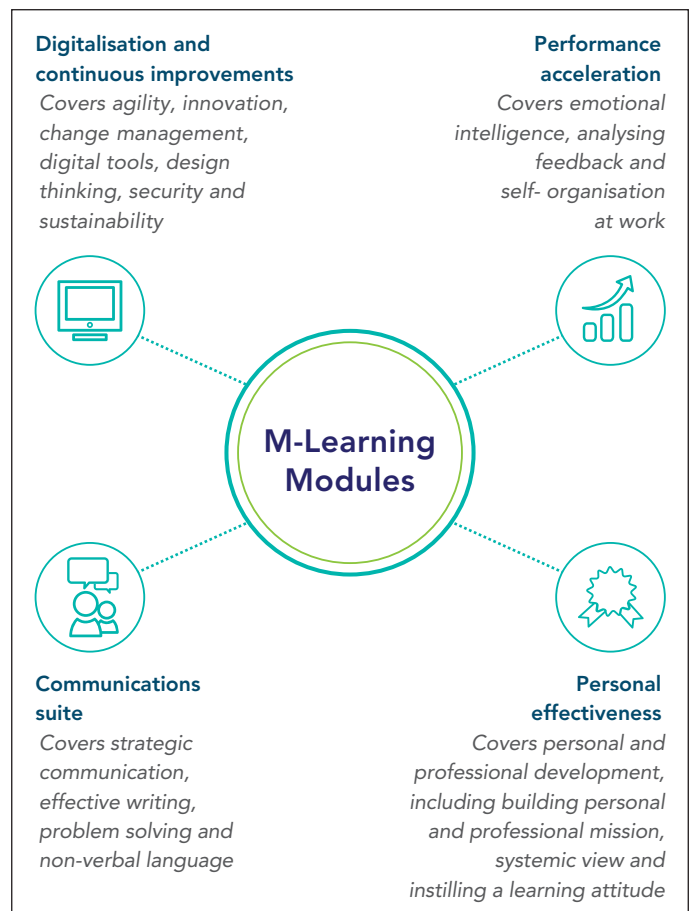
The Bank offers competitive remuneration packages for all full-time employees, including a wide range of benefits to support employees' personal and professional lives. Our range of employee benefits include:


-  Staff group takaful
-  Medical, dental and vision
-  Parental leave
-  Mobility benefits
-  Staff financing

M-Learning platform

In May 2020, we launched our digital platform M-Learning to provide our employees with the relevant learning and development tools to improve skills and performance. The platform is accessible across all devices, from desktops to tablets and mobile devices.

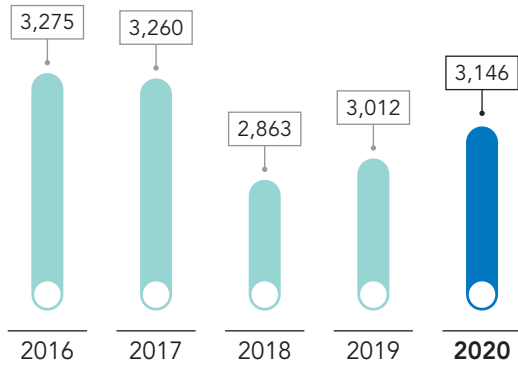
A range of learning programmes has been offered including nine bite-size learning modules specifically on digitalisation covering topics such as design thinking, digital tools and cyber security to encourage our employees to build a digital mindset and other associated capabilities that will allow us to leverage on digital transformation to drive future organisational growth.



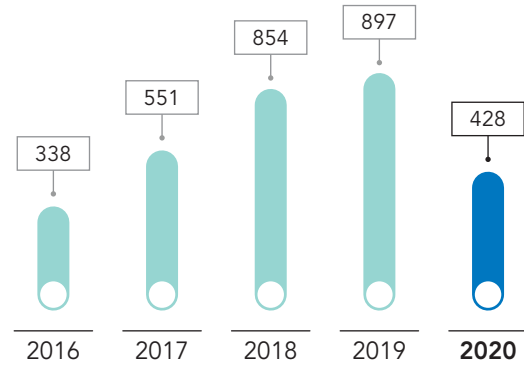
 For more information on our employee management and training development initiatives, please refer to MBSB Sustainability Report 2020

5-Year Financial Highlights

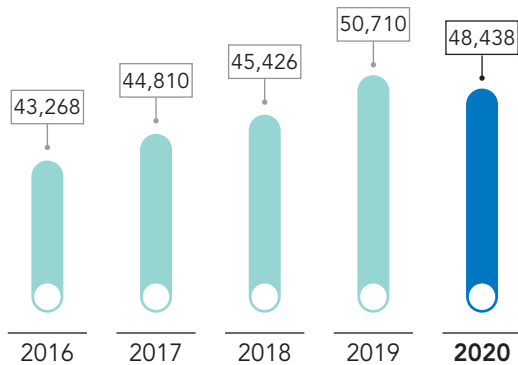
MBSB GROUP REVENUE
(RM'mil)



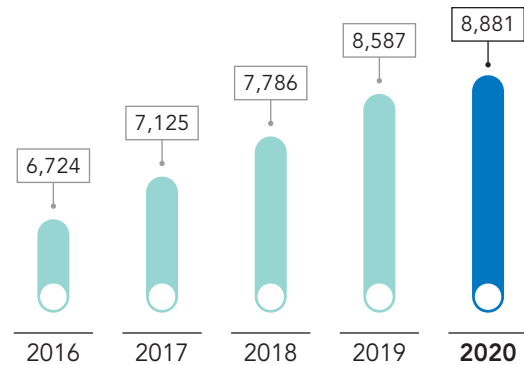
MBSB GROUP PROFIT BEFORE TAX
(RM'mil)



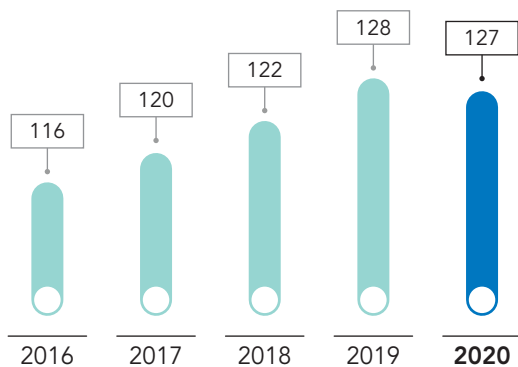
MBSB GROUP TOTAL ASSETS
(RM'mil)



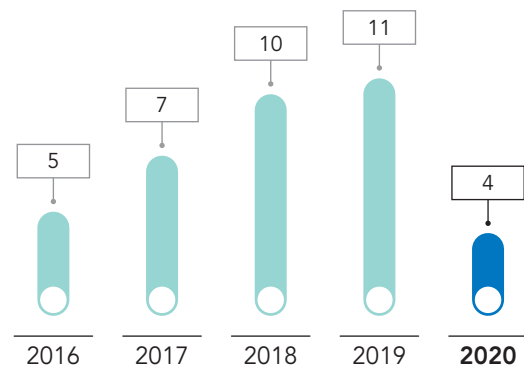
MBSB GROUP SHAREHOLDERS' EQUITY
(RM'mil)



MBSB GROUP NET ASSETS PER SHARE
(sen)

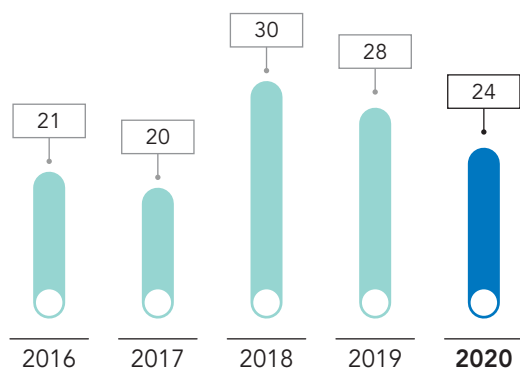


MBSB GROUP BASIC EARNINGS PER SHARE
(sen)

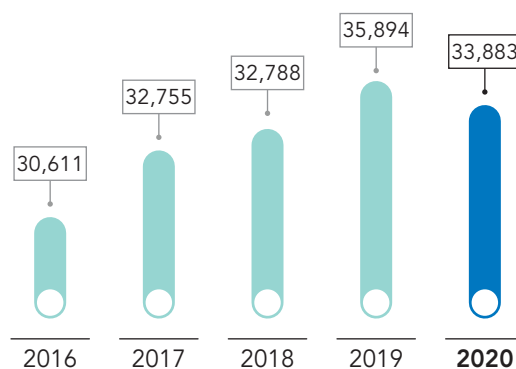


2020: THE YEAR IN REVIEW
5-Year Financial Highlights

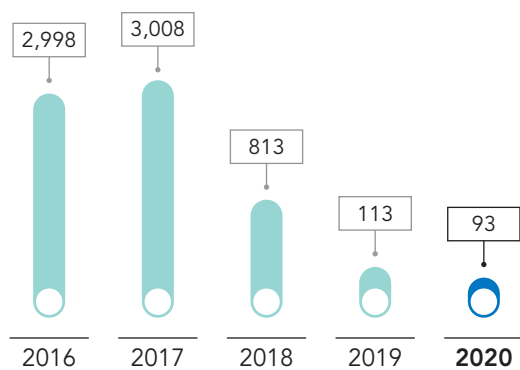
MBSB GROUP COST-TO-INCOME RATIO (%)



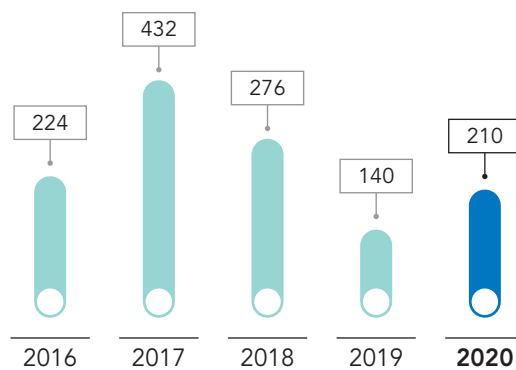
MBSB GROUP DEPOSITS (RM'mil)



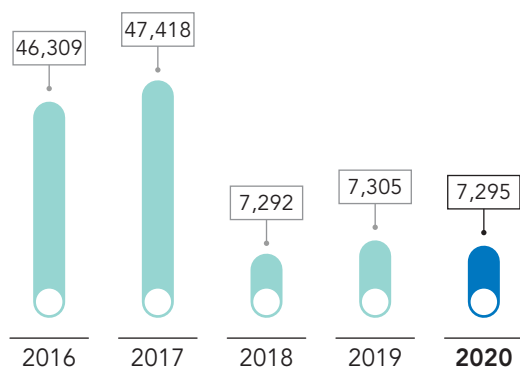
MBSB REVENUE (RM'mil)



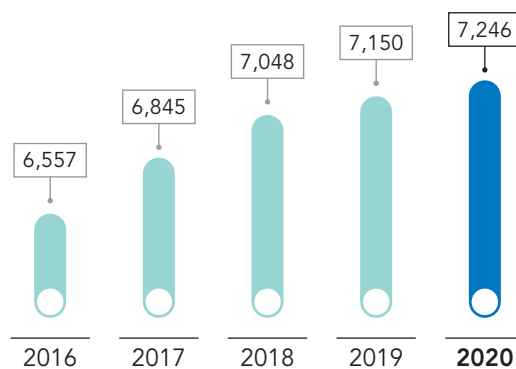
MBSB PROFIT BEFORE TAX (RM'mil)



MBSB TOTAL ASSETS (RM'mil)

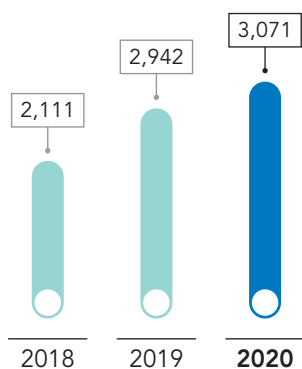


MBSB SHAREHOLDERS' EQUITY

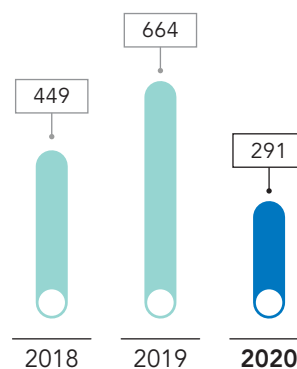


2020: THE YEAR IN REVIEW
5-Year Financial Highlights

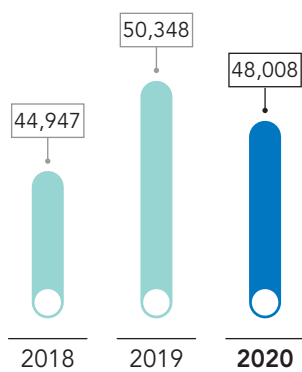
MBSB BANK REVENUE
(RM'mil)



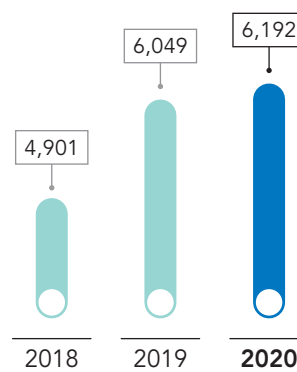
MBSB BANK PROFIT BEFORE TAX
(RM'mil)



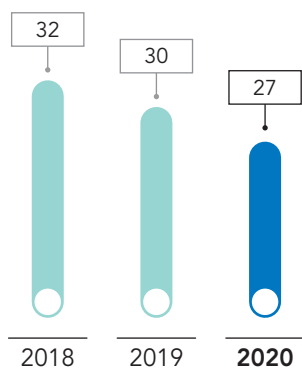
MBSB BANK TOTAL ASSETS
(RM'mil)



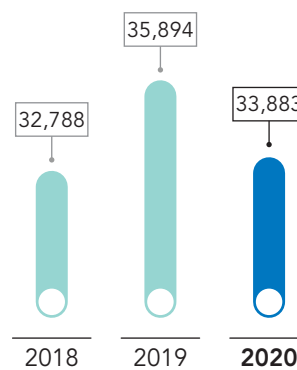
MBSB BANK SHAREHOLDERS' EQUITY
(RM'mil)



MBSB BANK COST-TO-INCOME RATIO
(%)



MBSB BANK DEPOSIT
(RM'mil)



* Only three years data provided as MBSB Bank was established in 2018



MOVING FORWARD

In this section:

- Business outlook
- Our strategy

Business Outlook

Global outlook

Prospects for the global economy are uncertain with the resurgence of COVID-19 infections and new virus mutations in several countries. The International Monetary Fund ("IMF") projects a stronger recovery in 2021 and 2022 for the global economy compared, with growth projected to be 6 percent in 2021 and 4.4 percent in 2022. Much still depends on the race between the virus and vaccines. While greater progress with vaccinations can uplift the forecast, new virus variants and resurgence can lead to a sharp downgrade.

Malaysia outlook

Malaysia's COVID-19 vaccination programme has started in 1Q 2021, which will be administered in three phases, allowing 80% of the Malaysian population to receive vaccination by the end of February 2022. The vaccine rollout is expected to bring an earlier-than-expected end to the global pandemic, boosting consumer and business confidence, contributing to a more robust recovery in domestic activity, growing by 6.0% in 2021 as forecasted by the World Bank. While the recent reinstatement of containment measures could affect the momentum of recovery, the impact is expected to be lower than experienced in the past MCO.

In 2021, Malaysia's headline inflation is expected to average higher, primarily due to higher projected global oil prices and the delayed effect from the tiered electricity tariff rebate. Underlying inflation is anticipated to be lower amid excess capacity in the economy.

The Malaysian government has put a six-step strategy (6R) to address the impact of COVID-19: Resolve, Resilience, Restart, Recovery, Revitalise and Reform. Malaysia is now at the Recovery phase of the COVID-19 pandemic with most economic sectors reopened, albeit in a controlled manner.

The Budget 2021 manifests the Caring for the People principle, approved on 26 November 2020, to facilitate economic recovery, including various measures that would offer beneficiary coverage of cash transfer programmes to more vulnerable populations. The budget focuses on upskilling and reskilling of youth and those who lost their jobs during the crisis. The government's Medium-Term Fiscal Framework ("MTFF") targets a fiscal consolidation path to reach a budget deficit averaging around 4.5% of GDP over 2021 to 2023, assuming an average GDP growth rate of 4.5% to 5.5% over the next three years.

Overall banking sector outlook

Retail banking

The retail landscape is changing with the transition to the e-commerce industry and online retail spaces. Customer centricity led by customised product and services offering and humanise digital channel for improved customer engagements will significantly empower customer acquisition and retention. Digitalisation and technological adoption will accelerate and catalyse digital transformation across business models, communication channels and touchpoints.

Due to the banks' limited capacity to serve a large volume of customers, chatbots and conversational AI tools are being implemented. By leveraging on these tools, banks can develop novel digital platforms to engage customers across the full range of their financial needs.

Agnostic to the impacts of COVID-19, there will also be an increased expectation for banks to play a societal role beyond shareholder return. As near-term quarterly earnings are released, banks' financial and societal impacts will be under the radar of consumers and regulators to respond to the pandemic and their contributions during the crisis. Households will also be more careful in managing their financial risks. Decreased consumer spending may lead to household deleveraging and a decline in fee-based income for retail banks.

Source: Data sourced from the International Monetary Fund, World Bank, World Trade Organisation, Department of Statistics Malaysia and Bank Negara Malaysia



Corporate banking

Just as the retail banking segment, the COVID-19 pandemic heightened the importance of enhancing client engagement and customer experience, with banks in the forefront to increase technology budgets and increasing productivity online.

Banks are in the race with fintech, emphasising offering personalised solutions to clients and having the ability to collect, analyse, and trade data with corporate clients is essential for achieving visibility, managing liquidity, and optimising cost. Banking-as-a-service (BaaS) platforms enable fintechs and other third parties to link with banks' systems to build banking offerings over and above the providers' regulated infrastructure. Launching BaaS platforms supports banks and prevents fintechs from penetrating the finance space, as it points them into customers rather than just competitors.

This points to a new banking landscape taking shape, characterised by a combination of products, vendor solutions and client co-creation that shapes the new corporate banking ecosystem.

Trade banking

While the World Trade Organisation ("WTO") projected a 7.2% rise in trade volumes in 2021, this may still be dependent on banks' growth in the finance business. This is partially the result of the forthcoming reform of the Basel III, commonly known as Basel IV, which will impose higher capital requirements on banks' trade finance books, particularly when lending to SMEs.

Revenue growth in trade banking will primarily be driven by improved margins on trade finance, supported by lower funding costs as a result of low interest rates.

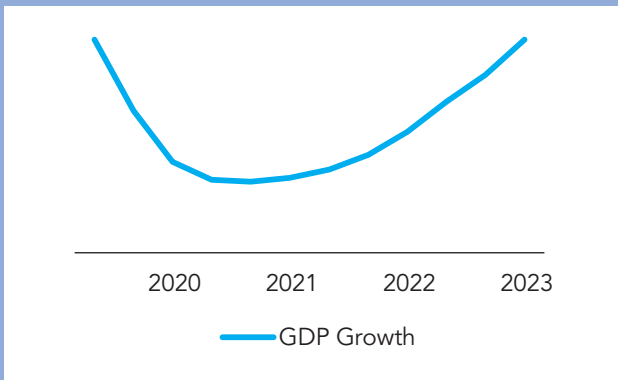
However, supply chain disruptions and an intensification of fraud during the onset of the pandemic may also encourage banks to increase their spending on digitisation projects, placing cost pressures including potentially new investments in IT, as well as a rise in loan impairment charges.

Under the baseline assumption that a vaccine will be widely available in Q1 2021 and all operating and human activity return to normal over the year, total trade finance revenue pool for banks globally is set to rebound to \$52 billion (equivalent to RM210 billion) and to rise above the pre-COVID level by 2022.

Scenarios for the short and medium-term

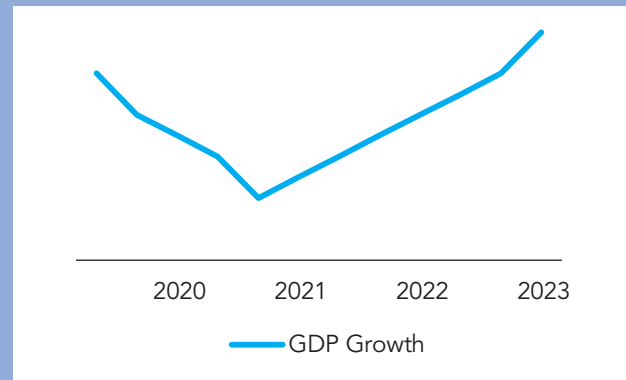
Firstly, the pandemic will likely cause significant shifts in patterns of consumption and work that will diminish aggregate demand. Several social-distancing habits will persevere, despite the development and rollout of a vaccine. Households will be reluctant to undertake many activities that require face-to-face interaction, such as tourism and other entertainment activities. Where feasible, employees will utilise teleworking arrangements, reducing the discretionary consumption that results from day-to-day physical interactions.

Secondly, households and organisations will aim to restore precautionary savings and strengthen balance sheets, following the sharp declines in incomes experienced in 2020. Low-income households will be particularly cautious, as they grapple with possible unemployment and risky financial conditions. Many organisations, facing high levels of debt and uncertainty, will strive to minimise costs, delay expansion plans and invest more in labour-saving technologies. Moreover, the positive effects of extensive fiscal support to households and businesses are expected to diminish, as existing stimulus measures are gradually phased out.



(a) U-shaped recovery

It will take some time for customers to return and for businesses to be operate as usual. Businesses that were open during the imposition of the containment measures have an advantage as they were already in operational model. As for the others, it will take some time for employees to return to work, particularly those who have been furloughed and restarting manufacturing facilities which had been shut down. Customers who have shifted priorities during the start of the crisis will come back more slowly. A U-shaped recovery path means that the economy bounces back, but the damage at the bottom lingers for a while.



(b) V-shaped recovery

This is the best-case scenario, constituting a strong recovery as the downturn did not have lasting impacts on the economy. The economy rebounds quickly to its baseline before the pandemic crisis, with no setbacks along the way. Growth continues at the same rate as the pre-COVID period. This V-shaped recovery scenario assumes that when social distancing and containment measures are lifted, customers will return immediately and employees are ready and able to provide products and services, supporting the growth of the economy.

Overall outlook and strategies

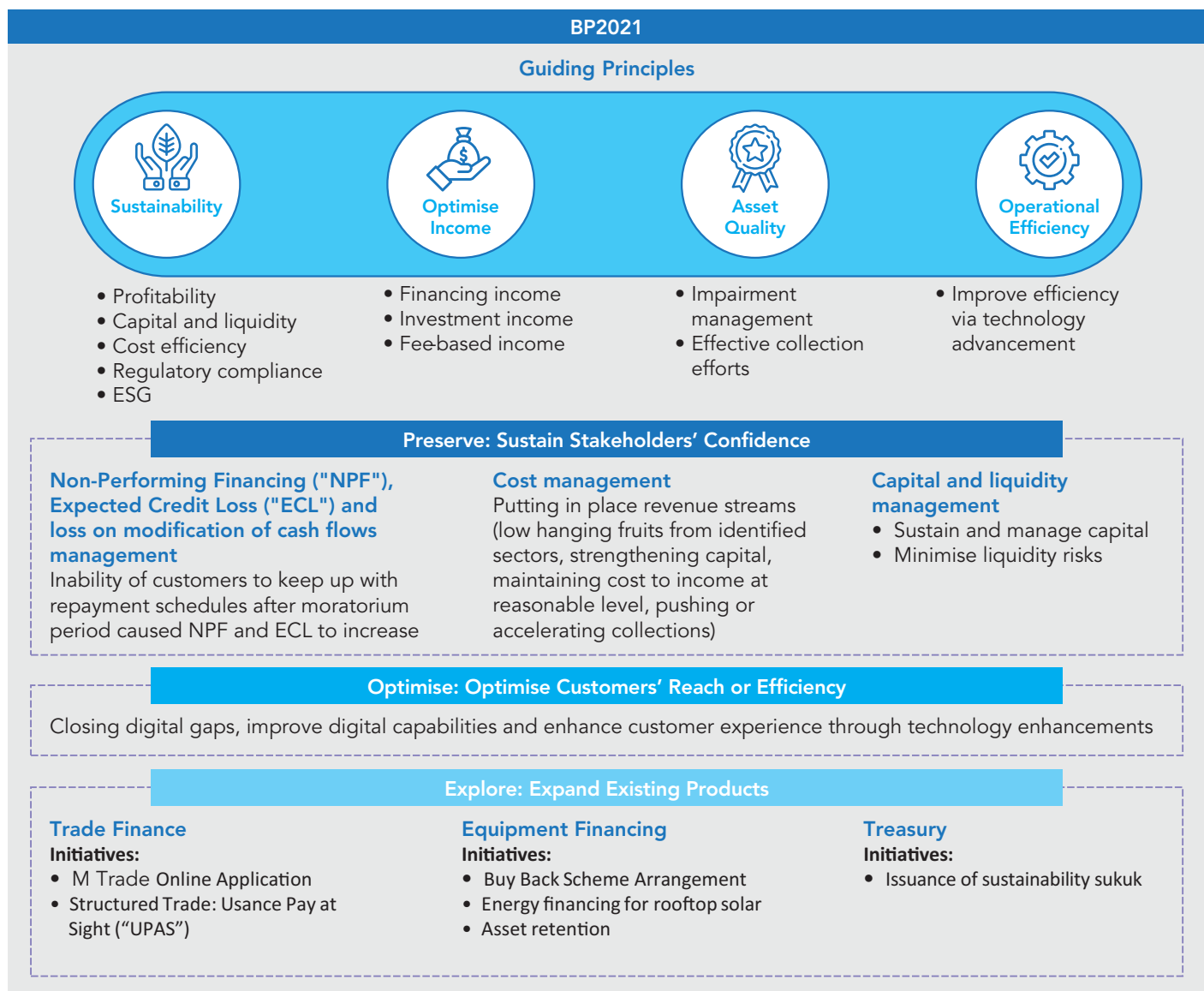
Outlook	Risks	Opportunities	Actions moving forward
Challenging market conditions	<ul style="list-style-type: none"> Increased credit risks from non-performing financing due to the direct and indirect impacts of the coronavirus outbreak Increased pressure on profit margins from the OPR cut Decreased gross financing growth 	<ul style="list-style-type: none"> New approaches to deliver innovative products and services to our customers, together with efficient allocation of capital and resources to generate returns to shareholders Identify new growth areas 	<ul style="list-style-type: none"> Focus on new niche for growth through expansion of trade finance in local and regional market Diversify financing portfolio to reduce concentration risk Manage performing and non-performing accounts Improve external ratings Maintain strong capital reserves and healthy liquidity coverage ratio
Increased regulatory oversight and stakeholder scrutiny	<ul style="list-style-type: none"> Increased regulatory expectations lead to higher compliance cost Increased compliance risk and exposure to legal penalties Increased reputational risks from not meeting stakeholders' expectations 	<ul style="list-style-type: none"> Build trust by transparently working with, and partnering with, government, regulators and NGOs to deliver improved stakeholder outcomes Enable us to improve internal processes for greater efficiency and productivity Safeguard the interest of our stakeholders 	<ul style="list-style-type: none"> Engage frequently with stakeholders including regulators to stay abreast of latest developments Collapse all the conventional assets to obtain a full Shariah-compliant certification Review policies and processes timely to ensure relevance Implement automation to improve operational efficiency Further investment in IT infrastructure to comply with regulatory requirements on security enhancement
Digital advancement and technological change	<ul style="list-style-type: none"> Increased competition from digital banks Increased cyber security risk from adoption of technology and digital platforms 	<ul style="list-style-type: none"> By improving our digital capabilities and investing in cyber security, we can serve our customers in new and innovative ways, meeting their needs for safe and secure digital banking solutions. 	<ul style="list-style-type: none"> Introduce Cash Management System (CAMS) for corporate clients Introduce e-KYC to reduce customer waiting time during on-boarding Introduce additional capabilities with technology Improve security of IT systems through upgrading of hardware and updating of system software Routine maintenance of IT infrastructure
Environment and climate change	<ul style="list-style-type: none"> Increased credit risk on portfolios exposed to climate change Increased reputational risk if we fail to raise standards across all our activities and take customer and societal impacts into consideration when making business decision 	<ul style="list-style-type: none"> Enhancement in risk management approach to incorporate climate risk assessment when providing financing could safeguard MBSB's value New revenue streams from financing opportunities for the transition to a low carbon economy 	<ul style="list-style-type: none"> Branch report automation that reduces paper usage Expand green financing portfolio beyond solar projects Extend our solar financing facility to individual customers who wish to generate solar energy from their homes' rooftop Issue sustainability sukuk

Our Strategy

We are confident in mitigating the economic impact arising from the pandemic. Moving forward, we will continue to focus our businesses on the following identified sectors:

- Government
- Government-linked companies ("GLC")
- Financial institutions
- Essential services

In the short-term, our Business Plan 2021 ("BP2021") focuses on navigating through the pandemic by preserving stakeholders' confidence, optimise customers' reach through digital capabilities and technology enhancements and expand existing services, as illustrated below:



BP2021

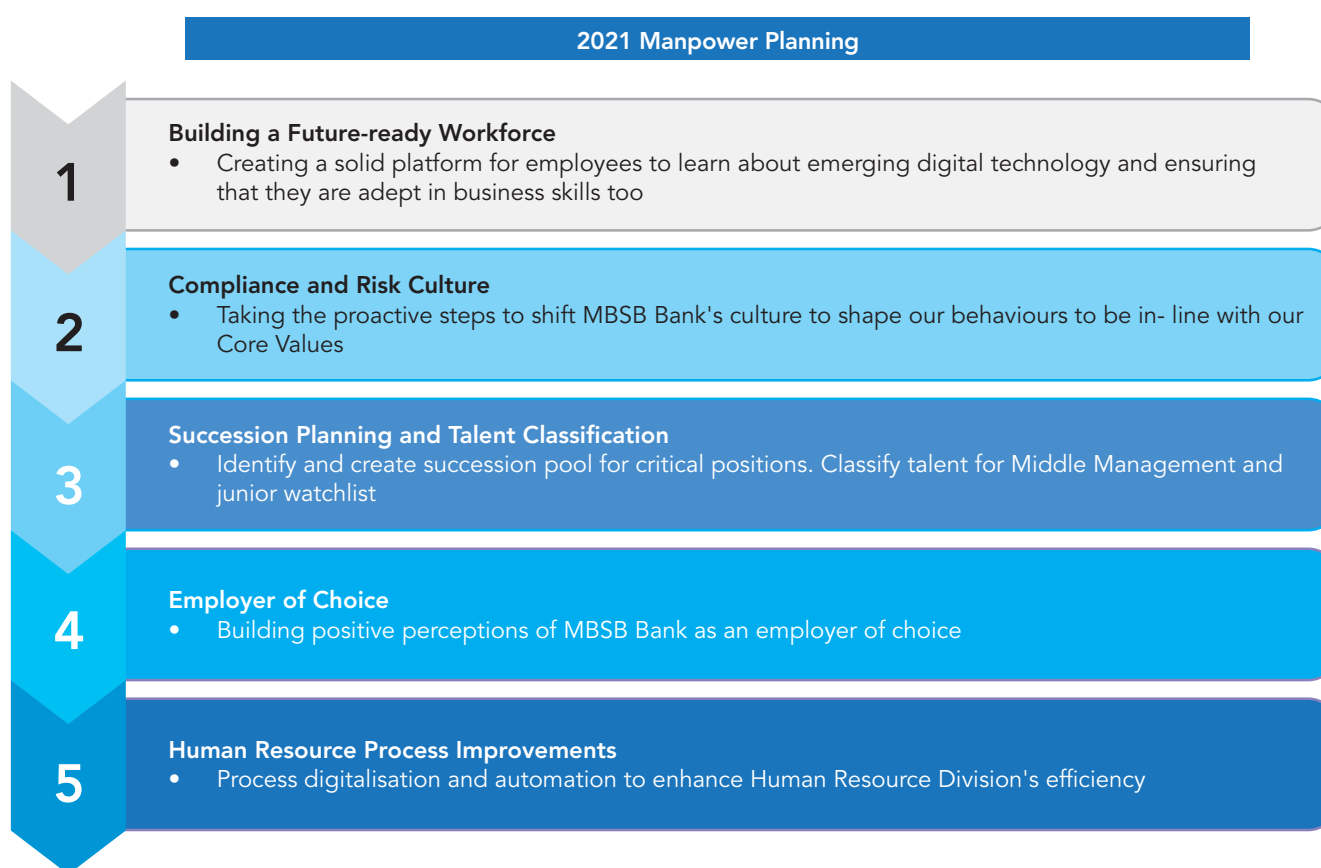
Key strategies	2021 initiatives	2021 targets
Preserve – Sustain stakeholder's confidence	NPF, ECL and loss on modification of cash flow management initiatives: <ul style="list-style-type: none"> Managing performing accounts (under moratorium) Managing non-performing accounts Managing BIRO ANGKASA salary deduction account Managing non-BIRO salary deduction account Creation of Care Unit 	NPF rate reduce by 0.50 basis point
	Cost management initiatives: <ul style="list-style-type: none"> Smart deployment of staff and resources Continuous operational efficiency via the simplified process and digitisation Smart partnerships with services providers and business partners to reduce operating costs 	Cost-to-income ratio not more than 40%
	Capital and liquidity management initiatives to sustain and manage capital : <ul style="list-style-type: none"> Conversion exercise of retail loans Disposal of fixed assets Dividend reinvestment plan Refinancing of corporate loan from Financial Holding Company at MBSB Bank's level RM10billion Sukuk Wakalah Programme Short term revolving financing in nature and Investment Account 	Risk weighted amount savings
	Capital and liquidity management initiatives to ensure liquidity risks are maintained : <ul style="list-style-type: none"> Attractive rates for short-term funds or deposits Available funds from interbank and BNM placement Collateral Account with BNM to manage intraday shortages (K-Account) Execute Financing Securitisation Programme 	100% fulfilment towards Net Stable Funding Ratio ("NSFR") requirement
Optimise – Optimise customers' reach through digital capabilities and technology enhancements	Expand customer base by optimizing digital capabilities <ul style="list-style-type: none"> Increase number of subscribers Increase volume of transactions 	400,000 customers
	Improvements on integration to e-KYC, mailing of debit card, online debit card activation and auto-opening of CASA account	By 2021
	Enhancements on reporting and stabilisation for corporate internet banking	By 2021

BP2021

Key strategies	2021 initiatives	2021 targets
Optimise – Optimise customers' reach through digital capabilities and technology enhancements	Expansion of our e-wallet business to include new features, e-Sadaqah partnerships and collaborations with other sectors for additional cashback of deals	Increase customer base
	Utilise other digital channels as business drivers such as campaigns, partnerships, digital advisory and cross-selling via our M Journey internet banking	Increase customer base
	Launching of our new virtual branch as a one-stop web application to ease access for new onboarding and existing customers. The web application would include marketplace for online e-commerce retail transactions.	To increase the use of online channels by 30% in 2021
Explore – Expand existing products	New digital reach point - Implementation of video conferencing and live chats to ease communication with customers without physical interaction	By 2021
	Partnership to position MBSB Bank as a premier financial provider for material handling equipment	Increase asset growth by 20%
	Green energy financing for rooftop solar panel	Increase asset growth by 20%
	Asset retention to minimise redemption from other banks	Retention of existing customers
	Expansion of Global Market Division ("GMD") customer base via an additional channel and product offerings	Increase customer base and sales volume
	BNM CAKNA SME Scheme to complement the government's existing initiatives under PENJANA and to provide quick liquidity to SMEs	Increase SME customer base
Cashless School Community to tap into markets that require technological advancements	Increase customer base	

Other key strategic focus FY2021

With banks' reduced physical presence, one of the most significant opportunities to come out of the COVID-19 crisis is customers' rapid digital banking uptake. Government instructions to stay at home have led to rising digital adoption across all customer segments, driving the need for a skilled and experienced workforce to expand the ability to operate at pace in a fully digital environment.



Differentiation is a crucial aspect of our corporate strategy, which provides the basis for MBSB Bank's unique customer value proposition. We have allocated RM13 million under our 2021 Branding Planning to focus on marketing communications and brand awareness.

Focus	Initiatives
Marketing Communications	<ul style="list-style-type: none"> • Consumer and corporate product • Campaigns for financing, deposit and wealth management • Digital banking services
Brand Awareness	<ul style="list-style-type: none"> • Festival and National celebration videos • Informational videos by SAC members and Shariah discourses at MBSB Bank Musolla • Webinar collaborations or sponsorships

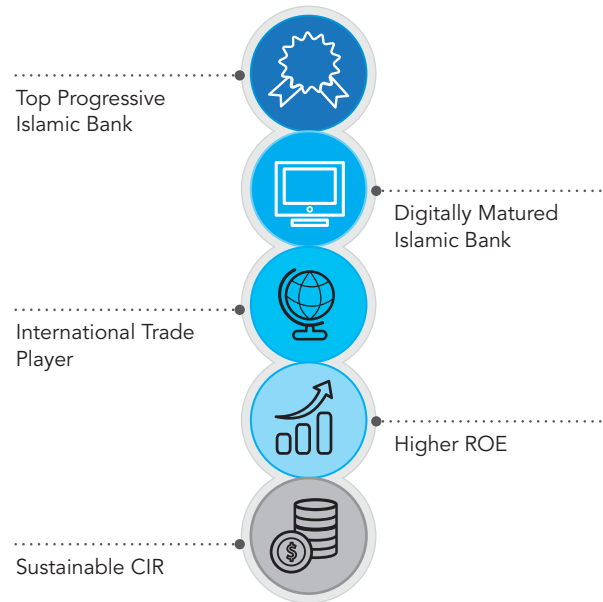
Journey 2025

Journey 25 (“J25”) represents our longer-term business plan in achieving our vision. It sets out our plans and activities up to FY2025 with an objective of being a fully-matured Islamic Financial Institution by 2025. We will implement the J25 plan using the “integrated thinking” approach that is aligned with MBSB’s adoption of the Integrated Reporting <IR> Framework.

Under the J25, we intend to strengthen the business by going into new business streams, frontiers and be more focused on our trade finance offerings. For operations, we aim to maintain the current level of cost-to-income ratio by managing our cost in a regimented way and process improvements which leads to efficiency. Our greatest assets are our people, therefore MBSB Bank intends to attract only good quality staff onboard. The Bank would only hire the right talent according to the needs and will monitor their progress.

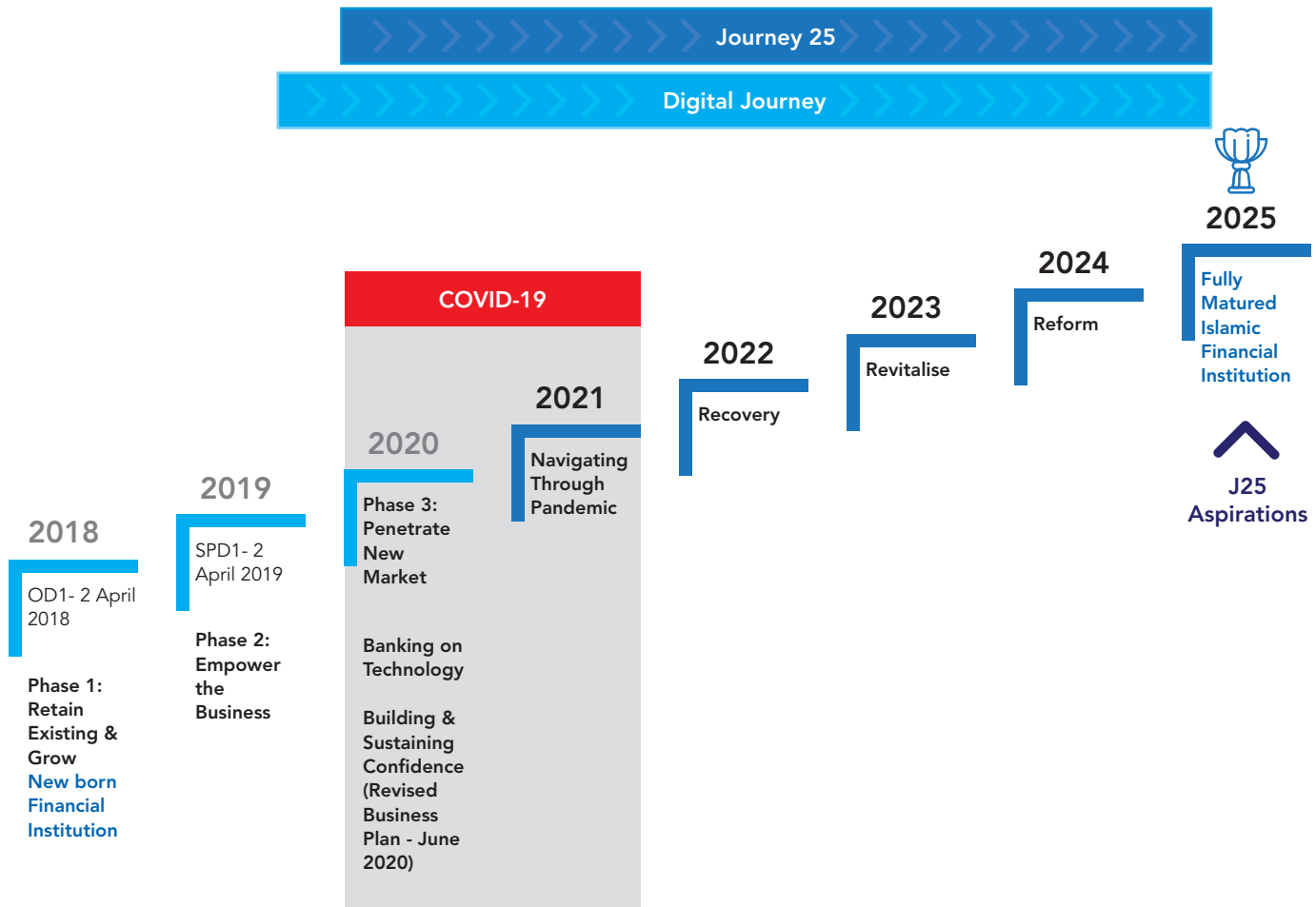
It is also crucial for us to instill MBSB Bank culture to ensure high level of enthusiasm in all employees as this is one of our key factors in our success as a whole.

Journey 25 Aspirations



CONTINUED STRATEGIES	TARGET
<p>Business</p> <ul style="list-style-type: none"> • Deliverable (Tech), VB collaborations • New business streams • Market/new frontiers • Trade finance focus <p>Operations</p> <ul style="list-style-type: none"> • Regimented costs management • Efficiency • Process improvement <p>Management/staff</p> <ul style="list-style-type: none"> • Corporate culture/professionalism • Spirit of ownership/togetherness • Quality staff 	<p>Return on equity</p> <ul style="list-style-type: none"> • Higher ROE <p>Business</p> <ul style="list-style-type: none"> • Expansion of Islamic trade finance turnover / volume • Local/regional player in trade finance • New business stream • Collaboration with Islamic Corporation of Development (ICD) • Frontier to Middle East and North African (MENA) countries <p>Improve external rating</p> <ul style="list-style-type: none"> • Improve rating to AA

Milestones of Journey 25



FY2020 Achievements

- External rating of A2 as at 31 December 2020
- ROE of 3.1%
- Optimised digital capabilities such as introducing the virtual branch, e-wallet and mobile application
- Corporate-retail portfolio mix of 26:74

FY2025 Targets

- External rating of AA2
- Higher ROE
- Corporate-retail portfolio of 40:60

DIGITAL CAPABILITIES JOURNEY

Building Capabilities

- M Journey Corporate (CIB)
- M Journey Individual (RIB)
- Debit Card
- Cash Recycling Machine (CRM)
- Mobile Sales Tools

2019

2020

Enhance Capabilities

- DuitNow via CRM
- MBSB Bank e-wallet
- M Journey Mobile App
- Online Account Opening (CASA)
- Statutory Board / Payroll Services
- M Fast Online PFI Application



Strengthen & Optimize Capabilities

- Closing Digital Gaps
- Enhance Customer Experience
- Optimize Digital Capabilities



Full Digital Enablement

- New core system for Digital
- New Digital Banking arm
- Open Banking
- Full digital capabilities

2021

2023

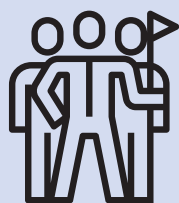
2025

Organisational Digitalization

- All divisions processes digitalized
- Single Integrated Digital Platform (SIDP)
- Artificial Intelligence (AI) to be fully adopted
- Internal Blockchain
- Mobile Application for Corporate







OUR LEADERSHIP

In this section:

- Profile of Board of Directors: MBSB
- Profile of Board of Directors: MBSB Bank Berhad
- Profile of Shariah Advisory Committee (SAC)
- Profile of Group President and CEO
- Profile of Management Team: MBSB Bank

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad

Profile of Board of Directors:

Malaysia Building Society Berhad



TAN SRI AZLAN BIN MOHD ZAINOL

Chairman,

Non-Independent Non-Executive Director

Nationality / Age / Gender
Malaysian / 71 / Male

Date of Appointment:
1 March 2021

Academic/Professional
Qualification(s):

- Fellow, Chartered Banker of Asian Institute of Chartered Bankers (AICB)
- Member, Malaysian Institute of Certified Public Accountants (MICPA)
- Member, Malaysian Institute of Accountants (MIA)
- Fellow, Institute of Chartered Accountants in England & Wales (ICAEW)

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

- Chairman, Malaysian Resources Corporation Berhad
- Chairman, Eco World International Berhad
- Director, Kuala Lumpur Kepong Berhad

Other Public Companies:

- Chairman, MBSB Bank Berhad
- Chairman, Financial Reporting Foundation
- Chairman/Trustee, Yayasan Astro Kasih
- Trustee, OSK Foundation
- Director, Rashid Hussain Berhad (In Member's Voluntary Liquidation)

Past Directorship(s) and/or Appointment(s)

- Chairman, RHB Bank Berhad (2005 - 2021)
- Chairman, RHB Investment Bank Berhad (2016 - 2021)
- Director, RHB Securities Singapore Pte Ltd (2014 - 2020)
- Chairman, RHB Capital Berhad (in members voluntary liquidation dissolved on 24 March 2020) (2005 - 2020)
- President of the Board of Commissioners, PT RHB Sekuritas Indonesia (2018 - 2020)
- Chief Executive Officer, Employees Provident Fund Board, Malaysia (2001 - 2013)

- Managing Director, AmBank Berhad, Malaysia (1994 - 2001)
- Managing Director, AmFinance Berhad, Malaysia (1982 - 1994)
- Partner, BDO Binder, Malaysia (1980 - 1982)
- Operation Manager/General Manager, Mayban Finance/Kwong Yik Finance Berhad, Malaysia (1977 - 1979)
- Audit Manager, Razak & Co., Malaysia (1975 - 1977)

Current Membership of Board
Committee(s) in MBSB:

Nil

Attendance in 2020:
N/A

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- Nominee of Employees Provident Fund Board (EPF).
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies as at the date of his appointment.

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



ENCIK SAZALIZA BIN ZAINUDDIN

Non-Independent Executive Director*



Nationality / Age / Gender
Malaysian / 48 / Male

Date of Appointment:
10 May 2021

Academic/Professional
Qualification(s):

- Member, Association of Chartered Certified Accountants, UK (ACCA)
- BA Hons in Accounting & Finance, Southbank University, United Kingdom
- Diploma in Accountancy, UITM

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

Nil

Other Public Companies:

MBSB Bank Berhad

Present Appointments(s)

- Chief Financial Officer of the Employees Provident Fund

Past Directorship(s) and/or Appointment(s)

- Director, MBSB Bank Berhad (2018 – 2021)
- Director, Malaysia Building Society Berhad (2017-2018)
- Director, HSBC Amanah Takaful (Malaysia) Berhad (2013-2017)
- Senior Manager (Assurance), PricewaterhouseCoopers (1997-2006)

Current Membership of Board
Committee(s) in MBSB:

- Member, Restructuring Committee

Attendance in 2020:

N/A

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- Nominee of Employees Provident Fund Board (EPF).
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies as at the date of his appointment.

* Encik Sazaliza Bin Zainuddin does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. His designation as Non-Independent Executive Director of MBSB is pursuant to the definition of "Executive Director" in BNM's Guidelines on Corporate Governance, which defines "Executive Director" as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB, and Encik Sazaliza Bin Zainuddin has management responsibilities in EPF.

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



ENCIK LIM TIAN HUAT

Non-Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 66 / Male

Date of Appointment:
4 April 2011

Academic/Professional
Qualification(s):

- Fellow, Association of Chartered Certified Accountants (ACCA)
- Council Member, Insolvency Practitioners Association of Malaysia (IPAM)
- Member, Malaysian Institute of Accountants (MIA)
- Member, Malaysia Institute of Certified Public Accountant (MICPA)
- Degree in BA (Honours) in Economics

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

- Majuperak Holdings Berhad (listed in Bursa Malaysia)
- Anglo-Eastern Plantation PLC (listed in London Stock Exchange)

Other Public Companies:

- PLUS Malaysia Berhad
- Pacific & Orient Insurance Co. Berhad

Present Appointment(s):

- Managing Director of Andersen Corporate Restructuring Sdn Bhd
- Managing Partner of Rodgers Reidy & Co

Past Directorship(s) and/or Appointment(s)

- Director, UEM Sunrise Berhad (2012-2020)
- Director, Bank of Yingkou, China (2011-2017)
- Director, Perbadanan Insurans Deposit Malaysia (2010-2016)
- Founding President, Insolvency Practitioners Association of Malaysia (IPAM) (2010-2013)
- Partner, Ernst & Young (2002- 2009)
- Partner, Arthur Andersen & Co. (1990-2001)

- Commissioner, United Nations Compensations Commission (1998-2002)
- Member, Corporate Law Reform Committee (CLRC) under the purview of the Companies Commission of Malaysia.

Current Membership of Board
Committee(s) in MBSB:

- Chairman, Restructuring Committee
- Member, Audit Committee
- Member, Nominating & Remuneration Committee

Attendance in 2020:

- All 26 Board Meetings held in the financial year.

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



PUAN LYNETTE YEOW SU-YIN

Senior Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 51 / Female

Date of Appointment:
22 March 2017

Academic/Professional
Qualification(s):

- Member, Malaysian Bar
- Master of Arts, University of Cambridge
- Bachelor of Arts (Hons), University of Cambridge

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

Nil

Other Public Companies:

- MBSB Bank Berhad
- CTOS Digital Berhad

Present Appointment(s):

- Director, CTOS Data Systems Sdn Bhd
- Director, SC Shekar Photography Sdn Bhd
- Director, Beagle Books Sdn Bhd
- Consultant, Sanjay Mohan, Advocates & Solicitors
- Trustee, The Datai Pledge

Past Directorship(s) and/or Appointment(s)

- Director, Themed Attractions Resorts and Hotels Sdn Bhd (2015-2020)
- Panel of Mediators, Securities Industry Dispute Resolution Center (SIDREC) (2015-2019)
- Partner, Chua Associates, Advocates & Solicitors (2015-2018)
- Partner, Kadir Andri & Partners (2011-2015)
- Partner, Zaid Ibrahim & Co (2002-2011)
- Partner, Raslan Loong (2000-2002)

Current Membership of Board
Committee(s) in MBSB:

- Member, Nominating & Remuneration Committee
- Member, Restructuring Committee

Attendance in 2020:

- All 26 Board Meetings held in the financial year.

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- She has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



Ir. MOSLIM BIN OTHMAN

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 66 / Male

Date of Appointment:
21 September 2015

Academic/Professional
Qualification(s):

- Bachelor of Engineering (Civil), University of Melbourne
- Master of Science (Building Services), Brunel University, London
- Professional Engineer with Practising Certificate, Board of Engineers Malaysia
- Member, Institution of Engineers Malaysia

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

Nil

Other Public Companies:

Nil

Present Appointment(s):

- Sole proprietor of Sejagat Consultant
- Executive Director, Haluan Fokus Sdn Bhd

Past Directorship(s) and/or Appointment(s)

- Chief Operating Officer, Infra Desa Johor Sdn Bhd, an associate company of Bumi Hiway (1999-2000)
- Chief Operating Officer, Bumi Hiway Group of Companies (now known as Selia Group) (1996 - 1999)
- Civil engineer with Public Works Department (PWD) (1978 - 1995)

Current Membership of Board
Committee(s) in MBSB:

- Chairman, Nominating & Remuneration Committee
- Member, Risk Management Committee

Attendance in 2020:

- All 26 Board Meetings held in the financial year.

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



ENCIK MOHAMAD ABDUL HALIM BIN AHMAD

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 61 / Male

Date of Appointment:
2 March 2020

Academic/Professional
Qualification(s):

- Bachelor of Science of Civil Engineering (First Class Honour), Imperial College, University of London
- Associate member, Institute of Chartered Accountants England and Wales (ICAEW)
- Member of Malaysian Institute of Accountants (MIA)

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

Nil

Other Public Companies:

Nil

Present Appointment(s):

Nil

Past Directorship(s) and/or Appointment(s)

- Director, Perbadanan Insurans Deposit Berhad (2012–2018)
- Director, Sime Darby Utilities Sdn Bhd (2011–2017)
- Director, TMD Berhad (2004–2008)
- Managing Director, Saujana Consolidated Berhad (1996–2017)
- Managing Director, Saujana Resort (M) Berhad (1996–2014)
- Director, Shangri-La Hotel (M) Berhad (1996–2005)
- Managing Director, Landmarks Berhad (1996–2005)
- Group Chief Executive, Peremba (Malaysia) Sdn Bhd (1994–2014)
- Director, Rashid Hussain Berhad (1994–2003)
- General Manager of Finance, Landmarks Berhad (1988–1993)

- Senior Manager of Finance, Amanah Merchant Bank Berhad (1987–1988)
- Audit Senior, Arthur Andersen & Co (KL) (1986–1987)
- Audit Trainee/Senior, Arthur Andersen & Co. (London) (1982–1985)

Current Membership of Board
Committee(s) in MBSB:

- Chairman, Audit Committee
- Member, Risk Management Committee
- Member, Restructuring Committee

Attendance in 2020:

- 23 out of 23 Board Meetings held after the appointment date

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: Malaysia Building Society Berhad



DR. LOH LEONG HUA

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 63 / Male

Date of Appointment:
10 May 2021

Academic/Professional
Qualification(s):

- PhD in Management Studies, Universiti Kebangsaan Malaysia (UKM)
- Advanced Management Program (AMP) Graduate, The Wharton School of University of Pennsylvania, USA
- International Banking Summer School (IBSS) Programme, Sorrento, Italy

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

Nil

Other Public Companies:

- Pacific & Orient Insurance Co. Berhad

Present Appointment(s):

- Chairman, Rating Committee, Malaysian Rating Corporation Berhad

Past Directorship(s) and/or Appointment(s)

- Director, MBSB Bank Berhad (2018-2021)
- Director, Transnational Insurance Brokers (M) Sdn Bhd (2012-2019)
- Director, Asian Finance Bank Berhad (2017-2018)
- Director, WTK Holdings Berhad (2014-2018)
- Member, Board Risk Committee, Sarawak Economic Development Corporation [SEDC] (2013- 2017)
- Director, YKGI Holdings Berhad (2015-2017)
- Director, YFG Berhad (2012-2015)
- Senior Director, Kenanga Investment Bank Berhad (2006-2011)

- Senior Vice President, Affin Merchant Bank Berhad (2006)
- Head, Commercial Banking, Eon Bank Berhad (2002-2005)
- Head, Sarawak & Sabah Region, Eon Bank Berhad (1996-2002)

Current Membership of Board
Committee(s) in MBSB:

- Chairman, Risk Management Committee
- Member, Audit Committee

Attendance in 2020:
N/A

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies as at the date of his appointment.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad

Profile of Board of Directors: MBSB Bank Berhad



TAN SRI AZLAN BIN MOHD ZAINOL

Chairman,
Non-Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 71 / Male

Date of Appointment:
1 March 2021

Academic/Professional
Qualification(s):

- Fellow, Chartered Banker of Asian Institute of Chartered Bankers (AICB)
- Member, Malaysian Institute of Certified Public Accountants (MICPA)
- Member, Malaysian Institute of Accountants (MIA)
- Fellow, Institute of Chartered Accountants in England & Wales (ICAEW)

Working Experience and Occupation

Present Directorship(s) and/or
Appointment(s):

- Chairman, Malaysia Building Society Berhad
- Chairman, Malaysian Resources Corporation Berhad
- Chairman, Eco World International Berhad
- Director, Kuala Lumpur Kepong Berhad
- Chairman, Financial Reporting Foundation
- Chairman/Trustee, Yayasan Astro Kasih
- Trustee, OSK Foundation
- Director, Rashid Hussain Berhad (In Member's Voluntary Liquidation)

Past Directorship(s) and/or Appointment(s)

- Chairman, RHB Bank Berhad (2005 - 2021)
- Chairman, RHB Investment Bank Berhad (2016 - 2021)
- Director, RHB Securities Singapore Pte Ltd (2014 - 2020)
- Chairman, RHB Capital Berhad (in members voluntary liquidation dissolved on 24 March 2020) (2005 - 2020)
- President of the Board of Commissioners, PT RHB Sekuritas Indonesia (2018 - 2020)

- Chief Executive Officer, Employees Provident Fund Board, Malaysia (2001 - 2013)
- Managing Director, AmBank Berhad, Malaysia (1994 - 2001)
- Managing Director, AmFinance Berhad, Malaysia (1982 - 1994)
- Partner, BDO Binder, Malaysia (1980 - 1982)
- Operation Manager/General Manager, Mayban Finance/Kwong Yik Finance Berhad, Malaysia (1977 - 1979)
- Audit Manager, Razak & Co., Malaysia (1975 - 1977)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:
Nil

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- Nominee of Employees Provident Fund Board (EPF).
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies as at the date of his appointment.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



ENCIK SAZALIZA BIN ZAINUDDIN

Non-Independent Executive Director*



Nationality / Age / Gender
Malaysian / 48 / Male

Date of Appointment:
3 May 2021

Academic/Professional
Qualification(s):

- Member, Association of Chartered Certified Accountants, UK (ACCA)
- BA Hons in Accounting & Finance, Southbank University, United Kingdom
- Diploma in Accountancy, UITM

Working Experience and Occupation

Present Directorship(s) and/or Appointment(s):

- Director, Malaysia Building Society Berhad
- Chief Financial Officer of the Employees Provident Fund

Past Directorship(s) and/or Appointment(s)

- Director, MBSB Bank Berhad (2018 – 2021)
- Director, Malaysia Building Society Berhad (2017-2018)
- Director, HSBC Amanah Takaful (Malaysia) Berhad (2013-2017)
- Senior Manager (Assurance), PricewaterhouseCoopers (1997-2006)

Current Membership of Board Committee(s) in MBSB Bank Berhad:

- Member, Board Investment & Credit Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- Nominee of Employees Provident Fund Board (EPF).
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies as at the date of his appointment.

* Encik Sazaliza Bin Zainuddin does not hold any executive position in MBSB Bank and does not have any management responsibilities in MBSB Bank. His designation as Non-Independent Executive Director of MBSB Bank is pursuant to the definition of "Executive Director" in BNM's Guidelines on Corporate Governance, which defines "Executive Director" as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB Bank, and Encik Sazaliza Bin Zainuddin has management responsibilities in EPF.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



ENCIK AW HONG BOO

Senior Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 71 / Male

Date of Appointment:
7 February 2018

Academic/Professional
Qualification(s):

- Member, Malaysian Institute of Accountants (MIA)
- Member, Malaysian Institute of Certified Public Accountant (MICPA)
- Fellow, Institute of Chartered Accountants in England & Wales (ICAEW)

Working Experience and Occupation

Past Directorship(s) and/or Appointment(s)

- Director, Malaysia Building Society Berhad (2005-2018)
- Director, Quill Capita Management Sdn Bhd (2006-2015)
- Corporate Advisor, Quill Group of Companies (2004-2010)
- Director, KP Keningau Berhad (2000-2006)
- Director, RHB Finance Berhad (1995-1999),
- Director, RHB Leasing Sdn Bhd (1990-1999)
- Director, RHB Nominees Sdn Bhd (1983-1999)
- Senior General Manager, Branch Network / Risk Management, RHB Bank Berhad (1978-1999)
- Audit Senior / Manager, Ernst & Whinney (1974-1977)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Chairman, Board Audit Committee
- Chairman, Board Risk Management & Compliance Committee
- Member, Board Nominating & Remuneration Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



DATUK JOHAR BIN CHE MAT

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 68 / Male

Date of Appointment:
19 December 2017

Academic/Professional
Qualification(s):

- Bachelor of Economics, University of Malaya

Working Experience and Occupation

Present Directorship(s) and/or
Appointment(s):

- Chairman, MNRB Holdings Berhad
- Chairman, Malaysian Re (Dubai) Ltd
- Chairman, Takaful Ikhlas Family Berhad
- Chairman, Takaful Ikhlas General Berhad
- Director, Rural Capital Berhad
- Director, Dagang NeXchange Berhad
- Director, Motordata Research Consortium Sdn Bhd

Past Directorship(s) and/or Appointment(s)

- Director, Malaysia Building Society Berhad (2017-2018)
- Director, Bank Pertanian Malaysia Berhad (Agro Bank) (2010–2016)
- Director, Amanah Raya Group (2010–2016)
- Director, Aseambankers (2000–2002)
- Director, Etiqa Insurance (2004–2010)
- Director, Maybank Trustee Berhad (2007–2010)

- Director, Maybank Islamic Berhad (2006–2010)
- Various Senior positions in Maybank Group (1976–2010)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Chairman, Board Investment & Credit Committee
- Chairman, Board Nominating & Remuneration Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



DATUK AZRULNIZAM BIN ABDUL AZIZ

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 51 / Male

Date of Appointment:
1 March 2017

Academic/Professional
Qualification(s):

- Chartered Professional in Islamic Finance
- Executive Education - Driving Digital Strategy, Harvard Business School, USA
- Leadership Programme, Oxford University, UK
- MBA, International Business, University of Hartford, Connecticut, USA
- BBA Marketing, Wichita State University, USA
- Diploma in Business Studies, UiTM Malaysia

Working Experience and Occupation

Present Directorship(s) and/or
Appointment(s):

- Chairman, Pelaburan MARA Berhad
- Director, Goldina International Sdn Bhd
- Independent Director, AmMetlife Takaful Berhad
- Executive Director, CR FinaCapital Sdn Bhd
- Director, Petrowangsa Sdn Bhd

Past Directorship(s) and/or Appointment(s)

- Director, Dagong PMB Holdings Berhad (2018-2019)
- Group Strategic Financial Advisor, Syarikat Perumahan Negara Berhad (SPNB) (2018-2019)
- Director, Bintai KA Development Sdn Bhd (2017-2019)
- Executive Director, OCR Group Berhad (2016-2018)
- Chief Executive Officer, Al Rajhi Banking & Investment Corporation Malaysia Berhad (2012-2014)

- Chief Executive Officer, Standard Chartered Sa'adiq Berhad (2008-2011)
- Director & Head of Islamic Banking Division, Standard Chartered Bank Malaysia Berhad (2005-2008)
- Vice President, Citibank Malaysia Berhad (1996-2005)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Member, Board Investment and Credit Committee
- Member, Board Information Technology Oversight Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



PUAN LYNETTE YEOW SU-YIN

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 51 / Female

Date of Appointment:
7 February 2018

Academic/Professional
Qualification(s):

- Member, Malaysian Bar
- Master of Arts, University of Cambridge
- Bachelor of Arts (Hons), University of Cambridge

Working Experience and Occupation

Present Directorship(s) and/or
Appointment(s):

- Director, Malaysia Building Society Berhad
- Director, CTOS Digital Berhad
- Director, CTOS Data Systems Sdn Bhd
- Director, SC Shekar Photography Sdn Bhd
- Director, Beagle Books Sdn Bhd
- Consultant, Sanjay Mohan, Advocates & Solicitors
- Trustee, The Datai Pledge

Past Directorship(s) and/or Appointment(s)

- Director, Themed Attractions Resorts & Hotel Sdn Bhd (2015 – 2020)
- Panel of Mediators, Securities Industry Dispute Resolution Center (SIDREC) (2015-2019)
- Partner, Chua Associates, Advocates & Solicitors (2015-2018)
- Partner, Kadir Andri & Partners (2011–2015)
- Partner, Zaid Ibrahim & Co (2002-2015)
- Partner, Raslan Loong (2000–2002)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Member, Board Investment and Credit Committee
- Member, Board Nominating & Remuneration Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- She has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



TUNKU ALINA BINTI RAJA MUHD ALIAS

Non-Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 57 / Female

Date of Appointment:
7 February 2018

Academic/Professional
Qualification(s):

- Doctorate in Islamic Finance, International Centre for Education in Islamic Finance, Malaysia
- Green Templeton College - Advanced Management Programme, Oxford University
- Masters in Law (Corporate and Commercial Law), King's College, London
- Bachelor of Laws, University Malaya

Working Experience and Occupation

Present Directorship(s) and/or
Appointment(s):

- Director, Malaysian Pacific Industries Berhad
- Director, IJM Corporation Berhad
- Director, Batu Kawan Berhad
- Director, Chemical Company of Malaysia Berhad
- Chairperson, Harps Holdings Berhad
- Chairperson, JA Russell & Co Sdn Bhd
- Director, Joyous Waves Sdn Bhd
- Trustee, Raja Alias Foundation

Past Directorship(s) and/or
Appointment(s)

- Director, Preci Horizon Sdn Bhd (1992-2020)
- Director, Malaysia Building Society Berhad (2017-2018)
- Partner, Wong Lu Peen & Tunku Alina, Advocates & Solicitors (1992-2011)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Member, Board Risk Management & Compliance Committee
- Member, Board Audit Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- She has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



ENCIK KAMARULZAMAN BIN AHMAD

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 46 / Male

Date of Appointment:
1 October 2019

Academic/Professional
Qualification(s):

- British A-Levels, New College Cardiff, United Kingdom
- BEng (Hons) Electrical and Electronics Engineering, Imperial College of Science & Technology, London, United Kingdom

Working Experience and Occupation

Present Directorship(s) and/or Appointment(s):

- Managing Director, LCTAsia Sdn Bhd

Past Directorship(s) and/or Appointment(s)

- Managing Director of a Military Cybersecurity Company (2014 – 2017)
- Managing Director, Endeavor Malaysia (2013 – 2014)
- CEO, CaterhamJet Malaysia (2013)
- Director, Asian Aviation Centre of Excellence (2011 – 2013)
- Regional Head of Customer Experience, AirAsia (2011 – 2013)
- Regional Head of Strategy and Planning, AirAsia (2010 – 2011)
- Various senior positions in PETRONAS Group (2006 – 2010)
- Formula 1 Electronics Engineer (2000 - 2005)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Chairman, Board Information Technology Oversight Committee
- Member, Board Risk Management & Compliance Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

LEADERSHIP

Profile of Board of Directors: MBSB Bank Berhad



ENCIK ARUL SOTHY MYLVAGANAM

Independent Non-Executive Director



Nationality / Age / Gender
Malaysian / 64 / Male

Date of Appointment:
5 May 2020

Academic/Professional
Qualification(s):

- Fellow, Association of Chartered Certified Accountants, UK (ACCA)
- Fellow, Certified Public Accountants, Australia (CPA)
- Member, Malaysian Institute of Accountants (MIA)
- Certified Financial Planner

Working Experience and Occupation

Present Directorship(s) and/or
Appointment(s):

- Director, Takaful Ikhlas General Berhad
- Director, Agensi Pekerjaan Hays (Malaysia) Sdn Bhd
- Principal, Myles Advisory

Past Directorship(s) and/or Appointment(s)

- Director, Hays Specialist Recruitment Sdn Bhd (2012-2020)
- Director, MNRB Holdings Berhad (2017 – 2019)
- Director, Malaysia National Reinsurance Berhad (2016-2019)
- Group Chief Operating Officer, PNB Commercial Sdn Bhd (2009 - 2011)
- General Manager/ CFO, Syarikat Perumahan Pegawai Kerajaan Sdn Bhd (1995 – 2009)
- Senior Manager – Audit, Ernst & Young Kuala Lumpur (1987 – 1994)

- Accountant, North American Travel, London, UK (1986 – 1987)
- Articled Student Accountant, Simmons Cohen Fine & Partners, London, UK (1978 – 1985)

Current Membership of Board
Committee(s) in MBSB Bank Berhad:

- Member, Board Audit Committee
- Member, Board Risk Management & Compliance Committee

Declaration:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.

Profile of Shariah Advisory Committee (SAC)



TN. HJ. MOHD BAHRODDIN BIN BADRI



Tn. Hj. Mohd Bahroddin Badri is Shariah Consultant at ISRA Consulting Sdn Bhd (IC) and Researcher at the International Shariah Research Academy for Islamic Finance (ISRA). Prior to joining ISRA, he served as an academician at the International Islamic University Malaysia (IIUM). He is the former Deputy Chairman of the Shariah Committee of Citibank Malaysia and Shariah Committee Member of Citibank Labuan. Currently, he is the Chairman of the Shariah Advisory Committee of MBSB Bank Berhad.

He completed his tertiary education and graduated with Master in Shariah (Economics) from University of Malaya and Bachelor of Islamic Revealed Knowledge and Heritage (*Fiqh* and *Usul al-Fiqh*) from the IIUM. He is Fellow of Certified Shariah Adviser and Auditor (CSAA) of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain-based international standard-setting body. Currently, he is pursuing his doctoral study in Business at the International University Malaya-Wales (IUMW).

His significant contribution to Islamic finance industry includes involvement in developing some Shariah-related Policy Guidelines (Shariah Standards) and Shariah-compliant Schemes issued by the Central Bank of Malaysia and Companies Commission of Malaysia respectively. He is one of the writers of Islamic finance textbooks, "Islamic Financial System: Principles & Operations" (2 Ed) and "Sukuk: Principles and Practices" published by ISRA. He produced several research papers and articles on Shariah and Islamic finance, presented and participated in international conferences in Turkey, Canada, Morocco, Oman, Indonesia, Brunei, Thailand and Singapore. As Shariah Consultant at IC, he has been involved in various international projects of providing Shariah advisory & consultancy services to its international partners and clients from the UK, Germany, Bahrain, Australia, Brazil, Nigeria, Afghanistan etc. Tn. Hj. Mohd Bahroddin Badri is also sitting as EXCO member of Association of Shariah Advisors in Islamic Finance (ASAS).



TN. HJ. MOHD NASIRUDDIN BIN MOHD KAMARUDDIN



Tn. Hj. Mohd Nasiruddin Mohd Kamaruddin, a seasoned banker, began his banking career with Chung Khiaw Bank Limited in 1987. He then served Standard Chartered Bank Malaysia Berhad from 1989 until his retirement in January, 2018. During his twenty-eight (28) years' career with the Bank, he held various management positions, the last being the Head of Shariah and Chief Operating Officer of the Bank's Islamic Banking subsidiary. He joined the Islamic Banking Division in 1999 and was responsible for the setting up of the Islamic Banking subsidiary in 2008 and was also responsible for building the infrastructure to prepare the Bank to fully comply with BNM's Shariah Governance Framework and the operational requirements laid down in Islamic Financial Services Act (IFSA) 2013.

He is an expert in Islamic banking products and operational requirements. He holds a B.Sc. Finance and MBA (Finance), both from California State University Fresno, USA. In addition, he also obtained a Certificate in Islamic Law from the International Islamic University Malaysia (IIUM), in 2009. Currently, Tn. Hj. Mohd Nasiruddin is pursuing his doctoral degree in Islamic banking at the same university. He has been appointed as a member of MBSB Bank's Shariah Advisory Committee since February, 2018.



SOHIBUS SAMAAHAH DATUK DR. LUQMAN HJ. ABDULLAH



Sohibus Samahah Datuk Dr. Luqman Hj. Abdullah, is currently the Federal Territories Mufti and a senior lecturer at the Department of *Fiqh* and *Usul al-Fiqh*, Academy of Islamic Studies, the University of Malaya. He obtained his Ph.D in Islamic Law from, the University of Edinburgh, Scotland (2005) and Bachelor of Arts (Honours) in Shariah, the University of Malaya (1993). His areas of specialization are Islamic Law of *Mu'amalat*, Islamic Jurisprudence, Islamic Legal Theory and Islamic Legal Textual Studies. Apart from being a Member of the Shariah Advisory Committee of MBSB Bank Berhad, he also serves as a Member of the Shariah and Fatwa Committee at various financial institutions, including *Takaful Ikhlas* Malaysia Berhad, Amanah Raya Berhad and Department of Islamic Development Malaysia (*Jabatan Kemajuan Islam Malaysia*). He has been involved in various professional membership and trainings on Islamic finance apart from being actively involved in writing books and articles, as well as presenting papers in various conferences at both international and national levels.

LEADERSHIP

Profile of Shariah Advisory Committee (SAC)



DR. AHMAD FAIZOL BIN ISMAIL



Dr. Ahmad Faizol Ismail is a Senior Lecturer and Head of Shariah Department, Faculty of Islamic Contemporary Studies at Universiti Sultan Zainal Abidin (UniSZA). Before that, he was the Post-Graduate Coordinator at the Faculty of Islamic Contemporary Studies, UniSZA. Dr. Ahmad Faizol obtained his Ph.D. in Law from School of Law, University of Leeds, United Kingdom, and Masters of Shariah from the University of Malaya (UM). He also holds a degree in Shariah from Al-Azhar University and Diploma in Islamic Studies (Shariah) from Kolej Ugama Sultan Zainal Abidin (KUSZA).

He specializes in Islamic financial system, Shariah governance, and corporate governance. He teaches various subjects such as *fiqh al-mua'malat*, *usul al-fiqh*, *al-qawaid al-fiqhiyyah* and *al-siyasah al-shar'iyyah* which are also his research interests.

He has conducted several types of research in social sciences and humanities, accumulating more than RM1 million research grants in value. He managed multiple international conferences and seminars, as well as other institutional academic activities in his previous institutions.

After finishing his Ph.D. in 2019, he has been active as an editor for several academic journals, especially in Islamic finance.



EN. NASRUN MOHAMAD GHAZALI



En. Nasrun Mohamad Ghazali is a Shariah consultant for several Islamic financial Institutions. Currently, he provides consultancy services to the educational and financial institutions. Began his banking career with Malayan Banking Berhad in 2001. He then served Ambank (M) Berhad in 2010, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad in 2011 and MUFG Bank (Malaysia) Berhad in 2013. During his 16 years' career with the Bank, he held various functional and management positions covering various banking domains and sections, and the last being the Head of Shariah at MUFG Bank (Malaysia) Berhad. He also used to serve as a senior consultant at Infopro Sdn. Bhd., a financial solution provider, in 2009.

Specializing in Islamic finance and economics, he holds double Master's Degree in Shariah and Information Technology from the University of Malaya and the National University of Malaysia, respectively, and double Bachelor's Degree in Islamic Sciences of al-Hadith and Accounting from al-Madinah International University and the National University of Malaysia, respectively. In addition, he also obtained a Diploma in Shariah and several certificates in Islamic finance from various institutions. He has also been involved in conducting training, writing and reviewing article/research relating to the topic of Islamic finance and Mu'amalat. Currently, En. Nasrun is pursuing his doctoral degree in *Fiqh* and *Usul al-Fiqh* at the International Islamic University Malaysia.

Profile of Group President and CEO

DATUK SERI AHMAD ZAINI BIN OTHMAN

Group President and Chief Executive Officer

Nationality / Age / Gender
Malaysian / 64 / Male

Date of Appointment:
26 February 2009

Academic/Professional
Qualification(s):

- Fellow Chartered Member of the Chartered Institute of Islamic Finance Professional (F.CPIF) (2019)
- Member, CEO Faculty Program, emplaced by Ministry of Higher Education (2016)
- Faculty member (Industry expert), International Centre for Education in Islamic Finance (INCEIF) (2016)
- Accreditation Panel Member, Asian Institute of Finance for the year (2011)
- MBA (Finance), University of St. Louis, USA
- BSc in Finance, University of Southern Illinois, USA
- Higher National Diploma (HND) in Accounting, Manchester, England

Working Experience and Occupation

Present Directorship(s)

Other listed entities:

Nil

Other Public Companies:

Nil

Present Appointment(s):

- Grand Councillor of Chartered Institute of Islamic Finance Professionals (CIIF)

Past Directorship(s) and/or Appointment(s)

- AI-xChange: CEO Faculty Programme, Universiti Utara Malaysia. (2019 – 2020)
- Adjunct Professor, School of Economics, Finance and Banking, UUM College of Business, Universiti Utara Malaysia (2016-2018)
- CEO of Amlslamic Bank (2004-2008)
- Head/Senior General Manager, Corporate Banking for Ambank (1995-2004)
- Corporate Director/Senior Group General Manager, Banking & Finance, Perwaja Steel (1993-1995)

- Head of Corporate Finance, Intradagang Merchant Bankers (1988-1993)
- Head of Corporate Banking, Syndications and Project Finance, Bumiputra Merchant Bankers (1984-1988)

Achievement:

- Asia Pacific Outstanding Entrepreneurship Award 2014 from the Enterprise Asia.
- IRBA CEO of the Year 2020, Islamic Retail Banking Awards from Cambridge IFA.
- Most People-Focused CEO, Human Resources Excellence Awards 2020 from Human Resources Online

Declaration:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- He has not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2020.



Profile of Management Team



DATUK NOR AZAM BIN M. TAIB

Deputy Chief Executive Officer (DCEO)

Committee Memberships

- Management Committee (MANCO)
- Credit and Rehabilitation Assessment Committee / Management Investment and Credit Committee (CARAC/MICC)
- Asset Liability Committee (ALCO)
- Initial Alert Report Committee (IAR)
- Care Unit Committee

Permanent Invitees

- Capital Management Committee (CMC)

Qualifications

- Master of Business Administration, Charles Stuart University, Australia
- Bachelor of Science in Accounting, University of Wyoming, USA
- American Associate Degree, Indiana University, Bloomington, USA
- Certified Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (CQIF)
- Intermediate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IQIF)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)

Skills and Experience

Datuk Nor Azam has more than 26 years of extensive experience in banking and finance sector in the areas of auditing, structured lending, business banking and corporate business. Prior to MBSB, he was Head of Business Banking in Bank Islam (M) Berhad. Since joining MBSB on 8 November 2010, Datuk Nor Azam has been at the vanguard of the Bank's Corporate Business Division and rose to be appointed as Chief Business Officer (CBO) of MBSB Bank in April 2018 where he championed the overall strategic direction of the bank through the development of the Business Plan and its' implementation phase. In this role, he enhanced business strategies of the Bank, develop, guide, motivate and direct the implementation of specific plans and programs for the different types of banking and overall performance. He leads the team in overall management of sales strategies; maintain effective relationship with regulatory, governmental, industry, financial and community groups so as to enhance financial performance and business effectiveness. Datuk Azam was subsequently appointed as the Deputy Chief Executive Officer (DCEO) effective 1 January 2021 with an expansion of role to oversee all Divisions in MBSB Bank as well as MBSB Group of Companies.

Nationality / Age / Gender
Malaysian / 54 / Male

Appointment
to Current Position
7 February 2020

LEADERSHIP

Profile of Management Team



RAMANATHAN RAJOO

Chief Financial Officer
Finance Division

Nationality / Age / Gender
Malaysian / 58 / Male

Appointment
to Current Position
2 February 2021

Committee Memberships

- Management Committee (MANCO)
- Credit and Rehabilitation Assessment Committee / Management Investment and Credit Committee (CARAC/MICC)
- Asset Liability Committee (ALCO)
- Capital Management Committee (CMC)
- Initial Alert Report Committee (IAR)

Qualifications

- Bachelor degree of Accounting (Hons) – UKM(1987)
- Master in Business Administration – UPM(1998)
- FCPA Australia (2017)
- Malaysian Institute of Accountants (MIA)
- Certified Credit Professional (AICB)

Skills and experience

Ramanathan joined MBSB Bank on the 2nd February 2021 as Chief Financial Officer(CFO). As CFO, he oversees all financial functions for the Holding company, Bank and its subsidiaries. Before joining the Bank, he was the CFO of a local Bank. He began his career in 1988 as an audit trainee with the big 4 auditing firm before joining the banking industry in 1991 as an Executive in Finance Division. With an extensive experience of over 31 years ranging from auditing, financial accounting, financial management, capital management, regulatory reporting and recovery, Rama serves as a strategic Business Partner to the Senior Management to achieve the overall objective of the Bank. He is a Fellow member of CPA Australia, a member of the Malaysian Institute of Accountants and a certified Credit Professional from Asian Institute of Chartered Bankers. He has also completed the Summer School Programme at Judge Business School, University Of Cambridge.

LEADERSHIP

Profile of Management Team



HJ ASRUL HAZLI BIN SALLEH

Chief Operations Officer,
Operations Division

Committee Memberships

- Management Committee (MANCO)
- Credit and Rehabilitation Assessment Committee / Management Investment and Credit Committee (CARAC/MICC)
- Asset Liability Committee (ALCO)
- Initial Alert Report Committee (IAR)
- Capital Management Committee (CMC)
- Chairman Data Analytics Working Committee (DAWC)

Qualifications

- Bachelor of Business Administration (Hons) Finance, University of Technology MARA (UiTM)
- American Degree Program (ADP) Centre of Preparatory Education, University Technology MARA (UiTM)
- Persatuan Kewangan Malaysia Certificate (PKMC), ACI-Financial Markets Association of Malaysia (ACI-FMAM) and Asian Institute of Chartered Bankers (AICB)
- Intermediate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IBFIM)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IBFIM)

Skills and Experience

Hj Asrul Hazli joined MBSB on 1 October 2010 as the Assistant General Manager of Treasury Division bringing with him years of experience and knowledge on treasury and capital markets, specializing in liquidity, asset and liability and balance sheet management from several financial institutions. Prior to joining MBSB, Hj Asrul Hazli was the Senior Dealer and Head of ALM & Funding Desk of Treasury and Capital Markets Department at Bank Muamalat Malaysia Berhad.

Hj Asrul Hazli was appointed as Chief Operations Officer of MBSB Bank in 2018. He is responsible in providing strategic direction for the Bank's overall operational matters and execution of the day-to-day activities for all the departments under his purview. In overall, he is accountable and responsible in overseeing eight (8) departments namely Channel Management Department, Retail Credit Management Department, Corporate Credit Management & Disbursement Department, Collection & Recovery Department, Transactional Banking Department, Operations Management Department, Procurement Department and Property and Project Monitoring Department.

As Chief Operations Officer, Hj Asrul Hazli is responsible in formulating the development of operational strategies of MBSB Bank and manages the efficiency and effectiveness of the related activities in ensuring for smooth and seamless operational alignment to the business goals and objectives of the Bank.

Hj Asrul Hazli is also a member of ACI-Financial Markets Association of Malaysia (ACI-FMAM) since 2001.

Nationality / Age / Gender
Malaysian / 43 / Male

Appointment
to Current Position
7 February 2018

LEADERSHIP

Profile of Management Team



AMRAN BIN ABDUL LATIP

Chief Technology Officer
Technology Division

Committee Memberships

- Management Committee (MANCO)

Permanent Invitees

- Board Information Technology Oversight Committee

Qualifications

- B.Sc in Computer Science - Bishop's University, Canada (1987)
- Certificate in Islamic Finance - INCEIF

Skills and experience

Amran joined MBSB Bank on the 2nd February 2021 as Chief Technology Officer (CTO). Amran joined MBSB Bank on the 2nd February 2021 as Chief Technology Officer (CTO). He began his career in 1990 with Bursa Malaysia and left Bursa in 1997 as Head of Information Technology. Where he was one of the pioneer staffs who developed Central Depository System (CDS) in 1990. Subsequently, he joined Maybank in 1998 for 7 years managing E-Channels Division, working on two established Maybank brand names, namely Maybank2U on internet banking and Mobile Financial Services for mobile banking. He was among the pioneer in setting up the Maybank Internet Banking project. He was later assigned to build up the Maybank2U business, acquiring over 600 payee corporations with an increase in revenue from below RM100K in the first year to over RM10 million in 3 years. A seasoned IT professional, Amran's over 30 years of working experience ranges from software development to managing IT teams within Financial Institutions. Amongst his notable positions includes Chief Information Technology (CIO) of Kuwait Finance House Malaysia for 6 years, Director of Technology at Al-Rajhi Bank for 1 year, General Manager IT at Lembaga Tabung Haji for 4 years and CIO at BSN for 1 year.

Nationality / Age / Gender
Malaysian / 57 / Male

Appointment
to Current Position
2 February 2021



Nationality / Age / Gender
Malaysian / 49 / Female

Appointment
to Current Position
7 February 2018



AZLINA BINTI MOHD RASHAD

Chief Corporate Officer,
Corporate Services Division

Committee Memberships

- Management Committee (MANCO)
- Credit and Rehabilitation Assessment Committee / Management Investment and Credit Committee (CARAC/MICC)
- Asset Liability Committee (ALCO)

Qualifications

- Bachelor in Accountancy (Hons), University of Northumbria, Newcastle, England
- Diploma in Accountancy, University of Technology MARA (UiTM)
- Certified Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (CQIF)
- Intermediate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IQIF)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals (CPIF)

Skills and Experience

Azlina joined MBSB on 6 April 2009 as Senior Manager, Transformation Management Office, CEO's Office. Amongst her major responsibilities were to assist the CEO in planning and ensuring the successful implementation of all strategic business and operational initiatives being undertaken by the business and support divisions. She has a wealth of experience in the financial sector, spanning over 21 years, with previous employment at Amlslamic Bank, undertaking the Business Management function. Azlina also plays a primary role in establishing MBSB's and MBSB Bank's brand names as key players in the financial industry. In 2018, she was appointed as the Chief Corporate Officer of MBSB Bank. In assuming this position, she oversees the Corporate Services Division and currently tasked to direct Strategic Communication, Customer Experience Management, KPI & Performance Management, Product Development & Management, Strategic Business Planning as well as administering Shariah Secretariat & Advisory. Azlina was ranked 40th in the top 300 Most Influential Women in Islamic Business and Finance in 2019 by WOMANi. WOMANi is a part of the women empowerment programme by Cambridge IFA, a UK-based financial intelligence house, to highlight enormously important roles that exceptionally talented women are playing in Islamic business and finance.



ANIZA BINTI ZAKARIA

Chief Internal Auditor,
Internal Audit Division

Committee Memberships

- Secretary to the Audit Committee / Board Audit Committee

Permanent Invitee

- Risk Management Committee (RMC) / Board Risk Management and Compliance Committee

Independent Observer

- Management Committee (MANCO)

Qualifications

- Bachelor of Science in Finance & Management, University of Oregon, USA
- Professional Certificate in Islamic Banking, INCEIF – The Global University of Islamic Finance
- Shariah Audit Certificate – Universiti Sains Islam Malaysia (USIM)
- Certificate in Internal Auditing for Financial Institutions – Asian Institute of Chartered Bankers
- Certification for Bank Auditors – Asian Institute of Chartered Bankers
- Masters in Islamic Finance Practice, INCEIF – The Global University of Islamic Finance

Skills and Experience

Aniza began her employment at MBSB on 13 August 2014 as Assistant Vice President, Internal Audit Division, after acquiring over 21 years of industry experience from several banking institutions in Malaysia. On 1 January 2017, she was appointed as Chief Internal Auditor for MBSB. Her major responsibilities are to formulate strategies and execution of an independent, cost effective and efficient audit and examination function for MBSB Bank's operations and provide independent and objective assessments of control and risk levels in the bank entities. Prior to joining MBSB, Aniza was with Kuwait Finance House Malaysia Berhad's Internal Audit Division. Aniza is also an Associate Member of the Institute of Internal Auditors Malaysia (IIAM), Senior Associate Member of Chartered Institute of Islamic Finance Professionals and Associate of Asian Institute of Chartered Bankers. Aniza is a member of Development Committee for Certified Professional Shariah Auditor, by IBFIM and Universiti Sains Islam Malaysia and in 2019, Aniza was listed 127th in the WOMANI top 300 Most Influential Women in Islamic Business and Finance. WOMANI is a part of the women empowerment programme by Cambridge IFA, a UK-based financial intelligence house, to highlight enormously important roles that exceptionally talented women are playing in Islamic business and finance.

Nationality / Age / Gender
Malaysian / 48 / Female

Appointment
to Current Position
1 January 2017



TENGGU KHALIZUL BIN TENGGU KHALID

Chief Compliance Officer,
Compliance Division

Permanent Invitees

- Management Committee (MANCO)
- Asset Liability Committee (ALCO)
- Capital Management Committee (CMC)

Qualifications

- Bachelor of Science in Business Administration (Finance), Northern Arizona University, USA
- Certificate in Internal Auditing for Financial Institutions (CIAFIN), Asian Institute of Chartered Bankers (AICB)
- Certificate in Regulatory Compliance, Asian Institute of Chartered Bankers (AICB)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)
- Certificate in Shariah Audit, University Sains Islam Malaysia
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals (CPIF)

Skills and Experience

Tengku Khalizul joined MBSB on 5 May 2014. Heading the Compliance Division, he is responsible in coordinating the identification and management of compliance risk in the organisation. In 2018, Tengku Khalizul was appointed as Chief Compliance Officer of MBSB Bank where he leads and manages the Bank's Compliance function and act as the focal point for all compliance related initiatives including compliance risk, Anti Money Laundering and CTF (Counter Terrorism Financing). Tengku Khalizul's statutory responsibilities in the Bank include AML/CFT Compliance Officer, FATCA Officer and PDPA Officer. He has more than 17 years of working experience in auditing with expertise in branch operations, head office operations, retail credit, wealth management bancassurance and asset management.

Nationality / Age / Gender
Malaysian / 47 / Male

Appointment
to Current Position
7 February 2018

LEADERSHIP

Profile of Management Team



LIM SEONG SOON

Chief Risk Officer,
Risk Management Division

Nationality / Age / Gender
Malaysian / 59 / Male

Appointment
to Current Position
20 May 2013

Committee Memberships

- Asset Liability Committee (ALCO)
- Initial Alert Report Committee (IAR)
- Capital Management Committee (CMC)
- Secretary to the Risk Management Committee / Board Risk Management and Compliance Committee

Permanent Invitees

- Management Committee (MANCO)
- Credit and Rehabilitation Assessment Committee / Management Investment and Credit Committee (CARAC/MICC)

Qualifications

- Master of Business Administration (Finance), University of Kansas, USA
- Bachelor of Business Administration (Finance), University of Oklahoma, USA
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)

Skills and Experience

Lim Seong Soon joined MBSB on 20 May 2013 as Chief Risk Officer (CRO). As CRO, he leads the development and drive the execution of a comprehensive risk policy framework and strategy to mitigate risks for MBSB Bank at an organization-wide level. He has 32 years of extensive experience in the banking industry and was previously attached with major financial institutions in Malaysia. Lim Seong Soon was the General Manager/Head of Risk Management at Bank of China (Malaysia) Berhad before joining MBSB where he held various positions within the bank including Chairman for the Credit & Loans Committee (C&LC), Vice Chairman of the Risk Management and Internal Control Committee (RMICC) and Secretary of the Risk Management Committee of MBSB and Board Risk Management and Compliance of MBSB Bank.



Nationality / Age / Gender
Malaysian / 51 / Male

Appointment
to Current Position
19 April 2021



MOHD FARID SHAH BIN MOHD BASIR

Chief People Officer,
Human Resource Division

Committee Memberships

- Management Committee (MANCO)

Qualifications

- Bachelor in Business Studies (Human Resource Management)
- SHRM – Senior Certified Professional (SHRM-SCP)
- Human Resource Professional – International Human Resource Certification Institute (IHRCI)
- Global Human Resource Professional– International Human Resource Certification Institute (IHRCI)
- Global Remuneration Professional

Skills and Experience

Farid Basir, aged 51, joins MBSB Bank as Chief People Officer on 19 April 2021. Farid brings a wealth of professional insights to MBSB, having had career exposures abroad in Switzerland, South Africa and the Philippines. Whilst he was with Nestle, his experience in Human Resource discipline spans over two decades within various industries ranging from Telecommunications, FMCG, Banking and Insurance.

He began his career in 1994 with Telekom Malaysia Berhad (TM), covering most areas within HR spectrum from HR restructuring, training, succession planning, total rewards, organizational development and policies and procedures. He had a short stint with Malaysia National Insurance Berhad (MNI), focused on performance and rewards management.

Upon his return to Malaysia under the Talent Returning Expert Program (REP), Farid was appointed as Chief Human Capital Officer in Bank Rakyat in 2016 before moving on to assume the post of Chief Human Capital Officer in Telekom Malaysia Berhad until December 2020.

Farid accomplished several business and leadership programmes conducted by Cambridge Judge Business School, Said Business School at University of Oxford INSEAD and the Institute for Management Development (IMD) in Switzerland. He took centre stage internationally when he was awarded the “Upcoming Personality in Islamic Finance 2017” at the Global Islamic Finance Awards (GIFA) 2017, held in Kazakhstan and the “CHRO of the Year” at the World HRD Congress 2018 in India.

A strong advocate of leadership excellence initiatives for the younger generation of workforce, Farid is presently the Vice-President of Malaysian Employer Federation (MEF).



Nationality / Age / Gender
Malaysian / 51 / Male

Appointment
to Current Position
1 May 2021



DATO' AZLAN BIN SHAHRIM

Chief Strategy Officer
Corporate Strategic Planning Division

Committee Memberships

- Management Committee (MANCO)
- Asset Liability Committee (ALCO)

Permanent Invitees

- Capital Management Committee (CMC)

Qualifications

- Master's Degree in International Business Law, University of Exeter, UK
- Utter Barrister, Gray's Inn, UK
- Bachelor's Degree in Law, University of Kent, UK
- Advanced Management Program, Wharton School, University of Pennsylvania, USA

Skills and Experience

Dato' Azlan is a strategy and operations leader with extensive experience steering large companies through transformation. He began his career as a corporate & commercial lawyer and has since served over 20 years in senior management roles in numerous industries. He was Deputy CEO of the Port of Tanjung Pelepas, the country's largest container terminal, which doubled profitability during his tenure of over four years. He served as Group Director, Corporate Strategy & Transformation at DRB-HICOM, leading the conglomerate's various turnaround and transformation programmes. He also served Pos Malaysia as Group Chief Operating Officer, where he redesigned and revived the national postal operator's transformation programme, directing the organisation towards sustainability. Prior to joining MBSB Bank, he was Group Director, Group Managing Director's Office at DRB-HICOM.





OUR GOVERNANCE

In this section:

- Corporate Governance Overview Statement
- Additional Compliance Statement
- Statement on Risk Management and Internal Control
- Report of the Audit Committee

Corporate Governance Overview Statement

Corporate governance is crucial to enable effective and prudent management of our organisation in delivering sustainable value for all our stakeholders. The objectives of our corporate governance are clear – to ensure that our business is conducted in a transparent, ethical, fair and responsible manner, in compliance with all relevant laws and regulations.

The Board of Directors (the “Board”) of MBSB firmly believes in the importance of good corporate governance in realising our vision for MBSB Bank to become a top progressive Islamic bank and is fully committed to ensure that the highest standards of corporate governance and integrity are applied throughout our organisation via our governance structures and core values supported by robust policies and procedures.

We adopt the principles and best practices of corporate governance as prescribed in the Malaysian Code of Corporate Governance (“MCCG”), Companies Act 2016 and those outlined by other regulatory bodies such as Bank Negara Malaysia’s policy document on Corporate Governance and Bursa Malaysia Securities Berhad (“Bursa Malaysia”)’s Main Market Listing Requirements (“MMLR”), where appropriate. MBSB is also a member of the Federation of Public Listed Companies Berhad.

The Board is pleased to present our Corporate Governance (“CG”) Overview Statement, which outlines our approach to governance in practice and the key Board activities in 2020. This CG Overview Statement focuses on the following three (3) key CG principles of MCCG:

- A. Board Leadership and Effectiveness
- B. Effective audit and risk management
- C. Integrity in corporate reporting and meaningful relationship with stakeholders

This CG Overview Statement is prepared in compliance with Bursa Malaysia’s MMLR . It is to be read together with the Corporate Governance Report (“CG Report”) 2020 which is available on MBSB’s website at <https://www.mbsb.com.my/ar.html>

In the latest MSWG-ASEAN CG Awards 2019, we are ranked amongst the Top 100 Malaysian public listed companies (“PLCs”) for corporate governance disclosure and overall CG and performance, out of the 866 PLCs assessed. MBSB’s ranking in CG disclosure improved significantly to 9th place, up from 25th in the previous year. MBSB’s ranking for the “Overall CG and Performance” category had also improved to 12th place, up from 52nd in the previous year. Our continuous efforts to improve our CG disclosures and practices were recognised as MBSB was named as one of the MSWG-ASEAN CG 2019 Award Winners. MBSB also received the Industry Excellence Award for Financial Services.

We are also a constituent of FTSE4Good Bursa Malaysia Index (“F4GBM”) since 2016. Our FTSE4Good ESG rating stood at 2.9, which was higher than the industry average (Financials) of 2.5. However, the rating was lower than the previous’ year rating due to new indicators on social supply chain and risk management. The gaps will be addressed in Sustainability Report 2020, CG Report 2020 and Integrated Annual Report 2020.

A. BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board sets the tone from the top and is collectively responsible for overseeing the conduct of the Group’s business as well as the Management’s implementation of the Group’s strategic objectives, including its performance to ensure the sustainability of the Group and its ability to create long-term value, not only for our shareholders but also for our broader stakeholders.

OUR GOVERNANCE

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The Boards of MBSB and MBSB Bank Berhad (“MBSB Bank”) (together, the “Boards”) are guided by their respective Board Charters, which clearly identifies the respective Board’s role, duties and responsibilities. Each of the Board Charters also outlines the processes and procedures to ensure the effectiveness and efficiency of the Boards and their Committees.

The Boards are supported by various Board Committees and Management-led Committees (together identified as the “Committees”). The roles and responsibilities of the respective Committees are clearly outlined in their Terms of Reference (“TOR”) and Approving Authority Manual (“AA Manual”), which require regular review and approval by the Boards from time to time. Any decisions which are not within the Committees’ authority would be escalated to the respective Boards with the Committees’ recommendation.

The Boards have entrusted its Committees with specific responsibilities to oversee the Group’s affairs in accordance with their respective TOR and remain responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Boards as well as the minutes of meetings that capture the detailed deliberations and which were subsequently tabled to the Boards for notation.

The matters reserved for the Boards include reviewing and adopting the strategies on promoting sustainability through appropriate environmental, social and governance (“ESG”) consideration in the Group’s businesses. The complete list of matters reserved for the Boards can be found at their respective Board Charters.



The Board Charters for MBSB and MBSB Bank are available online at www.mbsb.com.my and www.mbsbbank.com, respectively

Since the acquisition of Asian Finance Bank Berhad (“AFB”) in 2018 and the subsequent change of name to MBSB Bank Berhad in the same year, the Group had since undertaken a rebranding exercise to revitalise MBSB Bank’s corporate identity and its brand outlook as a progressive full-fledged Islamic bank which enhances the brand’s positioning and corporate image in the market, in line with MBSB’s new strategic business direction.

The Board of MBSB, in consultation with the Board of MBSB Bank, determines the strategic direction of the Group to ensure that the Group achieves its initiatives as set out in the Business Plan.



Refer to the “2020: The Year in Review” and “Moving Forward” section of this Integrated Annual Report for more information on the Business Plan

Board Activities

During the year, the Boards convened Board meetings regularly to review the performance of the Group, the progress of the Business Plan, the progress of the Group reorganisation, technology roadmap, enhancement and changes required to the core banking system to meet the latest changes to the banking and regulatory requirements, the budget or resources required, succession planning and the future growth for the Group. Furthermore, the Boards had also convened to review and set the performance scorecard targets of the Group and targets for the Group President and Chief Executive Officer (“Group PCEO”).

The Boards also extensively discussed the impact of the COVID-19 pandemic on the Group, the financial sector and the broader economy. The Boards had reviewed and revised the Business Plan 2020 as part of the previous Business Plan and original KPIs were no longer feasible in light of the pandemic situation. The revised business strategy and KPI focuses more on cost management, managing non-performing financing, expected credit loss and modification loss and ensuring resilience of capital and liquidity commitment.

OUR GOVERNANCE

Corporate Governance Overview Statement

In 2020, the Board of MBSB Bank has reviewed and enhanced its Board Charter to incorporate Board's responsibilities on:-

- a. Shariah Governance in line with Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance;
- b. Oversight roles on the activities of Integrity Governance Unit ("IGU") issued by the Malaysian Anti-Corruption Commission ("MACC"); and
- c. Inclusion of Board Information Technology Oversight Committee ("BITC") as a Board Committee.

The TOR of the Board and Management-led Committees as well as the Policies and Procedures were also reviewed and revised during the year to reflect the necessary changes in the internal process and regulatory requirement for better operational efficiency and readiness.

Among the topics and strategies reviewed, deliberated and approved by the Board during financial year 2020 are as follows:-

Areas	Key topics/ strategies
Strategy	<ul style="list-style-type: none"> Revision of budget, business plan initiatives and KPI for year 2020 for MBSB Group Assessment on Covid-19 impact to the Group and the strategies to mitigate the impact Assessment on the impact of moratorium on financing MBSB Bank's Digital and Technology Strategy Group Capital Strategy MBSB Group restructuring and disposal of non-core assets Budget and business plan for 2021 for MBSB Group Environmental, Social and Governance (ESG) Strategy
Risk, Compliance, Oversight	<ul style="list-style-type: none"> Composite Risk Rating findings Compliance Division Annual Plan for 2020 Transfer Pricing Policy Integrity and Anti-Bribery, Corruption & Abuse of Power Policy Establishment of Integrity and Governance Unit (IGU) Procedures during MCO and post-MCO Quarterly Risk Management Report Quarterly Regulatory Compliance Report on Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT) Quarterly Internal Audit Report Revision of Board Charter
Governance	<ul style="list-style-type: none"> Succession Planning for Key Management Personnel Succession Planning for Board Board remuneration, composition and gender diversity Performance assessment and rewards for Key Management Personnel in 2019. Appointment of independent consultant for Board assessment Board Effectiveness Assessment and Fit and Proper Assessment MBSB Corporate Governance Report 2019

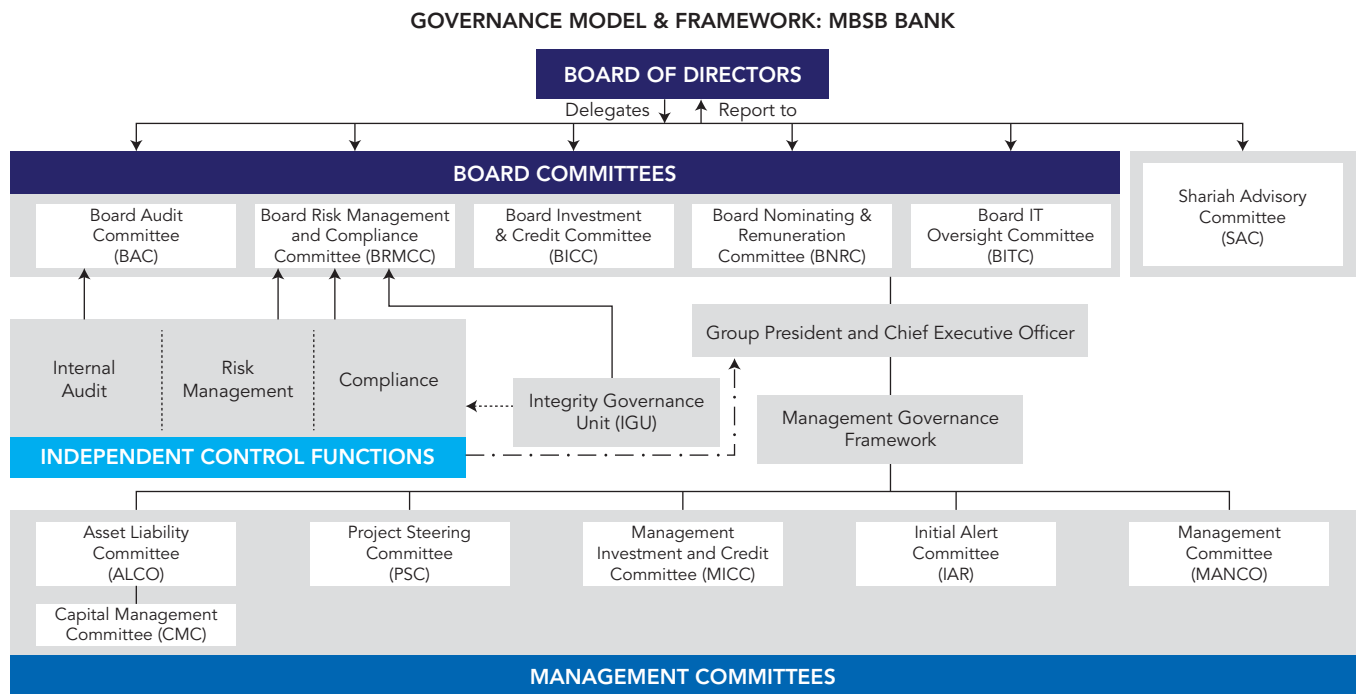
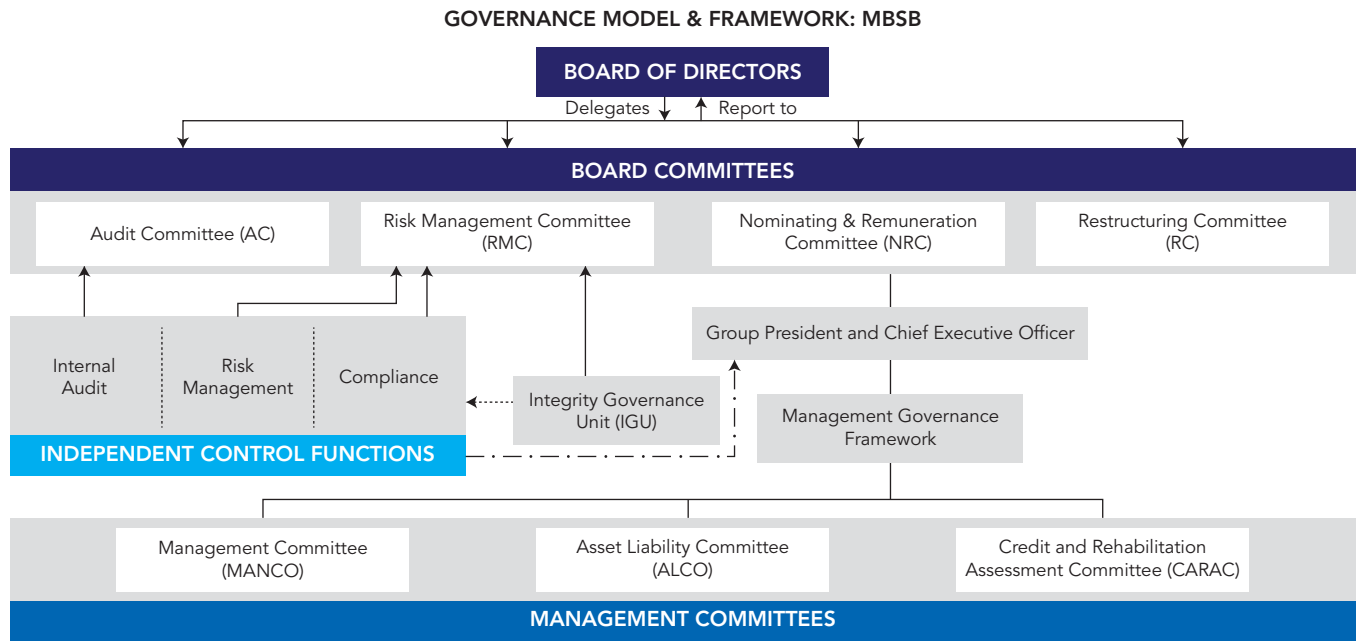


Refer to MBSB CG Report 2020 for more information on the number of meetings conducted and Board attendance in 2020

OUR GOVERNANCE
Corporate Governance Overview Statement

Leadership and Governance Structure

The governance structure of MBSB and MBSB Bank are as follows:



..... Report to Chief Compliance Officer for day-to-day administration
 - - - - Report to Group President and Chief Executive Office for day-to-day administration

OUR GOVERNANCE

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The governance structure of the Group is supported by the AA Manual, which delineates relevant matters and approving authority limits, including those reserved for the Board's approval and those which the Board may delegate to the relevant Board Committees, the Group PCEO and Management. The governance structure, TOR, Board Charter and the AA Manual will be reviewed at least once every two years or as required, to ensure an optimum structure for efficient and effective decision-making in the organisation.

In March 2020, the Board Information Technology Oversight Committee ("BITC") was established at MBSB Bank level in conformance with the requirements of the Risk Management in Technology ("RMIT") Guidelines issued by BNM. The BITC comprises 3 Independent Non-Executive Directors. The BITC is chaired by a director with IT background.

Ethical Business Conduct

The Boards have established the Code of Ethics for Directors in line with the practices in the MCCG. The Directors observe the Code of Ethics in performing their duties and are fully subscribed to highly ethical standards considering all stakeholders' interest.

The Code of Ethics for Directors has been enhanced to incorporate the recommendations from the Securities Commission's Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries and Code of Ethics recommended by Financial Services Professional Board.

The Boards has also established a Directors' Conflict of Interest Policy to provide a systematic mechanism for disclosing potential and actual conflict of interest. A Director who is interested in certain transactions is required to abstain from any reporting, discussion or vote on issues that give rise to the conflict. The interested Director is required to be absent from the meeting during such deliberations. The Company Secretary shall record each Director's conflict of interest disclosed at the meeting in the minutes of the said meeting.

In 2020, the Directors' Conflict of Interest Policy was reviewed and enhanced to ensure uniformity of the policies and guidelines applied across the MBSB Group and incorporates some clauses based on the recommendations from the Securities Commission's Guidelines on Conduct of Directors of Listed Corporations and BNM Corporate Governance Guide.

The Group has also established the Code of Ethics and Conduct for employees ("COEC"), the Complaint Handling and Management Policies and Procedures, as well as the Whistleblowing Policies and Procedures, to set the standards of behaviour expected of the employees and to encourage employees to report on suspected fraud, misconduct behaviour and/or violations of the Code of Conduct and Ethics as well as any other directives or policies issued by the Group from time to time. This is to support the Group's values in upholding the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisal, and to provide a transparent and confidential process for dealing with genuine concerns pertaining to safeguarding the interests of the Group.

To ensure adherence to the guidelines, the Management of MBSB and MBSB Bank had taken steps to establish an effective monitoring process. All staff are required to observe the principles and uphold the corresponding conduct to achieve a high standard of professionalism and ethics in the conduct of the MBSB Bank's business and professional activities. The COEC is divided into two (2) areas:

1. Code of Ethics which outlines MBSB Bank's set of principles that guides decision making.
2. Code of Conduct which outlines specific behaviours and conduct required or prohibited within the MBSB Bank as a condition of ongoing employment and the expected conduct in the Bank's interaction with our various key stakeholders.

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The Code of Conduct and Ethics for employees is to be reviewed on an annual basis or as and when required. The Code of Conduct and Ethics was reviewed in 2020 with no change required.

The Whistleblowing Policy and Procedures is to be reviewed every two years or as and when required. The Whistleblowing Policy and Procedures was last reviewed on 26 November 2019 and will be reviewed in 2021.

MBSB has established the Integrity Governance Unit (“IGU”) for the Group. The main purpose of the IGU is to ensure honest work culture amongst the employees, including members of Senior Management and the Board, and to combat bribery, corruption and abuse of power. The Head of IGU shall report directly to the Board on matters regarding integrity issues and activities carried out concerning adequate procedures within the Group. The IGU Officer reports to Chief Compliance Officer for day-to-day administration.

The Group does not tolerate any form of bribery, corruption and abuse of power. The Fraud and Corruption Control Policies and Procedures was implemented to manage the risk of fraud and corruption within the Group. The Fraud and Corruption Control Policies and Procedures should be read together with the Complaint Handling and Management Policies and Procedures as well as the Whistleblowing Policies and Procedures.

In 2020, MBSB adopted a new Integrity and Anti-Bribery, Corruption & Abuse of Power Policy for the Group, which complies with the ‘Guideline for the Management of Integrity & Governance Unit’ issued by the Malaysian Anti-Corruption Commission (“MACC”) and ‘Guidelines on Adequate Procedures’ issued by the Prime Minister’s Department. It also defines the scope and roles of IGU and other relevant functions within the Group in carrying out their duties to prevent, detect and correct all instances of bribery, corruption and abuse of power as part of implementing of adequate measures to enhance and uphold a high integrity culture. In 2020, MBSB Bank had commenced the process to obtain the Integrity Pledge from all business partners and suppliers, newly appointed or those who renewed their services with the Bank.

The Group has also established the Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) Framework, which is part of the Compliance policy for the Group. The Group is committed to fully cooperating with the relevant local and international competent authorities and law enforcement agencies to combat money laundering and financing of terrorism. Appropriate internal controls and procedures for money laundering prevention are in place. The Group’s Compliance Division carries out regular checks and training to ensure that the employees are fully aware and committed to discharge their obligations.

The Group has also established the Related Party Transactions Policy that outlines the roles and responsibilities expected of the Management and the Boards, as well as other relevant divisions or departments within the Group. It provides the guidance on transactions that involve related parties and ensures that such transactions are conducted at arm’s length basis and in accordance with good governance, as well as with appropriate disclosures.



Refer to MBSB CG Report 2020 and Sustainability Report (“Business Ethics and Integrity” section) for more information on our ethical business conduct

OUR GOVERNANCE

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Roles and Responsibilities of the Chairman and PCEO

The Chairman and the Group PCEO are held by different individuals with clear division of responsibilities between the Chairman and Group PCEO to ensure balance of power and authority and to promote check and balance.

The Chairman focuses on board leadership whereas the Group PCEO, Datuk Seri Ahmad Zaini Othman focuses on the business, strategy, operations and organisational issues and implementing Board's decision. The roles of Chairman and Group PCEO are formally documented in the Board Charters.

In February 2021, Tan Sri Abdul Halim bin Ali had decided to step down as Chairman of MBSB and MBSB Bank after serving about 20 years in MBSB and 3 years in MBSB Bank. Tan Sri Azlan bin Mohd Zainol ("Tan Sri Azlan") was appointed as Chairman of MBSB and MBSB Bank with effect from 1 March 2021.

Company Secretary

All the Board members have full access to two (2) Company Secretaries who are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 and they are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries demonstrate ongoing support in advising and assisting the Board on matters relating to the affairs of the Group, including issues pertaining to compliance, corporate governance and best practices, boardroom effectiveness and Directors' duties and responsibilities including disclosure of their interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Company Secretaries are also responsible for facilitating new Directors' induction and assisting in the Director's training and development.

The Company Secretaries also briefed the Board on any revision/ updates to the Bursa Malaysia's MMLR and any correspondence from Bursa Malaysia and the Securities Commission.

Board Composition

As at 31 December 2020, the Board of MBSB consists of six (6) Directors:

- Four (4) Independent Non-Executive Directors
- One (1) Non-Independent Non-Executive Director
- One (1) Non-Independent Executive Director

As at 31 December 2020, the Board of MBSB Bank consists of ten (10) Directors:

- Seven (7) Independent Non-Executive Directors
- Two (2) Non-Independent Non-Executive Directors
- One (1) Non-Independent Executive Director

There were two (2) common Directors in MBSB and MBSB Bank.

OUR GOVERNANCE

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The respective Boards recognises the benefits of having a diverse Board to ensure that the Board can perform effectively by providing the necessary range of perspectives, experience and expertise. The Boards are committed to Board diversity and at the same time will ensure that all appointments to the respective Boards will be made based on merits while considering the Group's needs and circumstances, the present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.

The Boards have adopted the Boardroom Diversity Policy, which covers diversity in terms of professional experience, skills, knowledge, education and background, age, ethnicity, culture and gender. The diversity of skill, experience and knowledge of its members in various disciplines and profession allows the Board to address and/or resolve the various issues effectively and efficiently.

The Boards, through MBSB's Nominating and Remuneration Committee ("NRC") and MBSB Bank's Board Nominating and Remuneration Committee ("BNRC"), review the Board composition yearly or as and when required, to ensure the optimum size of the respective Boards which enable effective oversight and delegation of responsibilities to encourage the active participation of all Directors in Board and Board committees.

A Board Skills Matrix was used to understand the capabilities and personal attributes of the existing Board members and is used as a reference when considering the new appointment of Directors. MBSB's NRC and the Bank's BNRC, have carried out the fit and proper assessment on the candidates prior to recommendation to the respective Board's for approval.

Following the board composition review in 2019 which highlighted the need to appoint a director who possesses IT, accounting or auditing experiences, MBSB has appointed Encik Mohamad Abdul Halim bin Ahmad as an Independent Non-Executive Director on 2 March 2020. Encik Halim is an Associate Member of the Institute of Chartered Accountants England & Wales ("ICAEW") and a member of the Malaysian Institute of Accountants ("MIA").

At the Bank level, the Board appointed Encik Arul Sothy S Mylvaganam on 5 May 2020 as an Independent Non-Executive Director of MBSB Bank. Encik Arul is a Fellow of the Association of Chartered Certified Accountants, UK ("ACCA"), a Fellow of the Certified Public Accountants, Australia and also a member of the MIA.

In 2020, the Board composition was reviewed as part of the Board Effectiveness Evaluation conducted by FIDE FORUM. The Boards views the current Board composition favourably and believe that there is a good balance in experience and expertise. The Boards also view that there is a need to appoint a director who possesses IT or relevant banking experiences to enhance the Board diversity. Both NRC and BNRC has been assigned to look for a suitable candidate with the necessary skills.

The Boards through NRC and BNRC also review the succession planning for the Chairman of the Boards. On 1 March 2021, Tan Sri Azlan was appointed as Chairman/ Non-Independent Non-Executive Director of MBSB and MBSB Bank. Tan Sri Azlan has more than 30 years of experience in the financial sector. Tan Sri Azlan also represents the Employees Provident Fund Board.



Refer to the "Profile of the Board of Directors" section for more information on the background of each Director

OUR GOVERNANCE

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The Boards have adopted a Fit and Proper Policy and Procedure which outlined the following criteria for the assessment of the suitability of the candidates, re-election of Directors, appointment or renewal of contract/performance for the Group PCEO, key senior management with "C" Suites position and the Company Secretary:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, experience, ability and commitment to carry out the role.
- Financial integrity – the person must manage his debts or financial affairs prudently.

The "C" Suites include the Deputy Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer, the Chief Internal Auditor, the Chief Risk Officer, the Chief People Officer, the Chief Operating Officer, the Chief Technology Officer, the Chief Corporate Officer and Chief Strategic Officer.

The BNRC of the Bank is also responsible for reviewing the appointment, removal of the members of the Shariah Advisory Committee ("SAC"). The BNRC of the Bank also reviews the remuneration package of the SAC.

Board Evaluation

Each of the Boards through NRC and the BNRC has conducted the annual assessment on the effectiveness of the Board, Board Committees, individual Directors and independence of Independent Directors.

The Boards had appointed an independent external party to conduct Board Effectiveness Evaluation on MBSB and MBSB Bank in 2020. The evaluation covers the following key areas:-

Board and Board Committee effectiveness

- a. Overall Board Effectiveness
- b. Board Responsibilities
- c. Board Composition
- d. Board Remuneration
- e. Board Committees
- f. Board Culture
- g. Chairman
- h. President & Chief Executive Officer
- i. Board Administration and Process
- j. Board Education

Directors' Self and Peer Effectiveness

- a. Board Dynamics and Participation
- b. Leadership, Integrity and Objectivity
- c. Knowledge and Expertise

OUR GOVERNANCE

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The approaches of the assessment are as follows:-

- Customised questionnaire based on principles and good governance practices set out in MCCG, Bursa Corporate Governance Guide, BNM Corporate Governance Policy Document and Financial Services Professional Board Code of Ethics for the Financial Services Industry to assess Board's, Board Committees' and individual Directors' effectiveness, including leadership qualities
- Structured one-to-one conversations with all Directors to obtain views on key strengths and areas for improvement
- One-to-one conversations with selected members from the Management Team to obtain views on Board-Management interaction

The Board Effectiveness Evaluation Report indicated that the Boards are able to fulfill its responsibilities and mandate in providing oversight of MBSB and MBSB Bank as demonstrated through effective contribution and commitment by individual Directors. The Boards also have common shared values and purpose i.e. independence and integrity, objectivity and transparency, value creation and act in all stakeholders' interest.

The Board Effectiveness Evaluation Report also indicates that the Board Committees provides satisfactory support and value to the Board and can effectively discharge their functions and duties.

The Boards also conducted an annual assessment on Independent Directors in 2020 and are satisfied that all Independent Directors are independent of management and free of any interest, position, association or other relationship that might materially influence the Independent Director's capacity to bring an independent judgment and to act in the best interests of the Group and its stakeholders.

The NRC and BNRC have also both assessed the performance of Directors who are subject to re-election at the forthcoming Annual General Meeting ("AGM"). The recommendation have been submitted to the respective Boards for decision on the proposed re-election of the Director concerned for shareholders' approval at the forthcoming AGM.

The Board of MBSB Bank through the BNRC also conducted an annual assessment on the performance and effectiveness of the SAC and every member of the SAC, in line with the Shariah Governance Framework issued on 20 September 2019.

As per the Board Charter, the Independent Directors' tenure shall not exceed a cumulative period of nine (9) years except under exceptional circumstances or as part of transitional arrangement towards full implementation of the succession plans subject to BNM approval.

The NRC and Board of MBSB had recommended to the shareholders in the AGM held on 30 June 2020 to approve Encik Lim Tian Huat, who has served as an Independent Director of MSBB for more than nine years, to continue to act as Senior Independent Director of the Company until the conclusion of the next AGM and the resolution was duly passed.

Encik Lim Tian Huat was subsequently redesignated as Non-Independent Non-Executive Director in the subsequent year on 7 February 2021, to be in line with the recommendation in Practice 4.1 of MCCG and the Board Charter.



Refer to MBSB CG Report 2020 for further details on activities carried by NRC and BNRC in 2020

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Board Remuneration

The Boards have established a Directors Remuneration Framework which is tailored to support the strategies and long-term vision of the Group as well as provide adequate motivational incentive for Directors to pursue long-term growth and success of the Group. The NRC and BNRC are responsible to review the Directors' remuneration on an annual basis prior to making its recommendations to the Boards for approval.

Both the NRC and the BNRC are responsible for ensuring that the Directors' remuneration for MBSB and MBSB Bank is competitive and aligned with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC and the BNRC to the respective Boards after giving due consideration to all relevant factors including the Directors fiduciary duties, time commitments expected of the Directors, company's performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.

With the Companies Act, 2016, MCCG and MMLR in place, the duties and responsibilities of Board members have become more onerous and the expectations of the Board Committees have increased. The Board Committees of MBSB and MBSB Bank are also carrying the oversight responsibilities particularly in ensuring that the Group complies with BNM guidelines to ensure that the current remuneration structure commensurate with the respective Directors' responsibilities. The NRC had in 2019 requested for an external consultant to be appointed to review the remuneration structure of Directors for both MBSB and MBSB Bank.

Although, the external consultant had recommended an adjustment to align the remuneration of directors, the Boards, given the COVID-19 pandemic which had severely affected the Group, the financial sectors and the broader economy, had decided not to recommend any increase in the fee structure for the Directors for the current year.

The fees and benefits payable to Directors are approved by the shareholders in the general meeting in accordance with the Companies Act, 2016 and the Company's Constitution.



Refer to Practice 6.2 of MBSB CG Report 2020 for details of the Directors' fees structure and benefits payable to NEDs of MBSB and MBSB Bank

Board Training

The Boards have established the Directors Orientation and Training Guidelines, which encourage Board members to attend continuous training to acquire new knowledge enabling them to discharge their duties effectively.

The Company Secretaries have also arranged for the Directors of MBSB and MBSB Bank to attend the mandatory certification programs within the stipulated timeline; such as Mandatory Accreditation Programme ("MAP") – for listed entities only, Financial Institutions Directors Education Programme ("FIDE") and Islamic Finance for Board of Directors Programme ("ISRA").



Refer to Practice 5.1 of MBSB CG Report 2020 for details of the list of programmes/ conferences/ seminars/ dialogues attended by the Board of MBSB and MBSB Bank

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B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committees

As of 31 December 2020, the MBSB's Audit Committee ("AC") comprises three (3) Independent Non-Executive Directors. The AC is chaired by Encik Lim Tian Huat who has extensive experience in accounting and finance. Encik Lim is a Council Member of Insolvency Practitioners Association of Malaysia, a Fellow of the ACCA, a member of the MIA and the Malaysian Institute of Certified Public Accountants ("MICPA").

Following Encik Lim's redesignation as Non-Independent Non-Executive Director with effect from 7 February 2021, Encik Mohamad Abdul Halim bin Ahmad has been appointed as Chairman of the AC with effect from 7 February 2021 replacing Encik Lim. Encik Halim is an Associate Member of the ICAEW and also a member of the MIA.

At MBSB Bank, MBSB Bank's Board Audit Committee ("BAC") consists of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as at the end of 2020. MBSB Bank's BAC is chaired by Encik Aw Hong Boo, a Fellow of the ICAEW, a member of MIA and MICPA.

None of the AC and BAC members was a former key audit partner in the past two years.

The Boards have adopted a stricter policy in the Board Charter that applies to appointment of new Directors. The Board Charter states that 'any candidate or Director directly involved in the engagement and any partner of the external auditor firm must not serve or to be appointed as Director until at least two years after he ceases to be an officer and/or partner of that firm and the firm last served as an auditor of the Group.'

The AC and BAC are also responsible for reviewing and monitoring external auditors's suitability and independence annually. The External Audit Policy and Procedures guide both committees on the assessment of external auditors. The review encompasses an assessment of the auditor's qualifications and performance, the quality and the auditor's communication with the AC and the Group, the auditor's independence, objectivity and professional scepticism.

In 2020, the AC and BAC had assessed the performance of Messrs KPMG PLT and had recommended their reappointment as external auditors. The external auditors' performance of the external auditors is assessed yearly and the re-appointment is subject to the external auditors meeting the criteria as set out in BNM Guidelines. BNM had approved the application for the reappointment of Messrs KPMG PLT as external auditors of MBSB and MBSB Bank. A resolution to reappoint Messrs KPMG PLT as external auditors of MBSB was tabled at the Annual General Meeting on 30 June 2020 and the resolution was duly passed.

The AC and BAC are also satisfied with their review that the non-audit services provided by KPMG PLT and its affiliates did not in any way impair their objectivity and independence as external auditors of the Group.



Refer to the Report of the Audit Committee 2020 for more information on our audit committee and internal audit function

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Risk Management and Internal Control Framework

The Boards are ultimately responsible for risk oversight within the Group through MBSB's Risk Management Committee ("RMC") and Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank level (collectively, the "Board Risk Committees"). The respective Board Risk Committees undertake the overall responsibility for risk oversight within the Group which includes reviewing the risk management policies, risk exposures and limits as well as ensuring that all risks are well managed within the Group's risk appetite, by providing adequate infrastructure and resources to support the risk management activities.

The following Management-led Committees have been set-up to assist the Board Risk Committees in managing credit risk, operational risk, technology risk, market risk, liquidity risk, shariah risk and other material risks.

Management-led Committees at MBSB

1. Management Committee ("MANCO")
2. Credit and Rehabilitation Assessment Committee ("CARAC")
3. Asset Liability Committee ("ALCO")

Management-led Committees at MBSB Bank

1. Management Committee ("MANCO")
2. Management Investment and Credit Committee ("MICC")
3. Asset Liability Committee ("ALCO")
4. Capital Management Committee ("CMC") – subset of ALCO
5. Initial Alert Report Committee ("IAR")
6. IT Steering Committee ("ITSC") (dissolved)

The Group has a risk management framework for identifying, measuring, monitoring, controlling and reporting the significant risks faced by the Group in achieving the business objectives and strategies. The risk management framework ensures an effective ongoing process to identify, measure, monitor, control and report risks across the Group.

The key features of the risk management framework include:

- i) Governance and Organisation
- ii) Internal Capital Adequacy Assessment Process ("ICAAP") of MBSB Bank
- iii) Risk Appetite of MBSB Bank
- iv) Risk Management Process for the Group
- v) Risk Culture

The respective heads of business units are responsible for monitoring the compliance of their business activities to the approved risk appetite in the framework and the Risk Management Division is responsible for monitoring the risk limits set by the Boards and reporting any limit breaches or exceptions to the relevant Management-led Committees, Board Committees and the Boards. The reports include the type of breaches, rationale (cause or reason leading to the breaches) and action plans taken to rectify the situation. The Boards also have the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investments and the company's assets.

The ITSC was dissolved and its responsibilities have been taken over by the MANCO since March 2020. In March 2020, the Board Information Technology Oversight Committee ("BITC") was established to provide Board oversight over all IT related matters.

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The roles and responsibilities of CMC are for reporting to ALCO on the capital management of MBSB Bank. CMC represents MBSB Bank's business and support functions and is accountable for capital planning and adherence to the ICAAP framework. In capital management matters, CMC is responsible via the ALCO for the capital planning to ensure the capital adequacy and sufficiency of capital buffer for the Bank so that it can cater for any potential capital shocks that may arise.

At the Bank level, the Designated Compliance and Risk Officer ("DCORO") at all business and support functions including bank branches has been established. The establishment of DCORO is to strengthen the compliance and risk management culture within the Bank and to ensure compliance and operational risks are managed effectively within Bank. The DCORO together with all Business Unit and the Management will act as the first line of defense in executing compliance and operational risk initiatives at business and support functions.

The Boards are of the view that the risk management and internal control framework in place during 2020 is sound and sufficient to ensure that all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.



Refer to the Statement on Risk Management and Internal Control ("SORMIC") for more information on our risk management and internal control framework

Shariah Governance

As the second-largest stand-alone Islamic bank in Malaysia, MBSB Bank strives to hold the banner of Islamic banking to the highest standards, and to ensure that its operations, business, affairs and activities at all times comply with Shariah.

MBSB Bank is governed by its Shariah Governance Policy established by the SAC and in line with the Shariah guidelines issued by BNM. The Shariah Governance Policy is supported by the following policies and procedures:

- Shariah Secretariat and Advisory ("SSA") Department Procedures
- Shariah Risk Unit Procedures
- Shariah Policies for Tawarruq Financial Products
- Zakat Policy
- Shariah Requirements for Advertising, Marketing, Corporate Events and Business Tie-up



Refer to MBSB Sustainability Report ("Regulatory and Shariah Compliance" section) for more information on the measures established and initiatives implemented in 2020

The SAC performs an oversight role on Shariah matters related to business operations and activities of the relevant Islamic businesses within MBSB Bank.

SAC is required to report to the Board of MBSB Bank as it performs its duties in overseeing the overall Shariah matters of MBSB Bank. Where the SAC has a reason to believe that any Shariah issues or matter may affect the safety and soundness of MBSB Bank, the SAC must immediately update the MBSB Bank's Board on such matter.

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The roles and responsibilities of SAC in monitoring MBSB Bank's activities include, but not limited to the following:

- a) providing a decision or advice to the Bank on the application of any ruling of the Shariah Advisory Council of BNM or standards on Shariah matters that are applicable to the operations, business, affairs and activities of MBSB Bank;
- b) providing a decision or advice on matters which require reference to be made to the Shariah Advisory Council of BNM;
- c) providing a decision or advice on the operations, business, affairs and activities of MBSB Bank which may trigger a Shariah non-compliance event; and
- d) endorsing a rectification measure to address a Shariah non-compliance event.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

MBSB is committed in providing investors and stakeholders with high-quality information in a timely manner.

MBSB actively engages all its stakeholders through various platforms including the announcements via BursaLINK, disclosures on the MBSB website and engagement through the investor relations function.

COVID-19 pandemic has posed challenges to MBSB in conducting discussions, dialogues and briefings with stakeholders. However, MBSB is committed in maintaining an open communication with analysts, investors, and regulators through online platforms to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests. Besides, communication with employees, customers and other communities were largely conveyed through website and social media. In addition to that, a special webinar on the 2020 economic outlook was organised for MBSB Bank's corporate customers in collaboration with Rating Agency Malaysia Berhad (RAM).

To further enhance MBSB's corporate reporting, MBSB has embarked on the Integrated Reporting journey using the internationally recognised framework – the International Integrated Reporting Council's Integrated Reporting Framework. MBSB aims to demonstrate its commitment to long-term value creation for stakeholders and improve its decision making process by adopting the “integrated thinking” concept of the <IR> Framework.



Refer to MBSB Integrated Annual Report on page 28 and Sustainability Report (“Engaging our key stakeholders” section) for more information on our stakeholder engagements in 2020 and the list of stakeholders’ interests and concerns

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MBSB and MBSB Bank's website, which can be found at <http://www.mbsb.com.my>, and <https://www.mbsbbank.com> respectively, provide updated information on the corporate and business aspect of the Group. Press releases, announcements to Bursa Malaysia, analysts' briefings and quarterly results of the group are also made available on MBSB's website. This helps to promote accessibility of information to MBSB's shareholders and all other market participants. All details of the corporate events carried out by the Group are also available on MBSB and MBSB Bank's website.

The Group has developed the Corporate Disclosure Policy, which sets out the policies and procedures for disclosing all material information to be released to the public.

Stakeholders are welcomed and encouraged to drop us an email at enquiry@mbsbbank.com if they have any inquiries.

Conduct of General Meeting

The AGM of the Company is the principal forum for dialogue and interaction with the shareholders.

Due to the COVID-19 pandemic, the Board decided to conduct a fully virtual general meeting for its 50th AGM held on 30 June 2020 using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website.

Shareholders who participated in the virtual AGM were allowed to use the RPV facilities to ask questions.

Due to the limit of the number of people allowed in the broadcast venue, only the Chairman, Group PCEO, CFO, Company Secretary and the External Auditor were present in the broadcast venue of the AGM. All MBSB Directors as well as MBSB Bank Directors had participated in the AGM remotely.

During the 50th AGM, the Group PCEO presented the Group's financial performance to the shareholders before proceeding with the business of the meeting. The Group PCEO also shared the responses to questions submitted in advance by the Minority Shareholder Watchdog Group.

During the AGM, the Management and Chairman had responded to several questions submitted by remote participants. In addition, the senior management, external auditors and other advisors were available to provide answers and clarifications to shareholders.

The Chairman invited the shareholders to post questions pertaining to MBSB's financial statements, proposed resolutions and other items to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests before proceed with the voting of the resolutions.

MBSB has also appointed Messrs Coopers Professional Scrutineers Sdn Bhd as an independent observer during the AGM to ensure that the shareholders' questions were addressed during the AGM or emailed to the shareholders after the AGM.

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Due to time constraint, not all questions could be answered during the AGM. For questions that were not answered in the AGM, the Management have e-mailed the responses to the respective shareholder after the meeting.

The notice and agenda of AGM together with the Form of Proxy are given to shareholders at least 28 days before the AGM, which would allow shareholders sufficient time to prepare themselves to attend the AGM remotely or to appoint proxy to attend and vote on their behalf. Each item of special business included in the notice of AGM will be accompanied by an explanatory statement on the effects of a proposed resolution.

The voting for the 50th AGM was conducted via poll voting, and it was conducted through RPV facilities. The shareholders/proxies allowed to cast their vote remotely using the RPV facilities.

D. CONCLUSION

Moving forward, the Boards have identified sustainability as a focus area of the Group – to contribute to the environment and society through our operations and better understand the risks and opportunities it presents to the Group, particularly on climate-related risks. The Boards will provide the appropriate guidance and oversight to the Management in driving the sustainability agenda of the Group.

This CG Overview Statement was approved by the Board of Directors of MBSB on 28 April 2021.

Additional Compliance Statement

Utilisation of Proceeds Raised from any Corporate Proposal

During the financial year ended 31 December 2020, the following were carried out by the Group:

1) Dividend Reinvestment Plan (“DRP”)

The net proceeds raised from DRP (after deducting the estimated expenses for DRP) are for the purpose of funding of the working capital and/or other requirements of the Group.

Audit and Non-Audit Fees

Apart from the annual audit fees, the Group has incurred other assurance related fees of and non-audit fees paid or payable to external auditors of MBSB, Messrs KPMG PLT or its affiliates for the financial year ended 31 December 2020.

	Group (RM'000)	Company (RM'000)
Fees paid/payable to KPMG PLT		
- Audit fees	1,670	346
Regulatory related		
- Review of Statement on Risk Management and Internal Control	10	10
- Review of year-end submission to regulator and abridged financial statements	50	-
- Agreed upon procedures for validation programme required by Perbadanan Insurans Deposit Malaysia (“PIDM”)	150	-
Non audit fees	-	-
Total	1,880	356

Material Contracts with Related Parties

Save as disclosed in Note 46 to the financial statements, there are no other material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involves interests of the Directors, Group PCEO and major shareholders.

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Additional Compliance Statement

Dividend Payment Policy

The Company has adopted a 30% dividend payment ratio on profit after tax.

Employees Shares Option Scheme (“ESOS”)

The Shares Option granted to Group PCEO as at 31 December 2020 was as follows:-

Name	Exercise Price (RM)	As at 1.1.2020	Granted	Expired	As at 31.12.2020
Datuk Seri Ahmad Zaini Othman	1.42	270,461	-	270,461	Nil

The number of shares allocated, in aggregate, to the Directors and senior management of MBSB Group shall not exceed 50% of the total Company's shares available under the scheme.

The ESOS has expired on 11 August 2020 and no option was granted to senior management of MBSB Group in 2020 prior to the expiry of the ESOS. The actual percentage of total options granted to senior management of MBSB Group under ESOS since commencement of the scheme was 22.18% of the total ESOS granted.

Details of the ESOS are set out in Note 30(b) to the financial statements in this Annual Report.

Statement on Risk Management and Internal Control

The Board of Directors of Malaysia Building Society Berhad ("the Board") is pleased to present the following Statement on Risk Management and Internal Control ("SORMIC") which outlines the key features of the Group's risk management and internal control system during the year under review.

This SORMIC is prepared in accordance with the Malaysian Code on Corporate Governance ("MCCG"), Bursa's Main Market Listing Requirements, and the guidelines as set out in Bursa's "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

RISK OVERVIEW

The risk strategy of the Group focuses on the fundamental principles with respect to MBSB Bank's risk appetite while balancing the need for competitive return on equity to improve the capital base. The risk strategies for the year ended 31 December 2020 focused on the following :

- i) Supporting the business strategies in new areas that MBSB Bank is expanding such as by ensuring that the necessary risk management tools are in place, e.g. Branch and Spoke project* and Trade Finance;
- ii) Promoting risk awareness and enhancing risk knowledge of the employees by organising engagement sessions/briefings between Risk Management Division ("RMD") and other divisions/departments of MBSB Bank;
- iii) Ensuring technology solutions supporting the business operations comply with regulatory requirements by performing reviews on the solutions and processes and providing governance for technology risk oversight; and
- iv) Introducing or enhancing risk tools to upgrade risk management practices, including the development of statistically-based Corporate Scorecards and e-learning for operational risk

COVID-19

In response to the COVID-19 pandemic, MBSB has set up the Multi Pandemic Disciplinary Team (MDPT) and introduced supportive measures to assist employees and customers in maintaining safe and secure operations.

RMD had also conducted an assessment on the impact of COVID-19 on MBSB Bank especially on the impact of the moratorium on the cashflow and capital position of MBSB Bank as follows :

- Detailing the precautionary steps that MBSB Bank had taken to manage the credit, market, liquidity and operational risks and the potential impact to MBSB Bank
- RMD had conducted an initial impact assessment on MBSB Bank's cashflow position, and assess whether MBSB Bank's liquidity position is acceptable to cushion the deferred payments during the moratorium period.
- RMD had also included the mitigation plans to ensure that MBSB Bank's liquidity position remains stable based on determined scenarios and assumptions

The management and the Board have reviewed the results of the abovementioned impact assessment and stress test performed by RMD of MBSB Bank, in which the results had indicated that MBSB Bank is able to continue its operation despite the COVID-19 impact.

* "Branch and Spoke project" is a project involving branch rationalisation to improve the efficiency of existing branches including installation of self service terminals and digital initiatives, and the setting up of new branches.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

RISK GOVERNANCE AND MANAGEMENT**BOARD RESPONSIBILITY**

The Board is fully aware of its overall responsibility and recognises the importance of maintaining a sound risk management and internal control system, including reviewing the adequacy, integrity and effectiveness of the system to safeguard shareholders' investments and the Group's assets.

The Board oversees the risk management and internal controls of the Group and endeavours to ensure that principal risks are identified and appropriate internal controls and mitigation measures are being implemented. To ensure that the risk management of the Group is adequately managed, the Risk Management Committee ("RMC") at MBSB and the Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank (collectively, the "Board Risk Committees") have been set up. The respective Board Risk Committees will be responsible for establishing the risk management and internal controls of each entity, respectively.

Due to the limitations inherent in any system of risk management and internal control, this system can only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud. Limitations inherent in the system include, amongst others, human error and the potential impact of external events beyond Management's control.

The Board remains committed to operating a sound risk management and internal control system and, therefore, recognises that the system must continuously be enhanced to support the Group's businesses and operations in a dynamic business environment.

The Board has ensured appropriate controls and processes (such as policies, procedures and risk limits within the Group for identifying, measuring, monitoring, controlling and reporting of significant risks as well as emerging risks that may affect the achievement of business goals and objectives) taking into consideration the changes in the business environment and regulatory requirements. The outcome of this process is closely monitored and reported to MBSB and MBSB Bank's Board of Directors (collectively, the "Boards") for deliberation. This ongoing process has been in place for the financial year-end and up to the date of approval of this Statement for inclusion in MBSB's Integrated Annual Report FY2020.

The Boards receive and review reports relating to the compliance status of the internal and regulatory requirements imposed on the respective Group entities. The Boards deliberate on any gaps and deficiencies reported and direct the Management to take the necessary actions, including remedial plans and follow-up actions to ensure that the gaps and deficiencies are addressed.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Boards and is responsible for implementing the Group's policies and processes to identify, measure, monitor, control and report on risks, and ascertain the effectiveness of internal control systems and implement appropriate remedial action. Management's roles include:

- Identifying and evaluating the risks relevant to the Group's business and monitoring the achievement of its business objectives and strategies;
- Formulating and implementing relevant policies and procedures to manage risks and the conduct of business as per the Group's strategic vision and overall risk appetite;
- Designing and implementing the risk management framework and internal control system, and monitoring its effectiveness;
- Implementing remedial actions to address compliance deficiencies as directed by the Boards; and
- Reporting to the Boards on any changes identified to the key risks or emerging risks faced by the Group and the corrective actions taken.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL

The Boards regard risk management as an integral part of business operations and confirm that there is an ongoing process of identifying, measuring, monitoring, controlling and reporting the significant risks that may affect the achievement of the business objectives. The control structure and processes that have been instituted throughout the Group are reviewed and updated from time to time to strengthen and tighten the relevant internal controls, consistent with the Group and industry practices.

RISK MANAGEMENT FRAMEWORK

The Group has a risk management framework for identifying, measuring, monitoring, controlling and reporting the significant risks faced by the Group in achieving the business objectives and strategies. The risk management framework ensures an effective ongoing process to identify, measure, monitor, control and report risks across the Group.

The key features of the risk management framework include:

i. Governance and Organisation:

A governance structure is fundamental to ensure the effective and consistent implementation of the risk management framework. The Board is ultimately responsible for the Group's risk management activities and sets the strategic direction, risk appetite and relevant frameworks. Various Board Committees and control functions assist the Boards in ensuring that the risk management framework is maintained at the Group level and MBSB Bank level. In this regard, the RMC at MBSB and BRMCC at MBSB Bank will ensure that the risk management framework is adequate at each entity, respectively.

ii. Internal Capital Adequacy Assessment Process ("ICAAP") of MBSB Bank:

The ICAAP framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital under existing and stressed conditions. For non-measurable risks, a qualitative approach is used, and normally, this type of risk is labelled as potentially material. The Group relies on Management's experience and judgment in assessing if such risk could threaten the Group's survival.

iii. Risk Appetite of MBSB Bank:

Risk Appetite is defined as per MBSB Bank's ICAAP Framework as the amount and types of risk that MBSB Bank can and is willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to the changing business and market conditions. As the risk appetite is dynamic, it is set based on the business and financial targets while incorporating external factors such as macroeconomic factors and the global economic outlook. The Board of MBSB Bank considers the actual and targeted risk profile proposed by senior management and business units when setting the risk appetite. The risk appetite is reviewed annually as part of the strategic planning process or as and when required due to changing business and market conditions.

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Statement on Risk Management and Internal Control

iv. Risk Management Process for the Group:

- **Business Planning:** Risk Management Division is an element of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new products or new business activities for the relevant entities.
- **Risk Identification:** Risks are identified by applying the Enterprise Risk Management ("ERM") Framework and other relevant risk-related policies and procedures.

Risks inherent in products and business activities are identified upfront at the point of introduction, as well as on an ongoing basis via various avenues, including product reviews, Risk Control Self-Assessment ("RCSA"), Key Risk Indicators ("KRIs"), Loss Event Reporting ("LER"), and through reviews conducted by the Internal Audit Division. The risk identification process includes identifying any emerging risks that may have significant impacts on the Group.

The usage of KRIs enables early detection of risk to ensure that adequate risk management controls and procedures are in place to ensure appropriate management of these risks in an informed and strategic manner.

At the MBSB Bank level, material risks are identified by determining events or scenarios that may adversely impact MBSB Bank. The details of the identification and assessment process are documented under MBSB Bank's ICAAP Framework.

- **Measure and Assess:** Risks are measured and aggregated using risk methodologies across each of the risk types.

Qualitative and quantitative risk measurement techniques have been developed across different dimensions of risk factors, including stress testing methodologies, credit risk grading methodologies, and ratios for various types of risk.

- **Manage and Control:** Controls and limits are used to manage risk exposures within the risk appetite. MBSB Bank's risk appetite is documented in its ICAAP Framework.

Qualitative and quantitative controls, including risk triggers and limits, have been developed to oversee and manage significant risk exposures. In addition, risk mitigation techniques have been implemented to minimise existing or prevent new or emerging risks from occurring.

Controls and limits are monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are also taken to mitigate risks.

- **Monitor and Report:** Risks on an individual and portfolio basis are being monitored and reported to the respective management-led committees, Board Risk Committees, Board Audit Committees and the Boards for their review to ensure the risks remain within MBSB and MBSB Bank's risk appetite.

KRIs and early warning signals are monitored to ensure that sufficient and timely actions can be put in place to mitigate any potential risk.

Qualitative and quantitative metrics are assigned based on the key risks for the Group. The state of compliance of these indicators is reported to the respective management-led committees, Board Risk Committees, Board Audit Committees and the Boards.

Operational risk incidents highlighted in the Loss Event Reporting are also reported to the respective management-led committees, Board Risk Committees and the Boards.

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Statement on Risk Management and Internal Control

v. Risk Culture:

The Group embraces risk management as an integral part of its culture and decision-making process. The Group's risk management philosophy is embodied in the "Three Lines of Defense" approach, whereby risks are managed at the point of a risk-taking activity. The Three Lines of Defense is reflected in the Group's ERM Framework. There is clear accountability of risk ownership across the Group. Guided by the said principle, the Group has launched a Risk Awareness Culture Program that comprises training, awareness campaigns, issuance of bulletins and roadshows to promote a healthy risk culture. A strong risk culture minimises the Group's exposure to financial and non-financial risks, including reputational impact, over time.

Also, MBSB Bank has appointed Regional Compliance and Risk Officers ("RCRO") and Designated Compliance and Risk Officers ("DCORO") to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are assigned at the respective branches, business and functional units across MBSB Bank to provide real-time advisory on risk and compliance matters.

The above implementation is in line with the "Three Lines of Defense" concept as practised by the Group. The model is depicted in the diagram below:



Note: 1st Line of Defense shall include All Business Units & Support Functions i.e. Human Resource Division, Technology Division and Corporate Services Division. The Senior Management's role shall oscillate between 1st line to 3rd line of defense.

The Group has established guiding principles that form the basis and foundation for accountability and responsibility for risk management governance as follows:

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Statement on Risk Management and Internal Control

Risk Management Committee

The Boards have set up MBSB's RMC and MBSB Bank's BRMCC as the drivers for reviewing, monitoring, mitigating, and reporting significant risks and ensuring proper oversight of the management of risks related to the Group's and MBSB Bank's processes and activities.

The Boards are ultimately responsible for risk oversight within the Group through the Board Risk Committees. The respective Board Risk Committees undertake the overall responsibility for risk oversight within the Group which includes reviewing the risk management policies, risk exposures and limits as well as ensuring that all risks are well managed within the Group's risk appetite, by providing adequate infrastructure and resources to support the risk management activities.

The primary objectives of the respective Board Risk Committees are to assist the Boards in fulfilling their fiduciary responsibilities, particularly in the management of controls and to provide a focal point for communication between risk managers, the Boards and Senior Management on matters in connection with reporting risks and controls as well as providing a forum for independent discussions.

The Board Risk Committees shall also undertake additional duties deemed appropriate and necessary to assist the Boards.

For printing purposes :



Refer to the Practice 9.3 of CG Report 2020 for further details on the composition of RMC and BRMCC. Refer to the Practice 5.1 of CG Report 2020 for details of their attendance of meetings held during the year

Management-led Committees

Management-led Committees have been set-up to assist the Board Risk Committees in managing credit risk, operational risk, technology risk, market risk, liquidity risk, shariah risk and other material risks. The respective Management-led Committees set-up under the Group are as follows:

MBSB

The Management Committee ("MANCO"), which comprises Senior Management members, acts as a platform for addressing all inherent risks to MBSB and the development of risk mitigation measures and strategies. The MANCO is also responsible for identifying, discussing and resolving any operational, financial and key management issues.

Other management-led committees, namely Asset Liability Committee ("ALCO") and Credit and Rehabilitation Assessment Committee ("CARAC"), assist RMC and the Board in managing credit, operational, market and liquidity risks. Further details of the roles and responsibilities of these committees are as follows:

- ALCO serves as the primary oversight and decision-making body that provides the Group's strategic direction for the management of market risk, liquidity risk, profit rate, and the Group's assets and liabilities. ALCO also monitors capital adequacy through the capital management of MBSB Bank.
- CARAC deliberates and approves decisions on the remaining conventional corporate and retail financing within the authority limit delegated by the Board. Where the proposals of the existing corporate and retail financing are not within CARAC's authority limit, the Committee will recommend the proposals to the Board for approval. No new financing accounts are being approved by MBSB as all new financing accounts are being approved by MBSB Bank.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

MBSB Bank

At the MBSB Bank level, the following Committees have been established to manage credit, operational, technology, market, liquidity and Shariah risks.

- MANCO, which comprises Senior Management members, acts as a platform for addressing all inherent risks to MBSB Bank and developing risk mitigation measures and strategies. In implementing the Risk Appetite Framework across MBSB Bank, MBSB Bank's MANCO ensures timely escalation of all events that materially impact MBSB Bank's financial condition or reputation for appropriate action. MANCO is also responsible for identifying, discussing and resolving any operational, financial and key management issues. After the disbandment of the IT Steering Committee ("ITSC"), MANCO has taken on the responsibility of the governance and policy-making for IT-related matters at MBSB Bank in March 2020.
- Management Investment and Credit Committee ("MICC") deliberates and approves corporate financing/investment accounts and retail financing/investment accounts within the authority limit delegated by MBSB Bank's Board. Where the prospective corporate financing and retail financing/investment accounts are not within MICC's authority limit, it would recommend the financing to the relevant Board Committees of MBSB Bank for affirmation.
- ALCO serves as the primary oversight and decision-making body that provides strategic direction for managing market risk and liquidity risk. MBSB Bank's ALCO also monitors capital adequacy through capital management.
- Capital Management Committee ("CMC") is responsible for reporting to ALCO on the capital management of MBSB Bank. CMC represents MBSB Bank's business and support functions and is accountable for capital planning and adherence to the ICAAP framework. In capital management matters, CMC is responsible via the ALCO for the capital planning to ensure the capital adequacy and sufficiency of capital buffer for MBSB Bank so that it can cater for any potential capital shocks that may arise. Management will first deliberate at the CMC, which is participated by representatives from various key divisions across MBSB Bank. Thereafter, the CMC will propose all matters through the ALCO and the BRMCC.
- Initial Alert Report Committee ("IAR"), in attending to corporate and retail financing, reviews and evaluates the position of financing accounts that are in arrears or require closer monitoring and determines the course of action to be taken for these accounts. On a portfolio level, the IAR assesses the quality of the retail and corporate financing portfolios and evaluates any significant trends detected.

These committees are responsible for overseeing the development and assessing the effectiveness of policies approved by MBSB Bank's Board. MBSB Bank's Senior Management oversees the execution and implementation of the policies.

Shariah Advisory Committee ("SAC")

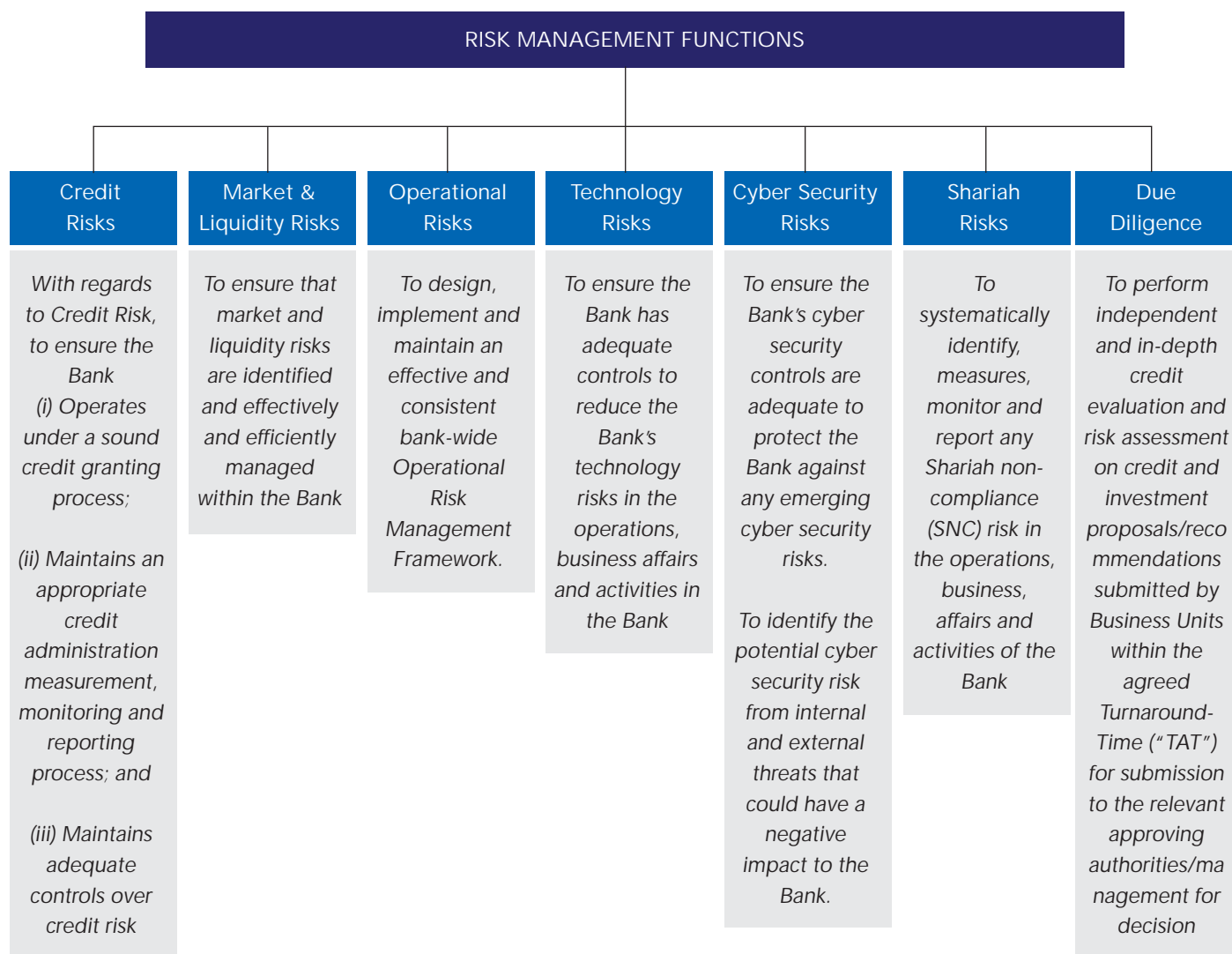
SAC is responsible and accountable for all Shariah decisions, opinions and views provided by them. The SAC is responsible for advising the Bank Board, endorsing the Shariah policies and procedures, and ensuring MBSB Bank's products comply with Shariah principles.

Guided by Shariah Governance Policy (SGP) of BNM and MBSB Bank, the role of SAC as an invitee in the Board meeting is to ensure effective communication with the SAC on all matters relating to Shariah requirements, Shariah governance or Shariah non-compliance risks to enable both parties to effectively discharge respective responsibilities under the Shariah governance framework.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

Risk Management Division



The Risk Management Division ("RMD") is headed by the Chief Risk Officer. It is responsible for communicating the critical risks the Group faces, the controls in place and plans to manage these risks to the Management, Board Risk Committees and the Boards.

The RMD provides advice and guidance on the credit, operational, technology, market, liquidity, Shariah, Environmental, Social and Governance ("ESG") (including climate change) and general business risks. The scope of advice serves to manage and control significant risk exposures inherent to the Group's business operations and cover the identification of significant risks. The RMD is involved in all aspects of the Group's activities, including new product approvals, credit approval, credit and limit monitoring, outsourcing process and reviews of process workflows and policies and procedures.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

The RMD also reviews the Group's compliance to risk limits and identifies emerging risk issues. During the financial year, the RMD provided feedback in decision-making meetings as follows:

MBSB

- MANCO - Permanent Invitee
- CARAC - Permanent Invitee
- ALCO - Member

MBSB Bank

- MANCO - Permanent Invitee
- MICC - Permanent Invitee
- ALCO – Member
- CMC - Member
- IAR - Member
- SAC – Permanent Invitee

The RMD continues to report to the respective Management Committees, Board Risk Committees and the Boards according to the committees' requirements and the changing business environment.

The RMD submits the Risk Management Report addressing the Group's risk exposure, risk portfolio composition and risk management activities to the respective Management-led Committees, Board Risk Committees and the Boards for their review regularly.

During the year, RMD was involved in the following key initiatives:

Principal risks	Key initiatives for Financial year ended 31 December 2020 ("FY2020")
<p>Credit risk</p> <p><i>Risk of suffering financial loss as a result of any of MBSB Bank's customers or counterparties' failure to fulfil their contractual obligations to repay their financing or settle their financial contracts</i></p>	<ol style="list-style-type: none"> 1. Performed risk analysis over the customers categorised under "Watchlist" (Group of customers which requires monitoring) 2. Developed Corporate Scorecard Policy & Procedures document 3. Developed Risk Management Reporting Framework to comply with BNM's expectations, as per BNM's survey for Data Management and Management Information System ("MIS") Practices 4. Conducted engagement sessions with Business Division (at least bi-annually) to update them on credit policy changes and address any queries on policy changes 5. Developed policies and procedures to address and assist customers affected by the pandemic 6. Enhanced the delegation of approving authorities to ensure a faster turnaround time in assisting customers affected by the pandemic 7. Enhanced monitoring of financing portfolio with a focus on the impact of the pandemic on the portfolio 8. Reviewed customer Industry Sector Limits to manage customer credit concentration

OUR GOVERNANCE

Statement on Risk Management and Internal Control

Principal risks	Key initiatives for Financial year ended 31 December 2020 ("FY2020")
<p>Market risk</p> <p><i>Risk of losses resulting from movements in market prices</i></p>	<ol style="list-style-type: none"> 1. Established the internal capital target for Common Equity Tier 1 and Tier 1 capital 2. Established the monitoring and reporting processes on off-market rates for treasury activities 3. Subscribed to market news and data to facilitate in the market analysis, stress testing, portfolio simulation and for reporting purpose 4. Reviewed the Stress Test Policy
<p>Liquidity risk</p> <p><i>Risk of not being able to obtain sufficient funds in a timely manner at a reasonable cost to meet financial commitments when due</i></p>	<ol style="list-style-type: none"> 1. Reviewed the Contingency Funding Plan for the overall liquidity management 2. Ensured there is sufficient liquidity buffer and MBSB Bank is operating within the internal Management Action Trigger (MAT) before hitting the regulatory limit
<p>Operational risk</p> <p><i>Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events</i></p>	<ol style="list-style-type: none"> 1. Reviewed Outsourcing Policy & Procedures as per BNM's Outsourcing Policy Document 2. Rolled-out E-Learning program on operational risk and Business Continuity Management ("BCM") to all staff of MBSB Bank 3. Provided governance support for the Branch and Spoke project 4. Conducted engagement program with DCORO and RCRO internally 5. Reviewed BCM Framework 6. Conducted Scenario Analysis exercise to identify manual workaround for Branch during system downtime 7. Established the Multi-Disciplinary Pandemic Team, whereby various initiatives were put in place to ensure the safety of staff was prioritised without affecting business operations. Some of the initiatives include split-team arrangements, work from home arrangements, regular sanitisation practices and setting of guidelines on the New Norm.
<p>Technology risk</p> <p><i>Risk of any adverse outcome, damage, loss, disruption, violation, irregularity or failure arising from the use of or reliance on computer hardware, software, electronic devices and online networks and telecommunications systems</i></p>	<ol style="list-style-type: none"> 1. Implemented robust internal guidelines for handling confidential information, particularly guidelines on remote-working 2. Secured VPN connections were granted to employees, with restricted access and authorisation in order to limit data security exposure 3. Provided Quarterly IT risk report, covering: <ul style="list-style-type: none"> • IT risk review on the state of internal controls; • Gaps in relation to Risk Management Information Technology ("RMiT") as per BNM's requirement; • Implementation RMiT gaps closure status; and • IT security vulnerability assessment observation 4. Issued quarterly bulletin to all MBSB Bank's staff to improve awareness of IT risk and defense
<p>Cyber security risk</p> <p><i>Risk of any adverse outcome, damage, loss and disruption arising from the emerging cyber security threat.</i></p>	<ol style="list-style-type: none"> 1. Performed risk assessment on Security Operating Centre ("SOC"). <ul style="list-style-type: none"> • Procedures on handling Security Operating Centre ("SOC"); • Metrics & KPI reporting on penetration testing and vulnerability assessment ("PTVA") conducted on the customer facing systems; and • Incident management handling for identification of security threat.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

Principal risks	Key initiatives for Financial year ended 31 December 2020 ("FY2020")
<p>Shariah risk <i>Risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (SAC), standards on Shariah matters issued by MBSB Bank, or decisions or advice of the Shariah committee.</i></p>	<ol style="list-style-type: none"> 1. Performed assessment on the Bank's Tawarruq-related policies and procedures in accordance to Paragraph 26: Risk Management of the BNM's Tawarruq policy document requirements. 2. Conducted Shariah risk awareness training to all DCOROs with the collaboration of operational risk unit 3. Shariah awareness bulletin was issued to all staff of MBSB Bank on a quarterly basis
<p>Environmental, Social and Governance ("ESG") risk <i>Risk arising from the ESG impacts on the business, including climate-related risks and impacts of our financing on the environment and society</i></p>	<ol style="list-style-type: none"> 1. Enhanced the credit policy which outlines general exclusions for providing financing to sectors or activities with negative environmental and social impact 2. Introduced risk acceptance criteria for renewable energy projects

INFORMATION TECHNOLOGY RISK MANAGEMENT FRAMEWORK

The Group endeavours to adopt sound Information Technology Risk Management ("ITRM") practices based on industry best practices. MBSB's ITRM Framework is implemented with the following objectives:

- Articulate the overall vision, principles, philosophy, objectives and goals of ITRM;
- Provide greater clarity of roles and responsibilities for ITRM across the organisation;
- Define a policy for effective management and supervision of IT risk;
- Define a policy for IT risk identification, assessment, treatment and monitoring and reporting;
- Integrate and align the management of IT Risk with the Operational Risk Management Framework, as well as other relevant guidelines, thus allowing well-informed decisions to be made about the extent of the risk;
- Promote IT risk awareness and culture and ensure that a commitment to IT risk management exists across the organisation;
- Foster an organisational climate where information security risk is considered within the context of the design of business processes, enterprise system architecture and system development life cycle;
- Ensure that adequate security controls are implemented to protect information assets (confidentiality, integrity, availability); and
- Reduce exposure to unexpected losses caused by IT risk.

Employees at all levels must understand their responsibilities and are held accountable for managing IT risk, that is, the risk associated with the operation and use of information systems that support the missions and business functions of the Group.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

SHARIAH GOVERNANCE FRAMEWORK

The Group's Shariah Governance Framework sets out the expectations of the Shariah governance structures, processes and arrangements of all Islamic business transactions. MBSB Bank's Shariah Governance Framework reflects the responsibility of MBSB Bank's Board, Management, Shariah Advisory Committee and Shariah Control functions, namely, Shariah Secretariat and Advisory, Shariah Risk, Shariah Compliance Review and Shariah Audit, as well as Business Units to ensure management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is executed through four lines of defence that cater to both pre-execution and post-execution. The four lines of defence are as follow:

- 1) Management and Business Unit
- 2) Shariah Secretariat and Advisory
- 3) Shariah Risk
- 4) Shariah Audit and Shariah Compliance Review.

Risk of Shariah Non-Compliance

Shariah non-compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which MBSB Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia, standards on Shariah matters issued by MBSB Bank pursuant to section 29(1) of the IFSA, or decisions or advice of the Shariah committee.

MBSB Bank has implemented the following controls in addressing this risk:

- On-going identification, assessment, monitoring and controlling of Shariah non-compliance risk as set out in the Shariah Governance Framework and other guidelines to ensure operations and business activities comply with Shariah requirements
- Using Operational Risk Management tools such as LER, RCSA and KRI for monitoring of Shariah non-compliance risk exposures and effectiveness of controls
- Subjecting new Islamic products or services introduced as well as variations to a vigorous product evaluation process which assesses the potential Shariah non-compliance risk as well as the readiness to introduce the products or services
- Conducting a periodic review of the potential risks and issues relating to the Islamic concepts/contracts of Islamic products and services to ensure the potential issues are managed and the products and services are Shariah-compliant
- Sponsoring employees to acquire Shariah certification to enhance knowledge and upgrade skills on Shariah matters
- Continuous training and awareness on the Shariah principles and potential Shariah non-compliance risks provided by Shariah Secretariat and Advisory Department, Shariah Risk Unit and Shariah Compliance Review.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

INDEPENDENT CREDIT REVIEW DEPARTMENT

The Independent Credit Review ("ICR") Department ensures that credit decision-making remains consistent with MBSB Bank's overall credit risk management objectives and reports the findings of their reviews to MBSB Bank's Board Audit Committee ("BAC"), BRMCC and Board Investment & Credit Committee ("BICC"). As part of their reviews, the ICR Department assesses the following areas:

- i. Quality of credit risk assessment and rigour of credit approval processes, including in respect of the scope of information obtained for credit decisions;
- ii. Whether credit decisions are in accordance with the credit risk strategy, credit risk policy, and relevant legal and regulatory requirements;
- iii. Scope, effectiveness and timeliness of credit risk monitoring activities;
- iv. Accuracy and timeliness of ratings assigned to counterparties; and
- v. Appropriateness of credit classifications and provisioning levels.

INTERNAL AUDIT DIVISION

The Internal Audit Division ("IAD") reports to MBSB's Audit Committee ("MBSB AC") and MBSB Bank's Board Audit Committee ("MBSB Bank BAC"). The IAD performs systematic and regular reviews of key processes via audit of divisions/departments and branches to assess the effectiveness, adequacy and integrity of internal controls, including compliance to the necessary policies and guidelines. The IAD highlights improvement areas and proposed recommendations to the Senior Management, MBSB AC and MBSB Bank BAC with periodic follow-up reviews on actions taken. The IAD assists the MBSB AC and MBSB Bank BAC in discharging the Committees' duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of MBSB's and MBSB Bank's system of internal controls. The IAD adopts industry practices such as:

- i) BNM/RH/GL (013-4) Guidelines on Internal Audit Function of Licensed Institutions

The core functions of an IAD according to the Guidelines are: -

- To perform an independent appraisal of activities as a service to the Management; and
- To assist Management to establish and maintain the best possible internal control environment within MBSB Group

- ii) International Professional Practice Framework

To ensure that the IAD operates competently and professionally within this changing environment, a series of professional standards have been adopted which reflect the internationally-accepted International Professional Practice Framework, issued by the Institute of Internal Auditors

- iii) The IAD is also guided by the Internal Audit Charter, Internal Audit manual and the Audit Committees' Terms of Reference.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

The annual audit plan is developed using a risk-based approach and is reviewed and approved by MBSB AC and MBSB Bank BAC and notified to the SAC and the Boards.

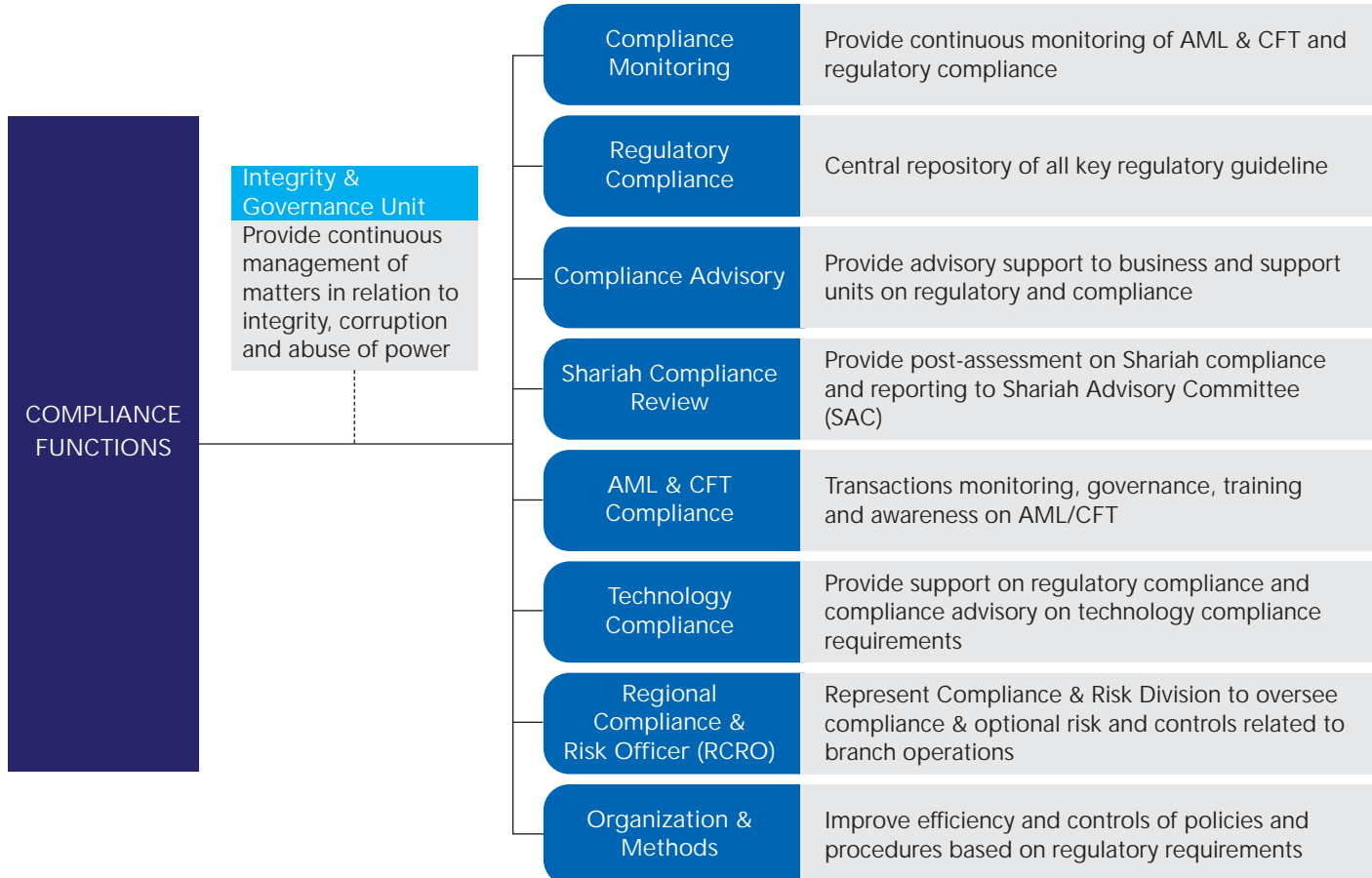
During the year, the IAD has carried out independent and objective reviews in accordance with an approved audit plan covering credit assessment for retail and corporate portfolio, credit operations, branches, treasury, finance, information technology, material outsourcing services, procurement, audit reviews on BNM's and other regulators' (Paynet and PIDM) regulatory audit and other support functions. The IAD has also conducted a Thematic Shariah audit review on selected areas to ensure that adequate controls were in place to ascertain conformity with Shariah principles. Shariah audit findings, recommendations and audit reports were also tabled to the SAC and MBSB Bank BAC for notification and deliberation.

Based on the reviews, the IAD has provided the MBSB AC, MBSB Bank BAC, SAC and the Boards with periodic reports highlighting observations, recommendations and management action plans to improve the system of internal controls. On behalf of the Boards, the MBSB AC and MBSB Bank BAC regularly review and deliberate on internal control issues identified in the reports prepared by the internal auditors and the related actions taken by Senior Management. The MBSB AC and MBSB Bank BAC also review the external auditor's annual audit plan, annual audit report and management's response to any findings raised.



Refer to the Report of the Audit Committee on pg 157 of this Integrated Annual Report for further details on the internal audit function

COMPLIANCE DIVISION



OUR GOVERNANCE

Statement on Risk Management and Internal Control

Compliance management is the collective responsibility of the Boards, Senior Management and every employee of the Group. Led by the Boards and Senior Management, the Group adopts a compliance culture that reflects a corporate culture of ethical standards and integrity. The Group aspires to uphold high standards in carrying on its business and at all times observes both the spirit and letter of the laws and regulations. To achieve this, compliance must be managed systematically and effectively by a dedicated compliance function.

The compliance function of the Group is driven by the Compliance Division, whereby its main objective is to identify and manage compliance at the Group level through consistent compliance programmes carried out across the Group. To maintain its independence, the Compliance Division reports functionally to the Boards and administratively to the Group President and Chief Executive Officer. Compliance issues and matters in respect of governance, processes, controls, and systems are deliberated at Senior Management Committees, Board Risk Committees, and Boards.

The effectiveness of the compliance function within the Group is further supported and augmented by:

- RCRO, who is appointed to continuously reinforce compliance culture and manage compliance risk at the regional level under the second line of defence. The roles of the RCRO include performing thematic reviews, monitoring compliance, coordinating compliance and risk activities, and strengthening compliance culture at branches, amongst others.
- DCORO, who represents the first line of defence and acts as the key interface with the Compliance Division in delivering and promoting compliance awareness, implementing and monitoring control measures, executing compliance framework, and facilitating the understanding of compliance requirements at the respective business and support units.

The Group's commitment towards compliance is embodied in its Compliance Charter as follows:

- Preserve the integrity and reputation of MBSB Bank by way of adherence to applicable laws, regulations and ethical standards in all markets and jurisdictions in which it operates.
- Improve the corporate image of MBSB Bank as a respectable organisation with regards to compliance, including Shariah rulings and Anti-Money Laundering ("AML") & Counter Financing Terrorism ("CFT") risks.
- Fully cooperate with the relevant local and international competent authorities and law enforcement agencies in combating money laundering and counter financing of terrorism.
- Ensure MBSB Bank and all staff comply and operates according to regulatory and internal Foreign Exchange Policies.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

The Interconnectedness of compliance responsibilities within the Group is depicted in the diagram below:



In light of the above, the Compliance Division undertakes the following key activities and functions on a continuous basis:

- **Regulatory and Shariah Compliance Reviews** – The regulatory and Shariah compliance reviews are developed based on mandatory requirements by the respective Policy Documents issued by BNM. To this end, Compliance Thematic and Shariah Compliance reviews are periodically conducted to monitor the Group's activities comply with the applicable regulations and Shariah rulings, respectively. The RCRO is responsible for performing the thematic review on branches. Reports on the compliance reviews outcomes are tabled to Senior Management Committee, BRMCC and MBSB Bank's Board, including SAC for Shariah compliance. Subsequently, the rectification progress of the highlighted issues is also tracked and monitored until full resolution.
- **Gap Analysis Exercise** – Gap analysis is performed on new and revised regulatory requirements against the internal policies and procedures to identify the difference between the current and regulatory practices. Action plans are formulated by the affected process owners and tracked for implementation and closure by the Compliance Division. In FY2020, 88 gap analysis were conducted.
- **AML/CFT Compliance Programme** – The Compliance Division undertakes several initiatives to ensure continuous compliance with BNM's Guidelines on AML, CFT and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) covering, inter-alia, conduct transactions monitoring via AML/CFT screening database and providing training and awareness to strengthen the staff understanding and knowledge on relevant requirements. Additionally, the Compliance Division also provides advisory support on AML/CFT matters and perform risk assessments on the Group's business initiatives affecting new and revised products, services and delivery channels. MBSB's AML/CFT Policy has been updated in FY2020 in line with BNM's revision of its policy for Financial Institutions.
- **Advisory Support and Risk Assessment** – Provide compliance advisory support to business and support units to ensure regulatory risk is mitigated. Additionally, the Compliance Division is also involved in the Project Steering Committees ("PSC") and Project Working Groups ("PWG") for all the newly implemented banking products and services. Compliance risk assessment is conducted on all the Group's projects and initiatives to comply with the regulatory requirements.

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- **Compliance Healthcheck** – Healthcheck is developed to serve as a self-assessment tool for branches and selected business and support units to test the key compliance controls, including Shariah, periodically, and allow prompt addressing of self-identified gaps. The areas in the exercise include regulatory requirements such as AML/CFT, Personal Data Protection Act, Foreign Account Tax Compliance Act ("FATCA"), Common Reporting Standard ("CRS"), Foreign Exchange Policies and key pertinent Shariah contracts. The Compliance Division validates the completed healthchecks periodically to ensure objectivity and improve the effectiveness of the exercise.
- **Compliance Training** – Compliance training activities are structured to ensure continuous adherence to relevant regulatory requirements issued by the regulatory bodies. The training plan also aims to update the Group's staff with the latest and new development in term of regulatory requirements such as AML/CFT, Personal Data Protection Act, Malaysian Anti-Corruption Commission Act, FATCA, CRS, Foreign Exchange Policies and key pertinent Shariah contracts. In addition to this, instances of non-compliance highlighted during the thematic and external regulatory reviews are also shared with the employees to prevent the same recurrence.
- **Compliance Awareness** – Another platform that strengthens the employees learning exposure in the Group is via the various compliance awareness mediums, i.e. monthly compliance bulletin and bi-monthly posters. These communication mediums are intended to reinforce the level of comprehension on key compliance areas such as Shariah governance, management of customer information and data privacy and fair treatment to consumers while demonstrating MBSB Bank's continued commitment to alleviate compliance culture amongst the staff.
- **Review of Internal Policies and Procedures** – The Compliance Division participates in the Group's review of new and revised policies and procedures via a working group. This role is instrumental in ensuring all regulatory requirements, including AML/CFT areas, are embedded and harmonised into the internal policies and procedures to ensure compliance gaps are adequately addressed.
- **Liaison Officer with Regulators** – The Compliance Division is the key contact point for the Group in its engagement and liaison with the regulators and Law Enforcement Agencies. The liaison roles include coordinating the information and communication from or to these authority bodies in a systematic manner.
- **Integrity Governance Unit ("IGU")** – The main purpose of IGU is to promote and maintain an integrity culture amongst all employees, including Senior Management and Board members, founded upon strong morals and ethics to combat bribery, corruption, and abuse of power. This function includes regular liaison with Malaysian Anti-Corruption Commission and maintaining the organisation's Adequate Procedures program through emplacement of governance, integrity enhancement, complaints management, verification and detection of corruption related matters.
- **Technology Compliance** – Technology Compliance is established to act as a central repository of PayNet and all technology/systems related guidelines and compliance policies. As a central repository, this role provides assistance in advisory and performs compliance assessment and compliance monitoring in relation to guidelines and policies related to technology.

In addition to the above key activities and functions, the Compliance Division also circulates an Annual Statement of Compliance Certification to all business, support units and branches for their self-certification. This self-certification aims to certify the state of compliance with regulatory requirements, Shariah requirements, and internal policies and procedures surrounding the key business activities and operations at their respective business and support units.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the procedures established by the Group in ensuring effective internal control include:

- The Finance Division drives the financial management for the Group and maintains and enhances financial control. A detailed integrated budgeting process has been established, resulting in ownership of business objectives, plans and the expected financial outcome based on the approved budget. The budget and business plan, as well as strategic initiatives, taking into account the risk appetite, are deliberated by the Management and the MBSB Bank's Board on an annual basis. The MBSB Bank's Board also reviews the operational and financial performance of MBSB Bank. Quarterly management reports are presented to the MBSB Bank's Board. The quarterly management reports provide information on the financial performance and risk exposure of MBSB Bank, which enable MBSB Bank's Board to effectively oversee the MBSB Bank's overall performance objectives, key initiatives, financial plans and annual budget.

- A corporate governance structure is in place with transparent and consistent lines of responsibility;

In addition to the Board Risk Committees and the Board Audit Committees, the Boards are also supported by other established Board Committees in the execution of its responsibilities, namely MBSB Bank's Board Investment and Credit Committee ("BICC"), MBSB Bank's Board Nominating & Remuneration Committee ("BNRC") and MBSB Nominating and Remuneration Committee ("NRC") the details of which are set out in the Corporate Governance Report. Each committee has their respective terms of reference.



Refer to the Practice 1.1 of CG Report 2020 for further details on the various Board Committees

- An Approving Authority Manual with appropriate empowerment and authority limits has been approved by the respective Boards, including authorisation limits at various levels of Management.
- The Risk Appetite Statement (incorporated under the ICAAP Framework), which articulates the nature, type and level of risk that MBSB Bank is willing to assume, is reviewed and approved by the Board of MBSB Bank on an annual basis. Compliance with the risk appetite is monitored periodically, and any non-compliance to the Risk Appetite Statement is reported to the Board of MBSB Bank.
- The RCSA serves as a tool to empower risk owners to perform risk analyses on their business operations. The RCSA allows risk owners to identify, assess, mitigate, monitor and report operational risk at a process level. The objective is to ensure that processes become inherently stronger, in their effort to reduce residual risk and the number of lapses in the processes.
- Business Continuity Management ("BCM") policies have been established for MBSB Bank. The processes are regularly tested during the year with the relevant department/division to ensure the effectiveness of the process. The BCM programme serves as a guideline for MBSB Bank to resume critical operations within the required timeframes and minimises the cost of damages and interruptions due to disasters.
- Policies, procedures and processes governing the Group businesses and operations are documented and are made available to employees through the Group intranet portal. The policies, procedures and processes are reviewed and updated regularly to ensure relevance to the current business environment and compliance with current applicable laws and regulations. They are communicated and made available to all employees via intranet. The policies, procedures, and processes are reviewed and updated by the business and functional units through a structured review process to address changes in laws and regulations and business and operational environment and manage any risks arising from such changes.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

- Recruitment procedures are established within the Group to ensure that the right and appropriate persons are selected to fill available positions, including the Fit and Proper Requirements Policies & Procedures, developed for key responsible persons.
- The Group has established guidelines on the Code of Ethics and Conduct for Directors and Employees, which sets out the Group's directors and employees' responsibilities in observing the principles and upholding the corresponding conduct to achieve professionalism and ethics in the conduct of the Group's business and professional activities.
- Complaint Handling and Whistle Blowing Policy is in place to address the avenues for individuals to report suspected breaches of law or regulations or other improprieties. All employees are accorded the opportunity to report via the Whistle Blowing mechanism with the assurance that it shall be dealt with confidentiality and that the complainant's identity is protected.
- The Fraud and Corruption Control Policies and Procedures have been disseminated to all employees to ensure the Policy requirements are implemented and expected to be strictly followed. The Fraud and Corruption Control Policies and Procedures are implemented to provide broad principles, strategy, and policies related to fraud to promote high standards of integrity. The policies establish programmes and controls, including a periodic review of the fraud controls and highlight the roles and responsibilities at every level for preventing and responding to fraud. A fraud risk assessment is in place to identify and address vulnerabilities to internal and external fraud.
- The AML/CFT framework and policies are continuously reviewed and updated to meet regulatory requirements and combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with ethical and professional standards and continuously be vigilant of the Group's exposure to money laundering, including terrorist financing activities.
- The Group has strengthened the internal controls and ITRM framework and implemented the cyber security project. The project focuses on strengthening the security perimeter to protect the critical systems, enhancing the protection of internet-facing applications, proactive monitoring by the Security Operations Center to ensure the visibility of the cyber security threats and protecting the Group's data from unauthorised information disclosure.
- In addition to the abovementioned cyber security project, the Group is in the process of migrating its system back up and data to the new data centre in Klang Valley Data Centre ("KVDC"). The initiative is targeted to be completed by end of 2021.
- The Group has enhanced its credit policies by outlining general exclusions for providing financing to sectors or activities with negative environmental and social impact and ensuring that an assessment is conducted on environmental and social risk before entering into a relationship with non-individual financing customers.

The Group President and Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer have confirmed that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects during the financial year under review and up to the date of approval of this Statement for inclusion in the Integrated Annual Report, based on the risk management and internal control system adopted by the Group. Management continues to take measures to strengthen the control environment.

OUR GOVERNANCE

Statement on Risk Management and Internal Control

REVIEW OF SORMIC BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Integrated Annual Report of the Group for the financial year ended 31 December 2020.

Based on the review conducted, the external auditors have reported to the Board that nothing has come to their attention that would cause them to believe that this statement:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 (Revised 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and opinion by the Board of Directors and the Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Integrated Annual Report will remedy the problems.

CONCLUSION

The Board confirms that the system of risk management and internal control, with the key elements highlighted above, was in place during the financial year. The system is subjected to regular reviews, and MBSB Board believes that the system of risk management and internal control is sound and sufficient to safeguard shareholders' investments and the Group's assets.

The statement was approved by the Board of Directors on 28 April 2021.

Report of the Audit Committee

PURPOSE OF AUDIT COMMITTEE

The establishment of the MBSB's Audit Committee ("AC") and MBSB Bank's Board Audit Committee ("BAC") is to assist the MBSB's Board of Directors ("MBSB Board") and MBSB Bank's Board of Directors ("MBSB Bank Board") in:

- Providing independent oversight on the financial reporting, risk management and internal control systems and ensure appropriate method and procedure are in place to provide the level of assurance required by each Board.
- Serving as an independent party to objectively review the financial information of the Group which is presented by the Management to each Board and shareholders.

COMPOSITION OF THE AC AND BAC

Paragraph 15.09(1)(c) of the Bursa Malaysia's Main Market Listing Requirements (MMLR) requires that at least one (1) member of each committee must be a member of MIA or equivalent expertise or experience in the field of finance.

MBSB - AC

The Chairman of the AC, Encik Mohamad Abdul Halim is an Associate Member of ICAEW and a member of MIA. While Encik Lim Tian Huat, a director of AC is a Fellow of ACCA, member of the MIA and MICPA.

In 2020, a total of 11 AC meetings were held. The composition of the AC members and attendance of each member at the Committee meetings held during the financial year are as follows:

Committee Member	Attendance
Encik Lim Tian Huat (Chairman) Senior Independent Non-Executive Director <i>(Redesignated as Non-Independent Non-Executive Director with effect from 7 February 2021)</i>	11/11
Ir Moslim Othman Independent Non-Executive Director <i>(Retired on 2 March 2020)</i>	2/2
Puan Lynette Yeow Su-Yin Independent Non-Executive Director	11/11
Encik Mohamad Abdul Halim bin Ahmad Independent Non-Executive Director <i>(Appointed as member on 2 March 2020 and subsequently appointed as Chairman with effect from 7 February 2021)</i>	9/9

Encik Mohamad Abdul Halim Ahmad was appointed as AC member on 2 March 2020 to replace Ir Moslim Othman who retired on the same date. Encik Mohamad Abdul Halim was subsequently appointed as Chairman of AC on 7 February 2021, in place of Encik Lim Tian Huat who remains on the committee but ceased to be independent effective from 7 February 2021. Arising from changes in composition of the Board Committees at MBSB on 10 May 2021, Dr Loh Leong Hua has been appointed as a member of MBSB AC and Puan Lynette Yeow Su-Yin has ceased from being a member of MBSB AC.

OUR GOVERNANCE
Report of the Audit Committee

MBSB Bank - BAC

Encik Aw Hong Boo who is the Chairman of the BAC is a Fellow of ICAEW, member of MIA and MICPA. Encik Arul Sothy Mylvaganam, a member of BAC, is a Fellow of ACCA and CPA, Australia, a member of MIA as well as a Certified Financial Planner.

In 2020, a total of 17 BAC meetings were held. The composition of the Bank BAC members and attendance of each member at the Committee meetings held during the financial year are as follows:

Committee Member	Attendance
Encik Aw Hong Boo (Chairman) (Senior Independent Non-Executive Director)	17/17
Tunku Alina Raja Muhd Alias (Non-Independent Non-Executive Director)	17/17
Dr Loh Leong Hua (Independent Non-Executive Director)	17/17
Encik Arul Sothy S Mylvaganam (Independent Non-Executive Director) <i>(Appointed as member on 5 March 2020)</i>	11/11

* *Encik Arul Sothy Mylvaganam was appointed as BAC member on 05 May 2020. Dr Loh Leong Hua has resigned as MBSB Bank's Director and accordingly as member of MBSB Bank BAC with effect from 10 May 2021.*

AUTHORITY OF THE AC AND BAC

The AC and BAC, in discharging their duties, have explicit authority to investigate any matters within their Terms of Reference and have full access to and co-operation from the Management. The AC and BAC meetings were also attended by the Group President and Chief Executive Officer, Deputy CEO, Chief Risk Officer ("CRO"), Chief Internal Auditor ("CIA") together with the Audit Department Heads while the attendance of other Senior Management staff and external auditor are by invitation depending on the matters being deliberated.

The AC and BAC shall have the rights to obtain the necessary resources to enable them in performing their duties and providing independent professional advice if necessary, with any expenses related thereto to be borne by the Group.

The respective Nomination and Remuneration Committee ("NRC") and Board Nomination and Remuneration Committee ("BNRC") ensured that the AC and BAC comprised of Directors who have the appropriate level of expertise and experience with a strong understanding of MBSB's and MBSB Bank's business to maintain an independent and effective AC & BAC. The AC and BAC are solely comprised of Independent Non-Executive Directors, save for Encik Lim Tian Huat who remains in the AC and was redesignated as Non-Independent Non-Executive Director with effect from 7 February 2021 due to his long years of service on the Board of MBSB and Tunku Alina Raja Muhd Alias who is Non-Independent Non-Executive Director in BAC.

The Chairman of the AC and BAC reports to the respective Boards on matters deliberated during the AC and BAC meetings, respectively. Minutes of each meeting were also distributed to the respective Boards.

- *The full Terms of Reference of the AC can be downloaded at https://www.mbsb.com.my/TOR_AC.pdf*

ACTIVITIES OF THE AC AND BAC IN 2020

The summary of the activities undertaken by AC and BAC for the financial year ended 31 December 2020 are detailed below.

Financial Reporting

- Assisted each Board in ensuring the accounting treatment, financial reporting and disclosures in the Annual Audited Financial Statement of MBSB and MBSB Bank for the financial year ended 31 December 2020, comply with:
 - Provisions of the Companies Act, 2016;
 - Bursa Malaysia's Main Market Listing Requirement ("MMLR");
 - Applicable approved accounting standards in Malaysia and adoption of new accounting standards as well as the accounting treatments used in the financial statements;
 - Applicable standards and guidelines issued by Bank Negara Malaysia; and
 - Other legal and regulatory requirements.
- Reviewed the quarterly unaudited financial results of the Group and discussed with the Management before recommending to the respective Boards for approval prior to submission to relevant regulatory authorities.
- Reviewed the MFRS 9 validation by the external auditor, Expected Credit Losses ("ECL"), proposed Interim Dividend and write off proposal for each Board's approval.
- Reviewed year-end submission to regulator and abridged financial statements for MBSB Bank.
- Agreed-upon procedures ("AUP") for validation programme required by Perbadanan Insurans Deposit Malaysia (PIDM) for MBSB Bank.
- Reviewed Statement on Risk Management and Internal Control for MBSB.

The Chief Financial Officer is responsible for the financial management of the Group, including MBSB Bank.

External Auditor

- a) Reviewed with the external auditor on the following:
- Audit planning memorandum for the year ended 31 December 2020 comprising their audit plan, audit approach, audit strategy and scope of work for the year;
 - Audit findings together with Management's response to the findings of the external auditors; and
 - Updates of new developments on the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and other regulatory requirements.
- b) In compliance with the MMLR, met the representatives of the external auditor twice a year for discussion without the presence of the Management, to discuss any issues of concern of the external auditor arising from their audits, including the level of cooperation provided by the Group's employees to the external auditor. Other officers of the Group are also invited to the AC and BAC meetings during the deliberation of matters related to them as and when necessary;
- c) Evaluated the performance and effectiveness of the external auditor based on the following criteria:
- Performance, quality of services and sufficiency of resources provided by the external auditor;
 - Communication and interaction with the external auditor; and
 - Auditor's independence and objectivity.
- e) Made recommendations to each Board of Directors on their audit fees, non-audit fees and for their reappointment to hold office until the conclusion of the next Annual General Meeting ("AGM").

Internal Audit

The AC and BAC activities related to the Internal Audit Division ("IAD") are further deliberated in the "Statement on Internal Audit Function" and the "Internal Audit Division Activities in 2020" section in this Report.

Annual Report

Reviewed and recommended the Report of the Audit Committee for each Board's approval for inclusion in the Annual Report for the FY2020.

Related Party Transaction

Reviewed related party transactions entered into by MBSB and its subsidiaries that may arise within the Group, covering the nature and amount of the transactions to ensure that related party transactions are undertaken on an arm's length basis, on normal commercial terms and on terms that are not more favourable to the related parties than those generally available to the non-related parties.

OUR GOVERNANCE
Report of the Audit Committee

Directors' Training

During the year, the members of each Committee have attended the relevant training programmes, conferences and seminars as disclosed in MBSB Corporate Governance Report 2020.

STATEMENT ON INTERNAL AUDIT FUNCTION FOR THE AC AND BAC

The internal audit function is performed in-house and undertaken by the Group's IAD. The IAD reports administratively to the Group PCEO and directly to the AC and BAC respectively, as an independent unit that provides independent and reasonable assurance that the system of internal controls continues to operate satisfactorily and effectively. The IAD is guided by the Internal Audit Charter, Internal Audit Manual and the Committees' Terms of Reference and adopts the BNM/RH/GL (013-4) Guidelines on Internal Audit Function of Licensed Institutions and International Professional Practice Framework ("IPPF") issued by Institute of Internal Auditors (IIA)

To maintain objectivity and independence, the appointment, remuneration, performance appraisal, transfer and dismissal of the CIA is decided by the AC and BAC. IAD personnel do not have any authority or responsibility for the activities that they audit.

The function of internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. It evaluates whether:

- Internal controls are adequate, efficient and effective;
- The objectives of the Group are being achieved efficiently and effectively; and
- The established policies and procedures are being followed.

The AC and BAC reviewed and assessed the performance of the CIA, including the fit and proper assessment in the Fit and Proper Requirements Policies & Procedures annually.

THE INTERNAL AUDIT DIVISION ACTIVITIES IN 2020

The IAD activities in 2020 for BAC and AC are summarised below.

BAC

- a) Presented its annual risk-based audit plan which includes audit objectives, budget and scope of work to the BAC for approval. The audit plan was revised during the half-year review taking into account changes in business environment, audit priorities and ad-hoc requests from regulators or Management.
- b) Conducted scheduled audits as per approved audit plan, ad-hoc audit assignments and investigations as instructed by BAC and Management which the audit reports were tabled to the BAC. In 2020, the IAD has completed 96 assignments (18 BNM's requirements and 78 internal audit assignments), consultancy services and investigations. All findings issued are tracked and followed-up until closure.
- c) The key audit areas include Corporate and Retail Credit end to end process, Treasury Operations covering front office, middle office and back office, Head Office Operations, selected Branches, Information System encompassing in-house application system and outsourced systems and Project Steering Committee.
- d) Conducted relevant regulatory audit on BNM, PIDM and PayNet guidelines and requirements.
- e) Conducted audit of Related Party Transaction and Connected Parties for credit transactions and exposures.
- f) Shariah Audit is embedded in the respective audit assignments and all shariah audit findings, recommendations and reports issued in 2020 were presented to the SAC for deliberation and notification.
- g) Provided quarterly reports on the status of internal audit activities to the BAC, Board and SAC which include follow-up on unresolved audit findings and completion of management action plans.
- h) Reviewed the quality of credit risk assessment as well as scope and effectiveness of credit risk monitoring activities under Independent Credit Review (ICR) team.
- i) Conducted annual reviews of the Business Contingency Plan and Disaster Recovery Plan testing to ensure compliance with the BNM's Guidelines on Business Continuity Management.
- j) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
- k) The CIA was invited to attend various level of Committee's meeting at MBSB Bank as permanent invitee and observer in a consultative capacity to provide independent feedback on internal controls and governance aspects.

OUR GOVERNANCE
Report of the Audit Committee

AC

- a) Presented its annual risk-based audit plan which includes audit objectives, budget and scope of work with revision made during half-year review to the AC for approval.
- b) Conducted and presented scheduled audits as per approved audit plan, ad-hoc audit assignments and investigations as instructed by AC and Management. The key audit areas include credit exposures under conventional loans and the relevant support functions.
- c) Conducted audit of Related Party Transaction and Connected Parties for credit transactions and exposures.
- d) Provided quarterly reports on the status of internal audit activities to the AC and Board which include follow-up on unresolved audit findings and completion of management action plans.
- e) The CIA was invited to attend various level of Committee's meeting at MBSB as permanent invitee and observer in a consultative capacity to provide independent feedback on internal controls and governance aspects.

INTERNAL AUDIT RESOURCES, TRAINING AND COST

- a. As at 31 December 2020, there are 31 internal auditors and 4 staff under ICR carrying out the IAD and ICR activities, respectively. The internal auditors and ICR staff are suitably qualified and have the necessary knowledge and skills to perform their roles and responsibilities and will continue to pursue the relevant certifications to achieve the desired level of proficiency and competency.
- b. The upskilling of internal auditors through continuous learning and development remains a key focus. This is achieved through structured and formalised training programmes. IAD staff had acquired technical competencies demonstrated by various certifications.
- c. The cost incurred for the internal audit function in respect of the FY2020 amounted to RM5,002,625.

CONCLUSION

In the annual assessment of the effectiveness of the Board Committees for FY2020, each Board is satisfied that the AC and BAC members have discharged their function, duties and responsibilities in accordance with the TORs to provide independent oversight of the Group's internal and external audit functions, internal controls and ensuring checks and balances within the Group.

FINANCIAL STATEMENTS

Directors' Responsibility Statement

The Directors are required by the Companies Act 2016 ("CA") to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS"), the International Financial Reporting Standards ("IFRS") and the provisions of the CA in Malaysia and give a true and fair view of the state of affairs and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have used appropriate and relevant accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements is prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the CA.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, to detect and prevent fraud and other irregularities.

Directors' Report

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

Principal activities

The Company is principally engaged in investment holding. The Company had ceased providing new financing, but continues to manage its remaining conventional loans and advances.

The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year.

Ultimate holding body

The ultimate holding body is Employee Provident Fund ("EPF"), a statutory body established under the Employee Provident Fund Act 1991 (Act 452).

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year	269,318	150,812

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company was as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
- single-tier final dividend of 3.0 sen per ordinary share on 6,713,401,615 ordinary shares declared on 6 May 2020 and paid on 13 August 2020	201,402

Dividends (cont'd.)

On 23 April 2021, the Company announced the proposed single-tier final dividend of 2.0 sen net per ordinary share in respect of the financial year ended 31 December 2020. Based on the number of shares in issue of 6,975,388,546 ordinary shares as at 31 December 2020, the dividend payable would be RM139,507,771.

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the shareholders in the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

The entire portion of the dividend can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 44 to the financial statements and subject to the relevant regulatory approvals. The DRP was previously approved by the shareholders on 10 December 2013.

Directors

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

The Company

Tan Sri Azlan bin Mohd Zainol (Appointed on 1 March 2021)
Encik Mohamad Abdul Halim bin Ahmad (Appointed on 2 March 2020)
Encik Lim Tian Huat
Ir. Moslim bin Othman
Puan Lynette Yeow Su-Yin
Tan Sri Abdul Halim bin Ali (Resigned on 6 February 2021)
Puan Zaidatul Marwin Idrus (Resigned on 6 February 2021)

MBSB Bank Berhad

Tan Sri Azlan bin Mohd Zainol (Appointed on 1 March 2021)
Datuk Azrulnizam bin Abdul Aziz
Datuk Johar bin Che Mat
Encik Aw Hong Boo
Puan Lynette Yeow Su-Yin
Tunku Alina binti Raja Muhd Alias
Dr. Loh Leong Hua
Encik Kamarulzaman Ahmad
Encik Arul Sothy Mylvaganam (Appointed on 5 May 2020)
Tan Sri Abdul Halim bin Ali (Resigned on 6 February 2021)
Encik Szaliza bin Zainuddin (Resigned on 6 February 2021)

FINANCIAL STATEMENTS
Directors' Report

Other subsidiaries of the Company

Puan Azlina Mohd Rashad
Encik Asrul Hazli Salleh
Encik Hazim Dato' Yahya
Cik Yam Kwai Ying Sharon
Encik Edmund Lee Kwing Mun
Kew Thean Yew (Appointed on 31 January 2020)
Thiru Selvi a/p Supramaniam (Resigned on 31 January 2021)
Encik Tang Yow Sai (Resigned on 19 January 2021)

Directors' benefits

Since the end of the previous financial year, no Director, other than disclosed in Note 46 (c) to the financial statements 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 the Directors as shown in Note 41 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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 Company to acquire benefits by mean of the acquisition of shares in or debentures of the Company or its related corporations during the financial year, except for the share options granted to executives of the Company and its related corporations pursuant to the Malaysia Building Society Berhad Employee Share Options Scheme.

Indemnity and Takaful cost

The Group Directors and Officers are covered by Directors' and Officers' Liability Takaful. The total takaful coverage amounts to RM50,000,000 and the annual insurance premium that is payable amounts to RM122,970.

Directors' interests

According to the register of Directors' shareholdings, the interest of a Director in office at the end of the financial year in shares of the Company during the financial year were as follows:

Name of Director	Number of ordinary shares			31.12.2020
	1.1.2020	Acquired	Sold	
<i>Direct interest:</i>				
<i>Ordinary shares of the Company</i>				
Tan Sri Abdul Halim bin Ali	266,013	14,250	-	280,263

None of the other Directors in office at the end of the financial year had any interest in shares or options over shares in the Company or its related corporations during the financial year.

FINANCIAL STATEMENTS
Directors' Report

Issue of shares and debentures

During the financial year, the Company increased its issued and paid-up ordinary share capital by RM146,712,681 from RM6,941,542,045 to RM7,088,254,726 as follows:

	Number of new ordinary shares Units '000	RM '000	Issue/ exercise price
Issuance of new shares for cash pursuant to: Dividend Reinvestment Plan	261,987	146,713	0.56

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

Save as disclosed above, there were no other new shares or debentures issued during the financial year.

Options granted over unissued shares

There were no options granted during the financial year by the Company to take up any unissued shares of the Company. No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

Employee Share Option Scheme

The Malaysia Building Society Berhad's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 29 April 2010.

The ESOS was implemented on 12 August 2010 and is in force for a period of 5 years from the date of implementation. The Board of Directors approved the extension of the duration of the ESOS for a further 5 years from 12 August 2015 to 11 August 2020 in accordance with By-Law 19.3 of Malaysia Building Society Berhad's ESOS by-Laws on 6 August 2015. The ESOS had fully lapsed on 11 August 2020 with no further extension subsequent to that. Hence, the share option reserve is Nil as of 31 December 2020 with the balance being transferred to Retained Earnings.

The salient features and other terms of the ESOS are disclosed in Note 30(b) to the financial statements.

Statement of Corporate Governance

The Board of Directors ("the Board") of the Company is pleased to report the application by the Company of the principles contained in the Malaysia Code on Corporate Governance ("the Code") and the extent of compliance with the best practices of the Code. The Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code. The Company is also required to comply with Bank Negara Malaysia ("BNM")'s policy document on Corporate Governance ("BNM/RH/PD 029-9") issued on 3 August 2016.

Business review for 2020

The Group registered a profit before taxation and zakat of RM428 million for 2020 as compared to profit before taxation and zakat of RM897 million in prior year. Gross loans, financing and advances for the Group as at 31 December 2020 had reduced to RM35,728 million (2019: RM35,864 million) whilst total deposits from customers and placements of banks and other financial institutions had reduced to RM33,883 million (2019: RM35,894 million).

For the year 2020, the Group's performance is affected by the COVID-19 outbreak in the country and the impact of financing moratorium granted to eligible customers. The Group recognised RM505 million modification loss arising from the financing moratorium.

Outlook for 2021

The Group will continue to focus its businesses in selected sustainable sectors and drive greater growth and adoption of emerging technologies. Various new measures and extended moratorium following the prolonged COVID-19 pandemic is expected to impact profitability for the year. Constant monitoring of customer collections and risks are imperative to ensure sustained profits.

Other statutory information

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company 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, advances and financing and the making of allowance for doubtful debts advances and financing, and satisfied themselves that all known bad debts advances and financing had been written off and that adequate allowance had been made for impaired loans, advances and financing; 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 impaired loans, advances and financing in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company 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 methods of valuation of assets or liabilities of the Group and of the Company 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Other statutory information (cont'd.)

(e) As at the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 49 to the financial statements.

(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 or of the Company to meet their 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 or of the Company for the financial year in which this report is made except for the loss on modification of cash flows as disclosed in Note 37.

Significant event during the financial year

Significant event during the financial year are disclosed in Note 56 to the financial statements.

Auditors

The auditors, KPMG PLT, will not be seeking reappointment to continue in office. The auditors' remunerations are disclosed in Note 39 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2021.

Tan Sri Azlan bin Mohd Zainol
Chairman

Mohamad Abdul Halim bin Ahmad
Director

Kuala Lumpur, Malaysia

FINANCIAL STATEMENTS
Statement by Directors and Statutory Declaration

Statement by Directors

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

We, Tan Sri Azlan bin Mohd Zainol and Mohamad Abdul Halim bin Ahmad, being two of the Directors of Malaysia Building Society Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 176 to 365 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 April 2021.

Tan Sri Azlan bin Mohd Zainol
Chairman

Mohamad Abdul Halim bin Ahmad
Director

Kuala Lumpur, Malaysia

Statutory Declaration

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

I, Ramanathan A/L Rajoo, being the officer primarily responsible for the financial management of Malaysia Building Society Berhad, do solemnly and sincerely declare that the financial statements set out on pages 176 to 365 are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ramanathan A/L Rajoo at
Petaling Jaya in the state of Selangor
on 28 April 2021

Ramanathan A/L Rajoo
MIA No. CA7012

Before me,

Independent Auditors' Report

To the members of Malaysia Building Society Berhad (197001000172 / 9417-K) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysia Building Society Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 176 to 365.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and cash flows for the 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters (cont'd.)

Valuation of loans, financing and advances	
Refer to Note 2(p) – Significant accounting policy: Impairment of financial assets, Note 5(i) – Expected credit losses / Allowance for impairment of loans, financing and advances and other receivables and Note 10 – Loans, financing and advances to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020, loans, financing and advances represent 69.70% and 12.32% of the total assets of the Group and of the Company respectively.</p> <p>MFRS 9, <i>Financial Instruments</i> requires the Group and the Company to recognise Expected Credit Losses (“ECL”) on their loans, financing and advances and off-balance sheet positions.</p> <p>The measurement of ECL requires the application of significant judgment and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows and forward-looking macroeconomic factors.</p> <p>In order to maintain model performance and relevance to reflect the credit exposure of the business, the ECL models are subjected to model refinements / enhancements. Significant judgement and assumptions are applied in the refinement / enhancement exercise.</p>	<p>Our audit procedures performed over this area included, among others:</p> <ul style="list-style-type: none"> • Assessed the design and tested the operating effectiveness of management controls implemented in identifying potentially impaired loans, financing and advances, assessing for evidence of significant increase in credit risk for the purposes of staging classification and reviewing the adequacy of ECL allowances. • Tested the completeness and accuracy of data from underlying systems that are used for the computation of ECL. • Assessed the reasonableness of the criteria for identifying a significant increase in credit risk and considered if those criteria are consistent with credit risk management practices. • Tested the accuracy of the classification of aging buckets for retail loans, financing and advances that was part of the criteria for account staging. • For a selected number of samples of performing Wholesale and Commercial Banking loans, financing and advances, performed credit reviews to ascertain the credit grading and classification of account staging. • For a selected samples of individually impaired loans, financing and advances, obtained the Group and Company's assessment of their recoverability of these exposures and challenged whether the assumptions and key inputs used in the individual impairment assessments were appropriate. • Assessed whether the financial statement disclosures are adequate and appropriately reflect the Group's and the Company's exposures to credit risk.

FINANCIAL STATEMENTS
Independent Auditors' Report

Key Audit Matters (cont'd.)

Valuation of loans, financing and advances (cont'd)	
The key audit matter	How the matter was addressed in our audit
	<p>Our financial risk management specialists assisted in performing audit procedures, which included, among others:</p> <ul style="list-style-type: none"> • Assessed and validated ECL model refinements for reasonableness and consistency of methodology and compliance with MFRS 9. • Challenged the reasonableness of the key assumptions and variables used by management in the ECL allowance computations for key portfolios and considered whether they were representative of current economic circumstances. • Performed re-computation of ECL key portfolios using the attributes embedded in the ECL models developed by the Group and the Company.
Goodwill	
Refer to Note 2(e)(i) – Significant accounting policy: Intangible assets – Goodwill, Note 5(ii) – Goodwill from acquisition of MBSB Bank Berhad and Note 20 – Goodwill to the financial statements.	
The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the goodwill recognised in the financial statements of the Group was RM148.0 million (as disclosed in Note 20), arising from the acquisition of a subsidiary, MBSB Bank Berhad in February 2018.	<p>Our audit procedures performed over this area included, among others:</p> <ul style="list-style-type: none"> • Assessed the sensitivity analysis performed by the Group and the Company on the key inputs to the impairment model, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. • Assessed the adequacy of the disclosures of the key assumptions used by the Group in determining the recoverable amount of the CGUs.

FINANCIAL STATEMENTS
Independent Auditors' Report

Key Audit Matters (cont'd.)

Goodwill (cont'd)	
The key audit matter	How the matter was addressed in our audit
<p>The Group has performed an impairment assessment on goodwill. Goodwill impairment testing of cash-generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The carrying value of goodwill may be materially misstated due to management judgement involved in the estimation of value-in-use, as well as assumptions factored in the estimation of future cash flows that are affected by future market and economic conditions.</p>	<p>Our corporate finance specialists assisted in performing audit procedures, which included, among others:</p> <ul style="list-style-type: none"> • Assessed the reasonableness of the key assumptions and methodology used by the Group and the Company in performing the impairment assessment. • Assessed the basis of preparing the cash flow projections and appropriateness of key assumptions such as growth rate and discount rate applied by taking into consideration historical evidence and comparing the assumption used against internal information as well as external economic and market data.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 internal control of the Group and of the Company.
- 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 the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

FINANCIAL STATEMENTS
Independent Auditors' Report

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditor is disclosed in Note 14 to the financial statements.

Other Matters

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya

Date: 28 April 2021

Ow Peng Li
Approval Number: 02666/09/2021 J
Chartered Accountant

FINANCIAL STATEMENTS
Statements of Financial Position

Statements of Financial Position

As at 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Cash and short-term funds	6(a)	1,082,712	2,034,889	342,898	189,526
Deposits and placements with other financial institutions	6(b)	781,682	873,515	-	-
Derivative financial assets	7	1,724	4,239	-	-
Financial investments at fair value through other comprehensive income ("FVOCI")	8	10,192,272	10,694,644	-	-
Financial investments at amortised cost	9	488,102	494,705	-	-
Loans, financing and advances	10	33,762,458	33,953,822	898,954	1,146,505
Trade and other receivables	11	141,899	188,343	231,460	104,906
Statutory deposits with Bank Negara Malaysia	12	620,000	1,090,000	-	-
Assets held for sale	13	12,612	-	-	-
Investments in subsidiaries	14	-	-	5,290,323	5,290,328
Inventories	16	69,374	102,175	-	-
Property and equipment	17	366,850	313,964	23,903	24,367
Right-of-use assets	18(a)	11,485	8,784	-	-
Intangible assets	19	162,058	167,209	-	-
Goodwill	20	148,031	148,031	-	-
Investment property	21	820	820	-	-
Land use rights	22	-	521	-	-
Deferred tax assets	23	7,261	28,218	3,835	9,585
Tax recoverable		589,154	605,778	503,534	539,621
Total assets		48,438,494	50,709,657	7,294,907	7,304,838

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

FINANCIAL STATEMENTS
Statements of Financial Position

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Liabilities and shareholders' equity					
Deposits from customers	24	24,353,435	25,271,951	-	-
Deposits and placements of banks and other financial institutions	25	9,529,305	10,621,769	-	-
Derivative financial liabilities	7	1,614	1	-	-
Trade and other payables	26	624,286	642,300	48,430	154,484
Lease liabilities	18(b)	11,148	8,919	-	-
Recourse obligation on financing sold	27	2,262,531	2,481,251	-	-
Sukuk - MBSB					
Structured Covered ("SC") Murabahah	28	1,366,563	1,664,973	-	-
Sukuk Wakalah	29	1,293,335	1,293,075	-	-
Deferred tax liabilities	23	107,155	126,607	-	-
Provision for taxation and zakat		7,950	11,940	538	538
Total liabilities		39,557,322	42,122,786	48,968	155,022
Ordinary share capital	30	7,088,255	6,941,542	7,088,255	6,941,542
Reserves	31	234,666	160,837	-	5,843
Retained earnings		1,558,251	1,484,492	157,684	202,431
Total equity		8,881,172	8,586,871	7,245,939	7,149,816
Total liabilities and shareholders' equity		48,438,494	50,709,657	7,294,907	7,304,838
Total Islamic banking assets*		45,984,780	48,090,927	-	-
Commitments and contingencies	48	2,743,268	5,098,853	18,519	29,749

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

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

FINANCIAL STATEMENTS
Statements of Profit or Loss and Other Comprehensive Income

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	32	3,145,502	3,012,003	93,123	113,233
Income derived from investment of deposits and Islamic capital funds	33	2,738,398	2,774,929	-	-
Income attributable to depositors		(1,077,896)	(1,428,408)	-	-
Income attributable to securitisation		(101,676)	(93,821)	-	-
Income attributable to sukuk		(147,016)	(95,312)	-	-
Net income from Islamic operations		1,411,810	1,157,388	-	-
Interest income	34	141,090	151,955	87,716	105,107
Interest expense	35	(11)	(20)	(11)	(20)
Net interest income		141,079	151,935	87,705	105,087
Net (allowance)/writeback for impairment on loans, financing and advances and other financial assets	36	(420,930)	(114,457)	(3,175)	39,190
Loss on modification of cash flows	37	(504,750)	-	(73)	-
Operating income		627,209	1,194,866	84,457	144,277
Net other income	38	238,295	103,394	147,704	37,517
Net income		865,504	1,298,260	232,161	181,794
Other operating expenses	39	(437,864)	(400,831)	(21,920)	(42,172)
Profit before taxation and zakat		427,640	897,429	210,241	139,622
Taxation	42	(157,804)	(181,067)	(59,429)	22,540
Zakat		363	899	-	71
Profit from continuing operations		270,199	717,261	150,812	162,233
Loss from discontinued operation		(881)	(361)	-	-
Profit for the year		269,318	716,900	150,812	162,233
Other comprehensive income, net of tax:					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss		79,672	144,382	-	-
Total comprehensive income for the year, net of tax		348,990	861,282	150,812	162,233
Earnings per share (sen)					
Basic	43(a)	3.95	10.97		
Diluted	43(b)	-	10.93		

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

FINANCIAL STATEMENTS
Statement of Changes in Equity

Statement of Changes in Equity

For the year ended 31 December 2020

Group	← Non-distributable →		Distributable		Total
	Share Capital RM'000	Share Option Reserve RM'000	Fair Value Reserves RM'000	Retained Earnings RM'000	
At 1 January 2020	6,941,542	5,843	154,994	1,484,492	8,586,871
Profit for the year	-	-	-	269,318	269,318
Other comprehensive income for the year	-	-	79,672	-	79,672
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company (Note 44)	-	-	-	(201,402)	(201,402)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 44)	146,713	-	-	-	146,713
Transfer of share option reserve to retained profits upon expiry of share options	-	(5,843)	-	5,843	-
Total transactions with owners of the Company	146,713	(5,843)	-	(195,559)	(54,689)
At 31 December 2020	7,088,255	-	234,666	1,558,251	8,881,172
At 1 January 2019	6,682,102	6,261	10,612	1,086,629	7,785,604
Profit for the year	-	-	-	716,900	716,900
Other comprehensive income for the year	-	-	144,382	-	144,382
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company (Note 44)	-	-	-	(319,455)	(319,455)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 44)	259,440	-	-	-	259,440
Transfer of share option reserve to retained profits upon expiry of share options	-	(418)	-	418	-
Total transactions with owners of the Company	259,440	(418)	-	(319,037)	(60,015)
At 31 December 2019	6,941,542	5,843	154,994	1,484,492	8,586,871

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

FINANCIAL STATEMENTS
Statement of Changes in Equity

Company	← Non-distributable →		Distributable		Total
	Share Capital RM'000	Option Reserve RM'000	Fair Value Reserves RM'000	Retained Earnings RM'000	
At 1 January 2020	6,941,542	5,843	-	202,431	7,149,816
Profit for the year	-	-	-	150,812	150,812
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company (Note 44)	-	-	-	(201,402)	(201,402)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 44)	146,713	-	-	-	146,713
Transfer of share option reserve to retained profits upon expiry of share options	-	(5,843)	-	5,843	-
Total transactions with owners of the Company	146,713	(5,843)	-	(195,559)	(54,689)
At 31 December 2020	7,088,255	-	-	157,684	7,245,939
At 1 January 2019	6,682,102	6,261	-	359,235	7,047,598
Profit for the year	-	-	-	162,233	162,233
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company (Note 44)	-	-	-	(319,455)	(319,455)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 44)	259,440	-	-	-	259,440
Transfer of share option reserve to retained profits upon expiry of share options	-	(418)	-	418	-
Total transactions with owners of the Company	259,440	(418)	-	(319,037)	(60,015)
At 31 December 2019	6,941,542	5,843	-	202,431	7,149,816

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

FINANCIAL STATEMENTS
Statements of Cash Flows

Statements of Cash Flows

For the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before taxation	427,640	897,429	210,241	139,622
Adjustments for:				
Depreciation of property and equipment	26,672	8,605	464	464
Amortisation:				
- land use rights	-	91	-	-
- intangible assets	32,583	24,210	-	-
Depreciation of right-of-use asset	9,036	8,814	-	-
Reversal of impairment loss on property and equipment	(30,240)	-	-	-
(Gain)/loss on disposal of:				
Property and equipment	(859)	3,938	-	-
Foreclosed properties	9,097	(7,109)	9,097	(7,109)
Inventories	1,749	-	-	-
Gain on sale of financial investments at FVOCI	(246,782)	(58,592)	-	-
Gain on sale of financial investments at FVTPL	(2,817)	(1,424)	-	-
Allowance/(write back) for impairment of:				
- loans, financing and advances	397,146	78,487	11,876	(64,986)
- other receivables	44,704	65,538	(12,000)	14,482
- financing commitments, financial guarantees	(21,348)	(29,732)	(1,161)	(1,028)
- investments at amortised cost	439	146	-	-
- investments at FVOCI	(11)	18	-	-
- amount due from subsidiaries	-	-	4,455	12,342
- investment in subsidiaries	-	-	5	-
Loss on modification of cash flows	504,750	-	73	-
Profit adjustments:				
- financial investments	(411,694)	(347,897)	-	-
- Sukuk - MBSB SC Murabahah	79,360	93,096	-	-
- Sukuk Wakalah	67,656	2,216	-	-
- recourse obligation on financing sold	101,676	93,821	-	-
Operating profit before working capital changes	988,757	831,655	223,050	93,787

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

FINANCIAL STATEMENTS
Statements of Cash Flows

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Working capital changes:				
Decrease in deposits with financial institutions with maturity of more than one month	91,833	57,572	-	154,347
Decrease/(increase) in statutory deposits with Bank Negara Malaysia	470,000	(37,000)	-	-
(Increase)/decrease in loans, financing and advances	(710,532)	(931,515)	235,602	244,983
Decrease in inventories	-	257	-	-
Decrease/(increase) in derivative assets	2,515	(4,172)	-	-
Decrease/(increase) in trade and other receivables	17,022	10,580	(287,616)	5,830
(Decrease)/increase in deposits from customers, banks and other financial institutions	(2,010,980)	3,105,420	-	-
Increase/(decrease) in derivative liabilities	1,613	(1)	-	-
(Decrease)/increase in other payables	(47,758)	20,601	(104,892)	(84,157)
Increase in lease liabilities	17	-	-	-
Cash (used in)/generated from operations	(1,197,513)	3,053,397	66,144	414,790
Tax paid	(169,297)	(293,370)	(17,592)	(106,024)
Tax refunded	4,276	306,474	-	305,655
Zakat paid	(3,462)	(8,158)	-	(4,178)
Net cash (used in)/generated from operating activities	(1,365,996)	3,058,343	48,552	610,243

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

FINANCIAL STATEMENTS
Statements of Cash Flows

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from investing activities				
Increase in investment in subsidiaries	-	-	-	(534,000)
Purchase of property and equipment	(62,360)	(60,968)	-	-
Purchase of intangible assets	(27,435)	(33,080)	-	-
Proceeds from disposal of inventories	31,040	-	-	-
Proceeds from disposal of foreclosed properties	25,852	18,221	25,852	18,221
Proceeds from disposal of property and equipment	1,302	36,678	-	-
Profit income from financial investments	411,694	347,897	-	-
Net purchase of financial investments	862,981	(5,822,066)	-	-
Dividend received	-	-	133,657	-
Net cash generated from/(used in) investing activities	1,243,074	(5,513,318)	159,509	(515,779)
Cash flows from financing activities				
(Repayment)/issuance of recourse obligation on financing sold	(217,464)	345,231	-	-
Profit expense paid on recourse obligation on financing sold	(102,932)	(93,319)	-	-
Repayment of Sukuk - MBSB SC Murabahah	(296,973)	(301,859)	-	-
Profit expense paid on Sukuk - MBSB SC Murabahah	(80,797)	(94,339)	-	-
Payment of lease liabilities	(9,004)	(8,679)	-	-
Issuance of Sukuk Wakalah	-	1,290,859	-	-
Profit expense paid on Sukuk Wakalah	(67,396)	-	-	-
Dividends paid on ordinary shares	(201,402)	(319,455)	(201,402)	(319,455)
Net proceeds from issuance of ordinary shares	146,713	259,440	146,713	259,440
Net cash (used in)/generated from financing activities	(829,255)	1,077,879	(54,689)	(60,015)
Net (decrease)/increase in cash and cash equivalents	(952,177)	(1,377,096)	153,372	34,449
Cash and cash equivalents at 1 January	2,034,889	3,411,986	189,526	155,077
Cash and cash equivalents at 31 December	1,082,712	2,034,890	342,898	189,526
Cash and cash equivalents is represented by:				
Cash and short-term funds (Note 6(a))	1,082,712	2,034,890	342,898	189,526

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

FINANCIAL STATEMENTS
Statements of Cash Flows

An analysis of changes in liabilities arising from financing activities for the financial year is as follows:

Group	Recourse obligation on financing sold RM'000	Sukuk- MBSB SC Murabahah RM'000	Sukuk Wakalah RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2020	2,481,251	1,664,973	1,293,075	8,919	5,448,218
Profit expense during the year	101,676	79,360	67,656	-	248,692
Profit paid during the year	(102,932)	(80,797)	(67,396)	-	(251,125)
Addition	-	-	-	11,233	11,233
Repayment and redemption	(217,464)	(296,973)	-	(9,004)	(523,441)
At 31 December 2020	2,262,531	1,366,563	1,293,335	11,148	4,933,577
At 1 January 2019	2,135,518	1,968,075	-	11,588	4,115,181
Profit expense during the year	93,821	93,096	2,216	-	189,133
Profit paid during the year	(93,319)	(94,339)	-	-	(187,658)
Addition	-	-	-	6,010	6,010
Repayment and redemption	345,231	(301,859)	1,290,859	(8,679)	1,325,552
At 31 December 2019	2,481,251	1,664,973	1,293,075	8,919	5,448,218

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

Corporate information

The Company is a public limited liability company, incorporated under the Companies Act 2016 in Malaysia, domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

11th Floor, Wisma MBSB
48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise of the Company and its subsidiaries (together reported as "the Group") and individually referred to as ("Group entities") and the Group's interest in a joint venture.

The Company was principally engaged in investment holding. The Company had ceased providing new financing, but continues to manage its remaining conventional loans and advances.

The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year.

The immediate and ultimate holding body of the Company is Employees Provident Fund ("EPF"), a statutory body established under the Employee Provident Fund Act 1991 (Act 452).

These financial statements were approved by the Board of Directors on 28 April 2021.

1. Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on a historical cost basis except other than as disclosed in Note 2. The financial statements incorporate those activities relating to Islamic banking operations which have been undertaken by the Group. Islamic banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. Disclosures relating to the Islamic banking operations are in Note 55.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

(a) Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Company has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p) below. On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss. Dividend income received from subsidiary is recognised in profit or loss on the date that the Company's right to receive payment is established.

(ii) Business combination

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 that such control ceases. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs are expensed as incurred and included in administrative expenses.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition. Discount on acquisition which represents gain on bargain purchase is recognised immediately in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

(b) Basis of consolidation (cont'd.)

(ii) Business combination (cont'd.)

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in Group's reserves.

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration or distribution received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Joint ventures

Joint ventures are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control and the Group has rights over the net assets of the arrangements.

Investment in joint ventures are measured in the Group's statements of financial position at cost less impairment losses, unless the investment is classified as held for distribution. The cost of investment includes transaction costs.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

(e) Intangible assets

(i) Goodwill

Goodwill arising on business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. This is done by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the disposed operations and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets other than goodwill, that are acquired is measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, these intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Amortisation

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Goodwill and intangible assets with indefinite useful lives, or which are not yet available for use, are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such goodwill and intangible assets are not amortised. The useful life of a goodwill and intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(e) Intangible assets (cont'd.)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Other intangible assets in the Group are as follows:

Software license

The useful life of software license assessed to be finite and is amortised on a straight-line basis over 5 years.

Banking license

Banking license was acquired from acquisition of banking subsidiary, MBSB Bank Berhad. The useful life of banking license is assessed to be infinite and are assessed for impairment annually.

Core deposit

Core deposit represents the current account deposits and saving account deposits that were acquired from acquisition of MBSB Bank Berhad. Core deposit is amortised over the expected economic benefit period of 6 years.

Land use rights

Land use rights are distinct and separate from land ownership.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease terms.

(f) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. The cost of an item of property and equipment 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 Company and the cost of the item can be measured reliably.

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

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

(f) Property and equipment and depreciation (cont'd.)

Depreciation of property and equipment is provided for on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life from the date they are available for use. The estimated useful life is as follows:

Work in progress	*
Building in progress	*
Buildings	40 years
Building renovation	5 years
Furniture and equipment	5 years
Motor vehicles	5 years
Data processing equipment	5 years

* Work in progress and building in progress will not be depreciated until it becomes ready for use.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at end of the reporting period, and adjusted prospectively, if appropriate.

An item of property and equipment 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 profit or loss in the year the asset is derecognised.

Freehold land has unlimited useful life and therefore is not depreciated.

(g) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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

(g) Leases (cont'd.)

(i) Definition of a lease (cont'd.)

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

(g) Leases (cont'd.)

(ii) Recognition and initial measurement (cont'd)

(a) As a Lessee (cont'd)

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

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To clarify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

(g) Leases (cont'd.)

(iii) Subsequent measurement

(a) As a Lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a Lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(h) Investment property

Investment property, comprising only freehold land is owned for capital appreciation, and is not occupied by the Group.

The investment property is initially recognised at cost and subsequently at cost less any accumulated impairment losses. The carrying amount of the investment property is reviewed at the end of each reporting period to determine whether there is any indication of impairment based on market value determined by independent qualified valuers. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

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

(i) Inventories

Inventories of the Group comprise completed properties and hotel inventories. Inventories of completed properties are stated at the lower of cost (determined on specific identification basis) and net realisable value. Costs include costs associated with the acquisition of land, direct costs and appropriate development overheads.

Hotel inventories comprising food, beverage and hotel supplies are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"), a defined contribution pension scheme. Such contributions are recognised as an expense in profit or loss when incurred.

(iii) Employee share option scheme

The Malaysia Building Society Berhad's Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the employees of subsidiaries of the Group (including executive directors), other than subsidiaries which are dormant, to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to the share capital account, or until the option expires, upon which it will be transferred directly to retained earnings.

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

(k) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Provision for commitments and contingencies

The Group and the Company issue financial guarantees, letter of credit and financing commitments but the nominal values of these instruments are not recorded in the statement of financial position. The same assessment criteria are used by the Group and the Company in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet financing assets.

The measurement of credit loss for these irrecoverable off-balance sheet assets is based on a three-stage ECL model as described in Note 2 (o).

(m) Cash and cash equivalents

Cash and short-term funds in the statements of financial position consist of cash and balances with banks and other financial institutions, money at call and deposit placements with banks and other financial institutions which have an insignificant risk of changes in fair value with original maturities of three months or less.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above.

(n) Impairment of non-financial assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have an indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each period at the same time.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro-rata basis.

An assessment is made at the end of each reporting period as to whether there is any indication that a previously recognised impairment loss 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 and/or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(o) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

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

(o) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement

Financial assets are not reclassified subsequent to their recognition unless the Group and Company change its business model for managing assets.

a) Business model assessment

The Group and the Company make an assessment of the objective of the business model ("BM") in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The Group and the Company consider all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- i) the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ii) how the performance of the portfolio (and the financial assets held within) is evaluated and reported to the management;
- iii) the risks that affect the performance of the portfolio (and the financial assets held within) and, in particular, the way that those risks are managed;
- iv) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- v) the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's and the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

(o) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest/Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group and the Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group and the Company consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's and the Company's claim to cash flows from specified assets (e.g. non-recourse financing); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

c) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest/profit method. The amortised cost is reduced by impairment losses. Interest/profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest/profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets where the effective interest/profit rate is applied to the amortised cost.

Included in financial assets measured at amortised cost are financing and advances based on Shariah contracts of Tawarruq, Bai', Ijarah and Istisna'.

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

(o) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

d) Financial assets measured at fair value through other comprehensive income ("FVOCI")

(i) Debt investments

This category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Income calculated using the effective profit method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

e) Financial assets measured at fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (Note 2(p)).

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

(o) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

a) Financial liabilities measured at amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective profit method.

Profit expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

b) Financial liabilities measured at fair value through profit or loss ("FVTPL")

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any profit expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

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

(o) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

The Group's financial liabilities

The financial liabilities include Sukuk - MBSB SC Murabahah, Sukuk Wakalah, trade payables, other payables, bank and other borrowings, recourse obligations on financing sold to Cagamas Berhad, deposits from customers and deposits and placements of banks and other financial institutions. The deposits are stated at placement values.

Sukuk - MBSB SC Murabahah and Sukuk Wakalah are classified as other financial liabilities as there are contractual obligation by the Group to make cash payments of either principal or profit or both to holders of the Sukuk and the Group is contractually obliged to settle the financial instrument in cash.

Subsequent to initial recognition, Sukuk issued is recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in profit or loss over the period of the Sukuk using the effective profit method.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method.

Bank and other borrowings and recourse obligations on financing sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- (a) the amount of the loss allowance; and
- (b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are included within "expected credit losses for commitment and contingencies" under other payables.

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

(o) Financial instruments (cont'd.)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(v) Modifications of financial assets and financial liabilities

Financial assets

Modification of financial assets involves any modification made to the original payment terms and conditions of the financing facility following an increase in the credit risk of the customer. This includes but is not limited to an extension of tenure and flexible payment schedule including payment vacation, profit payments, or capitalisation of principal or profit or both.

Once the financing assets have been modified, its satisfactory performance is monitored for a period of six months before it can be reclassified as non-credit impaired.

However, the financial assets will not be considered as modified if moratorium on financing repayments is granted or the financing is rescheduled/restructured by Agensi Kaunseling & Pengurusan Kredit ("AKPK").

The Group and the Company evaluate whether the cash flows of the modified asset are substantially different if the terms of a financial asset are modified.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost or FVOCI are not substantially different, the modification does not result in derecognition of the financial asset. In this case, the Group and the Company recalculate the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income, calculated using the effective interest/profit rate method.

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

(o) Financial instruments (cont'd.)

(v) Modifications of financial assets and financial liabilities (cont'd.)

Financial liabilities

The Group and the Company derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vii) Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability includes the risk that the Group and the Company will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument and for unlisted securities are not active, the Group and the Company establish fair value by using valuation techniques.

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

(p) Impairment of financial assets

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income ("FVOCI") is recognised in profit or loss and accumulated in a separate component of equity.

Measurement

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and financial investments measured at FVOCI (debt securities), but not on investments in equity instruments. ECL are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime ECL except for debt securities that are determined to have low credit risk at the reporting date and other financial instruments of which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD provides an estimate of the likelihood that a borrower will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.

LGD is the magnitude of the likely loss if there is a default. The Group and the Company estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

(p) Impairment of financial assets (cont'd.)

Measurement (cont'd.)

EAD represents the expected exposure in the event of a default. The Group and the Company derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group and the Company measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which they are exposed to credit risk, even if, for credit risk management purposes, the Group and the Company consider a longer period. The maximum contractual period extends to the date at which the Group and the Company have the right to require repayment of an advance or terminate a financing commitment or guarantee.

However, for facilities that include both a financing and an undrawn commitment component, the Group and the Company measure ECL over a period longer than the maximum contractual period if the Group's and the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Company's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure. The Group and the Company can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group and the Company become aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group and the Company expect to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a financing with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include but not limited to:

- instrument type;
- credit risk gradings;
- collateral type;
- financing-to-value ("FTV") ratio for retail property financing;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

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

(p) Impairment of financial assets (cont'd.)

Recognition

Lifetime ECL is the ECL that results from all possible default events over the expected life of the asset, while 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECL is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Financial assets are segregated into 3 stages depending on the changes in credit quality since initial recognition.

Stage 1 includes financial assets that do not have a significant increase in credit risk since initial recognition or those that have low credit risk at reporting date. For these assets, 12-month ECL are recognised and profit income is calculated on the gross carrying amount of the assets.

Stage 2 includes financial assets that have a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For those assets, lifetime ECL is recognised and profit income is still calculated on the gross carrying amount of the asset.

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

Significant increase in credit risk ("SICR")

Obligatory triggers applied by the Group and the Company in determining whether there has been a significant increase in credit risk is where the principal or profit or both of the financing assets are overdue for more than 1 month, after grace period, but less than 3 months or hit any of the qualitative indicators but not limited to increase in internal credit spread of an existing facility, breach of covenants and decrease in securities prices.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's and the Company's credit risk management processes. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watchlist. Such qualitative factors are based on the management's expert judgement and relevant historical experiences.

The Group and the Company determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on a financial asset returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group and the Company determine a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

(p) Impairment of financial assets (cont'd.)

Credit-impaired (Default)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group and the Company consider a financial asset to be in default when:

(a) Payment conduct

- Where the principal or profit or both of the financing is past due for more than ninety (90) days or three (3) months;
- In the case of revolving facilities (e.g. revolving working capital or overdraft facilities), notwithstanding the first trigger above, where the outstanding amount has remained in excess of the approved limit for a period of more than ninety (90) days or three (3) months;
- Where payments are scheduled on intervals of three (3) months or longer, the account shall be classified as impaired as soon as a default occurs (i.e. when the customer is unable to meet the contractual payment terms), unless it does not exhibit any weakness that would render it classified as impaired according to the Group's and the Company's credit risk grading framework.

(b) Restructured and rescheduled ("R&R") financing; or

(c) Customer/Issuer is declared bankrupt/wound up

In assessing whether a borrower is in default, the Group and the Company consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group or the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group and the Company for regulatory capital purposes.

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

(p) Impairment of financial assets (cont'd.)

Credit-impaired (Default) (cont'd.)

ECL against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows, including the realisation of any collateral held where appropriate. The ECL held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective profit rate, and the gross carrying value of the instrument prior to any credit impairment.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

ECL for restructured financial assets that are not considered to be credit-impaired will be recognised on 12-month basis. However, if there is a significant increase in credit risk, the ECL will be recognised on a lifetime basis.

Incorporation of forward-looking information

MFRS 9 specifically requires measurement of ECL using not only past and current information, but also including forecast information. Hence, the ECL calculations include forward-looking adjustment according to the expected future macroeconomic conditions. Forward-looking adjustment incorporated within the ECL model is a combination of statistical analysis and expert judgements based on the availability of detailed information. External information considered includes economic data and forecasts published by external rating agencies.

Key macroeconomic variables ("MEV") that are incorporated into the ECL calculations include, but not limited to House Price Index ("HPI") and Consumer Price Index ("CPI"). Forward-looking MEVs are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios based on the available forecasts.

Methodology and assumptions including forecasts of future economic conditions are reviewed regularly.

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

(p) Impairment of financial assets (cont'd.)

Write-down/write-off

Financial assets and related impairment allowances are normally written down/written off, either partially or in full, when there is no realistic prospect of recovery of the financial assets. This is generally the case when the Group and the Company determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-down/write-off. This assessment is carried out at the individual asset level. Where financial assets are secured, the write-down/write-off is normally done after receipt of any proceeds from the realisation of security.

Financial assets that are written down/written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

(q) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(r) Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and/or the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest/Profit income and interest/profit expense

Interest/Profit income is recognised in profit or loss for all income/profit-bearing assets and liabilities using the effective profit method.

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

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

(r) Recognition of income (cont'd.)

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

Interest/Profit on impaired financial assets is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Murabahah income is recognised on effective profit rate basis over the period of the contract-based on the financing amounts disbursed. Ijarah income is recognised on effective profit rate basis over the lease term of the financing amount. Tawarruq income is essentially Murabahah contract-based income and therefore recognised on the same basis as Murabahah income. Istisna' income is also recognised on effective profit rate basis over the contractual period based on financing amount disbursed.

(ii) Fee income

Financing arrangement fees, commissions and insurance fees are recognised as income at the time the underlying transactions are completed and there are no other contingencies associated with the fees.

Commitment and processing fees are recognised as income based on the amortised cost method.

(iii) Dividend income

Dividend income is recognised when the Group's and/or the Company's right to receive payment is established.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(v) Other income

Other income, including revenue from rental of hotel rooms, sale of food and beverage, group tours and hotel arrangements are recognised upon invoices being issued and services rendered.

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

(s) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

(s) Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Zakat

This represents business zakat that is paid on the Group's portion. It is an obligatory amount payable by the Group to comply with the rules and principles of Shariah. The zakat is computed based on working capital method at a rate of 2.5%. The beneficiaries of zakat fund include schools, mosques, universities and non- government organisations.

The obligation and responsibility of specific payment of zakat on deposit fund lies with the muslim depositors. As such, no accrual of zakat expenses is recognised in the financial statements of the Group.

(u) Earnings per ordinary share

The Group and the Company present the basic earnings per share ("EPS") data for their ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Company by the weighted average number of ordinary shares outstanding during the year.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

(w) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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3. Changes in accounting policies

(a) MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

On 1 January 2020, where applicable, the Group and the Company adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

(b) MFRSs, interpretations and amendments issued but not yet effective

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendments to MFRS 16, *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

3. Changes in accounting policies (cont'd.)

(b) MFRSs, interpretations and amendments issued but not yet effective (cont'd.)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 141 which is not applicable to the Group.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have material financial impact to the current period and prior period financial statements of the Group and the Company.

4. Measures to Assist Individuals, Small-Medium Enterprise (“SME”) and Corporates Affected by Covid-19 announced by BNM

As indicated in BNM's letter dated 24 March 2020 and 24 July 2020, BNM had introduced a number of regulatory and supervisory measures in support of efforts by banking institutions to assist individuals, SMEs and corporations to manage the impact of the Covid-19 outbreak. The key measures affecting regulatory and accounting treatment and classifications are as follows.

- Banking institutions will grant an automatic moratorium on all loan/financing repayments for a period of 6 months, with effect from 1 April 2020 to all individuals and SMEs. This offer is applicable to performing loans/financing, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020. For credit card facilities, banking institutions will offer the option to convert the outstanding balances into term loans/financing of not more than 3 years.
- Banking institutions will also facilitate requests by corporations to defer or restructure their loans/financing repayments in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.

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4. Measures to Assist Individuals, Small-Medium Enterprise ("SME") and Corporates Affected by Covid-19 announced by BNM (cont'd.)

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

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

To further support lending/financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%.

The implementation of the Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80%. Banking institutions are expected to restore their buffer to the minimum regulatory requirements and comply with a 100% NSFR ratio from 30 September 2021. BNM will review this timeline if current expectation changes materially.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impact of the moratorium is disclosed in Note 37.

5. Significant accounting estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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5. Significant accounting estimates and judgements (cont'd.)

Key source of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, is discussed below:

- (i) Expected credit losses ("ECL") / Allowance for impairment of loans, financing and advances and other receivables

The Group's and the Company's ECL calculations involve a number of underlying assumptions and estimates such as:

- criteria that determine if there has been a significant increase in credit risk; and
- development of ECL models which includes the choice of inputs relating to the macroeconomic variables.

The calculation of credit impairment provisions also involves expert credit judgements to be applied by the credit risk management team based upon counterparty information from various sources including relationship managers and external market information.

The Group's and the Company's significant accounting policies on the impairment of financial assets are disclosed in Note 2(p) and the amount of impairment losses provided by the Group and the Company is disclosed in Notes 8, 9, 10, 11 and 26.

- (ii) Goodwill from acquisition of MBSB Bank Berhad

Goodwill arising from consolidation represents the excess of the purchase consideration and the fair value of the net identifiable assets of the acquired banking entity.

Goodwill is not amortised but tested for impairment annually based on the recoverable amount of the investment with value-in-use ("VIU") calculations. VIU was calculated with cash flow projections, of which the first 3 years of cash flow projections were based on the 2021 financial budgets approved by the Board of Directors and discounted using Weighted Average Cost of Capital ("WACC") rates. Cash flows beyond the 3 years were estimated and discounted using WACC rates.

6. Cash and short-term funds and deposits and placements with financial institutions

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Cash and short-term funds:				
Cash at banks and on hand	196,800	196,865	63,015	45,637
Money at call and deposit placements maturing within one month	885,912	1,838,024	279,883	143,889
	1,082,712	2,034,889	342,898	189,526

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6. Cash and short-term funds and deposits and placements with financial institutions (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(b) Deposits and placements with financial institutions with original maturity of more than one month				
Licensed Banks	781,682	873,515	-	-
	1,864,394	2,908,404	342,898	189,526

The ECL for cash and short-term funds and deposits and placements above is nil (2019: nil).

7. Derivative financial assets / (liabilities)

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	Notional amount RM'000	Group Fair value	
		Assets RM'000	Liabilities RM'000
2020			
<u>Trading derivatives</u>			
<u>Foreign exchange contracts:</u>			
Currency forward			
- Less than one year	278,310	1,724	(1,614)
2019			
<u>Trading derivatives</u>			
<u>Foreign exchange contracts:</u>			
Currency forward			
- Less than one year	228,295	4,239	(1)

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8. Financial investments at FVOCI

	Group	
	2020	2019
	RM'000	RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	6,906,159	7,530,627
<hr/>		
Debt securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,089,533	1,109,787
Government Guaranteed debt securities	2,196,580	2,054,230
	<hr/>	<hr/>
	10,192,272	10,694,644
	<hr/>	

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

ECL movement for financial investments at FVOCI:

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	18	-	-	18
Total reversed to profit or loss (Note 36):	(11)	-	-	(11)
Change in credit risk	(11)	-	-	(11)
At 31 December 2020	7	-	-	7
<hr/>				
At 1 January 2019	-	-	-	-
Total charge to profit or loss (Note 36):	18	-	-	18
Change in credit risk	18	-	-	18
At 31 December 2019	18	-	-	18
	<hr/>			

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9. Financial investments at amortised cost

	Group	
	2020	2019
	RM'000	RM'000
At amortised cost		
Quoted securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	488,693	494,857
Less: ECL		
- Stage 1	(90)	(152)
- Stage 2	(501)	-
	488,102	494,705

ECL movement for financial investments at amortised cost:

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL at 1 January 2020	152	-	-	152
Charged to profit or loss (Note 36)	(62)	501	-	439
Changes in the ECL				
- Transfer to stage 2	(45)	45	-	-
Changes in credit risk	(17)	456	-	439
ECL at 31 December 2020	90	501	-	591

	Group			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL at 1 January 2019	6	-	-	6
Charge to profit or loss - New financial assets purchased (Note 40)	146	-	-	146
ECL at 31 December 2019	152	-	-	152

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10. Loans, financing and advances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(i) By type				
At amortised cost				
<i>Islamic:</i>				
Term financing:				
Personal financing	19,837,438	19,994,419	-	-
Property financing	6,084,956	5,169,539	-	-
Industrial hire purchase	761,732	808,958	-	-
Bridging financing	483,947	593,906	-	-
Auto financing	106,198	160,479	-	-
Other term financing	5,642,011	5,949,892	-	-
Revolving credit	190,840	703,389	-	-
Trade finance	1,007,549	560,978	-	-
Cashline	81,539	3,663	-	-
Staff financing	46,071	44,798	-	-
 <i>Conventional:</i>				
End finance:				
Normal housing programme	485,087	864,289	485,087	864,289
Low cost housing programme	534	3,252	534	3,252
Other term financing	750,866	761,218	750,866	761,218
Bridging financing	248,104	228,310	248,104	228,310
Auto financing	1,177	17,080	1,177	17,080
Staff financing	169	320	169	320
 Gross loans, financing and advances	 35,728,218	 35,864,490	 1,485,937	 1,874,469
Less: ECL				
- Stage 1	(370,236)	(411,822)	(4,698)	(10,532)
- Stage 2	(648,474)	(433,194)	(60,822)	(64,260)
- Stage 3	(947,050)	(1,065,652)	(521,463)	(653,172)
 Net loans, financing and advances	 33,762,458	 33,953,822	 898,954	 1,146,505

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10. Loans, financing and advances (cont'd.)

Included in Islamic personal financing and property financing are financing that have been assigned as security for financing facilities granted to the Group as shown below:

	Group	
	2020	2019
	RM'000	RM'000
Islamic financing facility granted by:		
Cagamas Berhad - recourse obligation on financing sold (Note 27)	2,546,344	2,608,415
Sukuk - MBSB SC Murabahah (Note 28)	2,156,258	2,274,991
	3,702,602	4,883,406

(ii) By residual contractual maturity

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,382,792	2,632,716	567,540	578,839
One year to three years	1,528,467	1,778,969	76,682	128,050
Three years to five years	1,899,493	2,239,227	110,563	123,980
Over five years	29,917,466	29,213,578	731,152	1,043,600
	35,728,218	35,864,490	1,485,937	1,874,469

(iii) By economic purpose

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personal use	19,927,512	20,090,515	279	311
Construction	4,203,367	4,833,569	463,621	436,805
Purchase of landed property:				
- Residential	6,162,098	5,604,901	450,009	800,903
- Non-residential	813,571	740,556	76,686	104,275
Working capital	2,842,457	2,477,796	56,512	85,125
Purchase of transport vehicles	108,605	175,924	1,177	14,681
Purchase of other fixed assets	962,169	955,086	4,180	5,752
Purchase of other securities	35,779	34,452	-	-
Purchase of consumer durables	900	5,738	-	-
Others	671,760	945,953	433,473	426,617
	35,728,218	35,864,490	1,485,937	1,874,469

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10. Loans, financing and advances (cont'd.)

(iv) By type of customers

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Individuals	26,443,178	26,120,060	446,878	839,081
Domestic business enterprises:				
- Small medium enterprises	2,924,451	2,500,266	817,118	700,906
- Non-bank financial institutions	740,803	710,454	-	-
- Government	51,161	141,302	-	-
- Others	5,537,528	6,384,211	221,941	334,482
Foreign entities	31,097	8,197	-	-
	35,728,218	35,864,490	1,485,937	1,874,469

(v) By sector

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Household sectors	26,443,178	26,120,060	446,878	839,081
Construction	4,203,639	5,061,309	723,878	690,520
Finance, insurance and business services	2,849,817	2,798,729	9,844	11,002
Wholesale & retail trade and restaurants & hotels	600,421	472,966	3,729	3,420
Manufacturing	552,283	374,515	62,631	92,047
Education, health and others	367,355	317,522	233,914	233,346
Electricity, gas and water	169,087	262,076	-	-
Transport, storage and communication	227,486	206,583	1,767	1,896
Agriculture	98,240	133,443	3,296	3,157
Mining and quarrying	216,712	117,287	-	-
	35,728,218	35,864,490	1,485,937	1,874,469

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10. Loans, financing and advances (cont'd.)

(vi) By profit rate sensitivity

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate:				
Personal financing	16,721,791	17,477,316	-	-
Bridging, structured and term loans and financing	1,084,687	1,063,641	128,267	127,066
Mortgage and property Islamic	440,750	471,125	1,332	2,211
Auto financing	109,784	180,167	1,177	17,080
Variable rate:				
Bridging, structured and term loans and financing	8,082,320	8,547,101	870,703	862,462
Mortgage and property Islamic	6,159,138	5,591,882	484,458	865,650
Personal financing	3,129,748	2,533,258	-	-
	35,728,218	35,864,490	1,485,937	1,874,469

(vii) By geographical distribution

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	35,728,218	35,864,490	1,485,937	1,874,469

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10. Loans, financing and advances (cont'd.)

(viii) Movement of gross loans, financing and advances

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2020	29,415,952	4,586,996	1,861,542	35,864,490
Transfer to stage 1	1,109,643	(1,064,223)	(45,420)	-
Transfer to stage 2	(1,600,302)	1,736,739	(136,437)	-
Transfer to stage 3	(205,397)	(229,602)	434,999	-
New financing / disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,447,482)	(606,982)	(84,955)	(5,139,419)
Other movements	493,600	79,670	152,483	725,753
Loss on modification of cash flows (Note 37)	(464,000)	(40,750)	-	(504,750)
Write-offs	-	-	(349,455)	(349,455)
	28,856,494	4,976,739	1,894,985	35,728,218

2019	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2019	28,721,082	4,528,051	1,923,471	35,172,604
Transfer to stage 1	963,825	(869,735)	(94,090)	-
Transfer to stage 2	(1,163,094)	1,405,858	(242,764)	-
Transfer to stage 3	(137,451)	(285,312)	422,763	-
New financing / disbursement during the year	5,007,227	461,038	66,694	5,534,959
Repayment during the year	(4,033,508)	(658,155)	(155,110)	(4,846,773)
Other movements	57,871	5,251	162,470	225,592
Write-offs	-	-	(221,892)	(221,892)
	29,415,952	4,586,996	1,861,542	35,864,490

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10. Loans, financing and advances (cont'd.)

(viii) Movement of gross loans, financing and advances (cont'd.)

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2020	350,665	480,287	1,043,517	1,874,469
Transfer to stage 1	38,532	(35,242)	(3,290)	-
Transfer to stage 2	(114,129)	153,126	(38,997)	-
Transfer to stage 3	(29)	(30,259)	30,288	-
Repayment during the year	(133,971)	(154,245)	(26,958)	(315,174)
Other movements	4,313	19,208	56,997	80,518
Loss on modification of cash flows (Note 37)	(29)	(44)	-	(73)
Write-offs	-	-	(153,803)	(153,803)
	145,352	432,831	907,754	1,485,937

2019	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2019	406,208	590,545	1,131,177	2,127,930
Transfer to stage 1	55,468	(49,302)	(6,166)	-
Transfer to stage 2	(29,468)	95,223	(65,755)	-
Transfer to stage 3	(2,184)	(32,206)	34,390	-
Disbursement during the year	-	95	-	95
Repayment during the year	(83,245)	(136,678)	(93,883)	(313,806)
Other movements	3,886	12,610	43,754	60,250
	350,665	480,287	1,043,517	1,874,469

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10. Loans, financing and advances (cont'd.)

(ix) Movement of ECL for loans, financing and advances

	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
2020				
ECL as at 1 January 2020	411,822	433,194	1,065,652	1,910,668
Charged to profit or loss (Note 36)	(41,586)	215,280	230,491	404,185
Changes in the ECL				
- Transfer to stage 1	102,573	(74,847)	(27,726)	-
- Transfer to stage 2	(34,679)	115,462	(80,783)	-
- Transfer to stage 3	(4,290)	(28,630)	32,920	-
New financing / disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(182,798)	(164,075)	(133,447)	(480,320)
Changes in credit risk parameters [#]	10,884	308,491	420,435	739,810
Write-offs	-	-	(349,093)	(349,093)
ECL as at 31 December 2020	370,236	648,474	947,050	1,965,760

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
2019				
ECL as at 1 January 2019	358,907	550,621	1,129,957	2,039,485
Charged to profit or loss (Note 36)	52,915	(117,427)	157,589	93,077
Changes in the ECL				
- Transfer to stage 1	142,567	(96,973)	(45,594)	-
- Transfer to stage 2	(20,096)	162,154	(142,058)	-
- Transfer to stage 3	(1,885)	(67,373)	69,258	-
New financing / disbursement during the year	110,426	39,036	38,274	187,736
Repayment during the year	(178,959)	(249,340)	(85,700)	(513,999)
Changes in credit risk parameters [#]	48,045	183,422	396,017	627,484
Change to model assumptions and methodologies [^]	(47,183)	(88,353)	(72,608)	(208,144)
Write-offs	-	-	(221,894)	(221,894)
ECL as at 31 December 2019	411,822	433,194	1,065,652	1,910,668

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

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10. Loans, financing and advances (cont'd.)

(ix) Movement of ECL for loans, financing and advances (cont'd.)

	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
2020				
ECL as at 1 January 2020	10,532	64,260	653,172	727,964
Charged to profit or loss (Note 36)	(5,834)	(3,438)	22,094	12,822
Changes in the ECL				
- Transfer to stage 1	6,312	(4,165)	(2,147)	-
- Transfer to stage 2	(3,081)	21,694	(18,613)	-
- Transfer to stage 3	(1)	(6,687)	6,688	-
Repayment during the year	(9,252)	(35,575)	(73,840)	(118,667)
Changes in credit risk parameters [#]	188	21,295	110,006	131,489
Write-offs	-	-	(153,803)	(153,803)
ECL as at 31 December 2020	4,698	60,822	521,463	586,983

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
2019				
ECL as at 1 January 2019	12,370	94,982	694,076	801,428
Charged to profit or loss (Note 36)	(1,838)	(30,722)	(40,904)	(73,464)
Changes in the ECL				
- Transfer to stage 1	10,486	(6,012)	(4,474)	-
- Transfer to stage 2	(1,023)	49,235	(48,212)	-
- Transfer to stage 3	(73)	(6,448)	6,521	-
Disbursement during the year	-	8	-	8
Repayment during the year	(9,951)	(78,636)	(33,852)	(122,439)
Changes in credit risk parameters [#]	1,147	25,813	68,598	95,558
Change to model assumptions and methodologies [^]	(2,424)	(14,682)	(29,485)	(46,591)
ECL as at 31 December 2019	10,532	64,260	653,172	727,964

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

[^] The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

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10. Loans, financing and advances (cont'd.)

(x) Movements of impaired loans, financing and advances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance as at 1 January	1,861,542	1,923,471	1,043,517	1,131,177
Classified as impaired during the year	497,227	489,457	30,288	34,390
Reclassified as non-impaired	(181,857)	(336,854)	(42,287)	(71,921)
Amount recovered	(84,955)	(155,110)	(26,958)	(93,883)
Other movements	152,483	162,470	56,997	43,754
Amount written off	(349,455)	(221,892)	(153,803)	-
Balance as at 31 December	1,894,985	1,861,542	907,754	1,043,517
Less: ECL stage 3	(947,050)	(1,065,652)	(521,463)	(653,172)
Net impaired loans, advances and financing	947,935	795,890	386,291	390,345
 Net impaired as a percentage of net loans, financing and advances	 2.81%	 2.34%	 42.97%	 34.05%
 Gross impaired as a percentage of gross loans, financing and advances	 5.30%	 5.19%	 61.09%	 55.67%

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10. Loans, financing and advances (cont'd.)

(xi) Impaired loans, financing and advances by economic purpose

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personal use	80,585	140,300	-	-
Construction	924,439	630,722	360,921	339,853
Purchase of landed property:				
- Residential	291,103	447,465	102,679	232,072
- Non-residential	92,904	105,258	53,528	71,857
Working capital	47,500	45,465	-	-
Purchase of transport vehicles	6,650	45,818	133	13,948
Purchase of other fixed assets	43,096	39,745	1,055	1,400
Purchase of other securities	2,890	-	-	-
Purchase of consumer durables	789	5,626	-	-
Others	405,029	401,143	389,438	384,387
	1,894,985	1,861,542	907,754	1,043,517

(xii) Impaired loans, financing and advances by sector

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Household sector	395,683	669,634	106,889	271,089
Construction	897,235	751,711	570,064	544,444
Finance, insurance and business services	146,704	15,737	-	1,012
Wholesale & retail trade and restaurants & hotels	25,288	22,744	137	172
Manufacturing	71,577	60,863	1,142	1,096
Education, health and others	311,894	298,183	226,226	225,648
Transport, storage and communication	3,995	3,810	-	56
Mining and quarrying	39,313	38,691	-	-
Agriculture	3,296	169	3,296	-
	1,894,985	1,861,542	907,754	1,043,517

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10. Loans, financing and advances (cont'd.)

(xiii) Impaired loans, financing and advances by geographical distribution

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	1,894,985	1,861,542	907,754	1,043,517

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets and would reduce the extent of ECL for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher for the Group by approximately RM418,666,785 (2019: RM374,262,004) and for the Company by approximately RM287,423,018 (2019: RM261,836,839) without the mitigating effect of collateral held.

11. Trade and other receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Non-trade:</u>				
Advances in respect of certain projects	571,263	514,318	-	-
Amount due from subsidiary Bank	-	-	162,993	-
Amount due from subsidiaries	-	-	54,729	65,041
Foreclosed properties	70,162	113,262	70,162	113,262
Prepayments and deposits	19,074	17,297	8,399	8,633
Sundry receivables	65,205	90,961	4,482	18,490
Public Low Cost Housing Programme ("PLCHP")	765	-	765	-
Deferred expenses	2,047	2,322	-	-
	728,516	738,160	301,530	205,426
<u>Trade:</u>				
Trade receivable	24,835	24,835	-	-
	753,351	762,995	301,530	205,426
Less: ECL at stage 3				
- Non trade	(586,618)	(549,818)	(70,070)	(100,520)
- Trade	(24,834)	(24,834)	-	-
	141,899	188,343	231,460	104,906

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11. Trade and other receivables (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Movements of ECL at stage 3 are as follows:				
Balance as at 1 January	574,652	557,654	100,520	124,587
(Reversal)/charge for the year:				
Sundry receivables	(12,000)	3,711	(12,000)	3,691
Charge of impairment losses for foreclosed properties	-	2,960	-	2,960
Disposal of foreclosed properties	(8,140)	(9,129)	(8,140)	(9,129)
Advances in respect of certain projects	56,945	51,309	-	-
Amount due from subsidiaries (Note 36)	-	-	4,455	12,342
Other write off	(5)	(23,113)	(14,765)	(25,191)
Write off of loan commitment fees	-	(8,740)	-	(8,740)
Balance as at 31 December	611,452	574,652	70,070	100,520

Details of ECL at stage 3 are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Advances in respect of certain projects	567,075	510,130	-	-
Foreclosed properties	15,339	23,479	15,339	23,479
Amount due from subsidiaries	-	-	54,731	65,041
Sundry receivables	4,204	16,209	-	12,000
Trade receivables	24,834	24,834	-	-
Total	611,452	574,652	70,070	100,520

11. Trade and other receivables (cont'd.)

The unsecured advances in respect of certain projects relate to monies advanced and interest charged on these advances by a subsidiary of the Company to a third party. These advances bear interest of 10.50% per annum (2019: 10.50%).

The amount due from subsidiary Bank is unsecured, interest-free and is repayable on demand.

The amount due from subsidiaries is unsecured, bears weighted average effective interest rate of 5.50% per annum (2019: 7.00%) and is repayable on demand.

The credit risk of other receivables of the Group and the Company are mitigated by the collateral held against the other receivables and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher for the Group and the Company by approximately RM54,821,000 (2019: RM89,782,000) without the mitigating effect of collateral held.

Included in prepayments and deposits of the Group and of the Company are rental deposits paid to the Employees Provident Fund ("EPF"), the ultimate holding body, amounting to RM17,235 (2019: RM96,524).

Other than the unsecured advances in respect of certain projects, the Group and the Company have no significant concentration of credit risk within other receivables that may arise from exposure to a single debtor or to groups of debtors.

Trade receivables are non-interest bearing and credit terms provided are generally on 7 to 30 days term (2019: 7 to 30 days).

12. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"); which is determined at a set percentages of total eligible liabilities. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGI") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021. Subsequently, BNM had made an announcement on 20 January 2021 that the flexibility is extended until 31 December 2022.

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13. Assets held for sale

	Group 2020 RM'000
Inventories (Note 16)	10
Property and equipment (Note 17)	12,599
Intangible assets (Note 19)	3
	12,612

Part of property and equipment, intangible assets and inventories from the Group's hotel operation segment are presented as assets held for sale following execution of Sales and Purchase Agreement ("SPA") between the Company and a purchaser on 18 November 2020 to dispose hotel operation for the hotel subsidiary, Ombak Pesaka Sdn Bhd. The sale completed on 2 February 2021.

The carrying value of property and equipment of the disposal group is the same as its carrying value before it was being reclassified to assets held for sale.

14. Investments in subsidiaries

	Company	
	2020	2019
	RM'000	RM'000
Unquoted shares at cost	5,369,963	5,369,988
Less: Accumulated impairment losses	(79,640)	(79,660)
	5,290,323	5,290,328

Movements in the cost of investments are as follows:

	Company	
	2020	2019
	RM'000	RM'000
Balance as at 1 January	5,369,988	4,835,988
Issuance of shares to MBSB Bank Berhad	-	534,000
Write off due to liquidation of a subsidiary	(25)	-
	5,369,963	5,369,988

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14. Investments in subsidiaries (cont'd.)

Movements of allowance for impairment is as follows:

	Company	
	2020 RM'000	2019 RM'000
Balance as at 1 January	79,660	79,660
Impairment during the year (Note 36)	5	-
Less: Write off due to liquidation	(25)	-
Balance as at 31 December	79,640	79,660

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest held (%)		Principal activities
	2020	2019	
MBSB Bank Berhad	100	100	Islamic banking and related financial services
MBSB Properties Sdn. Bhd.	100	100	Leasing of real property
MBSB Development Sdn. Bhd.	100	100	Property development
Prudent Legacy Sdn. Bhd. ^{#&}	92	92	Property development
Sigmaprise Sdn. Bhd. [#]	100	100	Dormant
MBSB Project Management Sdn. Bhd. [^]	100	100	In liquidation
Definite Pure Sdn. Bhd. [#]	100	100	Property development
Malaya Borneo Building Society Limited ("MBBS") [#]	100	100	Trading operation
Idaman Usahamas Sdn. Bhd. [^]	100	100	In liquidation
Ombak Pesaka Sdn. Bhd. ^{^^}	100	100	Hotel operations
MBSB Tower Sdn. Bhd.	100	100	Property development
Jana Kapital Sdn. Bhd. [@]	100	100	Investment holding
88 Legacy Sdn. Bhd.	100	100	Property development

* Audited by a firm of auditor other than KPMG PLT

Dormant entity

@ Subsidiary of MBSB Bank Berhad

& Subsidiary of MBSB Development Sdn Bhd

^ In liquidation and did not give rise to significant impact to the results of the Group and the Company

^^ Asset held for sale, completed sale on 2 February 2021

All the above subsidiaries were incorporated in Malaysia except for MBBS which was incorporated in Singapore.

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15. Investments in joint venture

	Group	
	2020	2019
	RM'000	RM'000
Unquoted share capital at cost	16,222	16,222
Less: Share of loss	(16,222)	(16,222)
	-	-

MBSB Bank Berhad invested RM16,222,000 (2019: RM16,222,000) in participating shares of Safeena (L) Ltd, a 50% equity interest in a jointly controlled entity with AmanahRaya Investment Bank Ltd. The joint venture was incorporated in the Federal Territory of Labuan, Malaysia under the Labuan Companies Act, 1990. The principal activity of Safeena (L) Ltd is the provision of funding for marine vessels. On 15 October 2017, Safeena (L) Ltd was struck off the register under section 151D of Labuan Companies Act, 1990 and placed under the liquidation within the period of 3 years from the strike off date. The period lapsed on 15 October 2020 and the company was deemed dissolved.

(i) Management shares

The management shares carry the right to vote on any matter which is required under the Labuan Companies Act, 1990, and the right to return of capital paid-up on the management shares (after the return of capital paid-up on the participating shares) and rights to dividend or to share in surplus investments remaining after the return of capital paid up on the shares of Safeena (L) Ltd.

(ii) Participating shares

The principal features of the participating shares are as follows:

- (a) The participating shares do not confer any rights of entitlements to vote at meetings of Safeena (L) Ltd.
- (b) Safeena (L) Ltd may in a management shareholders' meeting declare dividends but no dividend shall exceed the amount recommended by the Board of Directors ("the Board") to be justified by the profits of Safeena (L) Ltd.
- (c) The Board may from time to time if they think fit pay such interim dividends on the participating shares as appear to the Board to be justified by the profits of Safeena (L) Ltd.
- (d) The Board may, with the affirmative votes of the management shareholders, distribute in kind among shareholders by way of dividend or otherwise any of the assets of Safeena (L) Ltd provided that no distribution be made would amount to a reduction of capital except in a manner allowed by the Offshore Companies Act, 1990.

15. Investments in joint venture (cont'd.)

(ii) Participating shares (cont'd.)

The principal features of the participating shares are as follows (cont'd.):

- (e) The rights attracting to the participating shareholders may be varied or abrogated with the consent in writing of the management shareholders provided always that the management shareholders act at all times in the interest of Safeena (L) Ltd.
- (f) The participating shareholders do not have the right to require the redemption of any of their participating shares.
- (g) The investments available for distribution amongst the shareholders shall be applied *pari passu* on the return paid-up capital on management shares and participating shares.
- (h) Any surplus investments of Safeena (L) Ltd shall be distributed *pari passu* amongst the participating shareholders and the Investment Advisors as performance fees in accordance with the provisions of the Investment Advisory Services Agreement.

16. Inventories

	Group	
	2020 RM'000	2019 RM'000
At cost:		
Hotel inventories	10	12
Transfer to assets held for sale (Note 13)	(10)	-
	-	12
At net realisable value:		
Freehold land held for sale	69,374	102,163
Total inventories	69,374	102,175

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17. Property and equipment

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Building in progress RM'000	Work in progress RM'000	Total RM'000
Cost									
At 1 January 2020	6,217	36,977	40,558	19,305	980	59,264	277,468	-	440,769
Additions	-	-	2,972	255	-	3,120	52,209	3,804	62,360
Transfer to assets held for sale (Note 13)	-	(21,337)	(1,169)	(470)	-	(112)	-	-	(23,088)
Disposals	(284)	(451)	(432)	(34)	-	-	-	-	(1,201)
At 31 December 2020	5,933	15,189	41,929	19,056	980	62,272	329,677	3,804	478,840
Accumulated depreciation and impairment losses									
At 1 January 2020:									
Accumulated depreciation	-	(4,677)	35,848	17,775	731	42,470	-	-	92,147
Accumulated impairment losses	371	34,287	-	-	-	-	-	-	34,658
Depreciation charge for the year									
(Note 39)	-	18,927	2,014	673	81	4,977	-	-	26,672
Write-off of impairment loss (Note 39)	(371)	(29,869)	-	-	-	-	-	-	(30,240)
Transfer to assets held for sale (Note 13)	-	(4,799)	(1,169)	(415)	-	(106)	-	-	(6,489)
Transfer impairment loss to assets held for sale (Note 13)	-	(4,000)	-	-	-	-	-	-	(4,000)
Disposals	-	(292)	(432)	(34)	-	-	-	-	(758)
At 31 December 2020	-	9,577	36,261	17,999	812	47,341	-	-	111,990
Analysed as:									
Accumulated depreciation	-	9,159	36,261	17,999	812	47,341	-	-	111,572
Accumulated impairment losses	-	418	-	-	-	-	-	-	418
Net book value									
At 31 December 2020	5,933	5,612	5,668	1,057	168	14,931	329,677	3,804	366,850

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17. Property and equipment (cont'd.)

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Building in progress RM'000	Work in progress RM'000	Total RM'000
Cost									
At 1 January 2019	6,217	103,351	38,005	34,704	914	54,066	227,323	2,587	467,167
Additions	-	-	5,398	1,344	317	5,037	50,145	-	62,241
Reclassification	-	-	-	-	-	1,383	-	(1,383)	-
Write off	-	-	(6)	(2,515)	-	(866)	-	-	(3,387)
Disposals	-	(66,374)	(2,798)	(14,200)	(251)	(356)	-	-	(83,979)
Reversal	-	-	(41)	(28)	-	-	-	(1,204)	(1,273)
At 31 December 2019	6,217	36,977	40,558	19,305	980	59,264	277,468	-	440,769
Accumulated depreciation and impairment losses									
At 1 January 2019:									
Accumulated depreciation	-	23,609	37,372	33,643	913	39,405	-	-	134,942
Accumulated impairment losses	371	34,287	-	-	-	-	-	-	34,658
Depreciation charge for the year (Note 39)	371	57,896	37,372	33,643	913	39,405	-	-	169,600
Write off	-	2,241	1,216	799	67	4,282	-	-	8,605
Disposals	-	(30,527)	(2,734)	(14,152)	(249)	(866)	-	-	(3,387)
At 31 December 2019	371	29,610	35,848	17,775	731	42,470	-	-	126,805
Analysed as:									
Accumulated depreciation	-	(4,677)	35,848	17,775	731	42,470	-	-	92,147
Accumulated impairment losses	371	34,287	-	-	-	-	-	-	34,658
Net book value									
At 31 December 2019	5,846	7,367	4,710	1,530	249	16,794	277,468	-	313,964

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17. Property and equipment (cont'd.)

Company

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2020/31 December 2020	9,968	18,579	28,547
Accumulated depreciation			
At 1 January 2020	-	4,180	4,180
Depreciation charge for the year (Note 39)	-	464	464
At 31 December 2020	-	4,644	4,644
Net book value			
At 31 December 2020	9,968	13,935	23,903

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2019/31 December 2019	9,968	18,579	28,547
Accumulated depreciation			
At 1 January 2019	-	3,716	3,716
Depreciation charge for the year (Note 39)	-	464	464
At 31 December 2019	-	4,180	4,180
Net book value			
At 31 December 2019	9,968	14,399	24,367

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18. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	Group	
	2020 RM'000	2019 RM'000
Cost		
At 1 January	17,598	11,588
Additions	11,216	6,010
Reclass from land use rights (Note 22)	1,153	-
At 31 December	29,967	17,598
Accumulated depreciation		
At 1 January	8,814	-
Depreciation for the period (Note 39)	9,036	8,814
Reclass from land use rights (Note 22)	632	-
At 31 December	18,482	8,814
	11,485	8,784

Leases of the Group are mainly contracts of leases with lease periods between one year and five years.

(b) Lease liabilities

	Group	
	2020 RM'000	2019 RM'000
Current		
Lease liabilities	1,478	3,639
Non-current		
Lease liabilities	9,670	5,280
	11,148	8,919

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18. Right-of-use assets and lease liabilities (cont'd.)

(b) Lease liabilities (cont'd.)

The movement of lease liabilities during the financial year is as follows:

	Group	
	2020 RM'000	2019 RM'000
At 1 January	8,919	11,588
Additions	11,233	6,010
Profit expense on leases	316	465
Lease payments	(9,320)	(9,144)
At 31 December	11,148	8,919

Amount recognised in the statement of cash flows:

	Group	
	2020 RM'000	2019 RM'000
Included in net cash from financing activities		
Profit expense on lease liabilities (Note 39)	316	465
Payment of lease liabilities	(9,320)	(9,144)
Total cash outflow for leases	(9,004)	(8,679)

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19. Intangible assets

Group	Software license RM'000	Work in Progress RM'000	Provisional goodwill RM'000	Banking license RM'000	Core deposits RM'000	Total RM'000
Cost						
At 1 January 2020	217,477	26,652	-	47,415	6,216	297,760
Additions	18,774	8,661	-	-	-	27,435
Transfer to asset held for sale (Note 13)	(236)	-	-	-	-	(236)
Reclassification	26,652	(26,652)	-	-	-	-
At 31 December 2020	262,667	8,661	-	47,415	6,216	324,959
Accumulated amortisation						
At 1 January 2020	128,565	-	-	-	1,986	130,551
Amortisation charge for the year (Note 39)	31,547	-	-	-	1,036	32,583
Transfer to asset held for sale (Note 13)	(233)	-	-	-	-	(233)
At 31 December 2020	159,879	-	-	-	3,022	162,901
Net book value						
At 31 December 2020	102,788	8,661	-	47,415	3,194	162,058

Note 19.1

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19. Intangible assets (cont'd.)

Group

	Software license RM'000	Work in Progress RM'000	Provisional goodwill RM'000	Banking license RM'000	Core deposits RM'000	Total RM'000
Cost						
At 1 January 2019	183,141	28,131	188,790	-	-	400,062
Additions	34,121	-	-	-	-	34,121
Reallocation of provisional goodwill	-	-	(53,631)	47,415	6,216	-
Reallocated to deferred tax liabilities (Note 23)	-	-	12,872	-	-	12,872
Reclassification to goodwill (Note 20)	-	-	(148,031)	-	-	(148,031)
Reclassification to software license	990	(990)	-	-	-	-
Disposal	(223)	-	-	-	-	(223)
Reversal	(552)	(489)	-	-	-	(1,041)
At 31 December 2019	217,477	26,652	-	47,415	6,216	297,760
Accumulated amortisation						
At 1 January 2019	106,550	-	-	-	-	106,550
Amortisation charge for the year (Note 39)	22,224	-	-	-	1,986	24,210
Disposals	(209)	-	-	-	-	(209)
At 31 December 2019	128,565	-	-	-	1,986	130,551
Net book value						
At 31 December 2019	88,912	26,652	-	47,415	4,230	167,209

Note 19.1

19.1 Core deposits

Core deposits represent the current account deposits and saving account deposits that were acquired from acquisition of MBSB Bank Berhad.

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20. Goodwill

	Group	
	2020 RM'000	2019 RM'000
At 1 January	148,031	-
Reclassified from intangible assets (Note 19)	-	148,031
At 31 December	148,031	148,031

The aggregate carrying amounts of goodwill allocated for each unit are as follows:

Corporate Banking	146,256	146,256
Retail Banking	1,775	1,775
	148,031	148,031

Goodwill arose from the finalisation of purchase price allocation of MBSB Bank Berhad which was acquired in February 2018. There is no impairment to goodwill since acquisition.

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of cash-generating units ("CGU") is determined based on the value in-use ("VIU") calculations. These calculations use pre-tax cash flow projections based on the 2021 financial budgets approved by the Board of Directors, projected for 3 years. Cash flows beyond the 3 years period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

The estimated terminal growth rates and discount rates used for VIU calculations are as follows:

	Terminal Growth rate		Pre-tax Discount rate	
	2020	2019	2020	2019
Corporate Banking	4.6%	3.2%	13.2%	7.4%
Retail Banking	4.6%	3.2%	13.4%	7.5%

The estimated recoverable amounts significantly exceeds that carrying amount of the cash-generating units containing goodwill. Management considers that it is not reasonably possible for the terminal growth rate and pre-tax discount to change so significantly as to eliminate this excess.

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21. Investment property

	Group	
	2020	2019
	RM'000	RM'000
At cost		
Freehold land		
At 1 January	820	874
Accumulated impairment loss	-	(54)
At 31 December	820	820
Fair Value		
At 1 January	875	820
At 31 December	875	820

The fair value of the investment property is categorised as Level 3 fair value derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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22. Land use rights

	Group	
	2020 RM'000	2019 RM'000
Cost:		
At 1 January	1,153	8,428
Disposal	-	(7,275)
Reclass to right-of-use assets (Note 18(a))	(1,153)	-
<hr/>		
At 31 December	-	1,153
<hr/>		
Accumulated amortisation:		
At 1 January	632	3,166
Amortisation for the year (Note 39)	-	91
Amortisation transfer as depreciation to right-of-use assets	16	-
Disposal	-	(2,625)
Reclass to right-of-use assets (Note 18(a))	(648)	-
<hr/>		
At 31 December	-	632
<hr/>		
Net carrying amount	-	521
<hr/>		

Land use rights of the Group are leasehold land for some of the office branches.

Leasehold land is amortised over the period of the respective lease which range from 34 to 46 years (2019: 33 to 62 years) and have been pledged to the Company.

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23. Deferred tax (assets)/liabilities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	98,389	25,802	(9,585)	(15,687)
Reallocated from intangible asset (Note 19)	-	12,872	-	-
Recognised in profit or loss (Note 42)	(23,658)	14,126	5,750	6,102
Recognised in other comprehensive income (Note 42)	25,163	45,589	-	-
At 31 December	99,894	98,389	(3,835)	(9,585)
Presented, after appropriate offsetting, as follows:				
Deferred tax liabilities	107,155	126,607	-	-
Deferred tax assets	(7,261)	(28,218)	(3,835)	(9,585)
	99,894	98,389	(3,835)	(9,585)

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23. Deferred tax (assets)/liabilities (cont'd.)

The components and movements of deferred tax assets and liabilities during the year prior to offsetting were as follows:

	Accelerated capital allowances RM'000	Fair value reserve of financial investments at FVOCI RM'000	Impairment allowances RM'000	Others RM'000	Total RM'000
Group					
Deferred tax assets					
At 1 January 2019	(500)	13	-	(33,831)	(34,318)
Recognised in profit or loss	-	-	4,170	1,930	6,100
At 31 December 2019	(500)	13	4,170	(31,901)	(28,218)
Recognised in profit or loss	(46)	(13)	(4)	21,020	20,957
At 31 December 2020	(546)	-	4,166	10,881	(7,261)
Deferred tax liabilities					
At 1 January 2019	12,212	3,368	41,234	3,306	60,120
Reallocated from intangible assets	-	-	-	12,872	12,872
Recognised in profit or loss	7,510	-	1,656	(1,140)	8,026
Recognised in other comprehensive income	-	45,589	-	-	45,589
At 31 December 2019	19,722	48,957	42,890	15,038	126,607
Recognised in profit or loss (Note 42)	5,071	-	(16,644)	(33,042)	(44,615)
Recognised in other comprehensive income	-	25,163	-	-	25,163
At 31 December 2020	24,793	74,120	26,246	(18,004)	107,155

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23. Deferred tax (assets)/liabilities (cont'd.)

	Accelerated capital allowances RM'000	Fair value reserve of financial investments at FVOCI RM'000	Impairment allowances RM'000	Others RM'000	Total RM'000
Company					
Deferred tax assets					
At 1 January 2019	(66)	-	-	(15,621)	(15,687)
Recognised in profit or loss	-	-	4,170	1,932	6,102
At 31 December 2019	(66)	-	4,170	(13,689)	(9,585)
Recognised in profit or loss	(482)	-	(4)	6,236	5,750
At 31 December 2020	(548)	-	4,166	(7,453)	(3,835)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	182,637	153,885
Unabsorbed capital allowances	62,308	50,426
Provision for doubtful debts	-	45,518
Others	8,331	3,759

The unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group for another 7 consecutive years effective from Year of Assessment 2019. The unabsorbed capital allowances of the Group are not subject to 7 year limitation period and available indefinitely for offsetting against future taxable profits of the respective entities within the Group.

This utilisation of carry forward of tax losses and allowances are also subject to no substantial change in shareholdings of those entities under Income Tax Act, 1967 and guidelines issued by the tax authority.

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24. Deposits from customers

(i) By type of deposit:

	Group	
	2020	2019
	RM'000	RM'000
Commodity Murabahah Term Deposit	23,781,938	24,738,093
Demand deposits	288,418	192,381
Savings deposits	283,079	341,477
	24,353,435	25,271,951

(ii) Maturity of deposits from customers:

	Group	
	2020	2019
	RM'000	RM'000
Due within six months	16,316,307	16,480,775
More than six months to one year	5,079,445	5,426,032
More than one year to three years	2,020,109	1,891,341
More than three years	366,077	939,945
	23,781,938	24,738,093

(iii) By type of customers:

	Group	
	2020	2019
	RM'000	RM'000
Government and statutory bodies	12,058,760	12,696,568
Business enterprises	7,568,566	7,229,721
Individuals	4,726,109	5,345,662
	24,353,435	25,271,951

(iv) By type of contract:

	Group	
	2020	2019
	RM'000	RM'000
Tawarruq	24,353,435	25,271,951
	24,353,435	25,271,951

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25. Deposits and placements of banks and other financial institutions

(i) By type of deposit:

	Group	
	2020	2019
	RM'000	RM'000
<u>Non-Mudharabah Funds:</u>		
Other financial institutions:		
- Licensed investment banks	1,233	152,390
- Licensed islamic banks	100,010	112,937
- Other financial institutions	9,428,062	10,356,442
	9,529,305	10,621,769

(ii) By type of contract:

	Group	
	2020	2019
	RM'000	RM'000
Tawarruq	9,529,305	10,621,769
	9,529,305	10,621,769

26. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Non trade:</u>				
Amount due to MBSB Bank	-	-	-	78,416
Sundry creditors	312,405	319,544	38,999	60,920
Al-Mudharabah security funds	144,168	137,309	-	-
Expected credit losses for commitments and contingencies (i)	46,518	70,680	2,075	5,441
Deferred income	28,382	38,362	1,554	3,524
Other provisions and accruals	92,811	76,383	5,802	6,183
	624,284	642,278	48,430	154,484
<u>Trade:</u>				
Trade payables	2	22	-	-
	624,286	642,300	48,430	154,484

The amount due to MBSB Bank is unsecured, interest-free and is repayable on demand.

Trade payables are unsecured and non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 60 days (2019: 30 to 60 days).

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26. Trade and other payables (cont'd.)

(i) Expected credit losses for commitments and contingencies

Movement of expected credit losses for commitments and contingencies are as follows:

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	44,196	17,978	8,506	70,680
Charge to profit or loss (Note 36)	(25,123)	(4,497)	8,272	(21,348)
Changes in the impairment allowance				
- Transfer to stage 1	791	(714)	(77)	-
- Transfer to stage 2	(2,951)	3,119	(168)	-
- Transfer to stage 3	(367)	(1,522)	1,889	-
New financing / disbursement during the year	9,416	3,176	66	12,658
Derecognised/converted to loans/ financing during the period (other than write-offs)	(18,566)	(8,479)	(2,414)	(29,459)
Changes in credit risk parameters [#]	(13,446)	(77)	8,976	(4,547)
Write off	-	-	(2,814)	(2,814)
ECL at 31 December 2020	19,073	13,481	13,964	46,518

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

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26. Trade and other payables (cont'd.)

(i) Expected credit losses for commitments and contingencies (cont'd.)

Movement of expected credit losses for commitments and contingencies are as follows (cont'd.):

2019	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2019	53,130	36,829	10,453	100,412
Charge to profit or loss (Note 36)	(8,934)	(18,851)	(1,947)	(29,732)
Changes in the impairment allowance				
- Transfer to stage 1	4,940	(2,357)	(2,583)	-
- Transfer to stage 2	(4,914)	5,263	(349)	-
- Transfer to stage 3	(798)	(4,814)	5,612	-
New financing / disbursement during the year	25,153	1,791	426	27,370
Derecognised/converted to loans/ financing during the period (other than write-offs)	(12,511)	(6,126)	(815)	(19,452)
Changes in credit risk parameters [#]	(14,394)	(4,718)	(3,203)	(22,315)
Changes to model assumptions and methodologies [^]	(6,410)	(7,890)	(1,035)	(15,335)
ECL as at 31 December 2019	44,196	17,978	8,506	70,680

[#] The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

[^] The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

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26. Trade and other payables (cont'd.)

(i) Expected credit losses for commitments and contingencies (cont'd.)

Movement of expected credit losses for commitments and contingencies are as follows (cont'd.):

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	251	176	5,014	5,441
Charge to profit or loss (Note 36)	(56)	31	(1,136)	(1,161)
Changes in the impairment allowance				
- Transfer to stage 1	29	(29)	-	-
- Transfer to stage 2	(14)	76	(62)	-
- Transfer to stage 3	-	(3)	3	-
Derecognised/drawdown to loans/ financing during the period	(31)	(17)	(322)	(370)
Changes in credit risk parameters [#]	(40)	4	(755)	(791)
Write off	-	-	(2,205)	(2,205)
ECL as at 31 December 2020	195	207	1,673	2,075

The changes in credit risk parameters include impact of forward-looking key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

2019	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2019	413	198	5,858	6,469
Charge to profit or loss (Note 36)	(162)	(22)	(844)	(1,028)
Changes in the impairment allowance				
- Transfer to stage 1	86	(7)	(79)	-
- Transfer to stage 2	(24)	73	(49)	-
- Transfer to stage 3	(7)	(12)	19	-
Derecognised/drawdown to loans/ financing during the period	(51)	(63)	(194)	(308)
Changes in credit risk parameters [#]	(114)	29	23	(62)
Changes to model assumptions and methodologies [^]	(52)	(42)	(564)	(658)
ECL as at 31 December 2019	251	176	5,014	5,441

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

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27. Recourse obligation on financing sold

	Group	
	2020	2019
	RM'000	RM'000
Repayments due within 12 months	401,240	100,857
Repayments due after 12 months	1,861,291	2,380,394
	2,262,531	2,481,251

These amounts relate to proceeds received from the sale of Islamic house financing to Cagamas Berhad with recourse to MBSB Bank Berhad ("MBSB Bank"), subsidiary of the Company. Under the agreement, MBSB Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on a set of pre-determined criteria. In November 2014, the Group started its first sale of financing portfolios with recourse directly to Cagamas Berhad without participation of intermediary banks.

The recourse obligation on financing sold facilities granted by Cagamas Berhad are secured on a portfolio of property islamic financing amounting to RM2,546,344,000 (2019: RM2,608,415,000) as disclosed in Note 10.

28. Sukuk - MBSB Structured Covered ("SC") Murabahah

	Group	
	2020	2019
	RM'000	RM'000
Sukuk - MBSB SC Murabahah	1,366,563	1,664,973
Maturity of Sukuk - MBSB SC Murabahah:		
Within one year	294,388	294,973
More than one year	1,072,175	1,370,000
	1,366,563	1,664,973

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28. Sukuk - MBSB Structured Covered ("SC") Murabahah (cont'd.)

In October 2013, MBSB's Sukuk - MBSB SC Murabahah programme ("the Programme") was approved by the Securities Commission of Malaysia. The salient terms of the Programme as prescribed in its Principal Terms and Conditions are as follows:

- (i) The Programme is available for issue within a period of 5 years from the first issuance date and is issued in tranches ("Tranche") from time to time, at the discretion of MBSB;
- (ii) Each Tranche will consist of multiple series of Sukuk with different maturities;
- (iii) Each Tranche will be backed by an identified pool of Financing Receivables ("Tranche Cover Assets") held by the Company's Special Purpose Vehicle ("SPV"), Jana Kapital Sdn. Bhd. ("JKSB"); JKSB who will issue an unconditional and irrevocable Covered Sukuk Guarantee to the holders of the Sukuk - MBSB SC Murabahah;
- (iv) Tranche Cover Assets will be pledged by JKSB as security for the Covered Sukuk Guarantee. These Tranche Cover Assets are assigned to the Sukuk Trustee for this purpose;
- (v) In the event of default as defined in the Principal Terms and Conditions, the Tranche Cover Assets will be liquidated by the Sukuk Trustee in favour of the holders of the Sukuk - MBSB SC Murabahah; and
- (vi) From time to time, additional Tranche Cover Assets will be purchased by JKSB in line with additional Tranches drawdown by MBSB.

As at 31 December 2020, the carrying amount of Financing Receivables identified to back the outstanding Sukuk-MBSB SC Murabahah amounted to RM2,156,258,000 (2019: RM2,274,991,000) as disclosed in Note 10.

29. Sukuk Wakalah

	Group	
	2020 RM'000	2019 RM'000
Sukuk Wakalah	1,293,335	1,293,075
<hr/>		
Maturity of Sukuk Wakalah:		
Within one year	2,018	2,201
More than one year	1,291,317	1,290,874
	<hr/>	<hr/>
	1,293,335	1,293,075
	<hr/>	

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29. Sukuk Wakalah (cont'd.)

MBSB Bank's Sukuk Wakalah Programme of up to RM10.0 billion nominal value was approved by Bank Negara Malaysia and endorsed by the Securities Commission in November 2019. The Sukuk Wakalah Programme comprises:

- (i) Senior Sukuk Wakalah, and/or
- (ii) Tier-2 Sukuk Wakalah, and/or
- (iii) Additional Tier-1 Sukuk Wakalah

In December 2019, MBSB Bank issued Tier-2 Sukuk Wakalah in nominal value of RM1,300 million, comprising RM650 million at 5.05% p.a. and RM650 million at 5.25% p.a. The salient terms of the Tier-2 Sukuk Wakalah are as follows:

- (i) subject to call option, with minimum tenure of at least 5 years
- (ii) not pledged to any security
- (iii) non convertible

30. Ordinary share capital

	Number of Shares		Amount	
	2020 Units'000	2019 Units'000	2020 RM'000	2019 RM'000
Ordinary shares Issued and fully paid:				
At 1 January	6,713,401	6,389,101	6,941,542	6,682,102
Issued during the year:				
Issue of ordinary shares pursuant to Dividend Reinvestment Plan ("DRP")	261,987	324,300	146,713	259,440
At 31 December	6,975,388	6,713,401	7,088,255	6,941,542

(a) Ordinary shares

- (1) The holders of ordinary share are entitled to receive dividends from time to time, as and when declared by the Company after obtaining the regulator approval for Bank Negara Malaysia prior to the declaration of dividends.
- (2) All ordinary shares are entitled to one vote per share at meetings of the Company.
- (3) During the year, the issued and paid up capital of the company was increased from RM6,941,542,045 to RM7,088,254,726 via the issuance of 261,986,931 shares at 56 sen per share amounting to RM146,712,681 arising from the DRP as disclosed in Note 44. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

30. Ordinary share capital (cont'd.)

(b) Employee Share Option Scheme ("ESOS")

The Malaysia Building Society Berhad ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held in April 2010. The ESOS was implemented in August 2010 and is in force for a period of 10 years from the date of implementation. All ESOS have lapsed in August 2020.

The salient features of the ESOS are as follows:

- (i) Eligible persons are employees of the Group who are on the payroll of the Group other than a subsidiary which is dormant;
- (ii) The total number of shares to be issued under the ESOS shall not exceed, in aggregate, 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS;
- (iii) The option price for each share shall be the average of the main market quotation of the shares of the Company in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of offer, or the par value of the shares of the Company of RM1, whichever is higher;
- (iv) The actual number of new shares which may be offered to an eligible employee shall be at the discretion of the Option Committee and, subject to any adjustments that may be made under Clause 15 of the by-laws, shall not be less than 100 shares but not more than the maximum allowable allocation and shall always be in multiples of 100 shares; and
- (v) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from 12 August 2010 in respect of all or any part of the Company's shares comprised in the option, such part being in multiples of 100 shares. Any partial exercise of an option shall not preclude the grantee from exercising the option in respect of the balance of the Company's shares comprised in the option.
- (vi) No option shall be granted to a Director of the Company unless the specific grant of option and the related allotment of the Company's shares to the Executive Director shall have first been approved by the shareholders of the Company in an Annual General Meeting.

The number of the shares allocated, in aggregate, to the Directors and senior management of the Group shall not exceed 50% of the total Company's shares available under the Scheme.

No option has been granted to any of the Directors of the Company since the implementation of the scheme. As at 31 December 2014, the maximum allocation applicable to senior management of the Company was not more than 50% of the ESOS 2010/2015 Aggregate Maximum Allocation.

The number of shares allocated to any individual Director or employee who, either individually or collectively through persons connected (which term shall have the same meaning as that assigned to "a person connected with a director" in Section 197 of the Companies Act, 2016 in Malaysia), holds 20% or more in the issued and paid-up share capital of the Company shall not exceed 10% of the total shares available under the Scheme;

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30. Ordinary share capital (cont'd.)

(b) Employee Share Option Scheme ("ESOS") (cont'd.)

- (vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company;
- (viii) In respect of the ESOS granted in September 2010, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (ix) In respect of the ESOS granted in March 2012, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (x) In respect of the ESOS granted in November 2012, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period;
- (xi) In respect of the ESOS granted on 9 March 2014, 100% of the options granted are exercisable during the validity of the option provided that the employee has been in continuous service with the Group throughout the period; and
- (xii) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

Movement of ESOS during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, ESOS during the year:

	Group and Company			
	2020		2019	
	Units'000	WAEP (RM)	Units'000	WAEP (RM)
Outstanding at 1 January	24,195	-	25,101	-
Lapsed during the year	(24,195)	1.43	(906)	1.43
Outstanding at 31 December	-	1.44	24,195	1.44
Exercisable at 31 December	-	1.44	24,195	1.44

- The weighted average fair value of options during the financial year was RM0.31 (2019: RM0.31).
- The weighted average exercise price for options outstanding at the end of the year was RM1.44 (2019: RM1.44). The weighted average remaining contractual life for these options is nil (2019: 0.60 years).

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30. Ordinary share capital (cont'd.)

(b) Employee Share Option Scheme ("ESOS") (cont'd.)

Fair value of ESOS granted

The fair value of ESOS granted was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	Granted on 9.3.2014	Granted on 15.11.2012	Granted on 09.03.2012	Granted on 11.09.2010
Fair value per ESOS granted (RM)	0.25	0.16	0.83	0.35
Weighted average share price (RM)	2.14	2.32	1.66	1.44
Weighted average exercise price (RM)	2.15	2.33	1.67	1.45
Expected volatility (%)	22.36	16.17	34.05	26.77
Expected life (years)	7	8	9	10
Risk free rate (%)	4.11	3.49	3.64	3.91
Expected dividend yield (%)	4.52	4.09	3.85	3.00

The expected life of the share option is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

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31. Reserves

Group	Share Option Reserve RM'000 Note (a)	Fair value Reserve RM'000 Note (b)	Total RM'000
At 1 January 2020	5,843	154,994	160,837
Other comprehensive income for the year	-	79,672	79,672
Transfer of share option reserve to retained profits upon expiry of share options	(5,843)	-	(5,843)
At 31 December 2020	-	234,666	234,666
At 1 January 2019	6,261	10,612	16,873
Other comprehensive income for the year	-	144,382	144,382
Transfer of share option reserve to retained profits upon expiry of share options	(418)	-	(418)
At 31 December 2019	5,843	154,994	160,837

Company	Share Option Reserve RM'000 Note (a)	Fair value Reserve RM'000 Note (b)	Total RM'000
At 1 January 2020	5,843	-	5,843
Transfer of share option reserve to retained profits upon expiry of share options	(5,843)	-	(5,843)
At 31 December 2020	-	-	-
At 1 January 2019	6,261	-	6,261
Transfer of share option reserve to retained profits upon expiry of share options	(418)	-	(418)
At 31 December 2019	5,843	-	5,843

(a) The share option reserve relates to the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options and is transferred to retained earnings upon expiry of the share options. All the equity-settled share options have expired in August 2020.

(b) The fair value reserve includes the cumulative net changes in the fair value of financial investments at FVOCI and the expected credit losses arising from financial investments at FVOCI, until the financial investments are derecognised.

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32. Revenue

Revenue of the Company comprises interest/profit income, gain from sale of financial investments, fee and commission income, financing income and other income.

Revenue of the Group comprises all types of revenue derived from the business of granting of financing and loans, property development, property management, renting of real property and hotel operations.

33. Income derived from investment of deposits and Islamic capital funds

	Group	
	2020 RM'000	2019 RM'000
Financing	2,275,804	2,305,160
Income from financial investments at FVOCI	391,915	322,145
Income from financial investments at amortised cost	19,589	25,479
Income from financial investments at FVTPL	190	272
Deposits with financial institutions	50,900	121,873
	2,738,398	2,774,929

The amounts reported above include finance income and hibah calculated using effective profit rate method that relate to the following:

	Group	
	2020 RM'000	2019 RM'000
Financial assets at amortised cost	2,346,293	2,452,512
Financial assets at FVOCI	391,915	322,145
	2,738,208	2,774,657

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34. Interest income

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans and advances	136,563	142,694	83,189	95,846
- Deposits and placements with banks and other financial institutions	4,527	9,261	4,527	9,261
	141,090	151,955	87,716	105,107

35. Interest expense

	Group and Company	
	2020	2019
	RM'000	RM'000
Others	11	20

36. Net allowance/(writeback) for impairment on loans, financing and advances and other financial assets

2020	Group			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI (Note 8)	(11)	-	-	(11)
Financial investments at amortised cost (Note 9)	(62)	501	-	439
Loans, financing and advances (Note 10(ix))	(41,586)	215,280	230,491	404,185
Other receivables	-	-	44,704	44,704
Financing commitments and financial guarantees (Note 26)	(25,123)	(4,497)	8,272	(21,348)
	(66,782)	211,284	283,467	427,969
Impaired financing and advances:				
- Write off	-	-	4,740	4,740
- Recovered	-	-	(11,779)	(11,779)
	-	-	(7,039)	(7,039)
	(66,782)	211,284	276,428	420,930

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36. Net allowance/(writeback) for impairment on loans, financing and advances and other financial assets (cont'd.)

2019	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Financial investments at FVOCI (Note 8)	18	-	-	18
Financial investments at amortised cost (Note 9)	146	-	-	146
Loans, financing and advances (Note 10(ix))	52,915	(117,427)	157,589	93,077
Other receivables	-	-	65,538	65,538
Financing commitments and financial guarantees (Note 26)	(8,934)	(18,851)	(1,947)	(29,732)
	44,145	(136,278)	221,180	129,047
Impaired financing and advances:				
- Write off	-	-	17,735	17,735
- Recovered	-	-	(32,325)	(32,325)
	-	-	(14,590)	(14,590)
	44,145	(136,278)	206,590	114,457
2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Loans and advances (Note 10(ix))	(5,834)	(3,438)	22,094	12,822
Other receivables	-	-	(12,000)	(12,000)
Amount due from subsidiaries	-	-	4,455	4,455
Investment in subsidiaries	-	-	5	5
Financing commitments and financial guarantees (Note 26)	(56)	31	(1,136)	(1,161)
	(5,890)	(3,407)	13,418	4,121
Impaired loans and advances:				
- Write off	-	-	1,948	1,948
- Recovered	-	-	(2,894)	(2,894)
	-	-	(946)	(946)
	(5,890)	(3,407)	12,472	3,175

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36. Net allowance/(writeback) for impairment on loans, financing and advances and other financial assets (cont'd.)

2019	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Loans and advances (Note 10(ix))	(1,838)	(30,722)	(40,904)	(73,464)
Other receivables	-	-	14,482	14,482
Amount due from subsidiaries	-	-	12,342	12,342
Financing commitments and financial guarantees (Note 26)	(162)	(22)	(844)	(1,028)
	(2,000)	(30,744)	(14,924)	(47,668)
Impaired loans and advances:				
- Write off	-	-	26,731	26,731
- Recovered	-	-	(18,253)	(18,253)
	-	-	8,478	8,478
	(2,000)	(30,744)	(6,446)	(39,190)

37. Loss on modification of cash flows

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss on modification of cash flows (Note 10(viii))	504,750	-	73	-

During the financial year, the Group and the Company granted loans, financing and advances moratorium to eligible individuals, SMEs and Corporates following BNM announcements to ease the cash flow of those affected by Covid-19 pandemic. This offer is applicable to performing loans and financing, denominated in Malaysian Ringgit, and have not been in arrears for more than 90 days upon granting the loans, financing and advances moratorium.

As a results of the loans, financing and advances moratorium, the Group and the Company recognised loss on modification of cash flows arising from difference of the gross carrying amount recalculated at the present value of the modified contractual cash flows. The Group's loss on modification of cash flows is material following the high exposure to fixed rate personal financing mainly at the banking subsidiary, MBSB Bank.

The loans, financing and advances moratorium does not automatically result in stage transfer under MFRS 9.

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38. Net other income

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Rental income	164	180	3,797	6,655
Revenue from hotel operations	-	2,449	-	-
Loan related fees	4,371	9,024	5,407	8,118
Insurance commission	12,041	13,629	-	8
Ta'widh/penalty	16,040	20,011	14,457	18,257
Gain from sale of financial investments at FVOCI	246,782	58,592	-	-
Gain from sale of financial investments at FVTPL	2,817	1,424	-	-
Sundry expenses	(26,207)	(5,086)	(517)	(2,630)
Dividend income	-	-	133,657	-
Gain/(loss) from disposal of:				
Property and equipment	859	(3,938)	-	-
Foreclosed properties	(9,097)	7,109	(9,097)	7,109
Inventories	(1,749)	-	-	-
Others	(7,726)	-	-	-
	238,295	103,394	147,704	37,517

39. Other operating expenses

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (Note 40)	288,251	240,308	1,653	(3,850)
Establishment related expenses	80,411	67,147	1,541	1,479
Promotion and marketing related expenses	12,946	13,319	-	-
General administrative expenses	37,882	45,298	4,074	6,569
Intercompany charges [^]	-	-	13,890	37,220
Commission fees	18,374	34,759	762	754
	437,864	400,831	21,920	42,172

[^] The intercompany charges of the Company were transactions entered with related entities in Malaysia.

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39. Other operating expenses (cont'd.)

Included in other operating expenses are the following:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Parent auditors' remuneration:				
- Audit	1,670	1,683	346	346
- Regulatory related services	210	210	10	10
- Non-audit fees	-	415	-	215
Professional fees	9,058	15,600	1,804	4,236
Depreciation:				
- property and equipment (Note 17)	26,672	8,605	464	464
Depreciation of right-of-use asset (Note 18(a))	9,036	8,814	-	-
Lease profit expenses	316	465	-	-
Amortisation:				
- intangible assets (Note 19)	32,583	24,210	-	-
- land use rights (Note 22)	-	91	-	-
Reversal of impairment loss on property and equipment (Note 17)	(30,240)	-	-	-
Directors' remuneration (Note 41)	4,301	3,442	1,448	1,185

40. Personnel expenses

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries	222,782	177,846	-	(5,700)
Contributions to Employees Provident Fund	36,784	31,042	-	-
Social security costs	1,918	1,660	-	-
Directors fees (Note 41)	4,301	3,442	1,448	1,185
Shariah Committee remuneration	415	466	-	-
Other staff related expenses	22,051	25,852	205	665
	288,251	240,308	1,653	(3,850)

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41. Directors' remuneration

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors of the Company				
Non-Executive:				
Fees	2,190	1,815	818	660
Other emoluments	2,111	1,627	630	525
	4,301	3,442	1,448	1,185

The number of directors of the Group and the Company whose total remuneration during the financial year fell within the following bands are analysed below:

	Number of Directors			
	Group		Company	
	2020	2019	2020	2019
Non-executive directors:				
RM1,000 - RM50,000	-	2	-	1
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	-	-	-	-
RM150,001 - RM200,000	1	-	1	-
RM200,001 - RM250,000	3	2	2	1
RM250,001 - RM300,000	5	3	2	-
RM300,001 - RM350,000	3	3	1	3
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	-	-	-	-
RM500,001 - RM550,000	-	1	-	-
RM550,001 - RM600,000	2	1	-	-

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41. Directors' remuneration (cont'd.)

Details of the directors' remuneration of each director during the financial year ended 31 December 2020 are as follows:

Group 31 December 2020 Directors	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	280	278	558
2. Encik Aw Hong Boo	152	125	277
3. Encik Lim Tian Huat	175	139	314
4. Ir. Moslim Othman	148	121	269
5. Encik Sazaliza Zainuddin	120*	123	243
6. Datuk Johar bin Che Mat	155	159	314
7. Puan Lynette Yeow Su Yin	273	284	557
8. Tunku Alina binti Raja Muhd Alias	140	151	291
9. Datuk Azrulnizam bin Abdul Aziz	133	145	278
10. Dr. Loh Leong Hua	163	173	336
11. Encik Kamarulzaman bin Ahmad	141	136	277
12. Puan Zaidatul Mazwin Idrus	100*	72	172
13. Encik Arul Sothy Mylvanagam	93	107	200
14. Encik Mohamad Abdul Halim bin Ahmad	117	98	215
	2,190	2,111	4,301

Group 31 December 2019 Directors	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	280	260	540
2. Encik Aw Hong Boo	165	163	328
3. Encik Lim Tian Huat	175	153	328
4. Ir. Moslim Othman	165	145	310
5. Encik Sazaliza Zainuddin	120*	98	218
6. Datuk Johar bin Che Mat	155	129	284
7. Puan Lynette Yeow Su Yin	290	278	568
8. Tunku Alina binti Raja Muhd Alias	140	132	272
9. Datuk Azrulnizam bin Abdul Aziz	120	105	225
10. Dr. Loh Leong Hua	150	135	285
11. Encik Kamarulzaman bin Ahmad	30	20	50
12. Puan Zaidatul Mazwin Idrus	25*	9	34
	1,815	1,627	3,442

* 50% of the directors' fees are paid to the organisation to whom the director represents.

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41. Directors' remuneration (cont'd.)

Company 31 December 2020	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	140	75	215
2. Encik Lim Tian Huat	175	139	314
3. Ir. Moslim Othman	148	121	269
4. Puan Lynette Yeow Su Yin	138	125	263
5. Puan Zaidatul Mazwin Idrus	100*	72	172
6. Encik Mohamad Abdul Halim bin Ahmad	117	98	215
	818	630	1,448

Company 31 December 2019	Director Fees RM'000	Allowance RM'000	Total RM'000
1. Tan Sri Abdul Halim bin Ali	140	73	213
2. Encik Lim Tian Huat	175	153	328
3. Ir. Moslim Othman	165	145	310
4. Puan Lynette Yeow Su Yin	155	145	300
5. Puan Zaidatul Mazwin Idrus	25*	9	34
	660	525	1,185

* 50% of the directors' fees are paid to the organisation to whom the director represents.

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42. Taxation

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysian income tax:				
Current income tax	127,002	203,999	20,470	33,784
Under/(over) provision in prior year	54,460	(37,058)	33,209	(62,426)
	181,462	166,941	53,679	(28,642)
Deferred tax (Note 23):				
Origination and reversal of temporary differences	(30,426)	8,487	(486)	2,923
Under provision in prior years	6,768	5,639	6,236	3,179
	(23,658)	14,126	5,750	6,102
Total income tax expense/(credit) for the year	157,804	181,067	59,429	(22,540)
Tax recognised directly in equity:				
Fair value reserve (Note 23)	25,163	45,589	-	-

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation and zakat	427,640	897,429	210,241	139,622
Taxation at Malaysian statutory tax rate of 24%	102,634	215,383	50,458	33,509
Effect of income not subject to tax	(34,339)	(48,744)	(32,077)	-
Effect of expenses not deductible for tax purposes	26,909	49,306	1,603	3,198
Reversal of a previous write-down of deferred tax assets	-	(3,861)	-	-
Deferred tax assets not recognised	2,643	-	-	-
Under/(over) provision of income tax in prior years	54,462	(37,044)	33,208	(62,424)
Under provision of deferred tax in prior years	6,766	5,624	6,237	3,177
(Reversal)/charge of deferred tax liabilities	(1,271)	403	-	-
Tax expense for the year	157,804	181,067	59,429	(22,540)

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43. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2020	2019
Net profit for the year (RM'000)	269,318	716,900
Weighted average number of ordinary shares in issue ('000)	6,814,331	6,533,037
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Basic earnings per share (sen)	3.95	10.97
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(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. ESOS.

All ESOS have lapsed in August 2020. Hence there is no dilutive effects on earnings per share for financial year ended 31 December 2020.

	2019
Net profit for the year (RM'000)	716,900
Weighted average number of ordinary shares in issue ('000)	6,533,037
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Adjusted weighted average number of ordinary shares in issue ('000)	6,557,232
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Diluted earnings per share (sen)	10.93
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44. Dividends

Group and Company	
2020	2019
RM'000	RM'000

Recognised during the financial year:

Final dividend on ordinary shares:

In respect of financial year ended 31 December 2019/2018:

- Single-tier final dividend of 3.0 sen per share for 2019	201,402	-
- Single-tier final dividend of 5.0 sen per share for 2018	-	319,455
	201,402	319,455

Subsequent to the financial year end, the Directors approved a proposed single-tier final dividend of 2.0 sen net per ordinary share in respect of the financial year ended 31 December 2020. Based on the number of shares in issue of 6,975,388,546 ordinary shares as at 31 December 2020, the dividend payable would be RM139,507,771.

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the shareholders in the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

MBSB Dividend Reinvestment Plan

On 10 December 2013, the shareholders of the Company approved the Dividend Reinvestment Plan ("DRP") to enable the Company's efforts to enhance and maximise shareholders' value. The DRP is part of the Company's capital management plan in retaining capital for future expansion of the business.

It should be noted that the Company is not obliged to undertake the DRP and provide the option to reinvest for every dividend declared.

The DRP provides shareholders with the opportunity to reinvest their dividends in new MBSB shares in lieu of receiving cash. This provides greater flexibility for the shareholders in meeting their investment objective with the choice of receiving cash or reinvesting in the Company via the subscription of new additional MBSB shares.

The Board of Directors has determined that the option to reinvest via the DRP shall apply to the entire portion of the proposed single-tier final dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2020.

44. Dividends (cont'd.)

MBSB Dividend Reinvestment Plan (cont'd.)

Under the DRP, shareholders will have the following options in respect of the electable portion:

- (a) elect to exercise the option to reinvest and thereby reinvest the entire electable portion (or a part thereof) at the issue price of the new MBSB shares ("DRP Price") and to receive cash for the remaining portion of the dividend (in the event that only part of the electable portion is reinvested); or
- (b) elect not to exercise the option to reinvest and thereby receive their entire dividend entitlement wholly in cash.

There will be no brokerage fees and other related transaction costs payable by shareholders on the new MBSB shares allotted pursuant to the DRP.

The DRP Price shall be at a discount of not more than ten percent (10%) of the five (5)-day volume weighted average market price ("VWAP") of MBSB Shares immediately prior to the date of fixing of the DRP Price provided that the DRP Price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time. The VWAP shall be adjusted ex-dividend before applying the discount in fixing the DRP Price. The DRP Price shall be announced on or before the announcement of the books closure date ("Books Closure Date") in relation to the above proposed single-tier dividend of 4.0% to which the option to reinvest applies.

An approval for the listing of and quotation for the new MBSB Shares on the Main Market of Bursa Securities pursuant to the DRP will be obtained from Bursa Securities and the announcement on the Books Closure Date will be made after receipt of the said approval from Bursa Securities and such approval from other relevant authorities (if any).

Subsequent to the Books Closure Date, a notice of election pursuant to the DRP ("Notice of Election") will be dispatched to shareholders. Instructions will be provided in the Notice of Election in respect of the action to be taken by shareholders should they wish to exercise the option to reinvest. The Notice of Election will also state, inter-alia, the last day (which will be a date to be fixed and announced by the Board) by which an election to be made by shareholders in relation to the electable portion must be received by the Company ("Expiry Date").

An announcement will also be made in respect of the day on which the new MBSB shares will be listed and quoted on the Main Market of Bursa Securities.

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45. Capital adequacy

The capital adequacy ratios have been computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk- Weighted Assets). The total risk-weighted assets are computed based on Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superseding the version previously issued in February 2020. The revised CAFIB has provided for an optional transitional arrangement for regulatory capital treatment of expected credit losses ("ECL") provisions.

This new optional transitional arrangement allows financial institutions to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are ascribed to non-credit impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions) to CET1 capital on a gradual phase-out basis either over a four-year period from the financial year beginning 2020, or over a three-year period from the financial year beginning 2021.

The Group and the Company have elected to apply this transitional arrangement ("TA") for four financial years from the financial year beginning 1 January 2020 to 31 December 2023.

For the purpose of disclosures in the financial statements, the capital adequacy of the Group and the Company as at 31 December 2020 are disclosed 'with TA' and 'without TA'.

	with TA 2020 RM'000	Group without TA 2020 RM'000	2019 RM'000
<u>Common Equity Tier 1 ("CET1") Capital</u>			
Ordinary share capital	7,088,255	7,088,255	6,941,542
Retained earnings exclude merger reserve	1,558,251	1,558,251	1,484,492
Fair value reserve	234,666	234,666	154,994
Share option reserve	-	-	5,843
	8,881,172	8,881,172	8,586,871
Less : Regulatory adjustments			
Goodwill	(148,031)	(148,031)	(148,031)
Deferred tax assets	(7,261)	(7,261)	(28,218)
Cumulative gains of financial investments at FVOCI	(191,046)	(191,046)	(114,082)
Intangible assets	(162,058)	(162,058)	(167,209)
Other CET1 regulatory adjustments	144,075	-	-
Total CET1 Capital	8,516,851	8,372,776	8,129,331

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45. Capital adequacy (cont'd.)

	with TA 2020 RM'000	Group without TA 2020 RM'000	2019 RM'000
<u>Tier 1 Capital</u>			
Additional Tier 1 capital instruments	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-
Total Tier 1 capital	8,516,851	8,372,776	8,129,331
<u>Tier 2 Capital</u>			
Stage 1 and Stage 2 ECL allowances	479,868	479,868	497,961
Tier 2 capital instruments	1,293,335	1,293,335	1,293,075
Total Tier 2 capital	1,773,203	1,773,203	1,791,036
Total capital base	10,290,054	10,145,979	9,920,367

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	with TA 2020 RM'000	Group without TA 2020 RM'000	2019 RM'000
<u>Total risk weighted assets ("RWA")</u>			
- Credit risk	38,389,455	38,389,455	39,836,868
- Market risk	36,226	36,226	33,759
- Operational risk	2,581,744	2,581,744	2,380,936
Total RWA	41,007,425	41,007,425	42,251,563
<u>Capital adequacy ratios</u>			
CET1 capital ratio	20.769%	20.418%	19.240%
Tier 1 capital ratio	20.769%	20.418%	19.240%
Total capital ratio	25.093%	24.742%	23.479%

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45. Capital adequacy (cont'd.)

The capital ratios after the proposed single-tier final dividend of 2.0 sen per ordinary share in respect of financial year ended 31 December 2020 amounting to RM139,507,771 are as follows:

	Group		2019 RM'000
	with TA 2020 RM'000	without TA 2020 RM'000	
<u>Capital adequacy ratios (after proposed single-tier final dividend)</u>			
CET 1 capital ratio	20.429%	20.078%	18.764%
Tier 1 capital ratio	20.429%	20.078%	18.764%
Total capital ratio	24.753%	24.402%	23.003%

	Company		2019 RM'000
	with TA 2020 RM'000	without TA 2020 RM'000	
<u>Common Equity Tier 1 ("CET1") Capital</u>			
Ordinary share capital	7,088,255	7,088,255	6,941,542
Retained earnings	157,684	157,684	202,431
Share option reserve	-	-	5,843
	7,245,939	7,245,939	7,149,816
Less : Regulatory adjustments			
Deferred tax assets	(3,835)	(3,835)	(9,585)
Total CET1 Capital	7,242,104	7,242,104	7,140,231

Tier 1 Capital

Additional Tier 1 capital instruments	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-

Total Tier 1 capital	7,242,104	7,242,104	7,140,231
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Tier 2 Capital

Stage 1 and Stage 2 ECL allowances	65,921	65,921	75,219
Tier 2 capital instruments	-	-	-

Total Tier 2 capital	65,921	65,921	75,219
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Total capital base	7,308,025	7,308,025	7,215,450
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45. Capital adequacy (cont'd.)

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	Company		2019 RM'000
	with TA 2020 RM'000	without TA 2020 RM'000	
<u>Total risk weighted assets ("RWA")</u>			
- Credit risk	6,948,160	6,948,160	7,113,253
- Market risk	-	-	-
- Operational risk	393,593	393,593	1,048,976
<hr/>			
Total RWA	7,341,753	7,341,753	8,162,229
<hr/>			
<u>Capital adequacy ratios</u>			
CET1 capital ratio	98.643%	98.643%	87.479%
Tier 1 capital ratio	98.643%	98.643%	87.479%
Total capital ratio	99.541%	99.541%	88.400%

The capital ratios after the proposed single-tier final dividend of 2.0 sen per ordinary share in respect of financial year ended 31 December 2020 amounting to RM139,507,771 are as follows:

<u>Capital adequacy ratios (after proposed single-tier final dividend)</u>			
CET 1 capital ratio	96.743%	96.743%	85.011%
Tier 1 capital ratio	96.743%	96.743%	85.011%
Total capital ratio	97.640%	97.640%	85.933%

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46. Significant related party transactions/balances

(a) Transactions and balances with government-related entities are as follows:

EPF, the ultimate holding body, is a shareholder with control over the Group, with direct shareholdings of 65.39% as at 31 December 2020 (2019: 64.48%). EPF is also a government-linked entity. EPF and entities directly controlled by EPF are collectively referred to as government-related entities to the Group.

All the transactions entered into by the Group with government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

(i) Individually significant transactions and balances with EPF are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Expenses				
Profit expense paid on sukuk to EPF	57,283	56,966	-	-
Profit expense paid on fixed deposits to EPF	35,018	71,235	-	-
Interest expenses paid on time deposit to EPF	7	-	-	-
Rental paid	50	249	-	-
Balances				
Sukuk MBSB-SC Murabahah	1,077,654	1,178,793	-	-
Accrued profit on sukuk due to EPF	7,483	7,983	-	-
Fixed deposits by EPF	1,300,000	1,800,000	-	-
Accrued profit on fixed deposits due to EPF	1,618	47,071	-	-
Time deposits by EPF	14,089	-	-	-
Accrued interest on time deposit due to EPF	7	-	-	-
Rental deposit	17	97	17	97

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46. Significant related party transactions/balances (cont'd.)

(a) Transactions and balances with government-related entities are as follows: (cont'd.)

(ii) Individually significant balances with the RHB Banking Group of companies, comprising RHB Bank Berhad and RHB Islamic Bank Berhad, being companies directly controlled by EPF, are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Income/(Expense)		
Profit income from deposit placements	1	1
Profit expense to depositors	(2,501)	(2,419)
Balances		
Cash and short-term funds	84,863	71,412
Deposits and placements with financial institutions	32	32

The Group and the Company have balances with other government-related entities including but not limited to provision of loans, financing and advances, deposits placements and borrowings.

(iii) Collectively, but not individually, significant balances:

For the financial year ended 31 December 2020, the aggregate amount of the Group and the Company's significant balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	Group	
	2020	2019
	RM'000	RM'000
Income/(expenses)		
Profit from financing	18,379	20,253
Profit to depositors	(3,398)	(5,579)
Balances		
Financing	81,943	303,627
Deposits from customers	210,879	191,076

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46. Significant related party transactions/balances (cont'd.)

(b) Transactions and balances with subsidiaries and related entities of the Group and the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income/(expenses)				
Interest charged on loans and advances	-	-	3,318	4,191
Other expenses	(6,975)	(2,844)	(811)	-
Profit to depositors	(4,949)	-	-	-
<hr/>				
Balances				
Amount due from subsidiaries	-	-	54,729	65,040
Deposits from customer	185,642	139,859	-	-

The Directors are of the opinion that all the transactions and balances above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) The remuneration of Directors and other members of key management during the year is as follows:

	Group	
	2020 RM'000	2019 RM'000
Short-term employee benefits	17,950	18,421
Pension costs: EPF	2,204	2,429
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	20,154	20,850

Included in the total key management personnel are:

	Group	
	2020 RM'000	2019 RM'000
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments	4,010	4,974

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46. Significant related party transactions/balances (cont'd.)

(d) Transactions and balances with Directors and key management:

	Group	
	2020	2019
	RM'000	RM'000
Expense		
Interest cost incurred on savings and deposits	(51)	(81)
Balance		
Amount due to in respect of savings and deposits	3,144	2,787

Directors and other members of key management of the Group and the Company have been granted the following number of options under the Employee Share Option Scheme:

	Group		Company	
	2020	2019	2020	2019
	'000	'000	'000	'000
At 1 January/ 31 December	-	813	-	813

The share options were granted on the same terms and conditions as those offered to other employees of the Group.

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47. Credit exposures arising from transactions with connected parties

	Group	
	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	1,353,050	1,622,739
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	3.47%	3.90%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.50%	0.80%
	Company	
	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	61,888	61,661
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	4.11%	3.24%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	4.07%	3.20%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which are effective on 1 January 2008.

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48. Commitments and contingencies

In the normal course of business, the Group and the Company make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

Group 31-Dec-20	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	61,797	52,254	52,254
Trade-related contingencies	96,956	47,416	47,416
Short term self liquidating trade related contingencies	107,698	21,540	21,540
Irrevocable commitments to extend credit:			
- one year or less	612,780	155,399	155,399
- over one year to five years	1,577,419	785,452	707,057
- over five years	8,308	4,153	4,152
Foreign exchange related contracts			
- one year or less	278,310	5,896	3,344
	2,743,268	1,072,110	991,162
Company 31-Dec-20	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Trade-related contingencies	3,530	703	703
Irrevocable commitments to extend credit:			
- over one year to five years	14,989	6,883	5,073
	18,519	7,586	5,776

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48. Commitments and contingencies (cont'd.)

Group 31-Dec-19	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	179,476	177,186	177,186
Trade-related contingencies	96,744	48,372	48,372
Short term self liquidating trade related contingencies	83,691	16,738	16,738
Irrevocable commitments to extend credit:			
- one year or less	1,338,351	307,921	307,921
- over one year to five years	3,100,296	1,545,476	1,488,381
- over five years	72,000	36,000	36,000
Foreign exchange related contracts			
- one year or less	228,295	7,277	1,536
	5,098,853	2,138,970	2,076,134
Company 31-Dec-19	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	4,141	2,031	2,031
Trade-related contingencies	2,939	1,469	1,469
Irrevocable commitments to extend credit:			
- over one year to five years	22,669	8,431	6,185
	29,749	11,931	9,685
		Group	
		2020	2019
		RM'000	RM'000
(i) Capital Commitments			
Property and equipment /Intangible assets:			
Contracted but not provided for		52,872	50,342

49. Contingent liabilities (Unsecured)

KCSB Konsortium Sdn Bhd and Kausar Corporation Sdn Bhd (collectively referred to as “the Plaintiffs/the Appellant”) have instituted a civil suit against the Company and its subsidiary, Definite Pure Sdn. Bhd. for an alleged breach of facility agreement.

The High Court dismissed the Plaintiffs’ claim with costs and allowed the Company’s counterclaim. The Plaintiffs appealed to the Court of Appeal who in November 2016, allowed the appeal with no order as to costs and sent the case back to the High Court for retrial before a different Judge on the Ground that the Judgment were wholly inadequate as they could not be certain as to the basis on which the decision was reached.

The High Court fixed the matter for full trial in September 2017 and the parties filed Striking-Out Applications in July 2017. In September 2017, the Court found that both claims were time barred and struck out both the claims. Both parties have appealed to the Court of Appeal and the matter was subsequently heard in August 2018. The Court of Appeal dismissed both appeals and directed the matter to be fixed for trial before a different judge.

On 27 January 2021, the High Court has decided in favour of certain of the Plaintiffs’ claims including a monetary claim of RM35.31mil with interest at 5% to be calculated thereon. The Company has then decided to appeal to the Court of Appeal against the decision of the High Court in allowing the Plaintiffs’ claims in part and in dismissing the Company’s counterclaim and to apply for a stay of execution of the High Court judgment pending disposal of the appeal.

The High Court has granted an ad interim stay of the matter pending disposal of the appeal to the Court of Appeal. The Court of Appeal has fixed the appeal for e-review case management on 3 May 2021.

The Directors after obtaining advice from the Company’s solicitors are of the opinion that the Company has a reasonably fair chance in respect of the civil suit against the Company and its subsidiary.

50. COVID-19 specific disclosures

Exposures to COVID-19 impacted sectors

Group	Loans, financing and advances	
	<u>On-balance sheet (net of impairment)</u>	
	2020	2019
	RM’000	RM’000
Airline/aviation, construction, oil and gas, retail and wholesale/trading, hotels and tourism, property development, food and beverage services/restaurants	3,730,895	3,172,167

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50. COVID-19 specific disclosures (cont'd.)

Exposures to COVID-19 impacted sectors (cont'd.)

Company	Loans, financing and advances <u>On-balance sheet</u> <u>(net of impairment)</u>	
	2020	2019
	RM'000	RM'000
Airline/aviation, construction, oil and gas, retail and wholesale/trading, hotels and tourism, and property development	19,030	20,021

COVID-19 customer relief and support measures

Group	Retail customers as at 31 December 2020				Non-retail customers as at 31 December 2020	Grand Total RM'000
	Personal RM'000	Property/ Mortgage RM'000	Auto RM'000	Total RM'000	Total RM'000	
	Total 6-month automatic payment moratorium granted	18,747,866	5,519,914	102,265	24,370,045	
Total repayment assistances, rescheduling and restructuring ("R&R")	21,195	46,995	333	68,523	39,729	108,252
Grand Total	18,769,061	5,566,909	102,598	24,438,568	3,904,643	28,343,211
<i>Of Which:</i>						
Resumed repayments	18,197,330	4,408,468	67,540	22,673,338	2,903,429	25,576,767
Extended and repaying as per revised schedules	180,678	659,561	11,260	851,499	759,757	1,611,256
Missed payments	391,053	498,880	23,798	913,731	241,457	1,155,188
<i>As a percentage of total:</i>						
Resumed repayments	97.0%	79.2%	65.8%	92.8%	74.4%	90.2%
Extended and repaying as per revised schedules	0.9%	11.8%	11.0%	3.5%	19.4%	5.7%
Missed payments	2.1%	9.0%	23.2%	3.7%	6.2%	4.1%
	100%	100.0%	100.0%	100.0%	100.0%	100.0%

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50. COVID-19 specific disclosures (cont'd.)

COVID-19 customer relief and support measures (cont'd.)

Company	Retail customers as at 31 December 2020			Non-retail customers as at 31 December 2020	Grand Total RM'000
	Mortgage RM'000	Auto RM'000	Total RM'000	Total RM'000	
	Total 6-month automatic payment moratorium granted	369,857	805	370,662	
Total repayment assistances, rescheduling and restructuring ("R&R")	7,375	71	7,446	-	7,446
Grand Total	377,232	876	378,108	203,102	581,210
<i>Of Which:</i>					
Resumed repayments	232,206	247	232,453	100,402	332,855
Extended and repaying as per revised schedules	60,219	218	60,437	102,699	163,136
Missed payments	84,807	411	85,218	-	85,218
<i>As a percentage of total:</i>					
Resumed repayments	61.5%	28.2%	61.5%	49.4%	57.2%
Extended and repaying as per revised schedules	16.0%	24.9%	16.0%	50.6%	28.1%
Missed payments	22.5%	46.9%	22.5%	0.0%	14.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

Overlays and adjustments for expected credit loss amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit loss ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

These overlays were taken to reflect the latest outlook and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

50. COVID-19 specific disclosures (cont'd.)

Overlays and adjustments for expected credit loss amid COVID-19 environment (cont'd.)

The borrowers and customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays were generally made at account level in determining the sufficient level of ECLs.

These overlays remain outside the core MFRS 9 process and amounts to approximately 7% and 5% of total ECL as at 31 December 2020 for Group and Company respectively.

51. Financial risk management

The Group and the Company have exposure to one or more of the following risks:

(i) Credit risk

Arising from the possibility of losses due to an obligor or, market counterparty or issuer of securities or other instruments held, having failed to perform its contractual obligations to the Group;

(ii) Market risk

Arising from fluctuations in the market value of the trading; or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, commodity prices and their associated volatility;

(iii) Liquidity risk

Arising from a Group's ability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk

Arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Profit rate/rate of return risk in the banking book

Current and potential risk to the Group's earning and economic value arising from movement in the profit rates/rate of return;

(vi) Capital risk

Arising from the failure to meet the minimum regulatory and internal requirements; and

(vii) Shariah Non Compliance risk

Arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") and Securities Commission ("SC"), the Shariah Committee and other Shariah regulatory authorities.

51. Financial risk management (cont'd.)

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Group and the Company's activities and remains an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which the Group and the Company are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Group's and the Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Risk Management Division and submitted to the Audit Committee ("AC"), Risk Management Committee ("RMC") and/or Board of Directors for approvals.

In essence, the objectives of the Group and the Company's risk management activities are to:

- (i) Identify and monitor the various risk exposures and risk requirements;
- (ii) Ensure risk-taking activities are consistent with the approved policies and the aggregated risk positions are within the risk appetite as approved by the Board; and
- (iii) Help create shareholder value through proper allocation of risk and the facilitation of independent risk assessments of new business and products.

(b) Risk management framework

The Group and the Company employ an Enterprise-wide Risk Management Framework to manage its risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group and the Company which is implemented through a number of committees established by the Board of Directors. This framework provides the Board and the management with a tool to anticipate and manage both existing and potential risks, taking into consideration dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

Key features of the Risk Management Framework include:

(i) Governance and Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Risk Management Framework. The Board is ultimately responsible for the Group's and the Company's strategic directions, which is supported by the Risk Appetite and Risk Management Frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's and the Company's Risk Management Framework is effectively maintained.

51. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

(ii) Internal Capital Adequacy Assessment Process ("ICAAP")

The Group's and the Company's ICAAP framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage the same.

(iii) Risk Appetite

It is defined as the amount and types of risk that the Group and the Company is able and willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to changing business and market conditions. As the risk appetite is dynamic, the Board sets the risk appetite based on the business and financial targets, while incorporating macroeconomic and global outlook. The Board also considers the actual and targeted risk profile of the Group and the Company proposed by senior management and business units when setting the risk appetite. The risk appetite is also being reviewed annually or as and when required.

(iv) Risk Management Process

- **Business Planning:** Risk Management Division is an element of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new product or new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Group's and the Company's Risk Management Framework, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Manage and Controls:** Control and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Monitor and Report:** Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's and the Company's risk appetite.

51. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

(v) Risk Management Infrastructure

- **Risk Policies, Procedures and Methodologies:** Well-defined risk policies by risk type provide the principles by which the Group and the Company manages its risks. Procedures provide guidance for day-to-day risk-taking activities. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy.
- **People:** Attracting the right talent and skills are the key to ensuring a well- functioning risk management framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group and the Company as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management are enablers to support risk management activities.

(vi) Risk Culture

The Group and the Company embraces risk management as an integral part of its culture and decision-making processes. The Group's and the Company's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of a risk-taking activity. There is clear accountability of risk ownership across the Group and the Company. Guided by the said principle, the Group has launched a Risk Awareness Culture which comprises training, awareness campaigns and roadshows within the Group and the Company to promote a healthy risk culture. A strong risk culture minimizes the Group's and the Company's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Group and the Company have implemented the Regional Compliance and Risk Officers ("RCRO") and Designated Compliance and Risk Officers ("DCORO") to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are appointed at the respective branches, business and functional units across the Group and the Company to provide real time advisory on risk and compliance matters.

51. Financial risk management (cont'd.)

(c) Risk organisation

At the apex of the Group and the Company's risk management structure is the Board of Directors, which comprises Non-Executive Directors. In line with best practices, the Board determines the risk policy objectives for the Group and the Company, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the RMC which undertakes the oversight function for overall risk limits and ensures that the Group and the Company are within risk appetites established by the Board. Other than the RMC, the Board is also supported by specialised and supervisory committees, the details of which are as follows:

- (i) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (ii) Credit and Rehabilitation Assessment Committee ("CARAC"): CARAC deliberates and approves decisions on the remaining conventional corporate and retail financing, within the authority limit delegated by MBSB's Board. Where the proposals of the existing corporate and retail financing are not within CARAC's authority limit, it would recommend the proposals to MBSB Board for approval. No new financings are being carried out at MBSB as all new financings are being undertaken by the Bank.
- (iii) Management Committee ("MANCO"): The MANCO deliberates the implementation of the enterprise-wide Risk Management Framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

The Group's and the Company's risk management approach is based on the 'Three Lines of Defence' concept.

1st line of defence - the risk owner or risk-taking unit ie Business or Support unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk.

2nd line of defence - Risk Management Division is responsible for establishing and maintaining the Risk Management Framework, developing various risk management tools to facilitate the management of operational risk, monitoring the effectiveness of risk management, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, the Risk Management Division is also responsible to promote risk awareness across the Group and the Company.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programme as well as conducting training that promotes awareness creation.

3rd line of defence - Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the risk management process.

51. Financial risk management (cont'd.)

(d) Risk reporting and monitoring

The Group and the Company's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through the implementation of risk remediation strategies. All business units undertake regular and comprehensive analyses of their credit portfolios and report to the relevant committees and are overseen by the Group Risk Management Division ("GRM"). The GRM provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Group and the Company to the Board.

(e) Credit risk mitigation

All credit facilities are granted on the credit standing of the borrower, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Group and the Company are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to support moral commitment from the principal shareholders and directors. Corporate guarantees are often obtained when the borrower's credit worthiness is insufficient to justify the granting of credit facilities.

(f) Concentration risk

Concentration of credit risk arises when several customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The GRM also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. The GRM conducts analyses and reports concentration risk to the Board of Directors on a quarterly basis.

51.1 Credit risk

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its borrowers and, consequently, their ability to discharge their contractual obligations to the Group and the Company. Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Group and the Company's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the GRM for independent assessment. Credit exposures are evaluated by the GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis, individually and on a portfolio level.

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(i) Financial instruments by category

The tables below provide an analysis of financial instruments categorised as follows:

- (a) Amortised cost ("AC")
- (b) Fair value through other comprehensive income ("FVOCI")
- (c) Fair value through profit or loss ("FVTPL")

2020	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<u>Group</u>				
Financial assets				
Cash and short-term funds	1,082,712	1,082,712	-	-
Deposits and placements with other financial institutions	781,682	781,682	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments	10,680,374	488,102	10,192,272	-
Loans, financing and advances	33,762,458	33,762,458	-	-
Trade and other receivables [^]	61,002	61,002	-	-
Statutory deposits with Bank Negara Malaysia	620,000	620,000	-	-
	46,989,952	36,795,956	10,192,272	1,724
Financial liabilities				
Deposits from customers	24,353,435	24,353,435	-	-
Deposits and placements of banks and other financial institutions	9,529,305	9,529,305	-	-
Derivative financing liabilities	1,614	-	-	1,614
Trade and other payables [#]	503,093	503,093	-	-
Lease liabilities	11,148	11,148	-	-
Recourse obligation on financing sold	2,262,531	2,262,531	-	-
Sukuk - MBSB SC Murabahah	1,366,563	1,366,563	-	-
Sukuk Wakalah	1,293,335	1,293,335	-	-
	39,321,024	39,319,410	-	1,614

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(i) Financial instruments by category (cont'd.)

2020	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<u>Company</u>				
Financial assets				
Cash and short-term funds	342,898	342,898	-	-
Loans, financing and advances	898,954	898,954	-	-
Trade and other receivables [^]	167,475	167,475	-	-
	1,409,327	1,409,327	-	-
Financial liabilities				
Trade and other payables [#]	41,074	41,074	-	-
	41,074	41,074	-	-

[^] Trade and other receivables exclude advances in respect of certain projects, loan commitment fees, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

[#] Trade and other payables exclude accruals, deferred income and others as these items are classified as non-financial liabilities.

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(i) Financial instruments by category (cont'd.)

2019	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<u>Group</u>				
Financial assets				
Cash and short-term funds	2,034,889	2,034,889	-	-
Deposits and placements with other financial institutions	873,515	873,515	-	-
Derivative financial assets	4,239	-	-	4,239
Financial Investments	11,189,349	494,705	10,694,644	-
Loans, financing and advances	33,953,822	33,953,822	-	-
Trade and other receivables [^]	74,753	74,753	-	-
Statutory deposits with Bank Negara Malaysia	1,090,000	1,090,000	-	-
	49,220,567	38,521,684	10,694,644	4,239
Financial liabilities				
Deposits from customers	25,271,951	25,271,951	-	-
Deposits and placements of banks and other financial institutions	10,621,769	10,621,769	-	-
Derivative financial liabilities	1	-	-	1
Trade and other payables [#]	527,555	527,555	-	-
Lease liabilities	8,919	8,919	-	-
Recourse obligation on financing sold	2,481,251	2,481,251	-	-
Sukuk - MBSB SC Murabahah	1,664,973	1,664,973	-	-
Sukuk Wakalah	1,293,075	1,293,075	-	-
	41,869,494	41,869,493	-	1

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(i) Financial instruments by category (cont'd.)

2019	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<u>Company</u>				
Financial assets	189,526	189,526	-	-
Cash and short-term funds				
Deposits and placements with financial institutions	-	-	-	-
Loans, financing and advances	1,146,505	1,146,505	-	-
Trade and other receivables [^]	6,490	6,490	-	-
	1,342,521	1,342,521	-	-
<u>Financial liabilities</u>				
Trade and other payables [#]	144,777	144,777	-	-
	144,777	144,777	-	-

[^] Trade and other receivables exclude advances in respect of certain projects, loan commitment fees, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

[#] Trade and other payables exclude accruals, deferred income and others as these items are classified as non-financial liabilities.

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(ii) Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gains arising on:				
Financial instruments measured at amortised cost:				
- Income derived from loans, financing and advances	2,412,367	2,447,854	83,189	95,846
- Income derived from financial investments at amortised cost	19,589	25,479	-	-
- Income derived from deposits and placements	55,427	131,134	4,527	9,261
- Reversal of impairment on commitments and contingencies	21,348	29,732	1,161	1,028
- Reversal of impairment on other financial assets	-	-	12,000	-
Financial instruments measured at FVOCI:				
- Income derived from financial investments at FVOCI	391,915	322,145	-	-
- Gain from sale of financial investments	246,782	58,592	-	-
- Reversal of impairment on financial investments at FVOCI	11	-	-	-
Financial instruments measured at FVTPL:				
- Income derived from financial investments at FVTPL	190	272	-	-
- Gain from sale of financial investments	2,817	1,424	-	-
	3,150,446	3,016,632	100,877	106,135

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(ii) Net gains and losses arising from financial instruments (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net losses on:				
Financial instruments measured at amortised cost:				
- Impairment on loans, financing and advances	(375,798)	(48,755)	(10,715)	66,014
- Impairment on financial investments at amortised cost	(439)	(146)	-	-
- Impairment on other financial assets	(44,704)	(65,538)	-	14,482
- Modification of cash flows on loans, financing and advances	(504,750)	-	(73)	-
- Income attributable to depositors	(1,077,896)	(1,428,408)	-	-
- Income attributable to securitisation	(101,676)	(93,821)	-	-
- Income attributable to sukuk	(147,016)	(95,312)	-	-
- Interest expense	(11)	(20)	(11)	(20)
Financial instruments measured at FVOCI:				
- Impairment financial investments at FVOCI	-	(18)	-	-
	(2,252,290)	(1,732,018)	(10,799)	80,476
Net gains arising from financial instruments	898,156	1,284,614	90,078	186,611

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iii) Maximum exposure to credit risk

The following analysis represents the Group and the Company's maximum exposure to credit risk on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit exposure for on-balance sheet financial assets				
Cash and short-term funds	1,082,712	2,034,889	342,898	189,526
Deposits and placements with financial institutions	781,682	873,515	-	-
Derivative financial assets	1,724	4,239	-	-
Financial investments at FVOCI	10,192,272	10,694,644	-	-
Financial investments at amortised cost	488,102	494,705	-	-
Loans, financing and advances	33,762,458	33,953,822	898,954	1,146,505
Trade and other receivables*	61,002	74,753	167,475	6,490
Statutory deposits with Bank Negara Malaysia	620,000	1,090,000	-	-
Total financial assets	46,989,952	49,220,567	1,409,327	1,342,521

* Trade and other receivables exclude advances in respect of certain projects, loan commitment fees, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Credit exposure for off-balance sheet financial assets				
Direct credit substitutes	61,797	179,476	-	4,141
Trade-related contingencies	96,956	96,744	3,530	2,939
Short term self-liquidating trade-related contingencies	107,698	83,691	-	-
Irrevocable commitments	2,198,507	4,510,647	14,989	22,669
Total	2,464,958	4,870,558	18,519	29,749

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality

(a) Loans, financing and advances

Loans, financing and advances are summarised as follows:

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Corporate financing				
Excellent	573	-	-	573
Good	2,033,957	192,991	-	2,226,948
Average	3,812,752	835,067	-	4,647,819
Below Average	135,071	201,557	-	336,628
Poor	26,650	266,272	-	292,922
Retail financing	22,847,491	2,181,231	-	25,028,722
Total neither past due nor impaired	28,856,494	3,677,118	-	32,533,612
Past due but not impaired				
Corporate financing				
Excellent	-	-	-	-
Good	-	18,219	-	18,219
Average	-	150,819	-	150,819
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	-	1,130,583	-	1,130,583
Total past due but not impaired	-	1,299,621	-	1,299,621
Impaired	-	-	1,894,985	1,894,985
Gross loans, financing and advances	28,856,494	4,976,739	1,894,985	35,728,218
Less: ECL	(370,236)	(648,474)	(947,050)	(1,965,760)
Net loans, financing and advances	28,486,258	4,328,265	947,935	33,762,458

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

Loans, financing and advances are summarised as follows: (cont'd.)

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	-	56,512	-	56,512
Below Average	-	-	-	-
Poor	19,850	126,740	-	146,590
Retail financing	125,502	152,111	-	277,613
Total neither past due nor impaired	145,352	335,363	-	480,715
Past due but not impaired				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	-	-	-	-
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	-	97,468	-	97,468
Total past due but not impaired	-	97,468	-	97,468
Impaired	-	-	907,754	907,754
Gross loans, financing and advances	145,352	432,831	907,754	1,485,937
Less: ECL	(4,698)	(60,822)	(521,463)	(586,983)
Net loans, financing and advances	140,654	372,009	386,291	898,954

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

Loans, financing and advances are summarised as follows: (cont'd.)

2019	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Corporate financing				
Excellent	712	-	-	712
Good	3,038,429	148,411	-	3,186,840
Average	3,802,919	794,862	-	4,597,781
Below Average	171,898	123,787	-	295,685
Poor	20,492	259,221	-	279,713
Retail financing	22,381,502	1,904,969	-	24,286,471
Total neither past due nor impaired	29,415,952	3,231,250	-	32,647,202
Past due but not impaired				
Corporate financing				
Excellent	-	-	-	-
Good	-	10,116	-	10,116
Average	-	60,770	-	60,770
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	-	1,284,860	-	1,284,860
Total past due but not impaired	-	1,355,746	-	1,355,746
Impaired	-	-	1,861,542	1,861,542
Gross loans, financing and advances	29,415,952	4,586,996	1,861,542	35,864,490
Less: ECL	(411,822)	(433,194)	(1,065,652)	(1,910,668)
Net loans, financing and advances	29,004,130	4,153,802	795,890	33,953,822

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

Loans, financing and advances are summarised as follows: (cont'd.)

2019	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	85,125	-	-	85,125
Below Average	-	-	-	-
Poor	19,634	119,405	-	139,039
Retail financing	245,907	173,563	-	419,470
Total neither past due nor impaired	350,666	292,968	-	643,634
Past due but not impaired				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	-	-	-	-
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	-	187,318	-	187,318
Total past due but not impaired	-	187,318	-	187,318
Impaired	-	-	1,043,517	1,043,517
Gross loans, financing and advances	350,666	480,286	1,043,517	1,874,469
Less: ECL	(10,532)	(64,260)	(653,172)	(727,964)
Net loans, financing and advances	340,134	416,026	390,345	1,146,505

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Financing commitments				
Corporate financing				
Excellent	-	-	-	-
Good	527,592	5,156	-	532,748
Average	699,157	302,090	-	1,001,247
Below Average	2,368	9,916	-	12,284
Poor	10,000	7,500	6,525	24,025
Retail financing	597,187	26,465	4,551	628,203
Gross financing commitments	1,836,304	351,127	11,076	2,198,507
Less: ECL	(17,353)	(11,946)	(3,360)	(32,659)
Net financing commitments	1,818,951	339,181	7,716	2,165,848
Financial guarantees				
Corporate financing				
Excellent	-	-	-	-
Good	69,508	-	-	69,508
Average	84,522	41,808	-	126,330
Below Average	4,731	4,400	-	9,131
Poor	17,724	3,472	40,286	61,482
Gross financing guarantees	176,485	49,680	40,286	266,451
Less: ECL	(1,720)	(1,535)	(10,604)	(13,859)
Net financing guarantees	174,765	48,145	29,682	252,592

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Financing commitments				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	-	-	-	-
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	11,077	1,975	1,937	14,989
Gross financing commitments	11,077	1,975	1,937	14,989
Less: ECL	(195)	(207)	(611)	(1,013)
Net financing commitments	10,882	1,768	1,326	13,976
Financial guarantees				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	-	-	-	-
Below Average	-	-	-	-
Poor	-	-	3,530	3,530
Gross financing guarantees	-	-	3,530	3,530
Less: ECL	-	-	(1,062)	(1,062)
Net financing guarantees	-	-	2,468	2,468

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

2019	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Financing commitments				
Corporate financing				
Excellent	-	-	-	-
Good	984,399	25,672	-	1,010,071
Average	2,103,914	672,167	-	2,776,081
Below Average	255,942	-	-	255,942
Poor	-	20	5,337	5,357
Retail financing	431,034	20,115	12,047	463,196
Gross financing commitments	3,775,289	717,974	17,384	4,510,647
Less: ECL	(40,885)	(15,151)	(6,217)	(62,253)
Net financing commitments	3,734,404	702,823	11,167	4,448,394
Financial guarantees				
Corporate financing				
Excellent	-	-	-	-
Good	57,043	-	-	57,043
Average	144,282	104,327	-	248,609
Below Average	9,842	-	-	9,842
Poor	543	37	43,837	44,417
Gross financing guarantees	211,710	104,364	43,837	359,911
Less: ECL	(2,520)	(2,749)	(2,289)	(7,558)
Net financing guarantees	209,190	101,615	41,548	352,353

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

2019	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Financing commitments				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	-	-	-	-
Below Average	-	-	-	-
Poor	-	-	-	-
Retail financing	13,108	2,648	6,913	22,669
<hr/>				
Gross financing commitments	13,108	2,648	6,913	22,669
<hr/>				
Less: ECL	(208)	(176)	(2,904)	(3,288)
<hr/>				
Net financing commitments	12,900	2,472	4,009	19,381
<hr/>				
Financial guarantees				
Corporate financing				
Excellent	-	-	-	-
Good	-	-	-	-
Average	3,010	-	-	3,010
Below Average	-	-	-	-
Poor	540	-	3,530	4,070
<hr/>				
Gross financing guarantees	3,550	-	3,530	7,080
<hr/>				
Less: ECL	(43)	-	(2,110)	(2,153)
<hr/>				
Net financing guarantees	3,507	-	1,420	4,927
<hr/>				

51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

Internal rating is defined as follows:

Risk Level	Description
Excellent	Superior capability for payment of financial commitments with little susceptibility to adverse effects to changes in circumstances and economic conditions.
Good	Strong capacity to meet financial commitments and are less susceptible to adverse effects to changes in circumstances and economic conditions.
Average	Moderate capacity to meet financial commitments and may be susceptible to adverse changes in circumstances and economic conditions.
Below Average	Weak in terms of overall credit risk, with some apparent risk of default. May face problems in meeting commitments in the long term.
Poor	Poor credit quality and high risk of default.

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows:

Past due but not impaired

Past due but not impaired financial assets are loans and receivables where the customer has failed to make a principal or interest payment when contractually due, and includes loans, financing and advances which are not past due or have no overdraft for a period of less than three months.

Group	2020		2019	
	RM'000	% to Gross Financing	RM'000	% to Gross Financing
By ageing				
Months-in-arrears 1	969,168	2.71%	964,888	2.69%
Months-in-arrears 2	330,453	0.92%	390,860	1.09%
	1,299,621	3.63%	1,355,748	3.78%

Company	2020		2019	
	RM'000	% to Gross Financing	RM'000	% to Gross Financing
By ageing				
Months-in-arrears 1	70,818	4.77%	117,406	6.26%
Months-in-arrears 2	26,650	1.79%	69,911	3.73%
	97,468	6.56%	187,317	9.99%

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(a) Loans, financing and advances (cont'd.)

Credit quality of financial assets that are impaired by credit quality is as follows:

Impaired

This refers to financial assets in respect of loans, financing and advances for which exposures are assessed individually and considered impaired based on the Group and the Company's policies.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Impaired:				
<i>Individually assessed of which:</i>				
Months-in-arrears 0	15	25,248	-	11,227
Months-in-arrears 1	-	-	-	-
Months-in-arrears 2	9,066	-	-	-
Months-in-arrears 3 and above	1,002,274	829,427	707,950	649,207
<i>Collectively assessed</i>	883,630	1,006,867	199,804	383,082
	1,894,985	1,861,542	907,754	1,043,516

Impaired loans, financing and advances of which are rescheduled and restructured financing:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Consumer	73,655	48,000	13,536	7,140
Business	253,388	222,285	189,327	197,845
	327,043	270,285	202,863	204,985

Rescheduled or restructured financings are financings where the original contractual terms have been modified due to deterioration in the customers' financial positions and the Group has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to non-credit impaired.

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets

Credit quality of other financial assets is as follows. The rating is based on available rating by external credit agencies.

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Cash and short-term funds				
AAA	992,947	-	-	992,947
AA and below	34,082	-	-	34,082
Unrated	55,683	-	-	55,683
	1,082,712	-	-	1,082,712
Deposits and placements with banks and other financial institutions				
AAA	781,650	-	-	781,650
AA and below	32	-	-	32
	781,682	-	-	781,682
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated*	9,391,275	199,566	-	9,590,841
	10,680,374	-	-	10,680,374
Other financial assets				
Unrated	61,002	-	-	61,002
	61,002	-	-	61,002

* Unrated debt investments for the Group include government guaranteed securities of RM9,102,739,000 (2019: RM9,584,857,000)

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Cash and short-term funds				
AAA	342,898	-	-	342,898
	342,898	-	-	342,898
Other financial assets				
Unrated	167,475	-	-	167,475
	167,475	-	-	167,475

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Notes to the Financial Statements

51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2019	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Cash and short-term funds				
AAA	1,937,589	-	-	1,937,589
AA and below	12,268	-	-	12,268
Unrated	85,032	-	-	85,032
	2,034,889	-	-	2,034,889
Deposits and placements with banks and other financial institutions				
AAA	873,483	-	-	873,483
AA and below	32	-	-	32
	873,515	-	-	873,515
Debt investments				
AAA	975,286	-	-	975,286
AA and below	134,501	-	-	134,501
Unrated*	10,079,562	-	-	10,079,562
	11,189,349	-	-	11,189,349
Other financial assets				
Unrated	74,752	-	-	74,752
	74,752	-	-	74,752

* Unrated debt investments for the Group include government guaranteed securities of RM9,102,739,000 (2019: RM9,584,857,000)

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2019	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Neither past due nor impaired				
Cash and short-term funds				
AAA	189,526	-	-	189,526
	189,526	-	-	189,526
Other financial assets				
Unrated	6,490	-	-	6,490
	6,490	-	-	6,490

Credit rating mapping table for other financial assets

The credit mapping table below provides information to users of financial statements in understanding the Group and the Company's risk management practices and evaluating the nature of risks arising from financial instruments. The Group and the Company's internal rating scale and mapping of external ratings are set out below:

Rating for disclosures in the financial statements	RAM RATINGS	MARC	MOODY'S
AAA	AAA	AAA	Aaa
AA and below	BBB3 to AA1	BBB- to AA+	Baa3 to Aa1

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(v) Concentration of credit risk

Group	Cash and short-term funds and deposits and placements with financial institutions	Derivative financial assets	Financial investments at FVOCI	Financial investments at amortised cost	Loans, advances and receivables*	Trade and other receivables*	Statutory deposits with Bank Negara Malaysia	On balance sheet total guarantees	Financial contingencies [^]	Commitment and
31 December 2020										
<u>Financial Assets:</u>										
Government and central banks	618,119	-	6,906,158	-	-	-	620,000	8,144,277	-	-
Household sectors	-	-	-	-	25,353,771	-	-	25,353,771	-	627,424
Agriculture	-	-	-	-	103,940	-	-	103,940	-	26,278
Mining and quarrying	-	-	34,916	-	227,036	-	-	261,952	32,583	20,486
Manufacturing	-	-	30,674	-	448,799	-	-	479,473	11,396	142,070
Electricity, gas and water	-	-	561,636	20,317	167,788	-	-	749,741	-	9,222
Construction	8,558	-	768,988	-	3,688,964	4,548	-	4,471,058	119,712	988,816
Wholesale & retail trade and restaurants & hotels	97	-	-	-	587,292	1,630	-	589,019	48,152	175,056
Transport, storage and communication	-	-	99,625	-	223,065	-	-	322,690	50,239	65,632
Finance, insurance and business services	1,237,620	-	1,790,254	467,785	2,754,739	53,618	-	6,304,016	4,369	142,447
Education, health and others	-	-	-	-	176,076	-	-	176,076	-	1,076
Others	-	1,724	21	-	30,988	1,206	-	33,939	-	-
	1,864,394	1,724	10,192,272	488,102	33,762,458	61,002	620,000	46,989,952	266,451	2,198,507

* Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

[^] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial Risk Management (cont'd.)

51.1 Credit risk (cont'd.)

(v) Concentration of credit risk (cont'd.)

Company	31 December 2020	Cash and short-term funds and deposits and placements with financial institutions	Derivative financial assets	Financial investments at FVOCI	Financial investments at amortised cost	Loans, advances and receivables*	Trade and other receivables*	Statutory deposits with Bank Negara Malaysia	On balance sheet total	Financial guarantees	Contingencies [^]	Commitment and
Financial Assets:												
Household sectors	-	-	-	-	-	322,652	-	-	322,652	-	-	14,749
Agriculture	-	-	-	-	-	1,336	-	-	1,336	-	-	-
Mining and quarrying	-	-	-	-	-	59,520	-	-	59,520	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-	108	-
Electricity, gas and water	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	410,737	-	-	410,737	3,530	-	50
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	3,323	-	-	3,323	-	-	58
Transport, storage and communication	-	-	-	-	-	1,606	-	-	1,606	-	-	24
Finance, insurance and business services	342,898	-	-	-	-	9,281	-	-	352,179	-	-	-
Education, health and others	-	-	-	-	-	90,499	-	-	90,499	-	-	-
Others	-	-	-	-	-	-	167,475	-	167,475	-	-	-
	342,898	-	-	-	-	898,954	167,475	-	1,409,327	3,530	-	14,989

* Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

[^] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial Risk Management (cont'd.)

51.1 Credit risk (cont'd.)

(v) Concentration of credit risk (cont'd.)

Group	Cash and short-term funds and deposits and placements with financial institutions	Derivative financial assets	Financial investments at FVOCI	Financial investments at amortised cost	Loans, advances and receivables*	Trade and other receivables*	Statutory deposits with Bank Negara Malaysia	On balance sheet total	Financial guarantees	Commitment and contingencies [^]
31 December 2019										
<u>Financial Assets:</u>										
Government and central banks	1,671,955	-	7,530,627	-	-	-	1,090,000	10,292,582	-	-
Household sectors	-	-	-	-	24,992,550	-	-	24,992,550	-	460,960
Agriculture	-	-	-	-	130,594	-	-	130,594	-	81,031
Mining and quarrying	-	-	-	-	76,950	-	-	76,950	295	4,262
Manufacturing	-	-	10,177	20,333	356,847	-	-	387,357	4,329	141,621
Electricity, gas and water	-	-	474,031	-	255,886	-	-	729,917	11,698	129,551
Construction	13,909	-	536,808	-	4,605,061	2,648	-	5,158,426	288,989	2,460,669
Wholesale & retail trade and restaurants & hotels	1,374	-	-	-	459,162	587	-	461,123	3,995	279,796
Transport, storage and communication	-	-	240,065	-	198,647	-	-	438,712	44,305	82,318
Finance, insurance and business services	1,220,800	-	1,902,936	263,003	2,716,425	-	-	6,103,164	6,300	837,770
Education, health and others	-	-	-	211,369	161,700	-	-	373,069	-	32,669
Others	366	4,239	-	-	-	71,517	-	76,122	-	-
	2,908,404	4,239	10,694,644	494,705	33,953,822	74,752	1,090,000	49,220,567	359,911	4,510,647

* Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

[^] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial Risk Management (cont'd.)

51.1 Credit risk (cont'd.)

(v) Concentration of credit risk (cont'd.)

Company	31 December 2019	Cash and short-term funds and deposits and placements with financial institutions	Derivative financial assets	Financial investments at FVOCI	Financial investments at amortised cost	Loans, advances and receivables*	Trade and other receivables*	Statutory deposits with Bank Negara Malaysia	On balance sheet total guarantees	Financial contingencies [^]	Commitment and	
												RM'000
Financial Assets:												
Household sectors	-	-	-	-	554,754	-	-	-	554,754	-	-	21,714
Agriculture	-	-	-	-	2,963	-	-	-	2,963	-	-	-
Manufacturing	-	-	-	-	88,562	-	-	-	88,562	-	-	108
Construction	-	-	-	-	394,701	-	-	-	394,701	7,080	-	420
Wholesale & retail trade and restaurants & hotels	-	-	-	-	3,046	-	-	-	3,046	-	-	403
Transport, storage and communication	-	-	-	-	1,769	-	-	-	1,769	-	-	24
Finance, insurance and business services	189,526	-	-	-	-	9,501	-	-	199,027	-	-	-
Education, health and others	-	-	-	-	-	91,209	-	-	91,209	-	-	-
Others	-	-	-	-	-	-	6,490	-	6,490	-	-	-
	189,526	-	-	-	1,146,505	6,490	6,490	-	1,342,521	7,080	-	22,669

* Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme ("PLCHP") and deferred expenses as these items are classified as non-financial assets.

[^] Commitments and contingencies exclude foreign exchange related contracts.

51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(vi) Collateral

The credit risk of financial assets of the Group and the Company is mitigated by the collateral in respect of financial assets.

The collateral mitigates credit risk and would reduce the extent of impairment losses for assets subject to impairment review.

The main types of collateral obtained by the Group and the Company to mitigate credit risk are as follows:

- For conventional mortgage and property Islamic - charge over properties;
- For auto loans and financing - ownership claims over the vehicles financed;
- For project loans and financing - charges over the project being financed; and
- For others loan, advances and financing - charges over business assets such as premises, inventories, marketable securities, real estate, and trade receivables or deposits.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, financing and advances for the Group is 29.52% (2019: 25.86%) and the Company is at 93.07% (2019: 90.93%). The financial effect of collateral held for the remaining financial assets are not significant.

(vii) Key macroeconomic variables

In computing the Expected Credit Losses ("ECL") of financing and advances, the Group and the Company incorporate the impact of forward-looking key macroeconomic variables ("MEV") according to the respective portfolio. The Group and the Company performed statistical analysis based on historical experience and identified the MEV impacting credit risk and ECL for each portfolio. The relationship of the MEV on the components of ECL has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components. Sources of forecasts of the MEV are external research houses.

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51. Financial risk management (cont'd.)

51.1 Credit risk (cont'd.)

(vii) Key macroeconomic variables (cont'd.)

The MEVs incorporated into the ECL calculations are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios. The following table shows the MEVs applied but not limited to by the Group and the Company in the ECL models.

Macroeconomic Variables ("MEVs")	Base scenario		Best scenario		Worst scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
<u>Year 2020</u>						
Household Disposable Income (in Billion)	945.85	1,042.17	951.24	1,075.65	939.33	1,003.22
Private Consumption (in Billion)	879.85	856.53	898.91	875.06	862.85	849.03
Interbank Offered Rate - 3 months ("KLIB3M") (%)	1.77	1.92	1.77	21.15	1.27	1.43
House Price Index ("HPI")	200.13	213.20	203.54	220.43	198.56	202.66
Unemployment Rate (%)	3.17	3.06	3.03	2.92	3.83	3.44
Overnight Policy Rate ("OPR")(%)	1.75	1.91	1.75	2.14	1.25	1.41
Brent Crude Oil Future Prices (USD/barrel)	47.68	62.12	52.70	68.32	38.72	58.82
Consumer Price Index ("CPI")	120.81	130.49	122.58	132.85	120.11	129.10
Exchange Rate (USD/MYR)	4.09	4.03	3.77	3.97	4.26	4.04
Total Unemployed (in Million)	0.51	0.51	0.49	0.48	0.62	0.57
<u>Year 2019</u>						
Household Disposable Income (in Billion)	915.88	989.54	921.12	1,020.27	906.47	950.69
Private Consumption (in Billion)	906.50	1,008.34	925.51	1,024.26	885.13	1,001.45
Interbank Offered Rate - 3 months ("KLIB3M") (%)	2.96	3.41	2.97	3.66	2.63	2.48
House Price Index ("HPI")	205.81	223.48	208.36	230.00	203.61	213.91
Unemployment Rate (%)	3.11	3.10	3.01	3.02	3.61	3.53
Overnight Policy Rate ("OPR")(%)	3.00	3.61	3.10	3.80	2.50	2.67
Brent Crude Oil Future Prices (USD/barrel)	64.13	66.56	79.28	81.17	60.80	63.56
Consumer Price Index ("CPI")	124.16	129.56	125.51	131.89	123.63	128.23
Exchange Rate (USD/MYR)	4.24	4.24	3.92	4.16	4.40	4.27
Total Unemployed (in Million)	0.50	0.51	0.48	0.50	0.61	0.57

During the year, the Group and the Company improved the ECL models by incorporating additional MEVs to account for potential impact from various external factors.

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51. Financial risk management (cont'd.)

51.2 Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movements in market variables such as interest rates, equity pricing and other related macroeconomic factors that will eventually affect the Group and the Company's profitability and capital preservation.

The Group and the Company's market risk management includes the monitoring of fluctuations in net interest income or investment value due to changes in relevant market risk factors. The ALCO monitors the exposure on a monthly basis through reports produced by the Treasury Division. The GRM, via its presence in the ALCO, provides advisory services and input on the Group and the Company's market risk management.

In managing interest rate risk, the Group and the Company intend to maximise net interest income and net interest margin and minimise the significant volatilities that may arise in relation to the Group and the Company's assets and liabilities.

Sensitivity analysis for interest/profit rate risk

At the reporting date, if interest/profit rates had been 100 basis points lower/higher, with all other variables held constant, the Group and the Company's net profit and shareholders' equity would have been as per the following table, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposits placed by customers and interest income from floating rate loans, financing and advances.

	Tax rate	Group		Company	
		+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2020					
Impact to profit before tax		(169,345)	169,345	10,996	(10,996)
Impact to profit after tax and equity	24%	(128,702)	128,702	8,357	(8,357)
2019					
Impact to profit before tax		(199,488)	199,488	8,128	(8,128)
Impact to profit after tax and equity	24%	(151,611)	151,611	6,177	(6,177)

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Interest/profit rate risk

The table below summarises the Group's and the Company's exposure to interest/profit rate risk. The table indicates effective average interest/profit rates at the reporting date and the periods in which the financial instruments repriced or mature, whichever is earlier. Assets classified as non-interest/profit sensitive are either non-interest/profit bearing or, if interest/profit-bearing, the cash flows arising from these assets are not expected to change significantly if interest/profit rates change.

Group 2020	← Within 1 year →				Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000				
<u>Financial Assets</u>								
Cash and short-term funds	885,912	-	-	-	-	196,800	1,082,712	2.04
Deposits and placements with financial institutions	32	-	781,650	-	-	-	781,682	1.92
Derivative financial assets	1,724	-	-	-	-	-	1,724	
Financial assets at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	10,192,272	3.64
Financial assets at amortised cost	-	-	-	30,315	457,787	-	488,102	4.97
Loans, financing and advances:								
- non-impaired, net of ECL	438,350	643,410	429,643	3,303,420	29,018,410	(1,018,710)	32,814,523	6.50
- impaired, net of ECL*	-	-	-	-	-	947,935	947,935	
Statutory deposits with Bank Negara Malaysia®	-	-	-	110,000	510,000	-	620,000	4.25
Trade and other receivables^	-	-	-	-	-	61,002	61,002	
Total financial assets	1,331,124	724,333	1,487,859	6,711,739	36,547,870	187,027	46,989,952	

* This is arrived after deducting ECL from gross impaired loans, financing and advances.

® This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

^ Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

Group 2020	Within 1 year				Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000				
<u>Financial Liabilities</u>								
Deposits from customers	4,989,066	5,993,254	10,832,533	2,325,089	61,097	152,396	24,353,435	2.81
Deposits and placements of banks and other financial institutions	4,791,428	2,053,058	1,805,196	866,742	-	12,881	9,529,305	3.00
Derivative financial liabilities	1,614	-	-	-	-	-	1,614	
Trade and other payables [#]	-	-	-	-	-	503,093	503,093	
Lease liabilities	13	50	1,415	9,670	-	-	11,148	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	2,262,531	4.31
Sukuk - MBSB SC Murabahah	-	-	294,388	858,635	213,540	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	1,293,335	5.24
Total financial liabilities	9,801,151	8,367,832	12,996,290	5,921,427	1,565,954	668,370	39,321,024	
Total interest/profit sensitivity gap	(8,470,027)	(7,643,499)	(11,508,431)	790,312	34,981,916	(481,343)	7,668,928	

Trade and other payables exclude accruals, deferred income and others as these items are classified as non-financial liabilities.

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

Group 2019	Within 1 year					Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000					
Financial Assets									
Cash and short-term funds	1,838,024	-	-	-	-	-	196,865	2,034,889	3.13
Deposits and placements with financial institutions	32	-	873,483	-	-	-	-	873,515	3.42
Derivative financial assets	4,239	-	-	-	-	-	-	4,239	
Financial assets at FVOCI	25,504	131,442	446,837	4,141,654	5,949,207	-	-	10,694,644	3.86
Financial assets at amortised cost	-	-	-	30,332	464,373	-	-	494,705	5.59
Loans, financing and advances:									
- non-impaired, net of ECL	540,939	452,246	936,448	3,778,456	28,294,860	(845,017)	-	33,157,932	6.95
- impaired, net of ECL*	-	-	-	-	-	-	795,890	795,890	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,090,000	1,090,000	
Trade and other receivables^	-	-	-	-	-	-	74,753	74,753	
Total financial assets	2,408,738	583,688	2,256,768	7,950,442	34,708,440	1,312,491	49,220,567		

* This is arrived after deducting ECL from gross impaired loans, financing and advances.

^ Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

Group 2019	Within 1 year				Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Average interest/ profit rate % per annum	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000				Total RM'000
<u>Financial Liabilities</u>								
Deposits from customers	5,208,621	5,403,930	11,730,675	2,726,297	104,989	97,439	25,271,951	3.92
Deposits and placements of banks and other financial institutions	2,601,258	3,502,116	3,582,828	924,240	-	11,327	10,621,769	3.91
Derivative financial liabilities	1	-	-	-	-	-	1	-
Trade and other payables #	-	-	-	-	-	527,555	527,555	4.33
Lease liabilities	-	-	471	8,448	-	-	8,919	4.33
Recourse obligation on financing sold	10,352	24,668	65,837	2,380,394	-	-	2,481,251	4.49
Sukuk - MBSB SC Murabahah	-	-	294,973	995,000	375,000	-	1,664,973	4.92
Sukuk Wakalah	-	-	2,201	-	1,290,874	-	1,293,075	5.29
Total financial liabilities	7,820,232	8,930,714	15,676,985	7,034,379	1,770,863	636,321	41,869,494	
Total interest/profit sensitivity gap	(5,411,494)	(8,347,026)	(13,420,217)	916,063	32,937,577	676,170	7,351,073	

Trade and other payables exclude accruals, deferred income and others as these items are classified as non-financial liabilities.

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

Company 2020	Within 1 year					Non- interest sensitive RM'000	Total RM'000	Average interest rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
<u>Financial Assets</u>								
Cash and short-term funds	279,883	-	-	-	-	63,015	342,898	1.44
Loans, financing and advances:								
- non-impaired	862	96	812	184,135	392,277	(65,519)	512,663	6.58
- impaired, net of ECL*	-	-	-	-	-	386,291	386,291	
Trade and other receivables^	-	-	-	-	-	167,475	167,475	5.50
Total financial assets	280,745	96	812	184,135	392,277	551,262	1,409,327	
<u>Financial Liabilities</u>								
Trade and other payables#	-	-	-	-	-	41,074	41,074	
Total financial liabilities	-	-	-	-	-	41,074	41,074	
Total interest/profit sensitivity gap	280,745	96	812	184,135	392,277	510,188	1,368,253	

* This is arrived after deducting ECL from gross impaired loans, financing and advances.

^ Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

Trade and other payables exclude accruals, deferred income and others as these items are classified as non-financial liabilities.

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

Company 2019	Within 1 year					Non- interest sensitive RM'000	Average interest rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000		
<u>Financial Assets</u>							
Cash and short-term funds	143,889	-	-	-	-	45,637	2.77
Loans, financing and advances:							
- non-impaired	481	89	4,063	212,231	614,089	(74,793)	7.62
- impaired, net of ECL*	-	-	-	-	-	390,345	
Trade and other receivables [^]	-	-	-	-	-	6,490	6.75
Total financial assets	144,370	89	4,063	212,231	614,089	367,679	1,342,521
<u>Financial Liabilities</u>							
Trade and other payables [#]	-	-	-	-	-	144,777	144,777
Total financial liabilities	-	-	-	-	-	144,777	144,777
Total interest/profit sensitivity gap	144,370	89	4,063	212,231	614,089	222,902	1,197,744

* This is arrived after deducting ECL from gross impaired loans, financing and advances.

[^] Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

[#] Trade and other payables exclude accruals, deferred income and others as these items are classified as non-financial liabilities.

51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Foreign Exchange Risk

The Group is exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group and the Company manages its exposure to foreign exchange currencies at each entity level.

Sensitivity Analysis

The table below shows sensitivity of the Group's profit and reserves to movement in foreign exchange rates. The Company's profit and reserves are not exposed to foreign exchange risk.

	Group	
	2020 RM'000	2019 RM'000
+1%	(1,157)	(1,703)
-1%	1,157	1,703

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Group 2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
<u>Assets</u>				
Cash and short-term funds	1,056,869	10,439	15,404	1,082,712
Deposits and placements with banks and other financial institutions	781,682	-	-	781,682
Derivative financial assets	1,724	-	-	1,724
Financial investments at FVOCI	10,192,272	-	-	10,192,272
Financial investments at amortised cost	488,102	-	-	488,102
Financing and advances	33,202,856	559,602	-	33,762,458
Trade and other receivables	141,899	-	-	141,899
Statutory deposits with Bank Negara Malaysia	620,000	-	-	620,000
Assets held for sale	12,612	-	-	12,612
Inventories	69,374	-	-	69,374
Property and equipment	366,850	-	-	366,850
Right-of-use assets	11,485	-	-	11,485
Intangible assets	162,058	-	-	162,058
Goodwill	148,031	-	-	148,031
Investment properties	820	-	-	820
Deferred tax assets	7,261	-	-	7,261
Tax recoverable	589,154	-	-	589,154
Total assets	47,853,049	570,041	15,404	48,438,494

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Group 2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
<u>Liabilities</u>				
Deposits from customers	23,920,237	432,638	560	24,353,435
Deposits and placements of banks and other financial institutions	9,529,305	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	1,614
Trade and other payables	624,286	-	-	624,286
Lease liabilities	11,148	-	-	11,148
Recourse obligation on financing sold Sukuk-MBSB Structured Covered ("SC")	2,262,531	-	-	2,262,531
Murabahah	1,366,563	-	-	1,366,563
Sukuk Wakalah	1,293,335	-	-	1,293,335
Deferred tax liabilities	107,155	-	-	107,155
Provision for zakat	7,950	-	-	7,950
Total liabilities	39,124,124	432,638	560	39,557,322
Net on-balance sheet financial position	8,728,925	137,403	14,844	8,881,172

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Group	MYR	USD	Others	Total
2019	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Cash and short-term funds	2,026,077	6,554	2,258	2,034,889
Deposits and placements with banks and other financial institutions	873,515	-	-	873,515
Derivative financial assets	4,239	-	-	4,239
Financial investments at FVOCI	10,694,644	-	-	10,694,644
Financial investments at amortised cost	494,705	-	-	494,705
Financing and advances	33,591,223	362,599	-	33,953,822
Trade and other receivables	188,343	-	-	188,343
Statutory deposits with Bank Negara Malaysia	1,090,000	-	-	1,090,000
Inventories	102,175	-	-	102,175
Property and equipment	313,964	-	-	313,964
Right-of-use assets	8,784	-	-	8,784
Intangible assets	167,209	-	-	167,209
Goodwill	148,031	-	-	148,031
Investment properties	820	-	-	820
Land use rights	521	-	-	521
Deferred tax assets	28,218	-	-	28,218
Tax recoverable	605,778	-	-	605,778
Total assets	50,338,246	369,153	2,258	50,709,657

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51. Financial risk management (cont'd.)

51.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Group 2019	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
<u>Liabilities</u>				
Deposits from customers	25,136,935	126,161	8,855	25,271,951
Deposits and placements of banks and other financial institutions	10,609,489	12,280	-	10,621,769
Derivative financial liabilities	1	-	-	1
Trade and other payables	642,300	-	-	642,300
Lease liabilities	8,919	-	-	8,919
Recourse obligation on financing sold	2,481,251	-	-	2,481,251
Sukuk-MBSB Structured Covered ("SC")				
Murabahah	1,664,973	-	-	1,664,973
Sukuk Wakalah	1,293,075	-	-	1,293,075
Deferred tax liabilities	126,607	-	-	126,607
Provision for zakat	11,940	-	-	11,940
Total liabilities	41,975,490	138,441	8,855	42,122,786
Net on-balance sheet financial position	8,362,756	230,712	(6,597)	8,586,871

51.3 Liquidity risk

The Group and the Company's liquidity risk management policy is to maintain high quality and well-diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Group and the Company is governed by established risk tolerance levels as defined in the Group's and the Company's Market Risk Framework. The ALCO would be informed by management action triggers to alert management to potential and emerging liquidity pressures. The Group's and the Company's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis.

The ALCO meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Chief Executive Officer. The ALM and Funding Unit, which is responsible for the independent monitoring of the Group's and the Company's liquidity risk profile, works closely with the Treasury Division in the surveillance on market conditions and performs stress testing on liquidity positions.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group and the Company's assets and liabilities at the reporting date based on contractual repayment obligations.

(a) Maturity analysis

Group 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial assets</u>					
Cash and short-term funds	885,912	-	-	196,800	1,082,712
Deposits and placements with other financial institutions	781,682	-	-	-	781,682
Derivative financial assets	1,724	-	-	-	1,724
Financial investments at fair value through other comprehensive income ("FVOCI")	362,595	3,268,004	6,561,673	-	10,192,272
Financial investments at amortised cost	-	30,315	457,787	-	488,102
Loans, financing and advances*	1,891,339	3,216,336	28,654,783	-	33,762,458
Trade and other receivables^	61,002	-	-	-	61,002
Statutory deposits with Bank Negara Malaysia®	-	110,000	510,000	-	620,000
Total financial assets	3,984,254	6,624,655	36,184,243	196,800	46,989,952

* This is arrived after deducting ECL from gross loans, financing and advances.

^ Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

® This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Group 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial liabilities</u>					
Deposits from customers	21,967,249	2,325,089	61,097	-	24,353,435
Deposits and placements of banks and other financial institutions	8,662,563	866,742	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	-	1,614
Trade and other payables [#]	503,093	-	-	-	503,093
Lease liabilities	1,478	9,670	-	-	11,148
Recourse obligation on financing sold	401,240	1,861,291	-	-	2,262,531
Sukuk - MBSB SC Murabahah	294,388	858,635	213,540	-	1,366,563
Sukuk Wakalah	2,018	-	1,291,317	-	1,293,335
Total financial liabilities	31,833,643	5,921,427	1,565,954	-	39,321,024
Net liquidity gap on Statement of Financial Position	(27,849,389)	703,228	34,618,289	196,800	7,668,928
Commitments and contingencies [®]	(808,709)	(1,647,941)	(8,308)	-	(2,464,958)
Net liquidity gap	(28,658,098)	(944,713)	34,609,981	196,800	5,203,970

Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

® Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Group 2019	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial assets</u>					
Cash and short-term funds	1,838,024	-	-	196,865	2,034,889
Deposits and placements with other financial institutions	873,515	-	-	-	873,515
Derivative financial assets	4,239	-	-	-	4,239
Financial investments at fair value through other comprehensive income ("FVOCI")	603,783	4,141,654	5,949,207	-	10,694,644
Financial investments at amortised cost	-	30,332	464,373	-	494,705
Loans, financing and advances*	2,189,315	3,827,395	27,937,112	-	33,953,822
Trade and other receivables^	74,753	-	-	-	74,753
Statutory deposits with Bank Negara Malaysia	-	-	-	1,090,000	1,090,000
Total financial assets	5,583,629	7,999,381	34,350,692	1,286,865	49,220,567

* This is arrived after deducting ECL from gross loans, financing and advances.

^ Trade and other receivables exclude advances in respect of certain projects, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Group 2019	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial liabilities</u>					
Deposits from customers	22,440,665	2,726,297	104,989	-	25,271,951
Deposits and placements of banks and other financial institutions	9,697,529	924,240	-	-	10,621,769
Derivative financial liabilities	1	-	-	-	1
Trade and other payables [#]	527,555	-	-	-	527,555
Lease liabilities	471	8,448	-	-	8,919
Recourse obligation on financing sold	100,857	2,380,394	-	-	2,481,251
Sukuk - MBSB SC Murabahah	294,973	995,000	375,000	-	1,664,973
Sukuk Wakalah	2,201	-	1,290,874	-	1,293,075
Total financial liabilities	33,064,252	7,034,379	1,770,863	-	41,869,494
Net liquidity gap on Statement of Financial Position	(27,480,623)	965,002	32,579,829	1,286,865	7,351,073
Commitments and contingencies[®]	(1,594,333)	(3,204,225)	(72,000)	-	(4,870,558)
Net liquidity gap	(29,074,956)	(2,239,223)	32,507,829	1,286,865	2,480,515

[#] Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

[®] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Company 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial assets</u>					
Cash and short-term funds	279,883	-	-	63,015	342,898
Loans, financing and advances*	251,735	73,624	573,595	-	898,954
Trade and other receivables^	167,475	-	-	-	167,475
Total financial assets	699,093	73,624	573,595	63,015	1,409,327
<u>Financial liabilities</u>					
Trade and other payables #	41,074	-	-	-	41,074
Total financial liabilities	41,074	-	-	-	41,074
Net liquidity gap on Statement of Financial Position	658,019	73,624	573,595	63,015	1,368,253
Commitments and contingencies @	(3,530)	(14,989)	-	-	(18,519)
Net liquidity gap	654,489	58,635	573,595	63,015	1,349,734

* This is arrived after deducting ECL from gross loans, financing and advances.

^ Trade and other receivables exclude advances in respect of certain projects, loan commitment fees, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

@ Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Company 2019	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial assets</u>					
Cash and short-term funds	143,889	-	-	45,637	189,526
Loans, financing and advances*	249,871	216,378	680,256	-	1,146,505
Trade and other receivables^	6,490	-	-	-	6,490
Total financial assets	400,250	216,378	680,256	45,637	1,342,521
<u>Financial liabilities</u>					
Trade and other payables#	144,777	-	-	-	144,777
Total financial liabilities	144,777	-	-	-	144,777
Net liquidity gap on Statement of Financial Position	255,473	216,378	680,256	45,637	1,197,744
Commitments and contingencies®	(2,939)	(22,669)	-	-	(25,608)
Net liquidity gap	252,534	193,709	680,256	45,637	1,172,136

* This is arrived after deducting ECL from gross loans, financing and advances.

^ Trade and other receivables exclude advances in respect of certain projects, loan commitment fees, foreclosed properties, prepayments and deposits, Public Low Cost Housing Programme (PLCHP) and deferred expenses as these items are classified as non-financial assets.

Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

® Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis

Group 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial liabilities</u>					
Deposits from customers	21,702,824	2,535,436	76,955	-	24,315,215
Deposits and placements of banks and other financial institutions	8,706,373	952,151	-	-	9,658,524
Derivative financial liabilities	1,614	-	-	-	1,614
Trade and other payables [#]	503,093	-	-	-	503,093
Lease liabilities	1,495	9,995	-	-	11,490
Recourse obligation on financing sold	456,744	2,017,026	-	-	2,473,770
Sukuk - MBSB SC Murabahah	68,761	1,183,076	416,240	-	1,668,077
Sukuk Wakalah	66,767	268,350	1,635,773	-	1,970,890
	31,507,671	6,966,034	2,128,968	-	40,602,673
<u>Commitments and contingencies[@]</u>					
Direct credit substitutes	46,258	15,539	-	-	61,797
Trade-related contingencies	41,973	54,983	-	-	96,956
Short term self-liquidating trade-related contingencies	107,698	-	-	-	107,698
Irrevocable commitments	612,780	1,577,419	8,308	-	2,198,507
	808,709	1,647,941	8,308	-	2,464,958

[#] Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

[@] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group 2019	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial liabilities</u>					
Deposits from customers	22,360,750	2,981,791	132,933	-	25,475,474
Deposits and placements of banks and other financial institutions	9,787,128	1,022,622	-	-	10,809,750
Derivative financial liabilities	1	-	-	-	1
Trade and other payables [#]	527,555	-	-	-	527,555
Lease liabilities	480	8,802	-	-	9,282
Recourse obligation on financing sold	205,723	2,617,551	-	-	2,823,274
Sukuk - MBSB SC Murabahah	380,524	1,183,076	416,240	-	1,979,840
Sukuk Wakalah	67,317	267,800	1,703,090	-	2,038,207
	33,329,478	8,081,642	2,252,263	-	43,663,383
<u>Commitments and contingencies[®]</u>					
Direct credit substitutes	115,392	64,083	-	-	179,475
Trade-related contingencies	56,899	39,845	-	-	96,744
Short term self-liquidating trade-related contingencies	83,691	-	-	-	83,691
Irrevocable commitments	1,338,351	3,100,297	72,000	-	4,510,648
	1,594,333	3,204,225	72,000	-	4,870,558

[#] Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

[®] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Company 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial liabilities</u>					
Trade and other payables [#]	41,074	-	-	-	41,074
	41,074	-	-	-	41,074
<u>Commitments and contingencies[@]</u>					
Trade-related contingencies	3,530	-	-	-	3,530
Irrevocable commitments	-	14,989	-	-	14,989
	3,530	14,989	-	-	18,519

[#] Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

[@] Commitments and contingencies exclude foreign exchange related contracts.

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51. Financial risk management (cont'd.)

51.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Company 2019	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<u>Financial liabilities</u>					
Trade and other payables [#]	144,777	-	-	-	144,777
	144,777	-	-	-	144,777
<u>Commitments and contingencies[@]</u>					
Trade-related contingencies	2,939	-	-	-	2,939
Irrevocable commitments	-	22,669	-	-	22,669
	2,939	22,669	-	-	25,608

Trade and other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

@ Commitments and contingencies exclude foreign exchange related contracts.

51. Financial risk management (cont'd.)

51.4 Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk. The Group recognizes and emphasizes the importance of operational risk management and manages this risk through a control-based environment where processes are documented, authorization is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits. The Group's governance approach in managing operational risk is premised on the Three Lines of Defense Approach as discussed under Note 51(c).

52. Capital management

The primary objective of the Group and the Company's capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2020.

The Group and the Company monitor their capital using both leverage ratio (which is computed using Common Equity Tier 1 capital divided by total assets including off-balance sheet commitments) and risk-weighted capital adequacy ratio ("RWCR") (which is computed using capital base divided by total risk-weighted assets) as prescribed by Bank Negara Malaysia for licensed financial institutions in Malaysia.

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53. Fair values

The carrying amount of cash and short-term funds, deposits and placements with financial institutions, trade and other receivables (excluding prepayments and deposits) and trade and other payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The tables below analyse other financial instruments at fair value.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2020								
Financial Assets								
Financial investments at FVOCI	-	10,192,272	-	10,192,272	-	-	10,192,272	10,192,272
Loans, financing and advances	-	-	-	-	33,778,924	33,778,924	33,778,924	33,762,458
Financial investments at amortised cost	-	-	-	-	489,078	489,078	489,078	488,102
Derivative financial assets	-	1,724	-	1,724	-	-	1,724	1,724
	-	10,193,996	-	10,193,996	489,078	33,778,924	44,461,998	44,444,556
Financial liabilities								
Deposits from customers	-	-	-	-	24,488,321	-	24,488,321	24,353,435
Deposits and placements of banks and other financial institutions	-	-	-	-	9,456,219	-	9,456,219	9,529,305
Sukuk - MBSB SC Murabahah	-	-	-	-	1,453,193	-	1,453,193	1,366,563
Sukuk Wakalah	-	-	-	-	1,379,166	-	1,379,166	1,293,335
Recourse obligation on financing sold	-	-	-	-	-	2,271,230	2,271,230	2,262,531
Derivative financial liabilities	-	1,614	-	1,614	-	-	1,614	1,614
	-	1,614	-	1,614	36,776,899	2,271,230	39,048,129	38,806,783
Company								
Financial assets								
Loans, financing and advances	-	-	-	-	-	1,029,934	1,029,934	898,954
	-	-	-	-	-	1,029,934	1,029,934	898,954

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53. Fair values (cont'd.)

The tables below analyse other financial instruments at fair value (cont'd.)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2019										
<u>Financial assets</u>										
Financial investments at FVOCI	-	10,694,644	-	10,694,644	-	-	-	-	10,694,644	10,694,644
Loans, financing and advances	-	-	-	-	-	-	34,390,379	34,390,379	34,390,379	33,953,822
Financial investments at amortised cost	-	-	-	-	-	494,165	-	494,165	494,165	494,705
Derivative financial assets	-	4,239	-	4,239	-	-	-	-	4,239	4,239
	-	10,698,883	-	10,698,883	-	494,165	34,390,379	34,884,544	45,583,427	45,147,410
<u>Financial liabilities</u>										
Deposits from customers	-	-	-	-	-	25,421,632	-	25,421,632	25,421,632	25,271,951
Deposits and placements of banks and other financial institutions	-	-	-	-	-	10,716,722	-	10,716,722	10,716,722	10,621,769
Sukuk - MBSB SC Murabahah	-	-	-	-	-	1,729,374	-	1,729,374	1,729,374	1,664,973
Sukuk Wakalah	-	-	-	-	-	1,300,000	-	1,300,000	1,300,000	1,293,075
Recourse obligation on financing sold	-	-	-	-	-	-	2,498,652	2,498,652	2,498,652	2,481,251
Derivative financial liabilities	-	1	-	1	-	-	-	-	1	1
	-	1	-	1	-	39,167,728	2,498,652	41,666,380	41,666,381	41,333,020
Company										
<u>Financial assets</u>										
Loans, financing and advances	-	-	-	-	-	-	1,147,733	1,147,733	1,147,733	1,146,505
	-	-	-	-	-	-	1,147,733	1,147,733	1,147,733	1,146,505

53. Fair values (cont'd.)

The fair values of the financial instruments not measured at fair value are based on the following methodologies and assumptions:

i) Financial investments at FVOCI and financial investments at amortised cost

The estimated fair value is generally based on the quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

ii) Loans, financing and advances

The fair value of fixed rate financing with remaining maturities of less than one year and variable rate financing are estimated to approximate the carrying amount. For fixed rate financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar financing to new borrowers with similar credit profiles as at the reporting date.

The fair value of impaired fixed and variable rate financing is represented by their carrying amount, which are net of impairment allowances.

iii) Deposits from customers and deposits and placements of banks and other financial institutions

Deposits, placements and obligations which mature or reprice after one year are grouped by residual maturity. Fair value is estimated using discounted cash flows, applying either market rates, where applicable, or current rates offered for deposits of similar remaining maturities. The fair values of deposits repayable on demand and deposits and placements with remaining maturities of less than one year are approximated by their carrying values due to the relatively short maturity of these instruments.

iv) Recourse obligation on financing sold

The fair values for recourse obligations on financing sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

v) Sukuk-MBSB SC Murabahah and Sukuk Wakalah

The fair value of Sukuk-MBSB SC Murabahah and Sukuk Wakalah are based on market prices.

54. Operating segments

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Management) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- (i) Banking - Banking business and the provision of related financial services;
- (ii) Property development - the development of residential and commercial properties;
- (iii) Leasing of real property - the letting of office buildings;
- (iv) Hotel operations - the leasing of hotel rooms, sale of food and beverage and other related income; and
- (v) Investment holding - issuance of Sukuk and holding company operation.

Other business segments include project management which are not significant to be reported separately.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operation is not presented.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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54. Operating segments (cont'd.)

(a) Business segments

	Banking		Property development		Leasing of real property		Hotel operations		Investment holding		Others		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and expenses																
Revenue	2,973,988	2,818,852	56,696	51,039	-	-	2,449	2,449	114,818	139,663	-	-	-	-	3,145,502	3,012,003
External sales																
Inter-segment sales	96,789	122,992	-	-	657	878	-	3,844	151,171	160,763	-	-	(248,617)	(288,477)	-	-
Total revenue															3,145,502	3,012,003
Result																
Segment results	290,781	663,691	(82,704)	(47,621)	(17,297)	(18,182)	127,991	(32,057)	298,540	229,119	3,435	(253)	(193,106)	102,732	427,640	897,429
Taxation															(157,804)	(181,067)
Zakat															363	899
Loss from discontinued operation															(881)	(361)
Net profit for the year															269,318	716,900
Assets																
Segment assets	48,007,510	50,348,379	409,768	421,083	5,124	5,752	14,339	19,097	10,240,885	10,458,761	-	372	(10,239,132)	(10,543,787)	48,438,494	50,709,657
Consolidated total assets															48,438,494	50,709,657
Liabilities																
Segment liabilities	41,815,932	44,299,612	1,125,870	1,054,482	211,776	195,107	64,414	196,890	2,419,837	2,815,399	-	3,781	(6,080,507)	(6,442,485)	39,557,322	42,122,786
Consolidated total liabilities															39,557,322	42,122,786
Other information																
Capital expenditure	37,578	46,182	52,210	50,145	-	-	7	35	-	-	-	-	-	-	89,795	96,362
Depreciation of property, plant and equipment	7,705	6,276	-	-	186	186	528	1,451	464	464	-	-	17,789	228	26,672	8,605
Amortisation of right-of-use assets and intangible assets	31,545	22,213	-	-	-	20	2	84	-	-	-	-	1,036	1,984	32,583	24,301
Non-cash expenses other than depreciation and amortisation	353,215	156,043	56,959	51,309	-	-	-	-	3,176	(39,190)	(23)	-	7,603	(63,705)	420,930	114,457

FINANCIAL STATEMENTS
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54. Operating segments (cont'd.)

(b) Geographical Segments:

The Group's activities are in Malaysia, therefore segmental reporting is not analysed by geographical locations.

55. The Operations of Islamic Business

STATEMENT OF FINANCIAL POSITION OF MBSB BANK GROUP ("BANK GROUP") AS AT 31 DECEMBER 2020

	Note	Bank Group	
		2020 RM'000	2019 RM'000
<u>Assets</u>			
Cash and short-term funds	(a)	731,160	1,829,715
Deposits and placements with banks and other financial institutions	(a)	781,682	873,515
Derivative financial assets		1,724	4,239
Financial investments at fair value through other comprehensive income ("FVOCI")	(b)	10,192,272	10,694,644
Financial investments at amortised cost	(c)	488,102	494,705
Financing and advances	(d)	32,863,504	32,807,317
Other receivables	(e)	508,125	548,207
Investment in subsidiary		-	-
Statutory deposits with Bank Negara Malaysia		620,000	1,090,000
Investment property		820	820
Property and equipment		27,882	25,444
Intangible assets		111,449	115,559
Right-of-use assets		14,880	16,821
Tax recoverable		85,620	65,978
Total assets		46,427,220	48,566,964

FINANCIAL STATEMENTS
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55. The Operations of Islamic Business (cont'd.)

STATEMENT OF FINANCIAL POSITION OF MBSB BANK GROUP ("BANK GROUP") AS AT 31 DECEMBER 2020 (cont'd)

	Note	Bank Group	
		2020 RM'000	2019 RM'000
<u>Liabilities</u>			
Deposits from customers	(f)	24,353,435	25,271,951
Deposits and placements of banks and other financial institutions	(g)	9,529,305	10,621,769
Derivative financial liabilities		1,614	1
Other payables	(h)	741,166	571,744
Lease liabilities		15,193	17,130
Recourse obligation on financing sold		2,262,531	2,481,251
Sukuk-MBSB Structured Covered ("SC")			
Murabahah		1,366,563	1,664,973
Sukuk Wakalah		1,293,335	1,293,075
Deferred tax liabilities		92,368	94,739
Provision for zakat		4,367	8,192
Total liabilities		39,659,877	42,024,825
<u>Equity</u>			
Share capital		5,159,859	5,159,859
Reserves		1,607,484	1,382,280
Total equity		6,767,343	6,542,139
Total liabilities and equity		46,427,220	48,566,964
Commitments and contingencies		2,724,749	5,069,104

The accompanying notes provide further details on the balances as at reporting date.

FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The Operations of Islamic Business (cont'd.)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF MBSB BANK GROUP ("BANK GROUP")
FOR THE YEAR ENDED 31 DECEMBER 2020

	Bank Group	
	2020	2019
	RM'000	RM'000
Income derived from investment of depositors' funds	2,129,110	2,189,304
Income derived from investment of shareholders' funds	860,435	689,549
Net allowance for impairment on financing and advances and other financial assets	(353,215)	(156,043)
Loss on modification of cash flows	(504,676)	-
Total distributable income	2,131,654	2,722,810
Income attributable to depositors and others	(1,326,588)	(1,617,541)
Total net income	805,066	1,105,269
Personnel expenses	(286,720)	(241,652)
Other overhead expenses	(139,268)	(110,427)
Profit before taxation and zakat	379,078	753,190
Taxation	(100,252)	(203,172)
Zakat	363	828
Profit for the year	279,189	550,846
Other comprehensive income, net of tax:		
Movement in fair value reserve, which may be reclassified subsequently to profit or loss	79,672	144,382
Total comprehensive income for the year	358,861	695,228

FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The Operations of Islamic Business (cont'd.)

(a) Cash and short-term funds and deposits and placements with banks and other financial institutions

	Bank Group	
	2020	2019
	RM'000	RM'000
(a) Cash and balances with banks and other financial institutions	125,131	135,579
Money at call and deposit placements maturing within one month	606,029	1,694,136
	731,160	1,829,715
(b) Deposits and placements with banks and other financial institutions with original maturity of more than one month		
Licensed Islamic banks	781,682	873,515
	1,512,842	2,703,230

The ECL for cash and short-term funds and deposits and placements with banks and other financial institutions above is nil (2019: nil).

(b) Financial investments at FVOCI

	Bank Group	
	2020	2019
	RM'000	RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	6,906,159	7,530,627
Debt securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,089,533	1,109,787
Government Guaranteed debt securities	2,196,580	2,054,230
	10,192,272	10,694,644

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The Operations of Islamic Business (cont'd.)

(b) Financial investments at FVOCI (cont'd.)

ECL movement for financial investments at FVOCI:

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At 1 January 2020	18	-	-	18
Total charged to profit or loss:	(11)	-	-	(11)
Change in credit risk	(11)	-	-	(11)
At 31 December 2020	7	-	-	7
At 1 January 2019	-	-	-	-
Total charged to profit or loss:	18	-	-	18
Change in credit risk	18	-	-	18
At 31 December 2019	18	-	-	18

(c) Financial investments at amortised cost

	Bank Group	
	2020 RM'000	2019 RM'000
At amortised cost		
Quoted securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	488,693	494,857
Less: ECL		
- Stage 1	(90)	(152)
- Stage 2	(501)	-
	488,102	494,705

FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The operations of Islamic business (cont'd.)

(c) Financial investments at amortised cost (cont'd.)

ECL movement for financial investments at amortised cost:

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	152	-	-	152
Charged to profit or loss	(62)	501	-	439
Changes in the ECL				
- Transfer to stage 2	(45)	45	-	-
Changes in credit risk	(17)	456	-	439
ECL at 31 December 2020	90	501	-	591

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2019	6	-	-	6
Charged to profit or loss - Changes in credit risk	146	-	-	146
ECL at 31 December 2019	152	-	-	152

FINANCIAL STATEMENTS
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55. The operations of Islamic business (cont'd.)

(d) Financing and advances

	Bank Group	
	2020	2019
	RM'000	RM'000
(i) By type		
At amortised cost		
Term financing		
- Personal financing	19,837,438	19,994,419
- Property financing	6,084,956	5,169,539
- Hire purchase receivables	761,732	808,958
- Bridging financing	483,948	593,906
- Auto financing	106,198	160,479
- Other term financing	5,642,011	5,949,892
Revolving credit	190,840	703,389
Staff financing	46,071	44,798
Cashline	81,539	3,663
Trade Finance	1,007,548	560,978
<hr/>		
Gross financing and advances	34,242,281	33,990,021
Less: ECL		
- Stage 1	(365,538)	(401,290)
- Stage 2	(587,652)	(368,934)
- Stage 3	(425,587)	(412,480)
<hr/>		
Net financing and advances	32,863,504	32,807,317
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FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The operations of Islamic business (cont'd.)

(d) Financing and advances (cont'd.)

(ii) Movement in gross financing and advances

2020	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2020	29,065,287	4,106,709	818,025	33,990,021
Transfer to stage 1	1,071,111	(1,028,981)	(42,130)	-
Transfer to stage 2	(1,486,173)	1,583,613	(97,440)	-
Transfer to stage 3	(205,368)	(199,343)	404,711	-
New financing/disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,313,511)	(452,737)	(57,997)	(4,824,245)
Other movements	489,287	60,461	95,486	645,234
Loss on modification of cash flows	(463,971)	(40,705)	-	(504,676)
Write-offs	-	-	(195,652)	(195,652)
Gross carrying amount as at 31 December 2020	28,711,142	4,543,908	987,231	34,242,281

2019	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2019	28,314,877	3,937,504	792,293	33,044,674
Transfer to stage 1	908,357	(820,433)	(87,924)	-
Transfer to stage 2	(1,133,626)	1,310,635	(177,009)	-
Transfer to stage 3	(135,267)	(253,106)	388,373	-
New financing/disbursement during the year	5,007,227	460,943	66,694	5,534,864
Repayment during the year	(3,950,263)	(521,477)	(61,227)	(4,532,967)
Other movements	53,982	(7,357)	118,717	165,342
Write-offs	-	-	(221,892)	(221,892)
Gross carrying amount as at 31 December 2019	29,065,287	4,106,709	818,025	33,990,021

FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The operations of Islamic business (cont'd.)

(d) Financing and advances (cont'd.)

(iii) Movement of ECL for financing and advances

2020	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2020	401,290	368,934	412,480	1,182,704
Charged to profit or loss	(35,752)	218,718	208,397	391,363
Changes in the ECL:				
- Transfer to stage 1	96,261	(70,682)	(25,579)	-
- Transfer to stage 2	(31,598)	93,768	(62,170)	-
- Transfer to stage 3	(4,289)	(21,943)	26,232	-
New financing/disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(173,546)	(128,500)	(59,607)	(361,653)
Change in credit risk parameters [#]	10,696	287,196	310,429	608,321
Write-offs	-	-	(195,290)	(195,290)
ECL as at 31 December 2020	365,538	587,652	425,587	1,378,777

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

2019	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2019	346,537	455,639	435,881	1,238,057
Charged to profit or loss	54,753	(86,705)	198,493	166,541
Changes in the ECL:				
- Transfer to stage 1	132,081	(90,961)	(41,120)	-
- Transfer to stage 2	(19,073)	112,919	(93,846)	-
- Transfer to stage 3	(1,812)	(60,925)	62,737	-
New financing/disbursement during the year	110,426	39,028	38,274	187,728
Repayment during the year	(169,008)	(170,704)	(51,848)	(391,560)
Change in credit risk parameters	46,898	157,609	327,419	531,926
Changes to model assumptions and methodologies [^]	(44,759)	(73,671)	(43,123)	(161,553)
Write-offs	-	-	(221,894)	(221,894)
ECL as at 31 December 2019	401,290	368,934	412,480	1,182,704

[^] The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

FINANCIAL STATEMENTS
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55. The operations of Islamic business (cont'd.)

(d) Financing and advances (cont'd.)

(iv) Movement for impaired financing and advances

	Bank Group	
	2020 RM'000	2019 RM'000
Balance as at 1 January	818,025	792,293
Classified as impaired during the year	466,939	455,067
Reclassified as non-impaired	(139,570)	(264,933)
Amount recovered	(57,997)	(61,227)
Amount written off	(195,652)	(221,892)
Other movements	95,486	118,717
Balance as at 31 December	987,231	818,025
Gross impaired as a percentage of gross financing and advances	2.88%	2.41%

(e) Other receivables

	Bank Group	
	2020 RM'000	2019 RM'000
Financing to related companies	571,042	661,555
Amount due from holding company	-	78,416
Amount due from related companies	1,824	-
Prepayments and deposits	8,967	8,110
Deferred expenses	1,946	2,208
Sundry receivables	56,357	69,908
	640,136	820,197
Less: ECL at stage 3	(132,011)	(271,990)
	508,125	548,207

There was no transfer of ECL out of stage 3 during the financial year and previous year for financial assets under other receivables.

FINANCIAL STATEMENTS
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55. The operations of Islamic business (cont'd.)

(f) Deposits from customers

	Bank Group	
	2020	2019
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
Commodity Murabahah Term Deposits	23,781,938	24,738,093
Demand deposits	288,418	192,380
Savings deposits	283,079	341,478
	24,353,435	25,271,951

(ii) Maturity structure of term deposits are as follows:

	Bank Group	
	2020	2019
	RM'000	RM'000
Due within six months	16,316,307	16,480,775
More than six months to one year	5,079,445	5,426,032
More than one year to three years	2,020,109	1,891,341
More than three years	366,077	939,945
	23,781,938	24,738,093

(iii) By type of customers:

	Bank Group	
	2020	2019
	RM'000	RM'000
Government and statutory bodies	12,058,760	12,696,568
Business enterprises	7,568,566	7,229,721
Individuals	4,726,109	5,345,662
	24,353,435	25,271,951

FINANCIAL STATEMENTS
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55. The operations of Islamic business (cont'd.)

(g) Deposits and placements of banks and other financial institutions

	Bank Group	
	2020	2019
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
Other financial institutions:		
- Licensed Investment Banks	1,233	152,390
- Licensed Islamic Banks	100,010	112,937
- Other Financial Institutions	9,428,062	10,356,442
	9,529,305	10,621,769

(h) Other payables

	Bank Group	
	2020	2019
	RM'000	RM'000
Amount due to related companies	7,727	33,668
Amount due to holding company	162,993	-
Al-Mudharabah security funds	144,168	137,309
ECL for commitments and contingencies (i)	44,443	65,239
Other provisions and accruals	86,927	70,260
Deferred income	26,828	34,838
Sundry creditors	268,080	230,430
	741,166	571,743

FINANCIAL STATEMENTS
Notes to the Financial Statements

55. The operations of Islamic business (cont'd.)

(h) Other payables (cont'd.)

(i) ECL for commitments and contingencies

Movement of ECL for commitments and contingencies is as follows:

2020	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	43,945	17,802	3,492	65,239
Total charged to profit or loss	(25,067)	(4,528)	9,408	(20,187)
Changes in the ECL:				
- Transfer to stage 1	762	(685)	(77)	-
- Transfer to stage 2	(2,937)	3,043	(106)	-
- Transfer to stage 3	(367)	(1,519)	1,886	-
New financing/disbursement during the year	9,416	3,176	66	12,658
Repayment/drawdown to financing during the year	(18,535)	(8,462)	(2,092)	(29,089)
Changes in credit risk parameters [#]	(13,406)	(81)	9,731	(3,756)
Write off	-	-	(609)	(609)
ECL at 31 December 2020	18,878	13,274	12,291	44,443

[#] The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

FINANCIAL STATEMENTS
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55. The operations of Islamic business (cont'd.)

(h) Other payables (cont'd.)

(i) ECL for commitments and contingencies (cont'd.)

2019	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2019	52,717	36,630	4,596	93,943
Total charged to profit or loss	(8,772)	(18,828)	(1,104)	(28,704)
Changes in the ECL:				
- Transfer to stage 1	4,854	(2,350)	(2,504)	-
- Transfer to stage 2	(4,890)	5,190	(300)	-
- Transfer to stage 3	(791)	(4,802)	5,593	-
New financing/disbursement during the year	25,153	1,791	426	27,370
Repayment/drawdown to financing during the year	(12,460)	(6,063)	(621)	(19,144)
Changes in credit risk parameters	(14,280)	(4,746)	(3,227)	(22,253)
Changes to model assumptions and methodologies [^]	(6,358)	(7,848)	(471)	(14,677)
ECL at 31 December 2019	43,945	17,802	3,492	65,239

[^] The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

56. Significant event

Transfer of assets to MBSB Bank Berhad

During the year, the Company progressively transferred the following assets to MBSB Bank Berhad:

	2020 RM'000
Mortgage converted to Islamic property financing	
i) Converted on 18 January 2020	23,798
ii) Converted on 22 February 2020	19,672
iii) Converted on 18 April 2020	134,229
iv) Converted on 16 May 2020	21,005
v) Converted on 25 July 2020	23,593
vi) Converted on 19 December 2020	3,916
Conventional corporate loans converted to Islamic corporate financing	
i) Converted on 3 September 2020	9,692

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE 51st ANNUAL GENERAL MEETING (“AGM”) of the Company will be held at Level 4, Menara MBSB Bank, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor (“Broadcast Venue”) on Thursday, 17 June 2021 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2020 and Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note 1)
2. To declare a Single-Tier Final Dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2020. Ordinary Resolution 1
3. To approve the payment of Directors’ Fees payable to Directors for the period from the date of this AGM until the next AGM of the Company in 2022. Ordinary Resolution 2
4. To approve payment of benefits (excluding Directors’ Fees) payable to Directors from the date of this AGM until the next AGM of the Company in 2022. Ordinary Resolution 3
5. To re-elect Tan Sri Azlan bin Mohd Zainol, who retire in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer himself for re-election. Ordinary Resolution 4
6. To re-elect Encik Sazaliza bin Zainuddin, who retire in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer himself for re-election. Ordinary Resolution 5
7. To re-elect Dr. Loh Leong Hua, who retire in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer himself for re-election. Ordinary Resolution 6
8. To re-elect Ir. Moslim bin Othman, who retire in accordance with Clause 100 of the Company’s Constitution, and who being eligible offer himself for re-election. Ordinary Resolution 7
9. To appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company in place of the retiring auditors, Messrs. KPMG PLT for the financial year ending 31 December 2021 and to authorise the Directors to determine their remuneration. Ordinary Resolution 8

STAKEHOLDER INFORMATION
Notice of Annual General Meeting

SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolutions:-

10. Authority to allot and issue shares

“THAT subject always to the Companies Act, 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant government/regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 75 of the Act, to allot and issue shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be also empowered to obtain the approval from the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company.”

Ordinary Resolution 9

11. Allotment and issuance of new Ordinary Shares in MBSB (“MBSB Shares”) in relation to the Dividend Reinvestment Plan that allows shareholders of MBSB (“Shareholders”) to reinvest their dividend to which the dividend reinvestment plan applies, in new MBSB Shares (“Dividend Reinvestment Plan”).

“THAT pursuant to the Dividend Reinvestment Plan as approved by the Shareholders at the Extraordinary General Meeting held on 10 December 2013, approval be and is hereby given to the Company to allot and issue such number of new MBSB Shares from time to time as may be required to be allotted and issued pursuant to the Dividend Reinvestment Plan until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors, may in their absolute discretion, deem fit and in the interest of the Company PROVIDED:-

- i. THAT the issue price of the said new MBSB Shares shall be fixed by the Directors at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average price (“VWAP”) of MBSB Shares immediately prior to the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price.

AND THAT the Directors of the Company be and are hereby authorized to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give effect to the Dividend Reinvestment Plan with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the Dividend Reinvestment Plan as the Directors may deem fit, necessary and/or expedient in the best interest of the Company or as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as it considers necessary in connection with the Dividend Reinvestment Plan.”

Ordinary Resolution 10

12. To transact any other ordinary business of which due notice shall have been given.

STAKEHOLDER INFORMATION
Notice of Annual General Meeting

BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997)
Practicing Certificate No.: 201908003748
TONG LEE MEE (MAICSA 7053445)
Practicing Certificate No.: 201908001316
Company Secretaries

Kuala Lumpur
19 May 2021

Explanatory Notes: -

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2020

This Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Item 3 of the Agenda – (Ordinary Resolution 2 - Directors Fees payable to Directors)

The proposed fees to be paid to Directors for the period from the date of this AGM until the next AGM of the Company in 2022 is based on the following fee structure:-

MBSB

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Audit Committee	30,000	20,000
Risk Management Committee	30,000	20,000
Nominating & Remuneration Committee	25,000	15,000
Restructuring Committee	25,000	15,000

MBSB Bank

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Board Audit Committee	30,000	20,000
Board Risk Management & Compliance Committee	30,000	20,000
Board Nominating & Remuneration Committee	25,000	15,000
Board Investment & Credit Committee	30,000	20,000
Board Information Technology Oversight Committee	25,000	15,000

STAKEHOLDER INFORMATION
Notice of Annual General Meeting

The details of the Directors fees paid for financial year ended 31 December 2020 are as follows:-

Board members	MBSB Total (RM)	MBSB Bank Total (RM)
Tan Sri Abdul Halim bin Ali	140,000	140,000
Encik Lim Tian Huat	175,000	-
Ir. Moslim bin Othman	148,333	-
Puan Lynette Yeow Su-Yin	138,333	135,000
Puan Zaidatul Mazwin binti Idrus (50% Directors' Fees paid to EPF)	100,000	-
Encik Mohamad Abdul Halim bin Ahmad (Appointed on 2 March 2020)	116,667	-
Encik Aw Hong Boo	-	151,667
Encik Szaliza Zainuddin (50% Directors' Fees paid to EPF)	-	120,000
Datuk Johar bin Che Mat	-	155,000
Tunku Alina Binti Raja Muhd Alias	-	140,000
Datuk Azrulnizam bin Abdul Aziz	-	132,500
Dr. Loh Leong Hua	-	162,500
Encik Kamarulzaman bin Ahmad	-	140,833
Encik Arul Sothy S Mylvaganam (Appointed on 5 May 2020)	-	93,333
TOTAL	818,333	1,370,833

3. Item 4 of the Agenda – (Ordinary Resolution 3 – Benefits payable to Directors)

The details of the benefits payable to Directors are as follows: -

Board Meeting Allowance	RM3,000.00 per meeting
General Meeting Allowance	RM3,000.00 per meeting
Board Committee Meeting Allowance	RM2,000.00 per meeting
Any other meeting allowances (where the Directors are invited to attend)	RM2,000.00 per meeting
Other benefits	Chairman's Car, medical coverage, travel, communication and other claimable benefits

Note:

- (a) The benefits payable to the Directors comprise allowances and other emoluments payable to the member of the Board, Board of subsidiaries and Board Committees
- (b) The total amount of benefits payable to the Directors is estimated up to RM2,700,000 from date of this AGM until the next AGM in 2022 based on the estimated number of 215 meetings.

STAKEHOLDER INFORMATION
Notice of Annual General Meeting

4. Item 9 of the Agenda – (Ordinary Resolution 8 – Appointment of Auditor)

The Audit Committee and the Board have agreed to change the audit firm periodically for MBSB and its subsidiaries as good corporate governance practice and have recommended Messrs. PricewaterhouseCoopers PLT be appointed as the auditors of MBSB and its subsidiaries in place of the retiring auditors, Messrs. KPMG PLT for the financial year ending 31 December 2021, subject always to the approval from the Regulators and Shareholders. Messrs. PricewaterhouseCoopers PLT has given their consent to act as statutory auditors of the Company, a copy of which is annexed hereto and marked as “Annexure 1”.

5. Item 10 of the Agenda – (Ordinary Resolution 9 – Authority to allot and issue shares)

The proposed Ordinary Resolution 9, if passed, will give powers to the Directors to issue new ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

The purpose of the proposed mandate from shareholders is to provide MBSB the flexibility to undertake any share issuance during the financial year that is not material in nature under exceptional circumstances i.e. in the event that any capital management requirement to meet the prudential compliance capital leverage ratio or strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis and which is only to be undertaken if the Board considers it to be in the best interest of the Company.

6. Item 11 of the Agenda – (Ordinary Resolution 10 – To allot and issue shares in relation to the Dividend Reinvestment Plan)

Dividend Reinvestment Plan (“DRP”) is a capital management tool that would strengthen the Company’s capital position. The reinvestment of dividend entitlements by shareholders for new Company shares will enlarge the Company’s share capital and strengthen its capital position for future growth. Under the DRP, the cash that would otherwise be paid out by way of dividend will be preserved to fund the working capital and/or capital funding requirements of the Group and the Company.

The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to issue new ordinary shares pursuant to the terms and conditions of the Company’s DRP which are contained in the DRP Statement set out in Appendix I to the Circular to Shareholder dated 25 November 2013 (as may be amended in accordance with the provisions of the said DRP).

The authority conferred by such renewed mandate/authority will be effective from the date of the forthcoming AGM and unless revoked or varied at a general meeting, will expire at the next AGM.

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 51st AGM via the Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website at <https://tiih.online>. Please follow the procedures in the Administrative Guide in order to participate remotely via RPV.

STAKEHOLDER INFORMATION
Notice of Annual General Meeting

Notes: -

1. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 61(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 9 June 2021. Only a depositor whose name appears on the Record of Depositors as at 9 June 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A member shall be entitled to appoint another person as his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to attend, participate, speak and vote at the meeting.
3. In the case of a corporate body, the proxy appointed must be in accordance with its constitution, if any, and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. To be valid, the duly completed instrument appointing a proxy must be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, to submit your electronic Proxy Form via TIIH Online at <https://tiih.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the Administrative Details for submission of electronic Proxy Form.
7. As no shareholders should be physically present at the Broadcast Venue, we urge all shareholders to attend the 51st AGM remotely using the Remote Participation and Voting ("RPV") facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd ("Tricor")'s TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the Administrative Guide.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. The details of the Directors who are standing for re-election at the 51st Annual General Meeting of the Company are disclosed under the Directors' Profile of the Integrated Annual Report 2020. The details of their interest in securities of MBSB are set out in page 373 of the Integrated Annual Report.
2. The Proposed Ordinary Resolution 9 is a renewal mandate for issue of securities. As at the date of this Notice, no new shares were issued pursuant to the general mandate granted to the Directors at the last AGM held on 30 June 2020.

STAKEHOLDER INFORMATION
Annexure 1

Annexure 1



The Board of Directors
Malaysia Building Society Berhad
Tingkat 11, Wisma MBSB
No 48, Jalan Dungun
Damansara Height
50748 Kuala Lumpur
WP Kuala Lumpur

5 May 2021

Ref: PwC/OCC/JL/00230122

Dear Sirs,

In compliance with Section 264(5) of the Companies Act 2016, we hereby give notice of our consent to act as auditors of Malaysia Building Society Berhad ("the Company").

We also give notice of our continuing consent to act as auditors of the Company for future years until such time as we give notice, in writing, of our resignation as auditors of the Company.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG MENG CHUAN
02907/11/2021 J
Chartered Accountant

PriceWaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan
Rakyat, Kuala Lumpur Sentral, P.O. Box 20192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

Analysis of Shareholdings

as at 26 April 2021

Total number of Issued Shares : 6,975,388,546 Ordinary Shares
Class of Shares : Ordinary Shares
Voting Rights : One Vote per Ordinary Share

ANALYSIS OF ORDINARY SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO OF SHAREHOLDERS	% OF SHAREHOLDERS	NO OF SHARES	% OF ISSUED SHARE CAPITAL
1 - 99	1,977	4.203	70,387	0.001
100 - 1,000	5,794	12.317	4,616,775	0.066
1,001 - 10,000	19,979	42.471	107,376,969	1.539
10,001 - 100,000	16,300	34.651	529,587,275	7.592
100,001 - 348,769,426 (*)	2,990	6.356	1,772,689,797	25.414
348,769,427 AND ABOVE (**)	1	0.002	4,561,047,343	65.388
TOTAL	47,041	100.00	6,975,388,546	100.00

Remark:

* Less than 5% of Issued Shares

** 5% and above of Issued Shares

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY

None of the directors has any direct and indirect interests in shares in the Company

GROUP PRESIDENT AND CHIEF EXECUTIVE OFFICER'S DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY

NAME	DIRECT INTEREST		INDIRECT INTEREST		TOTAL SHAREHOLDINGS	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Datuk Seri Ahmad Zaini Othman	598,888	0.0086	nil	nil	598,888	0.0086

Note:

Datuk Seri Ahmad Zaini Othman, by virtue of his total direct interest of 598,888 shares in MBSB, is deemed interested in the shares in all MBSB's subsidiaries to the extent that MBSB has interest.

STAKEHOLDER INFORMATION
Analysis of Shareholdings

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held	% of Issued Shares
EMPLOYEES PROVIDENT FUND BOARD	4,561,047,343	65.388

Notes:

Total direct interest of EPF held under Citigroup Nominees (Tempatan) Sdn Bhd

THIRTY LARGEST SHAREHOLDERS

NO	NAME	NO. OF SHARES	% OF SHARES
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,561,047,343	65.388
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) SA (CLIENT ASSETS)	131,062,931	1.879
3	RHB NOMINEES (ASING) SDN BHD TADHAMON CAPITAL BSC CLOSED	103,441,163	1.483
4	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG VALUE FUND	50,000,000	0.717
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	44,300,000	0.635
6	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS-PB)	36,000,000	0.516
7	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	29,435,100	0.422
8	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	20,809,784	0.298
9	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	20,749,500	0.297
10	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND WTAU FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND	20,090,200	0.288
11	B-OK SDN BHD	18,642,997	0.267
12	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	17,366,052	0.249
13	KENANGA NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	13,676,625	0.196
14	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	11,384,743	0.163
15	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG TENG KUANG	11,172,676	0.160
16	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD (HEDGING)	10,800,000	0.155

STAKEHOLDER INFORMATION
Analysis of Shareholdings

THIRTY LARGEST SHAREHOLDERS (cont'd)

NO	NAME	NO. OF SHARES	% OF SHARES
17	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	8,892,100	0.127
18	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	8,578,408	0.123
19	HSBC NOMINEES (ASING) SDN BHD BPSS FFT FOR WMB-UNIVERSAL-FONDS	7,815,800	0.112
20	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	7,570,466	0.109
21	POSEIDON SENDIRIAN BERHAD	7,374,859	0.106
22	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM HEUNG	7,358,596	0.105
23	TEE KOK THYE	7,300,395	0.105
24	LKK REALTY SDN. BHD.	7,087,924	0.102
25	RHB INVESTMENT BANK BERHAD IVT "SW BOOK 1"	6,406,100	0.092
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC AGGRESSIVE GROWTH FUND (N14011940110)	6,370,137	0.091
27	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND OD75 FOR ISHARES PUBLIC	6,128,700	0.088
28	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	6,000,000	0.086
29	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	5,852,163	0.084
30	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR VANGUARD FTSE ALL-WORLD EX-US SMALL-CAP INDEX FUND	5,657,600	0.081
TOTAL SHAREHOLDING OF THE THIRTY LARGEST SHAREHOLDERS		5,198,372,362	74.524

STAKEHOLDER INFORMATION
Schedule of Properties

Schedule of Properties

No.	Location	Tenure	No. of years	Expiry Date	Land Area (Sq. Metres)	Description	Ages of Building (Years)	BOOK VALUE (RM '000)	Date of Revaluation
1	Lot 31632 and 31633 PM No.416 and 417, Bukit Raja, Mukim of Kapar, Dtstrict of Klang, Selangor,	Leasehold	99	08.05.2093	28,651.30	Vacant Land	Nil	69,374	Feb 2018
2	A) Lot No. 3077 Title Pajakan Negeri No. 32340, Mukim Pegoh, Alor Gajah, Melaka (phase 2C, A'Famosa resort) B) 65 undeveloped detached house plots of land, Part of Phase 12, A' Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka. C) 62 undeveloped detached house plots of land, Part of Phase 8, A'Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka	Leasehold	99	18.12.2094	161,106.01	Vacant Land	Nil	35,739	Oct 2020
3	No.48, Jalan Dungun, Damansara Heights, Kuala Lumpur	Freehold	Nil	Nil	1,595.28	Office Building	31	23,902	Jan 2021
4	Lot No. 2402 PN 28760 Port Dickson, Negeri Sembilan (No. 325, Batu 1, Jalan Rumah Rehat, Port Dickson)	Leasehold	99	06.10.2095	6,042.00	Hotel	21	12,612	Aug 2019

STAKEHOLDER INFORMATION
Schedule of Properties

No.	Location	Tenure	No. of years	Expiry Date	Land Area (Sq. Metres)	Description	Ages of Building (Years)	BOOK VALUE (RM '000)	Date of Revaluation
5	8 units of completed shop office at Butterworth - Lot 2622, 2651, 2624, 2653, 2654, 2625, 2676, 2674, 2626, 2655, 2628, 2657, 2629, 2658	Freehold	Nil	Nil	1,040.00	Shop Office	6	9,600	Jan 2019
6	56 Vacant industrial lots located in Mukim of Taboh Naning, Alor Gajah, Melaka	Freehold	Nil	Nil	274,782.68	Vacant Land	Nil	4,630	Jan 2019
7	5 units shop office known as unit no. 11-1, 11-2, 11-3, 11-16 and 15-13 Port Tech Tower, Klang	Leasehold	99	08.05.2093	-	Office unit	5	2,466	Jan 2019
8	Lot 1520 GRN 60632 Bandar Segamat, Segamat, Johor	Freehold	Nil	Nil	7,001	Vacant Land	Nil	2,000	Jan 2019
9	Geran No. 6951 Lot 3243, Bandar Kuala Terengganu, Daerah Kuala Terengganu, Negeri Terengganu	Freehold	Nil	Nil	197	Office Building	20	483	Feb 2021
10	Plot 204 & 205, Melaka Raya, Jalan Taman off Jln Bandar Hilir, 75000 Melaka	Leasehold	99	19.08.2075	298	Vacant Land	More than 20 years	380	Feb 2021

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Proxy Form

I/We _____

Company No./NRIC No. _____ Tel No. _____

of _____
(full address)

being a member/members of MALAYSIA BUILDING SOCIETY BERHAD hereby appoint:-

_____ NRIC No. _____

of _____ (first proxy) and
(full address)

_____ NRIC No. _____

of _____ (second proxy)
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company which will be conducted entirely through live streaming from the Broadcast Venue at Level 4, Menara MBSB Bank, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor ("Broadcast Venue") on Thursday, 17 June 2021 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated hereunder.

NO.	RESOLUTIONS	FOR	AGAINST
Ordinary Business:-			
1.	To declare a Single-Tier Final Dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2020 Ordinary Resolution 1		
2.	To approve the payment of Directors' fees payable to Directors for the period from the date of this AGM until the next AGM of the Company in 2022. Ordinary Resolution 2		
3.	To approve payment of benefits (excluding Directors' Fees) payable to Directors from the date of this AGM until the next AGM of the Company in 2022. Ordinary Resolution 3		
4.	To re-elect Tan Sri Azlan bin Mohd Zainol as Director of the Company Ordinary Resolution 4		
5.	To re-elect Encik Szalaza bin Zainuddin as Director of the Company Ordinary Resolution 5		
6.	To re-elect Dr. Loh Leong Hua as Director of the Company Ordinary Resolution 6		
7.	To re-elect Ir. Moslim bin Othman as Director of the Company. Ordinary Resolution 7		
8.	To appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to determine their remuneration. Ordinary Resolution 8		
Special Business:-			
9.	Authority to allot and issue shares. Ordinary Resolution 9		
10.	To allot and issue shares in relation to the Dividend Reinvestment Plan. Ordinary Resolution 10		

(Please indicate with an 'x' in the space indicated above as to how you wish to cast your vote. If no specific directions as to voting are given, the proxy shall vote or abstain from voting at his/her full discretion)

The proportion of *my/our holding to be represented by *my/our proxies are as follows:

	Percentage (%)
First Proxy (1)	
Second Proxy (2)	

Date: _____

Signature of member

Notes:

1. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 61(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 9 June 2021. Only a depositor whose name appears on the Record of Depositors as 9 June 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A member shall be entitled to appoint another person as his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to attend, participate, speak and vote at the meeting.
3. In the case of a corporate body, the proxy appointed must be in accordance with its constitution, if any, and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. In view that this is a fully virtual Annual General Meeting, we strongly advise the members who are unable to attend, participate, speak and vote in this Annual General Meeting via RPV to appoint the Chairperson of the meeting as his/her proxy and indicate the voting instructions in the proxy form.
7. To be valid, the duly completed instrument appointing a proxy must be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, to submit your electronic Proxy Form via TIIH Online at <https://tiih.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the Administrative Guide for submission of electronic Proxy Form.
8. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.

Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 51st AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the in the Administrative Guide.

Please fold here

Affix Stamp

The Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32 - 01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
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