

IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED.

FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR.

Confirmation of your Representation: In order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must be addressees who are purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act (“**Regulation S**”). By accepting this e-mail and accessing this offering circular, you shall be deemed to have represented to us that you are eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S. This offering circular is being sent at your request and by accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to us that (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and, to the extent you purchase the securities described in this Offering Circular, you will be doing so pursuant to Regulation S and (2) you consent to delivery of such offering circular and any amendments and supplements thereto by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the dealers or any affiliate of any of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of the issuer of the securities in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Export-Import Bank of Malaysia Berhad, The Hongkong and Shanghai Banking Corporation Limited, CIMB Investment Bank Berhad, Citigroup Global Markets Limited or Standard Chartered Bank (Singapore) Limited or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from Export-Import Bank of Malaysia Berhad, The Hongkong and Shanghai Banking Corporation Limited, CIMB Investment Bank Berhad, Citigroup Global Markets Limited or Standard Chartered Bank (Singapore) Limited.

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Export-Import Bank of Malaysia Berhad

(Company Registration Number: 199501027992 (357198-K))

(incorporated with limited liability in Malaysia)

U.S.\$3,000,000,000

Multicurrency Medium Term Note Programme

On 6 June 2012, Export-Import Bank of Malaysia Berhad established its U.S.\$1,500,000,000 Multicurrency Medium Term Note Programme. On 13 September 2016, Export-Import Bank of Malaysia Berhad amended and upsized its Multicurrency Medium Term Note Programme from U.S.\$1,500,000,000 to U.S.\$3,000,000,000. Such Multicurrency Medium Term Note Programme is further amended as at the date of this Offering Circular and this Offering Circular supersedes all previous offering circulars and any supplement thereto. Any Notes (as defined below) issued under the Programme (as defined below) on or after the date of this Offering Circular are issued subject to the provisions described herein. The provisions described herein do not affect any Notes issued under the Programme prior to the date of this Offering Circular.

Under this U.S.\$3,000,000,000 Multicurrency Medium Term Note Programme (the “**Programme**”), Export-Import Bank of Malaysia Berhad (the “**Issuer**” or the “**Bank**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) with a maturity of one year or more, denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as set out in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “*Investment Considerations*”.

Application will be made to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing on the Official List. The SGX-ST assumes no responsibility for the contents of this Offering Circular and the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, and the admission of any Notes for listing on, the SGX-ST are not to be taken as indications of the merits of the Issuer, the Programme or the Notes.

The Labuan International Financial Exchange Inc. (“**LFX**”) has granted its approval-in-principle for the primary listing of the Programme on 11 June 2012. The Notes issued pursuant to the Programme may be listed on the LFX but will not be quoted for trading. The LFX takes no responsibility for the contents of this Offering Circular, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, the investors should consult his or her adviser. The approval in-principle from, and the admission of any Notes for listing on, the LFX are not to be taken as indication of the merits of the Issuer, the Programme or the Notes.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, the investors should consult his or her adviser.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Each Tranche of Notes of each Series (as defined in “*Terms and Conditions of the Notes*”) of Notes in bearer form will be represented on issue by a temporary global note (each a “**Temporary Global Note**”) or a permanent global note (each a “**Permanent Global Note**”). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the “**Exchange Date**”), upon certification as to non-U.S. beneficial ownership until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a Series of Registered Notes and the Issue Date thereof, beneficial interests may only be held through Euroclear Bank SA/NV (“**Euroclear**”) or Clearstream Banking, S.A. (“**Clearstream**”). Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Notes in registered form will initially be represented by a global certificate (each a “**Global Certificate**”) and together with any Temporary Global Notes and Permanent Global Notes, the “**Global Notes**” and each a “**Global Note**”). Global Notes may be deposited on the issue date with a common depository for Euroclear and Clearstream. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in “*Summary of provisions relating to the Notes while in global form*”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or any U.S. State securities laws and may not be offered or sold in the United States unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes may include Bearer Notes that are subject to U.S. tax law requirements and that may not be delivered within the United States.

The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) and subject to United States tax law requirements. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this offering circular see “*Subscription and Sale*”. For a description of the manner in which the securities will be issued, see “*Summary of provisions relating to the Notes while in global form*”.

The Issuer may agree with any Dealer that the Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes (the “**Conditions**”) herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is rated A3 by Moody’s Investors Service, Inc. (“**Moody’s**”) and BBB+ by Fitch Ratings Ltd (“**Fitch**”). In addition, the Bank has been assigned a rating of A3 by Moody’s and BBB+ by Fitch. These ratings are only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Prospective investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Prospective investors should also have regard, inter alia, to the factors described in “*Investment Considerations*”.

The lodgement with Securities Commission Malaysia (the “**SC**”) in respect of the Programme (the “**SC Lodgement**”) was made by HSBC Bank Malaysia Berhad and Maybank Investment Bank Berhad on 13 September 2016 as the previous joint principal advisers to the Issuer. Pursuant to the update of the Programme and the revision to the principal terms and conditions of the Programme, HSBC Bank Malaysia Berhad as the current principal adviser (the “**Principal Adviser**”) to the Issuer has on 9 November 2021 updated the SC of such revision.

This Offering Circular is an advertisement and is not a prospectus for the purposes of Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”) and the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Global Coordinator

HSBC

Arrangers and Dealers

HSBC

CIMB

CITIGROUP

STANDARD CHARTERED BANK

The date of this Offering Circular is 9 November 2021

IMPORTANT NOTICE

The Issuer and the Board of Directors of the Issuer accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Board of Directors of the Issuer (each having made all reasonable enquiries to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances which they were made, misleading.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers (as defined herein), the Dealers (as defined herein) or the Agents (as defined herein) or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person. Save as expressly stated in this Offering Circular, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Arrangers, the Dealers, the Fiscal Agent and other Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person have not separately verified the information contained in this Offering Circular. None of the Arrangers, the Dealers or the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person, is making any representation or warranty expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer. Further, none of the Arrangers, the Dealers or the Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person, makes any representation or warranty as to the Issuer or as to the accuracy, reliability or completeness of the information set out herein and the documents which are incorporated by reference in, and form part of, this Offering Circular.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Fiscal Agent or the other Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers, the Dealers, the Fiscal Agent or the other Agents or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Arrangers, the Dealers, the Fiscal Agent and the other Agents and any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any financial statements included or incorporated herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Fiscal Agent or the other Agents or any person who controls any of them, or any of their respective officers, employees, advisers or agents, or any affiliate of any such person that any recipient of this Offering Circular or any such financial

statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the risks involved. The purchase of Notes by investors should be based upon their investigation as they deem necessary.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arrangers or the Dealers to any person to subscribe for or to purchase any Notes. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Arrangers or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area, the United Kingdom, Singapore, Japan, Hong Kong and Malaysia. See “*Subscription and Sale*”.

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Dealer Agreement (as defined herein) and the issue of the Notes by the Issuer pursuant to the Dealer Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes or pursuant to this Offering Circular shall (without any liability or responsibility) on the part of the Issuer, the Arrangers or the Dealers lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by the Issuer pursuant to the Dealer Agreement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should consult their own financial, tax, accounting and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes. Before entering into any transaction, investors should ensure that they fully

understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

In accordance with the Capital Markets and Services Act 2007 of Malaysia (“**CMSA**”), a copy of this Offering Circular will be deposited with the SC, in which the SC takes no responsibility for its contents. The issue, offer or invitation in relation to the Notes in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent. Pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch framework issued by the SC on 9 March 2015 and effective from 15 June 2015 (as may be amended from time to time), the information in relation to the Programme and the Notes has been lodged with and acknowledged by the SC on 13 September 2016. Pursuant to the update of the Programme and the revision to the principal terms and conditions of the Programme, the Issuer through the Principal Adviser has on 9 November 2021 updated the SC of such revision.

The recipient of this Offering Circular acknowledges and agrees that neither the SC Lodgement nor the update made to the SC shall be taken to indicate that the SC recommends the subscription or purchase of the Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID PRODUCT GOVERNANCE/TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled “**MiFID II Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled “**UK MiFIR Product Governance**” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Arrangers or the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information has not been independently verified and is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Arrangers, the Dealers or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the accuracy of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an

investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering and the Notes, including the merits and risks involved. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

ROUNDING OF AMOUNTS

Certain monetary amounts and percentages in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States, references to “**RM**”, “**Ringgit**” and “**sen**” are to the lawful currency of Malaysia, references to “**Singapore dollars**” and “**S\$**” are to the lawful currency of Singapore, references to “**Sterling**” and “**£**” are to the lawful currency of the United Kingdom and references to “**EUR**”, “**euro**” and “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

For convenience only and unless otherwise noted, all translations from Ringgit into U.S. dollars in this Offering Circular were made at the closing exchange rate as at 31 December 2020 of RM4.017 to U.S.\$1.00. No representation is made that the Ringgit amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as **will, would, aim, aimed, is likely, are likely, believe, expect, expected to, will continue, anticipated, estimate, estimating, intend, plan, seeking to, future, objective, should, can, could, may**, and similar expressions or variations of such expressions, that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, operating results, business strategies, plans and prospects of the Issuer, if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Issuer’s expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to manage future levels of impaired and/or restructured loans, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to roll over its short-term funding sources and its exposure to operational, market, credit, interest rate and currency risks.

Further, the Issuer disclaims any responsibility, and undertakes no obligation, to update or revise any forward-looking statement contained herein to reflect any changes in the expectations with respect thereto after the date of this Offering Circular or to reflect any change in events, conditions or circumstances on which such statements are based.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020 (which includes the comparatives as at and for the year ended 31 December 2019) contained in this Offering Circular were prepared and presented in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia, each as amended from time to time.

Unless the context otherwise requires, financial information in this Offering Circular is presented on a consolidated basis.

Unless otherwise noted, all consolidated financial information in relation to the Issuer presented in this Offering Circular in relation to the year ended 31 December 2019 have been extracted or derived from the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020, which have been audited by Ernst & Young PLT.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents (including those published or issued from time to time after the date hereof) shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently audited annual financial statements of the Issuer (together with the Auditor's reports prepared in connection therewith); and
- (b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The full version of the Issuer's annual reports which are published from time to time can be obtained from the Issuer's website at www.exim.com.my.

The above website and any other websites referenced in this Offering Circular are intended as guides as to where other public information relating to the Issuer may be obtained free of charge. Information appearing in such websites does not form part of this Offering Circular or any relevant Pricing Supplement and none of the Issuer, its Directors, the Arrangers and the Dealers accepts any responsibility whatsoever that any information, if available, is accurate and/or up to date. Such information, if available, should not form the basis of any investment decision by an investor to purchase or deal in the Notes.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of The Bank of New York Mellon, London Branch (the "**Fiscal Agent**") at One Canada Square, London E14 5AL, United Kingdom. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant paying agent (the "**Paying Agent**") as to its holding of such Notes and its identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Summary of provisions relating to the Notes while in global form*”.

This Offering Circular and any supplement will only be valid for Notes issued under the Programme in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the premium of Notes issued at a premium shall be added to their nominal amount;
- (b) the nominal amount of Notes issued at a discount as at any time shall equal their nominal amount or, if defined and provided for in the Pricing Supplement in respect of such Notes, their Amortised Face Amount (as defined in “*Terms and Conditions of the Notes*”);
- (c) the nominal amount of partly paid Notes as at any time shall equal the amount of subscription moneys paid up as at such time; and
- (d) the U.S. dollar equivalent of the nominal amount of Notes denominated in a currency other than U.S. dollars (which, in the case of dual currency Notes, shall be the currency in which the subscription moneys are received by the Issuer) shall be determined on the basis of the spot rate for the sale of the U.S. dollar against the purchase of the relevant currency in the London foreign exchange market quoted by any leading bank selected by the Issuer at any time selected by the Issuer during the five day period ending on the Trade Date (as defined in the Dealer Agreement) relating to such Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Summary of provisions relating to the Notes while in global form” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

“Issuer” or “Bank”	Export-Import Bank of Malaysia Berhad (Company Registration Number: 199501027992 (357198-K)).
“Group”	The Issuer together with its subsidiaries.
“Description”	Multicurrency Medium Term Note Programme.
“Global Coordinator”	The Hongkong and Shanghai Banking Corporation Limited.
“Arrangers”	The Hongkong and Shanghai Banking Corporation Limited, CIMB Investment Bank Berhad, Citigroup Global Markets Limited and Standard Chartered Bank (Singapore) Limited.
“Dealers”	As at the date of this Offering Circular, the Arrangers are the sole dealers appointed by the Issuer. Pursuant to the Dealer Agreement, the Issuer may from time to time appoint such other dealers either in respect of one or more Tranches or in respect of the whole Programme or terminate the appointment of any dealer under the Programme.
“Certain Restrictions”	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”) including the following restrictions applicable at the date of this Offering Circular: the United States, the United Kingdom, the European Economic Area (in respect of Notes having a specified denomination of less than EUR100,000 or its equivalent in any other currency as at the date of issue of the Notes), Japan, Hong Kong, Singapore, Malaysia and such other restrictions as may be required in connection with a particular issue of Notes. See “ <i>Subscription and Sale</i> ”.
“Fiscal Agent”	The Bank of New York Mellon, London Branch.
“Registrar”	The Bank of New York Mellon SA/NV, Luxembourg Branch
“Transfer Agent”	The Bank of New York Mellon, London Branch.
“Principal Adviser”	For the purposes of the update to the SC in respect of the revision of the principal terms and conditions of the Programme — HSBC Bank Malaysia Berhad.

“Programme Size”	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described under “General Description of the Programme”) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement subject to the necessary regulatory approvals (if any) having been obtained.
“Distribution”	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
“Currencies”	Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency as may be agreed between the Issuer and the relevant Dealer.
“Specified Denomination”	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
“Maturities”	Such maturities of one year or more as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the SC or the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
“Issue Price”	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
“Forms of the Notes”	The Notes may be issued in bearer form as Bearer Notes or registered form as Registered Notes. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
“Initial Delivery of Notes”	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream.
	Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

“Method of Issue”

The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical except in respect of the first payment of interest and their issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche of the Notes (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a Pricing Supplement.

“Fixed Rate Notes”

Fixed Rate Notes will bear interest at the fixed rate per annum specified in the applicable Pricing Supplement. Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.

“Floating Rate Notes”

Floating Rate Notes will bear interest at a rate determined separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

“Variable Rate Notes”

Variable Rate Notes may be issued pursuant to the Programme on terms specified in the relevant Pricing Supplement.

“Other Provisions In Relation To Floating Rate Notes”

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

“Dual Currency Notes”	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
“Zero Coupon Notes”	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
“Redemption”	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons) or that such Notes will be redeemable following the occurrence of a Change of Control Event or at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.
“Redemption by Instalments”	The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.
“Clearing Systems”	Euroclear, Clearstream and, in relation to any Tranches, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
“Withholding Tax”	<p>All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, the Receiptholders and the Couponholders of such amount as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as set out in “<i>Terms and Conditions of the Notes — Taxation</i>”.</p> <p>All payments in respect of the Notes, the Receipts and the Coupons will be made subject to any withholding and deduction required pursuant to FATCA as provided in Condition 8.</p>

“Status of the Notes”	The Notes and the Receipts and Coupons (if applicable) relating to them will constitute (subject to Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Notes, the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (<i>Negative Pledge</i>), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
“Negative Pledge”	See “ <i>Terms and Conditions of the Notes — Negative Pledge</i> ”.
“Events of Default (Including Cross Default)”	See “ <i>Terms and Conditions of the Notes — Events of Default</i> ”.
“Ratings”	<p>The Programme has been rated A3 by Moody’s and BBB+ by Fitch. In addition, the Bank has been assigned a rating of A3 by Moody’s and BBB+ by Fitch. These ratings are only correct as at the date of this Offering Circular.</p> <p>Each Tranche of Notes issued under the Programme may be rated or unrated. When a Tranche of Notes is rated, its rating will be specified in the relevant Pricing Supplement and its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
“Listing”	<p>Approval in-principle has been obtained from the LFX for the primary listing of the Programme on 11 June 2012. Application will be made to the LFX for the listing of, and permission to deal in, the Notes.</p> <p>Application will be made to the SGX-ST for permission to deal in and quotation of any Notes which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 or its equivalent in other currencies.</p> <p>The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series of Notes.</p> <p>The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be listed.</p>
“Governing Law”	English law.

INVESTMENT CONSIDERATIONS

Each investor should carefully consider the following investment considerations as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering of the Notes, including the merits and risks involved. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Issuer or factors that the Issuer currently deem immaterial may also adversely affect the Issuer's business, financial condition, results of operations and prospects.

Considerations relating to the Bank

The global outbreak of COVID-19 has adversely affected, and will continue to adversely affect, the Bank's business

The Bank's business has been, and will continue to be, adversely affected by the global outbreak of a novel strain of coronavirus (i.e. COVID-19). The outbreak of COVID-19 was declared a pandemic by the World Health Organisation (the "WHO") on 11 March 2020.

The COVID-19 pandemic is ongoing and rapidly evolving. Governments of many countries have declared a state of emergency, closed their borders to international travellers, and issued stay-at-home orders with a view to containing the pandemic.

In particular, the Government of Malaysia (the "**Government**") imposed various measures to contain the COVID-19 pandemic, including implementing various movement control orders and a nationwide vaccination programme. Malaysia began its COVID-19 immunisation programme in February 2021, starting with frontliners as a priority group. According to the WHO, as Malaysia was ready for the wider public rollout of the vaccination programme, it was reassuring to note that there was high acceptance of COVID-19 vaccines in Malaysia. In a recent survey by the Malaysian Ministry of Health, 85% of people in Malaysia were willing to get vaccinated against COVID-19. The WHO also found that Malaysia was prepared to detect, diagnose and promptly manage any serious event following immunisation. The WHO undertook to continue to work alongside health authorities in Malaysia to respond to COVID-19 and support the COVID-19 immunisation programme in the country.¹

As stated above, the Government had also implemented non-pharmaceutical interventions by implementing various movement control orders as an additional measure to tackle COVID-19. The Malaysian Ministry of Home Affairs had been implementing a nationwide integrated and large-scale enforcement operation targeted to improve adherence to COVID-19 standard operating procedures among the economic sectors. This included setting up mobile roadblocks at industrial and manufacturing areas identified as COVID-19 hotspots.²

On 16 June 2021, the movement control order was replaced by the National Recovery Plan which would be implemented over 4 phases with Phase 1 being the most restrictive in terms of business and movement and Phase 4 reopening almost all business sectors. As at 21 October 2021, no states in Malaysia remain under Phase 1 or 2, five states (Kelantan, Perak, Penang, Sabah and Kedah) were under Phase 3, and four states (Federal Territory of Selangor, Federal Territory of Putrajaya, Federal Territory of Kuala Lumpur and Malacca) were under Phase 4³.

¹ <https://www.who.int/malaysia/news/detail/30-04-2021-statement-on-the-benefits-of-vaccines-against-covid-19>

² <https://www.who.int/malaysia/internal-publications-detail/covid-19-in-malaysia-situation-report-49>

³ <https://www.who.int/malaysia/internal-publications-detail/covid-19-in-malaysia-situation-report-64>

The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had, and may continue to have, an adverse effect on consumer confidence and the general economic conditions to which the Bank's business is subject. Further, there is no assurance that such measures will be effective in ending or deterring the spread of COVID-19. For example, many countries have experienced a second wave of the COVID-19 virus once such measures had been eased.

Furthermore, widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and are likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. Such uncertainties and volatilities may adversely affect the Malaysian economy and the economy globally, the Bank, its business and financial condition, results of operations, prospects, liquidity and capital position. The deepening of the contraction in global activity and trade, accentuated by the rapid spread of COVID-19, has significantly affected external demand. In turn, this has impacted Malaysia's foreign trade sector as exports and imports have contracted sharply in recent months.

As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world, including in Malaysia, have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets. In addition, regulators in Malaysia have promulgated a series of measures to encourage Malaysian financial institutions to increase financial support to businesses and consumers to combat the challenges arising from the COVID-19 pandemic.

On 25 March 2020, Malaysia's Central Bank, Bank Negara Malaysia ("**BNM**") announced measures to assist individuals, small and medium enterprises ("**SMEs**") and corporations affected by COVID-19, which included:

- (i) deferment and restructuring of loans/financing facilities provided to individuals, SMEs and corporates;
- (ii) ensuring ample liquidity conditions in the banking system; and
- (iii) introducing additional supervisory and prudential measures into the system.⁴

On 27 March 2020, BNM announced additional measures to support SMEs and individuals comprising:

- (i) enhancements to financing facilities to assist affected SMEs, safeguard jobs and support growth. Pursuant to this, BNM enhanced the existing financing facilities under BNM's funds for SMEs, and increased the allocation of the facilities by an additional RM4.0 billion to RM13.1 billion. These enhancements were aimed at providing assistance to more SMEs in sustaining business operations and preserving jobs, as well as to support economic growth. The enhancements under BNM's funds for SMEs entailed:
 - a. an increase in the allocation of the Special Relief Facility ("**SRF**"), from RM2 billion to RM5 billion, to provide relief assistance to more SMEs who were affected by the COVID-19 outbreak; and
 - b. an increase in the allocation of the All Economic Sectors ("**AES**") Facility, from RM5.8 billion to RM6.8 billion, to enhance access to financing for SMEs and to support growth.

⁴ <https://www.bnm.gov.my/-/measures-to-assist-individuals-smes-and-corporates-affected-by-covid-19>

In addition SMEs could also avail themselves of three other facilities under BNM's funds for SMEs, namely the Automation and Digitalisation Facility (“**ADF**”)⁵, the Agrofood Facility (“**AF**”) and the Micro Enterprises Facility (“**MEF**”);

- (ii) a programme to support the B40⁶ segment in generating sustainable income and achieve financial resilience (“**iTEKAD**”);
- (iii) relief measures for affected policyholders and takaful participants including:
 - a. deferment of payment of life insurance premiums and family takaful contributions; and
 - b. extension of flexibilities to reinstate or preserve life insurance and family takaful protection;
- (iv) a requirement that all insurers and takaful operators would expedite and facilitate claims processes related to COVID-19; and
- (v) additional regulatory and supervisory measures including reduction of the interest rate and profit rate stress factor caps (from 40% to 30% with effect from 31 March 2020) applied under the Risk-Based Capital Framework for Insurers and Risk-Based Capital Framework for Takaful Operators, respectively to better reflect the changes in the prevailing market conditions since the stress factors were first set in 2009.⁷

In the middle of 2020, the Prime Minister of Malaysia unveiled PENJANA (“**Pelan Jana Semula Ekonomi Negara**”) or the National Economic Recovery Plan.⁸ Amongst others:

- (i) PENJANA SME Financing (“**PSF**”) was introduced to assist SMEs adversely impacted by COVID-19 in order to sustain business operations. Under this scheme, the banking sector would offer an additional RM2 billion of funding to assist SMEs adversely impacted by COVID-19 to sustain business operations at a concession rate of 3.5%. This financing facility, with an emphasis to finance new SME customers to banks, was to be made available in mid-June 2020 with a maximum loan size of RM500,000 per SME; and
- (ii) PENJANA Tourism Financing (“**PTF**”) was introduced to finance transformation initiatives by SMEs in the tourism sector to remain viable and competitive in the new normal. Under this scheme, funding facility for the tourism sector was to be provided to aid the tourism sector. A RM1 billion PTF facility was to be made available to finance transformation initiatives by SMEs in the tourism sector to enable them to remain viable and competitive in the new normal.⁹

⁵ https://www.bnm.gov.my/documents/20124/2294076/ADF_FAQ_EN.pdf

⁶ https://www.bnm.gov.my/documents/20124/3026377/emr2020_en_box1_socialprotection.pdf

⁷ <https://www.bnm.gov.my/-/additional-measures-to-further-support-smes-and-individuals-affected-by-the-covid-19-outbreak>

⁸ <https://penjana.treasury.gov.my/pdf/PENJANA-Booklet-En.pdf>

⁹ <https://penjana.treasury.gov.my/pdf/PENJANA-Booklet-En.pdf>

On 6 November 2020, following the Budget 2021 speech by the Malaysian Minister of Finance, BNM announced additional details on the announced measures to households and businesses affected by COVID-19 and stated that these measures were part of continuous efforts by the financial industry to support economic recovery, while also safeguarding the livelihoods of Malaysians. In particular, BNM announced:

- (i) the establishment or increase of additional financing facilities to provide relief and support recovery for SMEs including:
 - a. establishment of a RM2 billion Targeted Relief and Recovery Facility (“**TRRF**”) for eligible SMEs whose revenues have been affected by the recent enhanced and conditional movement control orders. In addition, SMEs in targeted vulnerable sectors, namely personal services, food and beverage services, human health and social work, arts, entertainment and recreation subsectors, would also be eligible for the TRRF;
 - b. establishment of RM500 million High Tech Facility (“**HTF**”)¹⁰ to support SMEs in high-tech sectors, for example fertilisers and synthetic rubber, basic chemicals, refined petroleum products, biotech pharmaceuticals, as well as air and spacecraft sub-sectors; and
 - c. RM110 million increase in allocation for the MEF pursuant to which this facility would be increased from RM300 million to RM410 million, with an available balance of RM200 million to support microenterprises including gig workers on digital platforms and the self-employed. The facility was for working capital and capital expenditure;
- (ii) enhancements to the “Targeted Repayment Assistance” where the banking industry had agreed to provide additional targeted repayment assistance for individuals and SME borrowers. These enhancements were an addition to those previously announced for those who had lost their jobs, and for individuals and SMEs whose incomes had been affected by the pandemic. Borrowers could also continue to approach their banks for tailored repayment assistance based on their specific financial circumstances as all banks would continue to stand ready to provide support to borrowers that need assistance;
- (iii) other initiatives introduced to further assist individuals and SMEs included:
 - a. expansion of the iTEKAD programme which was launched in May 2020 and combined social finance instruments such as zakat, sadaqah and waqf with the provision of microfinancing, structured training and mentorship. These instruments would empower micro-entrepreneurs from the B40 segment to generate sustainable income and achieve financial resilience. In tandem with the increase in allocation to MEF, the iTEKAD programme would be expanded with the participation of more Islamic banks via collaboration with a wider network of states and implementation partners, which would be participating in the iTEKAD programme in 2021; and
 - b. “Perlindungan Tenang Protection for B40” which was a form of financial assistance that would be provided by the Government for the B40 segment in the form of vouchers to purchase insurance and takaful coverage under the Perlindungan Tenang scheme from licensed insurers and takaful operators. The financial assistance of RM50 voucher would be given to eligible B40 recipients to help them purchase Perlindungan Tenang products starting 1 April 2021. On 5 February 2021, BNM announced an additional allocation of another RM 2 billion for the TRRF, increasing the total allocation of the facility to RM4 billion.

¹⁰ <https://www.bnm.gov.my/documents/20124/2294076/FAQ-HTF-ENG.pdf>

On 17 March 2021, BNM announced that an additional allocation of RM700 million had been provided for the ADF, bringing the facility's total size to RM1 billion. The ADF, which was established in March 2020, aimed to encourage SMEs across sectors to automate processes and digitalise operations to increase productivity and efficiency¹¹.

On 2 July 2021, BNM announced an additional allocation of RM4 billion for BNM's fund for SMEs. BNM would increase the allocation for the TRRF by RM2 billion, bringing the total allocation to RM6 billion. The TRRF aimed to provide relief for and support the recovery of SMEs in the services sector. In addition, BNM would also increase the allocation for the AES Facility by RM2 billion, bringing the total allocation to RM6.5 billion. The AES was open to SMEs from all sectors of the economy, and aimed to enhance SMEs' access to financing and support growth. BNM further announced that the TRRF and PTF¹² had been enhanced to allow SMEs to utilise part of the financing proceeds to repay existing business loans (i.e. refinance). Additionally, recipients of the SRF and PSF were eligible to apply for the PTF (up to RM300,000 per SME). The PTF aimed to support SMEs in the tourism sector by preserving their capacity and assisting them to adjust and remain viable post pandemic¹³.

There is no assurance that the outbreak will not lead to decreased demand for services the Bank provides; nor is there assurance that the outbreak's adverse impact on the Malaysian economy and the Bank's customers will not adversely affect the level of its non-performing loans. If the Bank is not able to control or reduce the level of non-performing loans, the overall quality of the Bank's assets may deteriorate which may materially and adversely affect the Bank's business, financial condition and results of operations.

On 25 March 2020, BNM announced measures to assist individuals, SMEs and corporates affected by COVID-19, which included deferment and restructuring of loans/financing facilities provided to individuals, SMEs and corporations. To ease the cash flow of individuals and SMEs that were likely to be the most affected by COVID-19, BNM stated that banking institutions would offer a deferment of all loan/financing repayments for a period of six months with effect from 1 April 2020. The offer was applicable to performing loans denominated in Malaysian Ringgit that had not been in arrears for more than 90 days as at 1 April 2020. For credit card facilities, BNM also stated that banking institutions would offer to convert the outstanding balances into a 3-year term loan with reduced interest rates to help borrowers better manage their debt. BNM however advised that interest/profit would continue to accrue on loan/financing repayments that were deferred and borrowers would need to honour the deferred repayments in the future and borrowers should therefore ensure that they understand and discuss with their banking institutions the options available to resume their scheduled repayments after the deferment period. BNM also clarified that individuals and SMEs that did not wish or need to avail of these flexibilities could continue with their current repayment structures. BNM further announced that banking institutions would also facilitate requests by corporates to defer or restructure their loans/financing repayments in a way that would enable viable corporates to preserve jobs and swiftly resume economic activities when conditions improve.¹⁴

On 30 April 2020, BNM announced that banking institutions in Malaysia were in the process of formalising agreements which would reflect the revised payment terms with borrowers/customers with hire-purchase ("HP") loans and fixed rate Islamic financing to give effect to the six-month moratorium on loan/financing payments. BNM also required banking institutions to take appropriate steps to ensure that borrowers/customers would be provided with clear information on the process and changes to the terms of their agreements as well as convenient means to conclude these agreements in view of the movement control order then implemented. BNM further clarified that borrowers/customers who did not wish to take up the moratorium could choose to do so by informing their banking institutions and resuming their scheduled payments based on the terms of their existing agreements. In such a case, borrowers/customers

¹¹ <https://www.bnm.gov.my/-/additional-allocation-rm700-million-sme-adf>

¹² https://www.bnm.gov.my/documents/20124/2294076/PTF_FAQ_en.pdf

¹³ <https://www.bnm.gov.my/-/enhancements-to-facilities-under-bnm-fund-for-smes>

¹⁴ <https://www.bnm.gov.my/-/measures-to-assist-individuals-smes-and-corporates-affected-by-covid-19>

would be given reasonable time by banking institutions to regularise any outstanding scheduled payments that were earlier deferred under the moratorium and the banking institutions would not impose overdue or late payment charges on these payments until they were due based on the revised payment schedule agreed with borrowers/customers¹⁵.

On 6 July 2021, BNM announced that in line with the announcement of the Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH)¹⁶, individual and microenterprise borrowers, as well as SMEs affected by the pandemic, were eligible to start applying for another six-month moratorium from 7 July 2021 onwards. In this regard, BNM assured that borrowers — whether individuals, microenterprises or SMEs — should be assured that opting in for the moratorium or any other repayment packages would be easy without the need for borrowers to provide supporting documentation. BNM further stated that approval would be given automatically. In addition to the moratorium, banks in Malaysia would also offer a reduction in instalments and other packages, including to reschedule and restructure financing to suit the specific financial circumstances of borrowers¹⁷.

Despite the above, certain sectors (such as aviation, tourism, hospitality, transportation and logistics, construction and real estate) have in particular been severely affected by COVID-19, which could result in a significant and prolonged loss of demand and revenue for these industries, causing financial stress.

The longer-term effects of the COVID-19 pandemic on the Bank's businesses are uncertain. Further, in the event a member or members of the Bank's management team contracts COVID-19, it may potentially affect the Bank's operations. There can be no assurance that the Bank's financial performance will not be materially and adversely affected by any such effects, whether direct or indirect, of COVID-19. Investors must exercise caution before making any investment decisions. See further "*Recent Developments — Impact of COVID-19*".

Pandemic outbreaks, in particular, COVID-19, or other infectious diseases, or any other serious public health concerns have impacted, and may in the future adversely impact the Bank's business, financial condition, results of operations and prospects

The outbreak or re-emergence of any infectious disease such as Influenza A (H1N1 and H5N1), avian influenza, Severe Acute Respiratory Syndrome, Middle East Respiratory Syndrome or Zika virus in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia. The WHO and other agencies issue warnings of a potential avian influenza pandemic if there are sustained human-to-human transmissions or concerns of future possible outbreaks (including, for example, the announcement by the WHO in April 2013 regarding the detection of the Influenza (H7N9) virus). In 2014, the WHO declared the Ebola outbreak in West Africa to be an international public health emergency that required an extraordinary response to stop its spread. There can be no assurance that any precautionary measures taken against infectious diseases would be effective. Such outbreaks or the perception that an outbreak may occur could thereby adversely impact the Bank's business, financial condition and results of operations.

The Bank could be adversely impacted by global pandemics, and the Bank's business, prospects and operations have been affected by the unprecedented disruption caused by the COVID-19 pandemic, which has resulted in a rapid deterioration of the political, socioeconomic and financial situation globally. Since its outbreak, COVID-19 has spread with alarming speed across various countries and territories. The COVID-19 pandemic, together with the restrictions on travel and imposition of quarantine and/or lockdown measures, have had, and may continue to have, a material adverse effect on various aspects of the Bank's business and operations, adversely affecting the Bank's business continuity. The imposition of lockdowns, social distancing requirements and movement restriction measures on a nationwide or at a city level in the countries that the Bank operates in, have led to access and workforce constraints (such as the

¹⁵ <https://www.bnm.gov.my/-/operationalisation-of-moratorium-for-hire-purchase-loans-and-fixed-rate-islamic-financing>

¹⁶ <https://www.mof.gov.my/en/news/press-citations/pemulih-comprehensive-assistance-for-the-people-to-face-pandemic-s-impact>

¹⁷ <https://www.bnm.gov.my/-/six-mth-mora-begins-20210707>

inability to replace its employees or re-allocate human resources within the Bank in a timely manner) and impede the Bank's ability to operate and serve its customers, resulting in deterioration in service levels and/or quality, delays to projects and deliverables to customers, inability to meet contractual obligations and/or failure to comply with regulatory requirements. Such measures have dampened both consumer and enterprise spending, and have affected, and may continue to adversely affect, the revenue of the Bank.

A prolonged and widespread COVID-19 pandemic may result in a global recession with a severe impact on various sectors such as telecommunication, aviation, travel, retail, tourism, automobile, manufacturing and oil and gas, as well as reduced investment and spending and severe unemployment. An economic downturn of this scale, coupled with the uncertainties around disruption to business and business models posed by technology, changes in enterprise and consumer behaviour, and government and regulatory actions, has posed, and will continue to pose, challenges to the management of capital investments, working capital and business changes. Any of the above factors have had and are expected to continue to have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The consequences of the COVID-19 pandemic or a future outbreak of infectious disease are unpredictable and there can be no assurance that any precautionary or other measures taken against such infectious diseases would be effective. The effectiveness of the measures adopted by various governments in response to the COVID-19 pandemic and the extent to which these can mitigate the adverse economic impact from the pandemic remain uncertain. There can be no assurance that the business environment and/or customer demand will fully recover post-COVID-19. Although the Bank has taken steps to mitigate the risk and the effects of the COVID-19 pandemic, the Bank may not be able to foresee or accurately predict such events, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The business of lending carries the risk of default by borrowers

Any lending activity is exposed to credit risk arising from the risk of default by borrowers. Credit risk is defined as the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that pledged collateral does not fully cover the lender's claims. As at 31 December 2019 and 2020, gross impaired loans, advances and financing (with Export Credit Refinancing ("ECR") debtors) and gross impaired loans, advances and financing (without ECR debtors) accounted for 37.71 per cent. and 38.99 per cent., respectively, and 41.51 per cent. and 41.76 per cent., respectively, of the Bank's gross loans, advances and financing. Loan-related provisions remain a threat to the Bank's earnings. See "*Asset Quality — Profile of Impaired Loans, Advances and Financing*". Changes in economic conditions and the level of systemic risk in the financial system may result in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

As at 31 December 2019 and 2020, net impaired loans, advances and financing (with ECR debtors) and net impaired loans, advances and financing (without ECR debtors) accounted for 9.63 per cent. and 9.96 per cent., respectively, and 13.45 per cent. and 13.53 per cent., respectively, of the Bank's gross loans, advances and financing. The Bank's ratio of impaired loans, advances and financing to its gross loan assets has increased recently and the Bank has made increased efforts to tighten its credit appraisal systems, credit risk monitoring and management systems and to improve the recovery on existing impaired loans, advances and financing.

Although the Bank has increased its efforts to tighten its credit appraisal systems, credit risk monitoring and management systems and to improve collections on existing impaired loans, advances and financing, there is no assurance that it will be successful in its efforts to reduce impaired loans, advances and financing levels, collect on existing impaired loans, advances and financing or that the overall quality of its loan portfolio will not deteriorate in the future. There can also be no assurance that the percentage of impaired loans, advances and financing that the Bank will be able to recover will be similar to the Bank's past experience of recoveries of impaired loans, advances and financing. Furthermore, as at

31 December 2020, the Bank had restructured loans amounting to RM109.4 million, which loans would otherwise have been due or impaired if there was no fundamental revision in the principal terms and conditions of the facility. Although this issue is partially mitigated by the Bank's capitalisation and the Bank has increased its focus on addressing the deteriorating asset quality of some of its loans to improve its risk situation, there can be no assurance that borrowers will be able to meet their obligations under their loans, advances and financing. Given the recent deterioration in loan asset quality, if the Bank is not able to reduce its existing impaired loans, or if there is a significant increase in the amount of new loans classified as impaired loans, advances and financing, the Bank's overall asset quality is likely to deteriorate, its provisioning for probable losses will increase and its business, future financial performance and the trading price of the Notes issued under the Programme could be adversely affected.

The Bank's business depends on demand for Malaysian exports and imports, which are concentrated by region and sector, and may be located in emerging economies that pose higher risks than Malaysia.

As the only development financial institution (“DFI”) in Malaysia dedicated to promoting the development of cross-border ventures through the provision of financing and insurance/takaful facilities to Malaysian entities conducting their business overseas, the mandated role of the Bank is to provide credit facilities to support the export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing, and it supports Malaysian exporters, contractors and investors through various credit programmes. Accordingly, the Bank's business and growth prospects depend significantly on the demand for Malaysian exports and imports. The COVID-19 outbreak has resulted in many countries tightening border controls and restricting international movement, resulting in a lower level of export and import activity, thus affecting the demand for the Bank's products and services. Adverse changes in the general level of Malaysian exports and imports would similarly affect demand for the Bank's products and services, and reduce the size of the Bank's loan portfolio. See also “— A decline in the external trade environment could affect the Bank's business and the trading price of Notes”.

As the only DFI mandated to support cross-border businesses, the Bank's exposure is mainly to companies involved in trade and overseas investments, most of which are in emerging economies and may pose higher risks than Malaysia. The business sector and geographic distribution of the loans extended by the Bank are closely related to the composition of Malaysian exports and policy business carried out on behalf of the Government, and the Bank's loan portfolio relates to exports concentrated in certain regions and sectors. As at 31 December 2019 and 2020, approximately RM3,338.3 million and RM2,658.9 million, respectively, of the Bank's loans, advances and financing were concentrated in Malaysia; approximately RM2,366.0 million and RM1,887.2 million, respectively, were concentrated in Asia (excluding Malaysia); approximately RM562.4 million and RM463.3 million respectively, were concentrated in Europe; approximately RM239.6 million and RM196.5 million respectively, were concentrated in Africa; approximately RM345.6 million and RM343.1 million respectively, were concentrated in the Middle East; approximately RM80.0 million and RM79.4 million respectively, were concentrated in the Americas; and approximately RM79.2 million and RM111.3 million respectively, were concentrated in Oceania.

Any deterioration of the political and economic conditions in these countries, or a downturn in any of these sectors, individually or in the aggregate, may adversely affect the general demand for Malaysian exports and imports and the financial condition of the companies operating in such sectors and may result in, among other things, a decrease in loans to exporters, defaults on their obligations owed to the Bank or a need for the Bank to increase provisions in respect of such loans, any of which could have an adverse effect on the Bank's business, financial condition and results of operations.

Significant fraud or security breaches could materially and adversely impact the Bank's business

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules. Although the Bank has implemented risk control measures

through its credit process systems and its existing risk management framework which has, to some extent, addressed credit, market and operational risk issues, there can be no assurance that such measures will continue to be successful.

A significant fraud or failure in security measures could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. If there is material non-compliance with its credit risk management policies, the Bank could be required to make additional provisions and write-offs, which may adversely affect its business, financial condition, results of operations and prospects. In addition, the Bank's reputation could be adversely affected by significant frauds committed by employees, customers or other third parties. See "*Risk Management*" for a description of the Bank's exposure to operational risks.

The Government is not under an obligation to provide the Bank with support

The Bank is a DFI with an issued and paid-up share capital of RM2,958,665,284, comprising 2,708,665,282 ordinary shares, one special right redeemable preference share and 250,000,000 redeemable cumulative and convertible preference shares held by the Minister of Finance (Incorporated) ("**MOF (Inc.)**"), and one ordinary share held by Federal Lands Commissioner of Malaysia, as at 31 December 2020. See "*Capitalisation of the Bank*". The Bank's credit ratings and the financial covenants in its financing agreements are dependent on the Bank maintaining its current ownership structure. There is no formal undertaking or guarantee from the Government to provide the Bank with support. Any change of ownership or control or deterioration in the relationship between the Bank and the Government could adversely affect the Bank's business, its future financial performance and the trading price of the Notes.

The Bank faces competition from other financial institutions in the region

The Bank faces competition from Malaysian and foreign banks in the region which may intensify their presence and become more successful in growing their business in the region. Competition from commercial banks for export credit and corporate financing has increased significantly in recent years on account of their access to low-cost retail/float funds and foreign currency non-resident funds. The Bank's funding costs are generally higher than those of commercial banks as it does not have access to funding from savings deposits of customers. As such, the Bank's ability to compete with commercial banks in corporate lending will depend, to some extent, on its ability to borrow at acceptable terms and conditions in order to fund new operations and meet market demand. If the Bank is unable to compete effectively with other banks, its business, future financial performance and the trading price of the Notes may be adversely affected. Under the ECR scheme, the Bank makes available competitively priced short-term trade finance facilities to direct exporters and indirect exporters, which in turn promotes the export of manufactured products, agricultural products and primary commodities. However, the Bank participates in traditional markets by providing indirect funding through the ECR scheme and commercial banks remain the most active participants in such markets. As such, if traditional markets become more attractive to Malaysian exporters, this will bring greater benefit to commercial banks. This may also result in less Malaysian exporters entering into non-traditional markets and the Bank may find its role of facilitating the entry of Malaysian companies into non-traditional markets diminished or challenged.

The success of any long-term project finance cannot be guaranteed

Long-term project finance assistance, which is mainly delivered as overseas project financing facilities, forms a significant portion of the Bank's loan/financing and guarantee portfolio. As at 31 December 2019 and 2020, overseas project financing (conventional) amounted to RM1,749.3 million and RM1,221.6 million, respectively; and overseas project financing (Islamic) amounted to RM474.0 million and RM456.1 million, respectively. The viability of these projects depends upon a number of factors, including completion risk, market demand, governmental policies and the overall economic environment in Malaysia and international markets, in particular, countries in which the projects are located. The Bank cannot be certain that these projects will perform as anticipated.

If a substantial portion of the Bank's current project finance loans were to become impaired, the quality of the Bank's loan portfolio could be adversely affected. Further, if the Bank's project finance portfolio significantly increases, the risk profile of the Bank's overall loan portfolio may be adversely affected. In addition, there is no assurance that any future credit losses on account of its project finance loans would not have an adverse effect on the Bank's profitability, its future performance and the trading price of the Notes.

The Bank has significant exposure to the credit risk of certain borrowers. If a substantial portion of these loans were to become impaired, the asset quality of the Bank's loan portfolio could be adversely affected

As at 31 December 2019 and 2020, the Bank's exposure to credit risk arising from its outstanding gross loans, advances and financing made to customers was RM7,011.0 million and RM5,739.6 million, respectively; inclusive of amounts due from ECR debtors ("**Credit Exposure**") was RM231.1 million and RM34.6 million, respectively. Credit losses on account of these exposures could affect the Bank's future performance, financial condition and the trading price of the Notes. If the loans to these borrowers were to become impaired, this could adversely affect the Bank's future financial performance and the trading price of the Notes.

The Bank has greater exposure to certain industries in its loan portfolio

The Bank has a particular concentration of loans, advances and financing and greater exposure to the transport, storage and communication, manufacturing, mining and quarrying sectors as Malaysian companies have traditionally been competitive in these areas. In recent years, the Bank has also diversified its portfolio of loans, advances and financing to further include industries such as wholesale, retail trade, restaurant and hotel, as well as finance, insurance, real estate and business activities. As at 31 December 2019 and 2020, in terms of the industries to which the Bank has on-balance sheet exposure to loans, advances and financing, the transport, storage and communication sector accounted for RM1,505.8 million and RM1,651.6 million, respectively, the manufacturing sector accounted for RM1,298.3 million and RM825.9 million, respectively, the mining and quarrying sector accounted for RM340.0 million and RM501.8 million, respectively, and the construction sector accounted for RM216.2 million and RM966.6 million, respectively. As at 31 December 2019 and 2020, the wholesale and retail trade and restaurant and hotel sector accounted for RM858.0 million and RM436.8 million, respectively, and the finance, insurance, real estate and business activities sector accounted for RM643.7 million and RM524.6 million, respectively, of the Bank's total loan, advances and financing portfolio. If any unforeseen circumstances occur and Malaysian companies are involved in fewer transport, storage and communication, manufacturing, mining and quarrying projects in the future, demand for loans from the Bank could decrease accordingly and this may materially and adversely affect the Bank's business, results of operations, financial condition and prospects. See "*Description of the Bank — Business of the Bank*".

As a result of the larger concentration of loans, advances and financing to the transport, storage and communication, manufacturing, mining and quarrying sectors, the Bank is exposed to risks that more commonly affect these sectors, for example fluctuations in commodity prices. The occurrence of any such event could affect the business and financial condition of companies within those sectors and hence their ability to repay the loans, advances and financing to the Bank, which could have a materially detrimental effect on the business, results of operations, financial condition and prospects of the Bank.

The Bank's loan allowance may prove inadequate

The Bank maintains a level of loan allowance that it deems sufficient to absorb the estimated credit losses inherent in its loan portfolio. However, there can be no assurance that the Bank's credit and provisioning policies will be adequate in relation to such risks and this in turn may have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank engages in limited activities relating to certain countries and geographical areas which are or may become subject to sanctions under relevant laws and regulations of the United States and other jurisdictions

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") enforces certain laws and regulations ("OFAC Sanctions") that impose restrictions upon U.S. persons with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of OFAC Sanctions. In particular, the United States maintains comprehensive primary sanctions with respect to, *inter alia*, the following countries: (i) the Crimea region of Ukraine; (ii) Cuba; (iii) Iran; (iv) North Korea; and (v) Syria (collectively, the "Sanctioned Countries"). As an entity organised in Malaysia, the Bank is generally not directly subject to these sanctions. Even though non-U.S. persons are not directly bound by OFAC Sanctions, in recent years OFAC has asserted that such non-U.S. persons can be held liable if they "cause" violations by U.S. persons by engaging in transactions completed in part in the United States (such as, for example, wiring an international payment that clears through a bank branch in New York). The European Union (the "EU") also enforces certain laws and regulations ("EU Sanctions") that impose restrictions upon nationals and entities of, and business conducted in, EU member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of EU Sanctions. The United Nations, the United Kingdom and other governmental entities also impose similar sanctions.

The Bank extends loans in the form of lines of credit that have been approved by the Government to foreign governments or their nominated agencies, such as central banks, state-owned commercial banks and parastatal organisations; national or regional development banks; overseas financial institutions; overseas commercial banks; and other overseas entities that could be located in Sanctioned Countries. The recipients of these lines of credit use the funds for the import of Malaysian equipment, goods and services. The Bank may also offer buyer's credit either on its own or under buyer credit facilities, to foreign governments and government-owned entities that could be located in Sanctioned Countries for import of goods and services from Malaysia on deferred credit terms. The Bank also supports overseas investment finance by Malaysian companies in joint ventures that could be located in Sanctioned Countries. The Bank may also, from time to time, extend certain other lines of credit, concessional financing scheme, buyer's credit, or provide overseas investment finance services, to entities located in Sanctioned Countries.

The Bank has in the past made loans or guarantees in respect of projects in Syria and Sudan, each of which countries are the subject of OFAC Sanctions and EU Sanctions. Although the projects in Syria and Sudan were completed in 2010 and no new loans or guarantees have been granted in respect of projects in countries subject to OFAC Sanctions or EU Sanctions, the Bank's reputation, financial condition, future performance and the trading price of the Notes could be adversely affected if the U.S. government or the EU were to determine that any of its operations, such as the projects in Syria or Sudan, violated OFAC Sanctions or EU Sanctions and the Bank is unable to resolve the U.S. government's or EU's concerns, or if any other government were to determine that the Bank's activities violate those applicable sanctions of other countries.

The Bank is exposed to liquidity risk arising out of maturity mismatches

The Bank's debt maturities are staggered but as at 31 December 2019 and 2020, the Bank's gross loans, advances and financing with a contractual maturity of more than five years amounted to approximately RM2,350.7 million and RM604.6 million, respectively, representing 33.5 per cent. and 10.5 per cent. of the Bank's total gross loans, advances and financing portfolio. The Bank's main funding sources are bank loans from other financial institutions and borrowings from the issuance of debt securities in the wholesale capital markets (see "*Capitalisation of the Bank*" below). A significant change in this funding profile or mismatch in the maturity profile of the Bank's assets and liabilities may adversely affect its future performance and financial results and the trading price of the Notes.

The Bank has commitments and contingent liabilities

As at 31 December 2019 and 2020, the Bank had total commitments and contingent liabilities of approximately RM3,034.2 million and RM3,109.6 million, respectively, on account of guarantees, letters of credit, outstanding forward exchange contracts, claims arising from the Bank's credit insurance products and services, claims against the Bank not acknowledged as debt and disputed tax and legal claims and operational capital commitments. If the Bank's contingent liabilities crystallise, this may have an adverse effect on the Bank's future financial performance and the trading price of the Notes.

The Bank is exposed to various regulatory and litigation risks

The Bank operates internationally and provides services with facilities in many countries, which means that the Bank is confronted with complex legal and regulatory requirements and judicial systems in many jurisdictions. These include the risk of regulatory and litigation action by regulators and private parties. In particular, the risks faced by the Bank are compounded by the uncertainty or lack of clarity relating to the interpretation, application and enforcement of laws and regulations in the jurisdictions as described in that section. In addition, assessment of whether the risks of regulatory or litigation actions by regulators or private parties are remote, possible, or probable may require significant judgment due to the complexities of such actions, and there is no assurance that the Bank would be able to ascertain with certainty whether such actions will result in damages, taxes, fines, penalties and/or other payments imposed on the Bank or that such actions would not have a material adverse effect on the Bank's businesses, financial condition, results of operations, performance or prospects. Risks of regulatory or litigation action could materialise into losses or liabilities for the Bank, such as through (without limitation) payment of significant damages, taxes, fines or other amounts, seizure, nationalisation, loss or disposal of material assets, curtailment or prohibition of material business operations or activities or cancellation, termination or loss of material licences or concessions. While the Bank consults with its legal counsel and other experts (both within and outside the Bank) on matters relating to such regulatory or litigation actions where relevant, there is no assurance that such regulatory or litigation actions will be concluded or settled on favourable or reasonable terms, or at all. In addition, any payment of taxes, fines, penalties or other amounts made or to be made as a result of such regulatory or litigation actions may be subject to disputes and may result in further liabilities, losses or regulatory actions being taken against the Bank.

Certain material regulatory and litigation actions which the Bank is exposed to are disclosed in the section "*Description of the Issuer — Legal proceedings*".

Risks associated with the trade credit insurance business

The Bank provides export and domestic credit insurance facilities, takaful facilities and trade related guarantees to Malaysian companies, and its credit insurance exposure extends to over 69 countries. As at 31 December 2019 and 2020, the Bank's short-term credit insurance/takaful portfolio exposure amounted to RM739.23 million and RM454.73 million, with 42.9 per cent. and 52.6 per cent., respectively, concentrated in Malaysia, and the remaining 57.1 per cent. and 47.4 per cent., respectively, concentrated overseas (including Asia, Europe, Americas, Oceania, Africa and the Middle East). As at 31 December 2019 and 2020, the Bank's medium to long-term credit insurance/takaful portfolio exposure amounted to RM483.28 million and RM366.64 million, with 66.4 per cent. and 74.5 per cent., respectively, being concentrated in Asia, and the remaining 33.6 per cent. and 25.5 per cent., respectively, concentrated in Africa. Such credit insurance business, which includes selling cover to Malaysian entities venturing overseas in various markets, also carries commercial and political risks. The Bank employs stringent internal guidelines on underwriting and further mitigates its risks by reinsuring the insured amount with foreign insurers. Thus, the risk involving trade credit insurance as a whole is mitigated by carrying out stringent checks on the relevant buyers as well as through reinsurance. Nevertheless, there can be no assurance that the Bank's guidelines will be effective in all situations. Furthermore, the availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. The Bank may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient

reinsurance on acceptable terms, which could adversely affect the ability to underwrite future business. The Bank may experience an increased incidence of claims that could affect the current and future profitability of the insurance business and a prolonged economic recession could result in lower sales figures in the future. Any potential claim arising from underwriting policies will expose the Bank to possible losses. Insurance risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to the Bank. This information may not always be accurate, complete, up-to-date or properly evaluated. The occurrence of a natural or man-made catastrophe could also result in losses for the Bank.

The Bank may face the occurrence of natural catastrophes, severe weather conditions, other acts of God, or other uncontrollable events such as acts of terrorism

The provision of the Bank's services depends on the quality, stability, resilience and robustness of its networks and systems. The Bank faces the risks of the malfunction of, loss of, or damage to, network infrastructure from natural or man-made causes or other events beyond the control of the Bank. Some of the countries in which the Bank operates have experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, fires and earthquakes. Some of these catastrophes have also increased in intensity and frequency due to climate change, which may cause a prolonged and exacerbated impact on the infrastructure and operations of the Bank.

In addition, other events that are outside the control of the Bank, such as fire, deliberate acts of sabotage, vendor failure/negligence, shutting down of operations due to pandemic outbreaks, industrial accidents, blackouts, terrorist attacks, criminal acts or large scale cyber-attacks on the network and systems of the Bank, could damage, cause operational interruptions to, or otherwise adversely affect any of their facilities and activities, as well as potentially cause injury or death to their personnel. There is no assurance that the occurrence of such natural catastrophes, severe weather conditions, other acts of God or other uncontrollable events will not materially disrupt the business of the Bank.

Certain covenants relating to the borrowings of the Bank are restrictive

Certain of the agreements relating to the borrowings of the Bank contain restrictive covenants which preclude the Bank from undertaking any form of transfer of assets, merger or consolidation without the consent of the relevant lenders. Further, certain covenants also require the Government to hold a specified percentage of shareholding in the Bank. Although the covenants in these agreements generally include carve outs for the normal business arrangements of the Bank, a breach of any covenants without such a carve out may constitute an event of default triggering acceleration of the loan and the cross-default provisions under the various loan agreements. Any event which may result in the acceleration and prepayment of the facilities granted under the loan agreements prior to their maturity may have an adverse effect on the financial condition and future performance of the Bank and the trading price of the Notes.

The Bank may not be successful in implementing new business strategies or penetrating new markets

The Bank's long term ambition is to steer the Bank towards greater resilience and business sustainability, and to be the leading and preferred DFI for cross-border ventures globally. In 2020, the Bank paid close attention to three main strategic pillars under its Corporate Transformation Programme, known as Gear Up 21, to overcome future challenges. The three pillars are strategic actions that seek to enhance the entire value chain, and comprise balance sheet management, the revitalisation of its business model and the transformation of the Bank's people, technology and processes. In addition, the Bank aims to amplify its Islamic business, drive sustainable performance and foster highly competent talent, as well as to strive for best-in-class business operations and a high performance culture, while becoming the catalyst for export businesses. In adopting these strategic action plans, the Bank will align its business strategies and goals and this may require the Bank to develop new products and increase its presence regionally or internationally. As a result, the Bank may be exposed to a number of risks and challenges, including a decline in growth or profit potential and increased costs, changes may need to be made to the risk profile of the Bank's portfolio and economic conditions and the regulatory environment may affect

the Bank's implementation plans. All this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect the Bank's business

The Bank's success depends on the ability and experience of its directors, senior management and other key employees. Competition for qualified personnel is intense and the Bank may not be successful in attracting or retaining qualified personnel. The loss of any director, senior management personnel or key employees, the Bank's inability to recruit or to attract qualified and adequately trained employees or any delay in hiring key personnel could affect the Bank's ability to operate its business or to compete effectively. As part of its overall strategy, the Bank has a programme in place to train its employees in the products offered by the Bank and the systems and processes related to the Bank's business. While the Bank believes it has effective staff recruitment, training and incentive programmes in place, it is not possible to guarantee that constraints in human resources will not arise in the future. If the Bank loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new personnel with suitable experience, this could also affect the Bank's ability to operate its business or to compete effectively and may have an adverse effect on the financial condition and future performance of the Bank.

The Bank's risk management policies and procedures may leave the Bank exposed to unidentified or unanticipated risks, which could negatively affect business or result in losses

The Bank continues to improve and strengthen its risk management framework and practice. Nevertheless, the Bank's risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risk are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, clients or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events and the Bank's policies and procedures may not be fully effective in this respect.

Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations

The Malaysian economy is influenced by the global economic and market conditions, including, but not limited to, the conditions in the United States, the People's Republic of China (the "PRC"), Europe, Japan and in certain emerging market countries. Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into the countries in which the Bank operates.

Geopolitical tensions, such as the trade war between the United States and China (which lead to, amongst other things, the imposition of tariffs and the restriction on imports between both countries), tensions between the United States and Iran, and the Russia-Saudi Arabia oil price war, coupled with the slowing of economic growth in various regions around the world, has had an impact on the prospective economic growth in the global financial markets and downward pressure on equity prices. In addition, the interplay of the United States' fiscal and monetary policies, and aggressive quantitative easing programmes in Japan and Europe may lead to more volatile global capital flows, which could, in turn, impact global growth. Overall, the growth of the global economy and global trade moderated to 2.9 per cent. and 1.0 per cent., respectively, in 2019 (2018: 3.6 per cent. and 3.7 per cent.), their lowest rates of expansion since 2009, and moderated to 3.5 per cent. and 9.6 per cent., respectively in 2020 (2019: 2.9 per cent. and 1.0 per cent.). As a trading nation, Malaysia was not spared from the effects of these global trends and its economic growth declined to 4.3 per cent. in 2019 (2018: 4.7 per cent.), and further declined to 5.6 per cent. in 2020 (2019: 4.3 per cent.). Malaysia's total trade value decreased by 2.5 per cent. and 3.6 per cent. in 2019 and 2020, respectively, to RM 1.835 trillion and RM 1.777 trillion, compared to 2018

and 2019, respectively, with exports falling by 1.7 per cent. and 1.4 per cent., respectively. Due to the softer external demand and weaker investment activity, imports were also affected, diminishing by 3.5 per cent. and 6.3 per cent. in 2019 and 2020, respectively.

In addition, economic conditions in some Eurozone sovereign states, including as a result of uncertainty caused by the United Kingdom's withdrawal from the European Union on 31 December 2020 ("**Brexit**"), could possibly lead to a material change in the current political and/or economic framework of the European Monetary Union. One potential change that may result from the crisis is an end to the single-currency system that prevails across much of Europe, with some or all European member states reverting to currency forms used prior to adoption of the euro. The crisis could also lead to the restructuring or breakup of other political and monetary institutions within the European Union. The risk may have been exacerbated by Brexit, which was supported by a majority of the United Kingdom public in a referendum held on 23 June 2016. Further to the exit of the United Kingdom from the European Union on 31 December 2020, or if certain states within the Eurozone were to exit the European Union, or following the occurrence of such other change as contemplated herein, such countries may not be able to meet their existing debt obligations or may default on these obligations, which could have a ripple effect across sovereign states and the private sector in Europe and the rest of the world and possibly lead to a global economic crisis. Any changes to the euro currency could also cause substantial currency readjustments across Europe and other parts of the world, further exacerbating the credit crisis. These events and uncertainties could adversely impact the Bank's business, financial condition and results of operations. The broad ramifications of Brexit for the United Kingdom, the European Union and the global economy have yet to be seen, casting uncertainty on global prospects and possible volatility in financial markets.

In addition, the COVID-19 pandemic has disrupted various markets, caused stock markets worldwide to lose significant value, increased unemployment levels and impacted economic activity in Asia and worldwide. A number of governments, including those in Asia, have revised GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19. Certain countries in which the Bank operates, such as for Cambodia and Nepal, may be particularly affected due to their dependence on tourism for GDP growth. In addition, countries that depend on foreign remittance for economic growth, such as Bangladesh and Nepal, may also be particularly affected due to the reduction in foreign remittance caused by increased unemployment of its citizen and/or residents abroad. For more information on the impact of COVID-19 on the Bank's business, see "*— Pandemic outbreaks, in particular, COVID-19, or other infectious diseases, or any other serious public health concerns have and may adversely impact the Bank's business, financial condition, results of operations and prospects*" above. It is possible that the COVID-19 pandemic will cause a prolonged global economic crisis or recession. The exact ramifications of the COVID-19 pandemic are highly uncertain and, as at the date of this Offering Circular, it is difficult to predict its scope and duration.

These and other related events have had a significant impact on the global credit and financial markets and economic growth as a whole, and consequently, on consumer and business demand for the Bank's services and products. In addition, certain of the countries in which the Bank operates are highly dependent on exports to other countries within the Asia-Pacific region and to other major markets worldwide, including the United States and China. Any economic slowdown experienced in the United States, China and other major economies may lead to reduced demand for exports from these countries and may adversely affect the economies of these countries.

There is continued volatility in the international financial and commodity markets. The pressure on emerging market currencies, including the Ringgit, have been exacerbated further by a decline in commodity prices, led by crude oil, as many emerging market economies are net exporters of commodities. Among the more affected currencies in 2019 and 2020, coinciding with the plunge in commodity prices, were those of commodity-exporting economies such as the Canadian Dollar, Australian Dollar, Brazilian Real, Russian Ruble, Indonesian Rupiah and the Ringgit.

Adverse changes in Japan's economy in relation to its domestic demand, the Japanese Yen exchange rates and foreign direct investments have the potential to affect Asian economies that have a significant exposure to Japan's domestic market and outbound investment. A slowdown in China's economic growth may depress prices and trade in a number of commodity sectors and a prolonged slowdown could have wider economic repercussions. The Bank's largest geographic exposures are to Asia (excluding Malaysia) and Malaysia, and as at 31 December 2019 and 2020, approximately RM2,382.0 million and RM1,887.2 million, respectively, of the Bank's gross loans, advances and financing was concentrated in Asia; approximately RM3,704.6 million and RM2,658.9 million, respectively, was concentrated in Malaysia. The health of the economies of Asia is heavily dependent on international trade, investment and global economic factors. A slowdown in the rate of growth or a contraction in their economies could result in lower demand for credit and other financial products and services and higher defaults among borrowers, which could be detrimental to the Bank's business, results of operations, financial condition and prospects.

Given these economic circumstances, the Bank has been focusing on business partners in countries with which the Bank is more familiar while maintaining geographic diversification which may reduce the impact of certain economic factors including a downturn. The Bank also seeks to manage this risk by setting concentration limits (by country and industry sector) and regularly reviews the suitability of the Bank's risk policies and controls. However, there is no assurance that such economic problems will not persist or that financial instability or significant loss of investor confidence may not repeat itself in the future. Any such widespread financial instability or a significant loss of investor confidence may materially and adversely affect the Malaysian economy, which could likewise affect the Bank's business, financial condition, results of operations, prospects and ultimately the ability of the Bank to make the payments due under the Notes.

Limitations on development of Islamic financing business

As at 31 December 2019 and 2020, the Bank recorded net income from its Islamic banking fund of RM120.7 million and RM110.5 million, respectively. As at 31 December 2019 and 2020, Islamic financing amounted to RM2,486.3 million and RM2,083.3 million, respectively, of the Bank's Islamic funds' total assets, and amounted to 51.9 per cent. and 45.8 per cent., respectively, of the Bank's total assets. While the Bank intends to continue strengthening its Islamic finance business by maintaining the contribution to the Bank's overall business at around 50.0 per cent. and further growing such contribution going forward, there is no assurance that the Bank will continue being able to do so. The Bank may encounter certain difficulties in developing and maintaining its Islamic financing business in some of its target countries. For instance, tax or other regulatory issues may exist in some countries which make it less economic to conduct business in a Shariah-compliant manner. Furthermore, interpretations of Shariah may be slightly different in certain jurisdictions, which may make some of the Bank's Islamic products less attractive to potential customers in such jurisdictions. The presence of any such tax or regulatory issues or differences in the interpretation of Shariah in such jurisdictions could have an impact on the ability of the Bank to maintain or grow its business in such jurisdictions in accordance with its growth strategy. Although a number of jurisdictions have introduced, or are in the course of introducing, legislation to accommodate Islamic financing by removing some of these obstacles, there may be jurisdictions in which the Bank seeks to operate but in which some of these issues still remain. The presence of any such issues may hinder the rate of growth of the Bank's Islamic financing strategy, which may adversely affect the Bank's business, financial condition, results of operations and prospects.

A decline in the value of the collateral securing the Bank's loans and its inability to realise full collateral value may adversely affect the Bank's credit portfolio

As at 31 December 2019 and 2020, approximately RM1,710.6 million and RM1,652.4 million, respectively, of the Bank's outstanding secured loans were secured by property, and approximately RM1,180.4 million and RM862.3 million, respectively, of outstanding secured loans were secured by machinery. The value of such property and machinery may fluctuate or decline due to factors such as developments affecting the economies of the countries in which such property or machinery is located in, and the respective governments' initiatives to curb real estate speculation. The Bank cannot assure

investors that collateral values will not decline in the future, in particular as a result of adverse domestic and global economic conditions and various government measures, or that they will be sufficient to cover amounts that cannot be collected in respect of its secured loans. Any future declines in the value of the Bank's collateral or inability to obtain additional collateral may require the Bank to reclassify the relevant loans and take additional loan loss provisions.

Considerations relating to Malaysia

Depreciation of the currencies in which the Bank operates and exchange rate fluctuations, as well as changes in monetary policies in the countries in which it operates may adversely affect the Bank

Fluctuations relative to the Malaysian Ringgit in the currencies of various countries in which the Bank conducts its operations may result in better or worse financial results for the Bank once those currencies have been translated into Malaysian Ringgit, which is the currency the Bank uses as its reporting currency for its financial statements.

Fluctuations in the exchange rates between the Bank's operational currencies and foreign currencies may result in better or worse financial results for the subsidiaries in the Bank, due to fluctuations in the amounts of local currency required to satisfy their foreign currency debt obligations or capital expenditure requirements. Major devaluation or depreciation of any such currencies may also result in disruption of the international foreign exchange markets and may limit the Bank's ability to transfer or to convert such currencies into Malaysian Ringgit and other currencies in which its indebtedness and other obligations are denominated. In addition, the governments of certain countries in which the Bank operates or has investments have instituted or may in the future institute restrictive exchange rate policies that limit or restrict the Bank's ability to convert its respective currencies into other currencies, or to transfer other currencies out of their jurisdiction or institute monetary policies which subject their currencies to depreciation against the U.S. dollar. The Bank has in place certain currency hedges to cover its foreign currency exposure on certain debts of the Bank. There is no assurance that currency exchange rate fluctuations or limitations on the Bank's ability to convert or transfer currencies would not have a material adverse effect on the Bank's financial condition and results of operations.

BNM, Malaysia's Central Bank, has in the past intervened in the foreign exchange market to stabilise the Malaysian Ringgit and on 1 September 1998, fixed the exchange rate of the Ringgit to the U.S. dollar at RM3.80 to U.S.\$1.00. On 21 July 2005, BNM announced that the exchange rate of the Malaysian Ringgit will be allowed to operate in a managed float, with its value being determined by various economic factors. BNM had stated that it would monitor the exchange rate against a currency basket to ensure that the exchange rate will not deviate significantly from the current exchange rate, which may result in significantly higher domestic interest rates, liquidity shortages or other exchange controls.

While BNM has adopted a managed float system for the Ringgit exchange rate, there can be no assurance that BNM will, or would be able to intervene in the foreign exchange market in the future or that any such intervention or fixed exchange rate would be effective in achieving the objective of BNM's policy. There is also no assurance that BNM will continue this policy in the future or that it will be successful in doing so, or that the Government will not impose more restrictive or other foreign exchange controls. The Bank revalues its foreign currency borrowings and assets on its balance sheet to account for changes in currency rates and recognises the resulting gains or losses in its income statement in Ringgit.

While the Bank usually manages its foreign currency exposure by engaging in foreign currency hedging transactions, fluctuations in the value of the Ringgit against other currencies can have a direct effect on the Bank's results of operations and may adversely affect the Bank's business, financial condition, results of operations and prospects.

A re-imposition of capital controls may affect investors' ability to repatriate the proceeds from the sale of Notes and interest and principal paid on the Notes from Malaysia

As part of the package of policy responses to the 1997 economic crisis in Southeast Asia, the Government introduced, on 1 September 1998, selective capital control measures. The Government initiated the liberalisation of the selective capital control measures in 1999 to allow foreign investors to

repatriate principal capital and profits, subject to a system of graduated exit levies based on the duration of investment in Malaysia. On 1 February 2001, the Government revised the levy to apply only to profits made from portfolio investments retained in Malaysia for less than one year. On 2 May 2001, the Government lifted all such controls in respect of the repatriation of foreign portfolio funds (largely consisting of proceeds from the sale of stocks listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”)).

There can be no assurance that the Government will not re-impose these or other forms of capital controls in the future. If the Government re-imposes or introduces foreign exchange controls, investors may not be able to repatriate the proceeds of the sale of the Notes (and interest and principal paid on the Notes) from Malaysia for a specified period of time or may only be able to do so after paying a tax or levy.

Developments in the social, political, regulatory and economic environment in Malaysia may have a material adverse impact on the Bank

The Bank’s business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, nullification of contracts, changes in interest rates and imposition of capital controls and methods of taxation. In addition, the Bank could be subject to changes in legal regimes and governmental regulations such as licensing and approvals, taxation, duties and tariffs. For additional information on the Government, economic policies and performance, financial system and exchange control policies of Malaysia, see “*Regulation and Supervision*”.

Negative developments in Malaysia’s socio-political environment may adversely affect the business, financial condition, results of operations and prospects of the Bank. The Malaysian economy registered a growth of 16.1 per cent. in the second quarter of 2021, driven by domestic demand amid slowing external demand. The country’s growth was sustained by domestic demand despite the elevated business and household debt levels. The stronger growth in private sector spending has mitigated a slowdown in the public spending, helping to fuel the economic growth, recording results which were marginally above expectations.

The Bank expects that a more difficult operating environment against the backdrop of uncertain global economic growth, depreciating currency and slower recovery in commodity prices will continue to challenge the Malaysian economy and banking industry in 2021. Domestic demand is expected to grow at a moderate pace, dampened by the depreciation of the Ringgit which is likely to negatively impact business and consumer confidence. In view of this, private consumption is expected to ease in the year ahead, on account of the impact from inflationary pressure coupled with high household and business debt levels. Credit and liquidity risks are increasingly prominent while continued pressure on asset quality is likely to persist in the year ahead. Although the overall Malaysian economic environment (in which the Bank predominantly operates) appears to be positive, there can be no assurance that this will continue to prevail in the future.

Political, economic and social developments in Malaysia and other Asian countries may adversely affect the Bank

As a substantial portion of the Bank’s operating revenue is derived from activities in Asia and Malaysia, in particular emerging economies, the Bank’s business, prospects, financial condition, results of operations and prospects may be adversely affected by political, economic and social developments in such countries. Any adverse change in trends, restrictions on ownership of assets by foreigners, nationalisation of assets, adverse change arising from or uncertainty in the implementation of economic or legal reform, or a general economic slowdown as a result of changes in labour costs, inflation, interest rates, taxation or other political or economic developments in the key markets in Asia in which the Bank operates, could materially affect the growth, prospects, financial condition or results of operations of the Bank.

Further, some of the countries in South Asia (which includes Sri Lanka, Bangladesh, Nepal and Pakistan) and Southeast Asia (which includes Malaysia, Indonesia, Cambodia, Myanmar and Laos) in which the Bank operates and has investments, have experienced or may experience political instability. The continuation or re-emergence of such political instability or any change of leadership in these countries in the future could have a material adverse effect on economic or social conditions in those countries, which could, in turn, have a material adverse effect on the Bank's financial condition, results of operations and prospects. Such political instability could also have a material adverse effect on the ownership, control and condition of the Bank's assets in those areas. Furthermore, any changes in the composition of governments could result in a change in policies, including with respect to the banking and export/import industries in these countries, which may result in increased competition and/or increased regulation of the Bank's activities. Political and economic uncertainties within the Asian region include, but are not limited to, the risks of war, terrorism, riots, expropriation, nationalism, renegotiations or nullifications of existing contracts, changes in interest rates and methods of taxation.

Laws and regulations and fiscal policies affecting the economy as a whole and the trade and industry sectors specifically in these emerging markets in Asia also tend to be evolving and changing compared to mature markets and the Bank may be materially and adversely affected by any such changes.

Financial instability in other countries including Europe and China could disrupt Malaysian markets and the Bank's business

In recent years, factors such as inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, sovereign debt of various countries, uncertainty as to the global impact of the current United States administration, instability within the Euro zone, and trade disputes between the United States and the PRC continue to be a cause of concern despite concerted efforts by governments and international institutions to contain the adverse effect of these events on the global economy.

Press reports of a recent increase in bond defaults by PRC corporate issuers have indicated a slowdown in the growth of China's economy, which has added to market concerns that the historic rapid growth of the economy of the PRC may not be sustainable and that the future performance of China's economy may be uncertain. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth. Sustained tensions between the United States and the PRC over trade policies could also significantly undermine the stability of PRC economies.

Furthermore, the sovereign debt crises in Europe posed serious challenges to the stability of the global credit and financial markets. The increasingly high levels of government debt in other developed countries are also adding to the uncertainty in international financial markets. Although certain policy interventions have been undertaken, a cautious approach still needs to be taken while lending to entities in Europe, and also while providing foreign currency export credit loans to Malaysian companies for the purposes of export to European countries. In the event of any significant financial disruptions, this could have an adverse effect on the Bank's cost of funding, loan portfolio, business, future financial performance and the trading price of the Notes.

For discussion on Brexit, please see the risk factor titled "*Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*".

The Malaysian financial markets and the Malaysian economy are influenced by global economic and market conditions. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including Malaysia. A loss of investor confidence in other financial systems may cause volatility in Malaysian financial markets, including with respect to the movement of exchange rates and interest rates

in Malaysia and, indirectly, in the Malaysian economy in general. Any such continuing or other significant financial disruption could have an adverse effect on the Bank's business, results of operations and financial condition.

In response to the global financial crisis, legislators and financial regulators in the United States, Europe and other jurisdictions, including Malaysia, have implemented several policy measures designed to add stability to the financial markets over the years. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current adverse conditions in the global credit markets continue or if there is any significant financial disruption, this could have an adverse effect on its business and future financial performance.

The conditions of global emerging market economies may affect the Malaysian economy, which could have an adverse impact on the Bank.

As the only DFI mandated by the Government to support cross-border businesses, the Bank's exposure is mainly to companies involved in trade and overseas investments, most of which are in emerging market economies. The COVID-19 health crisis has inflicted a severe negative impact on the world economic activity as a result of the widespread closures and restrictions to contain the spread of the virus. The global output contracted by 3.5 per cent. in 2020, as compared to a modest growth of 2.5 per cent. in 2019. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices. The emerging and developing market economies contracted by 1.7 per cent. in 2020 due to disruptions in domestic activity coupled with weaker external demand as the pandemic has intensified across the globe. There are, however, substantial differences across individual economies, reflecting the evolution of the pandemic and the effectiveness of containment strategies; variation in economic structure (for example, dependence on severely affected sectors, such as tourism and oil); reliance on external financial flows, including remittances; and pre-crisis growth trends. In China, where the recovery from the sharp contraction in the first quarter of 2020 is underway, growth at 2.3 per cent. in 2020, supported in part by the government stimulus. India's economy contracted by 7.3 per cent. following a longer period of lockdown and slower than anticipated recovery. In Latin America, where most countries are still struggling to contain infections, the two largest economies, Brazil and Mexico, contracted by 4.1 per cent. and 8.3 per cent., respectively, in 2020. The disruptions due to the pandemic, as well as significantly lower disposable income for oil exporters after the dramatic fuel price decline, imply sharp recessions in Russia (-3.0%), Saudi Arabia (-4.1%), and Nigeria (-1.8%), while South Africa's performance (-7.0%) will be severely affected by the health crisis. Global growth is projected to recover by 5.6% in 2021.

The slow global growth following a contraction in output over the course of the years ended 31 December 2019 and 2020 so far has warranted successive downward adjustments to economic forecasts regarding emerging market economies, raising concerns of stagnation which can in turn have a negative impact on the Bank's business, its future financial performance and the trading price of Notes.

The Government does not guarantee the Notes

Although the Bank is jointly owned by MOF (Inc.) and the Federal Lands Commissioner of Malaysia and the Government has provided financial resources at times when the Bank's credit profile deteriorated, the Notes are not guaranteed by the Government. The Government does not guarantee the obligations of the Bank under the Notes.

Increased cost of debt due to international credit market volatility

If the capital and credit markets continue to experience recent volatility and the availability of funds remains limited, the Bank will incur increased financing costs associated with its debt. In addition, the unprecedented global recessionary impact arising from the uncertainties posed by the COVID-19 pandemic may heighten execution risk for funding activities and increase credit risk premiums for market

participants. It is possible that the Bank's ability to access the capital and credit markets may be limited by these or other factors at a time when the Bank would like, or need, to do so, which could have an impact on the Bank's ability to grow its business, refinance maturing debt, maintain its dividends, maintain credit ratings and/or react to changing economic and business conditions. Restrictive covenants and other limitations in the Bank's existing indebtedness may limit the ability of the Bank to obtain financing on favourable terms or utilise the Bank's assets as security for such future financing. Furthermore, future credit facilities or other debt instruments may contain covenants that limit the Bank's operating and financing activities and require the creation of security interests over its assets. Therefore, the ability to meet payment obligations, refinance maturing debt and fund planned capital expenditure may depend solely on the success of the Bank's business strategy and its ability to generate sufficient revenue to satisfy its obligations, which are subject to many uncertainties and contingencies beyond its control, including those highlighted above.

Any downgrading of the Bank's credit rating or Malaysia's credit rating by an international rating agency could have a negative impact on the Bank's business and the trading price of Notes.

For the year ended 31 December 2020, Moody's Investors Service, Inc. reaffirmed the Bank's long-term foreign currency rating at "A3" on 4 February 2021, Fitch Ratings Ltd reaffirmed the Bank's long-term foreign currency issuer default rating at "BBB+" on 15 December 2020, and RAM Ratings reaffirmed the Bank's long-term foreign currency national rating at "AAA" in November 2020. On 26 June 2020, S&P Global Ratings reaffirmed Malaysia's long- and short-term foreign currency sovereign credit ratings at "A-" and "A-2" respectively, but revised Malaysia's outlook to "negative" from "stable". On 4 December 2020, Fitch downgraded Malaysia's long-term foreign currency issuer default rating to "BBB+" (with stable outlook) from "A-". This was mainly due to the depth and duration of the COVID-19 crisis having weakened several of Malaysia's key credit metrics. On 28 January 2021, Moody's Investors Service, Inc. affirmed Malaysia's "A3" rating (with stable outlook), based on its expectation that Malaysia's medium-term growth prospects would remain strong.

There is no assurance that the credit ratings of the Bank or the credit ratings of Malaysia will not be downgraded in the future. There can also be no assurance that these ratings will not be further revised or changed by Moody's Investors Service, Inc., Fitch Ratings Ltd or RAM Ratings, or that any of the other global rating agencies will not downgrade the credit ratings of Malaysia and/or the Bank. Any adverse change in Malaysia's credit ratings by international rating agencies may also adversely impact the Bank's own credit rating and limit its access to capital markets, and any adverse revision to Malaysia's credit rating for international debt may have a corresponding adverse effect on the Bank's ratings. Therefore, any adverse revisions to Malaysia's credit ratings for domestic and international debt by international rating agencies may adversely impact the Bank's ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. Any of these developments may materially and adversely affect the Bank's business, financial condition and results of operations.

Considerations relating to Malaysian Taxation

Malaysian taxation

Pursuant to Section 109(1) of the Income Tax Act 1967 ("**ITA 1967**"), where any person (the "**payer**") is liable to pay interest derived from Malaysia to any other person not known to the payer to be resident in Malaysia, other than interest attributable to a business carried on by such other person in Malaysia, the payer shall upon paying or crediting the interest (other than interest on an approved loan or interest of the kind referred to in paragraphs 33, 33A, 33B, 35 or 35A of Part I, Schedule 6) deduct therefrom tax at the rate applicable to such interest.

The Bank has not obtained any withholding tax exemption in respect of the Notes from Ministry of Finance ("**MOF**") and the interest paid to non-residents in respect of the Notes does not fall within the general exemption of income which is exempted under the ITA 1967. Accordingly, all interest payable to

non-residents in respect of the Notes is subject to a withholding tax of 15 per cent or at such other rate according to the double taxation arrangements entered between Malaysia and the other territories.

For further information please refer to the section entitled “*Taxation*” below.

Considerations relating to Malaysian banking industry regulatory environment

The Bank is regulated and supervised under the Development Financial Institutions Act 2002 (the “**DFIA**”) and BNM, respectively, and is also subject to relevant banking, securities and other laws of Malaysia. These differ in certain material respects from those in effect in certain other countries. BNM has extensive powers to regulate Malaysian DFIs under the DFIA. This includes the power to establish caps on lending to certain sectors of the Malaysian economy. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Bank, and may otherwise significantly restrict the activities of the Bank and development of Malaysian financial institutions generally.

Certain foreign judgments may not be enforceable against the Bank in Malaysia

Foreign judgments obtained in the superior courts of reciprocating countries as listed in the First Schedule of the Reciprocal Enforcement of Judgment Act 1958 (the “**REJA**”) (other than a judgment of such a court given on appeal from a court which is not a superior court) in respect of any sum payable by the Bank can be recognised and enforced in Malaysia by applying to register the said foreign judgment with the Malaysian courts. This process of registration of foreign judgment dispenses the need to re-litigate or re-examine the issues in dispute, so long as: (1) the enforcement is not contrary to public policy in Malaysia; (2) the foreign judgment was not obtained by fraud or in a manner contrary to natural justice; (3) the foreign judgment was by a court of competent jurisdiction in such jurisdiction and was not obtained in proceedings in which the foreign judgment debtor being the defendant in the original court did not receive notice of those proceedings in sufficient time to enable it to defend the proceedings and did not appear; (4) the foreign judgment has not been wholly satisfied or is enforceable by execution in the original court; (5) the foreign judgment is final and conclusive between the parties thereto; (6) the foreign judgment is for a liquidated sum; (7) the liquidated sum payable under the judgment (if any) is not directly for the payment, satisfaction or enforcement of any penal or revenue laws or sanctions imposed by the authorities of such jurisdiction; (8) the foreign judgment is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; and (9) the rights under the foreign judgment are vested in the person by whom the application for registration was made. The judgment creditor under a judgment to which the REJA applies, may apply to the High Court of Malaysia at any time in accordance with the provisions of the REJA within six years after the date of the judgment or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, to have the judgment registered. A person who has obtained a judgment against the Bank in a court which is not listed in the First Schedule of the REJA will have to rely entirely on the principles of common law to enforce the judgment, that is by instituting a fresh suit in Malaysia based either on the judgment or on the original cause of action.

Considerations relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

The Notes are unsecured obligations, the repayment of which may be jeopardised in certain circumstances

As the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up procedures;
- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events occurs, the Issuer's assets may not be sufficient to pay amounts due on any of the Notes.

Payment of principal of the Notes may be accelerated only in certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events, or if certain conditions have been satisfied. See "*Terms and Conditions of the Notes — Events of Default and Enforcement*".

Modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. The respective provisions permit defined majorities to

bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of Securities linked to or referencing such “benchmarks”

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate (“**LIBOR**”), which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“**Benchmarks**”), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Note referencing or linked to such Benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of the LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the UK Financial Conduct Authority (“**FCA**”) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the UK Benchmarks Regulation (the “**FCA Announcements**”). Such announcements indicate that the continuation of LIBOR on the current

basis cannot and will not be guaranteed after 2021. Subsequent speeches by the Chief Executive of the FCA and other FCA officials emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced that (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021, (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023, (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the “**IBA**”) to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021) and (iv) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023).

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“**SONIA**”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

The Association of Banks in Singapore (“**ABS**”) and Singapore Foreign Exchange Market Committee (“**SFEMC**”) have also proposed to discontinue SIBOR and to transition from SOR to an alternative interest rate benchmark, which has been identified as SORA.

The Steering Committee for SOR Transition to SORA (“**SC-STTS**”) was established on 30 August 2019 to oversee the industry-wide transition from SOR to SORA. On 11 December 2020, the MAS announced that the SC-STTS’s mandate has been expanded to enable it to oversee the SIBOR-SORA transition, and the SC-STTS has been renamed as the Steering Committee for SOR & SIBOR Transition to SORA. This announcement was made together with the publication of a joint industry response by the ABS, SFEMC, and SC-STTS to the July 2020 consultation on “SIBOR Reform and the Future Landscape for SGD Interest Rate Benchmarks” which outlined plans to discontinue SIBOR by end-2024 and shift towards a SORA-centered interest rate benchmark landscape.

On 31 March 2021, the SC-STTS published a report announcing new industry timelines to cease issuance of SOR derivatives and SIBOR-linked financial products by end-September 2021. The new timelines specify that by end-September 2021: (a) all financial institutions and their customers should cease usage of SOR in new derivatives contracts (with certain exceptions); and (b) all financial institutions and their customers should cease usage of SIBOR in new contracts. SC-STTS also stated that it remains committed to the earlier announced timelines for shifting new cash market use away from SOR and into SORA, namely, that all financial institutions and their customers should, by end-April 2021, cease usage of SOR in new loans and securities that mature after end-2021. The new timelines take into account global and local developments including the plans to discontinue SIBOR by end-2024 and statements from the UK Financial Conduct Authority on the discontinuation of all LIBOR settings by 30 June 2023 (the implication of this is that SOR, which relies on U.S. dollar LIBOR in its computation, will similarly be discontinued immediately after 30 June 2023 across all tenor settings).

The elimination of any benchmarks, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Securities linked to such benchmark. Such factors may have the following effects on certain benchmarks:

- (i) discourage market participants from continuing to administer or contribute to the benchmark;

- (ii) trigger changes in the rules or methodologies used in the benchmark; or
- (iii) lead to the disappearance of the benchmark.

Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Securities linked to or referencing a benchmark.

Benchmark Events include (amongst other events) permanent discontinuation of an Original Reference Rate. If a Benchmark Event occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall, as soon as reasonably practicable, determine a Successor Rate or failing which an Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, (iii) if the Independent Adviser determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be, or (iv) if the Independent Adviser determines that no such industry standard is recognised or acknowledged, the spread, formula or methodology which the Independent Adviser determines to be appropriate to reduce or eliminate any economic prejudice or benefit to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser, or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable, to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Applying the initial Rate of Interest or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessments about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Negative benchmark rates would reduce the rate of interest on Floating Rate Notes

The interest rate to be borne by Floating Rate Notes is based on the spread over the relevant benchmark including LIBOR, EURIBOR or SIBOR or another benchmark. Changes in the relevant benchmark rate will affect the rate at which Floating Rate Notes accrue interest and the amount of interest payments on Floating Rate Notes. To the extent that the relevant benchmark rate decreases below 0.00 per cent. for any interest period, the rate at which the Floating Rate Notes accrue interest for such interest period may be reduced by the amount by which such benchmark rate is negative.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks that may affect the value of the Notes including those relating to the structure of the Notes, market conditions and the factors discussed above. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time.

A downgrade in ratings may affect the market price of the Notes

The Programme has been rated A3 by Moody’s and BBB+ by Fitch. In addition, the Bank has been assigned a rating of A3 by Moody’s and BBB+ by Fitch. These ratings are only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. There can be no assurance that the ratings of the Issuer, the Programme or any issue of Notes (if rated) will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their

judgment, circumstances so warrant. A downgrade in the ratings of the Issuer, the Programme or any issue of Notes (if rated) may affect the market price of the Notes.

There is no active trading market for the Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

The market value of the Notes may fluctuate

Trading prices of the Notes are influenced by numerous factors, including the operating results, business and/or financial condition of the Issuer, political, economic, financial and any other factors that can affect the capital markets, the industry and/or the Issuer generally. Adverse economic developments, acts of war and health hazards in countries in which the Issuer operates could have a material adverse effect on the Issuer's operations, operating results, business, financial position and performance.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest (if any) on the Notes in the currency specified in the relevant Pricing Supplement (the "**Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Inflation Risk

Investors may suffer erosion on the return of their investments due to inflation. Investors would have an anticipated rate of return based on expected inflation rates on the purchase of the non-Ringggit Notes. An unexpected increase in inflation could reduce the actual returns.

Interest Rate Risk

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Developments in other markets may adversely affect the market price of the Notes

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reaction to developments in one country could affect the securities markets and the securities of issuers in other countries. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

Performance of Contractual Obligations

The ability of the Issuer to make payments in respect of the Notes may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Fiscal Agent, Transfer Agent, the Registrar, the Paying Agents and/or the Calculation Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Notes, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Noteholders, the Receipt holders and the Coupon holders (as defined in the Terms and Conditions of the Notes) in respect of the Notes.

Definitive Notes may not be available in certain denominations

In relation to any issue of Notes which are tradeable in clearing systems in amounts other than integral multiples of the relevant minimum or specified denomination, should definitive Notes be required to be issued, a holder who does not have such integral multiple in his account with the relevant clearing system, at the relevant time, may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple thereof.

Where the Global Notes or Global Certificates are held by or on behalf of Euroclear and Clearstream, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depository for Euroclear and Clearstream. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes or Certificates. The relevant Clearing System will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing Systems to appoint appropriate proxies.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Amended and Restated Agency Agreement (as amended or supplemented as at the Issue Date (as defined herein), the “**Agency Agreement**”) dated 9 November 2021 between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) dated 6 June 2012 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”. The Noteholders (as defined below), the holders of the interest coupons (“**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (“**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (“**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments (the “**Receiptholders**”) are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the “**Conditions**”), “**Tranche**” means Notes which are identical in all respects and “**Series**” means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.

Copies of the Agency Agreement and the Deed of Covenant are (a) available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents or (b) may be provided by electronic mail to such holder requesting copies of such documents, in each case, subject to prior written request and proof of holding and identity to the satisfaction of the Paying Agents, the Registrar and the Transfer Agents, as the case may be.

1. Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Regulation (EU) 2017/1129, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination. Notes which are listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon. Subject to compliance with all relevant laws, regulations and directives, Notes will have a maturity of not less than one year.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

- (c) **Exercise of Options or Partial Redemption in respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)).

3. Status

The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes, the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Negative Pledge

So long as any Note, Receipt or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not, and will ensure that none of its Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes, the Receipts and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

- (a) **“Relevant Indebtedness”** means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which (i) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market and (ii) are payable in a currency other than Ringgit or are denominated in Ringgit and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside Malaysia by, or with the authorisation of, the Issuer;
- (b) **“Subsidiary”** means in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**):
 - (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
 - (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person; and
- (c) **“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

5. Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes and Variable Rate Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note and Variable Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment

Date, after the Interest Commencement Date provided that the Agreed Yield (as defined in Condition 5(b)(iv)) in respect of any Variable Rate Note for any Interest Period shall be payable on the first day of that Interest Period.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being LIBOR or EURIBOR

- (x) where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest (Accrual Period will, subject as provided below, be either:
 - (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Issuer (or an Independent Adviser) shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Issuer (or an Independent Adviser) with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question and notify such rate to the Calculation Agent. If two or more of the Reference Banks provide the Issuer (or an Independent Adviser) with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Issuer (or an Independent Adviser) by the Reference Banks or any two or more of them, at which such banks were offered and notified by the Issuer (or an Independent Adviser) to the Calculation Agent, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Issuer (or an Independent Adviser) with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is

or are in the opinion of the Issuer suitable for such purpose) informs the Issuer (or an Independent Adviser) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SIBOR or SOR

(x) each Floating Rate Note where the Reference Rate is specified as being SIBOR (in which case such Note will be a “**SIBOR Note**”) or SOR (in which case such Note will be a “**Swap Rate Note**”) bears interest at a floating rate determined by reference to a benchmark as specified hereon or in any case such other benchmark as specified hereon;

(y) the Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 5(b)(iii)(C) will be determined by the Calculation Agent on the basis of the following provisions:

(1) In the case of Floating Rate Notes which are SIBOR Notes:

(aa) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore Dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSFIX1 Page under the caption “**ASSOCIATION OF BANKS IN SINGAPORE — SIBOR AND SWAP OFFER RATES — RATES AT 11:00 A.M. SINGAPORE TIME**” and the column headed “**SGD SIBOR**” (or such other Relevant Screen Page);

(bb) if no such rate appears on the Reuters Screen ABSFIX1 Page (or such other replacement page thereof or, if no rate appears, on such other Relevant Screen Page) or if Reuters Screen ABSFIX1 Page (or such other replacement page thereof or such other Relevant Screen Page) is unavailable for any reason, the Issuer (or an Independent Adviser) will request the principal Singapore offices of each of the Reference Banks to provide the Issuer (or an Independent Adviser) with the rate at which deposits in Singapore Dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes and notify such rate to the Calculation Agent. The Rate of Interest for such Interest Period shall be the

arithmetic mean (rounded, if necessary, to the nearest four decimal places) of such offered quotations, as determined by the Calculation Agent;

- (cc) if on any Interest Determination Date two but not all the Reference Banks provide the Issuer (or an Independent Adviser) with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with paragraph (bb) of this Condition 5(b)(iii)(C) on the basis of the quotations of those Reference Banks providing such quotations; and
 - (dd) if on any Interest Determination Date one only or none of the Reference Banks provides the Issuer (or an Independent Adviser) with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Issuer (or an Independent Adviser), and notified by the Issuer (or an Independent Adviser) to the Calculation Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Issuer (or an Independent Adviser) with such quotation, the rate per annum which the Calculation Agent determines to be arithmetic mean (rounded, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore Dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period);
- (2) In the case of Floating Rate Notes which are Swap Rate Notes:
- (aa) the Calculation Agent will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Accrual Period, determine the Rate of Interest for such Interest Accrual Period which shall be the rate which appears on the Reuters Screen ABSFIX1 Page under the caption “ASSOCIATION OF BANKS IN SINGAPORE — SIBOR AND SWAP OFFER RATES — RATES AT 11:00 A.M. SINGAPORE TIME” under the column headed “SGD SOR” (or such replacement page thereof for

the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Accrual Period;

- (bb) if on any Interest Determination Date, no such rate is quoted on the Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) or the Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Rate of Interest (which shall be rounded up, if necessary, to the nearest 5 decimal places) for such Interest Accrual Period in accordance with the following formula:

In the case of Premium:

$$\text{Rate of Interest} = \frac{365}{360} \times \text{SIBOR} + \frac{\text{Premium} \times 36500}{T \times \text{Spot Rate}} + \frac{(\text{Sibor} \times \text{Premium})}{\text{Spot Rate}} \times \frac{365}{360}$$

In the case of Discount:

$$\text{Rate of Interest} = \frac{365}{360} \times \text{SIBOR} + \frac{\text{Premium} \times 36500}{T \times \text{Spot Rate}} + \frac{(\text{Sibor} \times \text{Premium})}{\text{Spot Rate}} \times \frac{365}{360}$$

where:

SIBOR = the rate which appears under the caption “SINGAPORE INTERBANK OFFER RATES (DOLLAR DEPOSITS) AT 11:00 A.M.” and the row headed “SIBOR USD” on the Reuters Screen SIBO Page of the Reuters Monitor Money Rates Service (or such other page as may replace the Reuters Screen SIBO Page for the purpose of displaying Singapore interbank U.S. Dollar offered rates of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Accrual Period concerned;

Spot Rate = the rate (determined by the Calculation Agent) to be the arithmetic mean (rounded up, if necessary, to the nearest 5 decimal places) of the rates quoted by the Reference Banks and which appear on the Reuters Screen ABSFIX6 Page under the caption “ASSOCIATION OF BANKS IN SINGAPORE – SGD SPOT AND SWAP OFFER RATES AT 11:00 A.M. SINGAPORE” and the column headed “SPOT” (or such other replacement page thereof for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Accrual Period concerned;

Premium or Discount = the rate (determined by the Calculation Agent to be the arithmetic mean (rounded up, if necessary, to the nearest 5 decimal places) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Accrual Period concerned which appear on the Reuters Screen ABSFIX6 Page under the caption “ASSOCIATION OF BANKS IN SINGAPORE — SGD SPOT AND SWAP OFFER RATES AT 11:00 A.M. SINGAPORE” (or such other replacement page thereof for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Accrual Period concerned; and

T = the number of days in the Interest Accrual Period concerned;

(cc) if on any Interest Determination Date any one of the components for the purposes of calculating the Rate of Interest under this Condition 5(b)(iii)(C) is not quoted on the relevant Reuters Screen Page (or such other replacement page as aforesaid) or the relevant Reuters Screen Page (or such other replacement page as aforesaid) is unavailable for any reason, the Issuer (or an Independent Adviser) will request the principal Singapore offices of the Reference Banks to provide the Issuer (or an Independent Adviser) with quotations of their Swap Rates for the Interest Accrual Period concerned at or about the Relevant Time on that Interest Determination Date and the Rate of Interest for such Interest Accrual Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 5 decimal places) of the Swap Rates quoted by the Reference Banks to the Issuer (or an Independent Adviser) and notified by the Issuer (or an Independent Adviser) to the Calculation Agent. The “Swap Rate” of a Reference Bank means the rate at which that Reference Bank can generate Singapore Dollars for the Interest Accrual Period concerned in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date and shall be determined as follows:

In the case of Premium:

$$\text{Rate of Interest} = \frac{365}{360} \times \text{SIBOR} + \frac{\text{Premium} \times 36500}{T \times \text{Spot Rate}} + \frac{(\text{Sibor} \times \text{Premium})}{\text{Spot Rate}} \times \frac{365}{360}$$

In the case of Discount:

$$\text{Rate of Interest} = \frac{365}{360} \times \text{SIBOR} + \frac{\text{Premium} \times 36500}{T \times \text{Spot Rate}} + \frac{(\text{Sibor} \times \text{Premium})}{\text{Spot Rate}} \times \frac{365}{360}$$

SIBOR	=	the rate per annum at which U.S. Dollar deposits for a period equal to the duration of the Interest Accrual Period concerned are being offered by that Reference Bank to prime banks in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;
Spot Rate	=	the rate at which that Reference Bank sells U.S. Dollars spot in exchange for Singapore Dollars in the Singapore inter-bank market at or about the Relevant Time on the relevant Interest Determination Date;
Premium or Discount	=	the rate (determined by the Calculation Agent) to be the arithmetic mean (rounded up, if necessary, to the nearest 5 decimal places) of the rates quoted by the Reference Banks for a period equal to the duration of the Interest Accrual Period concerned which appear on the Reuters Screen ABSFIX6 Page under the caption “ASSOCIATION OF BANKS IN SINGAPORE — SGD SPOT AND SWAP OFFER RATES AT 11:00 A.M. SINGAPORE” (or such other replacement page thereof for the purpose of displaying the spot rates and swap points of leading reference banks) at or about the Relevant Time on the relevant Interest Determination Date for a period equal to the duration of the Interest Accrual Period concerned; and
T	=	the number of days in the Interest Accrual Period concerned;

(dd) if on any Interest Determination Date one only or none of the Reference Banks provides the Issuer (or an Independent Adviser) with quotations of their Swap Rate(s), the Rate of Interest shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 5 decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Issuer (or an Independent Adviser) and notified by the Issuer (or an Independent Adviser) Calculation Agent at or about the Relevant Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Accrual Period by whatever means they determine to be most appropriate, or if on such Interest Determination Date one only or none of the Reference Banks provides the Issuer (or an Independent Adviser) with such quotation, the Rate of Interest for the relevant Interest Accrual Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 5 decimal places) of the prime lending rates for Singapore Dollars quoted by the Reference Banks at or about the Relevant

Time on such Interest Determination Date, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (D) On the last day of each Interest Accrual Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Accrual Period relates at the Rate of Interest for such Interest Accrual Period.

(iv) *Rate of Interest for Variable Rate Notes:*

- (A) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (iv). The interest payable in respect of a Variable Rate Note for each Interest Period relating to that Variable Rate Note, which shall be payable on the first day of such Interest Period, is referred to in these Conditions as the “**Agreed Yield**” and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the “**Rate of Interest**”.
- (B) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall be determined as follows:
 - (x) not earlier than 9.00 a.m. (Kuala Lumpur time) on the ninth business day and not later than 3.00 p.m. (Kuala Lumpur time) on the fifth business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:
 - (1) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;
 - (2) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and
 - (3) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an “**Agreed Rate**”) and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and
 - (y) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest

Period by 3.00 p.m. (Kuala Lumpur time) on the fifth business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (x) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the Fall Back (as defined below).

- (C) The Issuer has undertaken to the Fiscal Agent and the Calculation Agent that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Kuala Lumpur time) on the next following business day:
- (x) notify the Fiscal Agent and the Calculation Agent in writing of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and
 - (y) cause such Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note to be notified by the Fiscal Agent to the relevant Noteholder at its request.
- (D) For the purposes of paragraph (B) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note shall be the rate (the “**Fall Back Rate**”) determined by reference to a Reference Rate as specified hereon.
- (E) The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(b)(iii)(B), as the case may be, above (mutatis mutandis) and references therein to “**Rate of Interest**” shall mean Fall Back Rate.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

- (g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Japanese Yen, which shall be rounded down to the nearest Japanese Yen. For these purposes, “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such

determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/Actual”** or **“Actual/Actual — ISDA”** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).
- (ii) if **“Actual/365 (Fixed)”** is specified hereon, the actual number of days in the Calculation Period divided by 365.
- (iii) if **“Actual/365 (Sterling)”** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.
- (iv) if **“Actual/360”** is specified hereon, the actual number of days in the Calculation Period divided by 360.

- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction

$$= \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D₁** is greater than 29, in which case **D₂** will be 30.

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction

$$= \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30.

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction

$$= \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30.

- (viii) if “**Actual/Actual-ICMA**” is specified hereon,

- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer.

“**Interest Accrual Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon.

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer or as specified hereon.

“**Reference Rate**” means the rate specified as such hereon.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon.

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(l) **Floating Rate Notes — Benchmark Discontinuation:**

(i) *Independent Adviser:*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(1)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(1)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(1) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 5(1).

If (x) the Issuer is unable to appoint an Independent Adviser; or (y) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(1)(i) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For

the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(l)(i).

(ii) *Successor Rate or Alternative Rate:*

If the Independent Adviser determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l) in the event of a further Benchmark Event affecting the Successor Rate); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(l) in the event of a further Benchmark Event affecting the Successor Rate).

(iii) *Adjustment Spread:*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments:*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(l) and the Independent Adviser, determines (x) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (y) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(l)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent, Calculation Agent and Paying Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions in order to give effect to this Condition 5(l)(iv)).

Notwithstanding any other provision of this Condition 5(l)(iv), the Fiscal Agent, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(l)(iv) to which, in the sole opinion of the Fiscal Agent, the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Fiscal Agent, the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(l)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.:*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(l) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate in English signed by an authorised officer of the Issuer:

- (A) confirming (1) that a Benchmark Event has occurred, (2) the Successor Rate or, as the case may be, the Alternative Rate, (3) the applicable Adjustment Spread and (iv) the specific terms of any Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(l); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Fiscal Agent shall display such certificate at its offices for inspection by the Noteholders at all reasonable times during normal business hours.

Each of the Fiscal Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Fiscal Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion, there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(j)(v), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(vi) *Survival of Original Reference Rate:*

Without prejudice to the obligations of the Issuer under Conditions 5(l)(i), 5(l)(ii), 5(l)(iii) and 5(l)(iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b) will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions:*

As used in this Condition 5(1):

“Adjustment Spread” means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (C) (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(1)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

“Benchmark Amendments” has the meaning given to it in Condition 5(1)(iv);

“Benchmark Event” means:

- (A) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

- (D) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (E) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or any other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that in the case of sub-paragraphs (B), (C) and (D), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(1)(i);

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6. Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent:

- (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (the "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Change of Control:** If Change of Control Put Option is specified hereon, following the occurrence of a Change of Control Event, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (the "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

A “**Change of Control Event**” occurs when the Issuer ceases to be wholly-owned by the Government of Malaysia, either through the Ministry of Finance or any other ministry or Government of Malaysia agency or body.

Purchase at the option of holders of Variable Rate Notes: If a Variable Rate Note purchase option (the “**VRN Purchase Option**”) is specified hereon, each holder of Variable Rate Notes shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Variable Rate Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) to be purchased with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option purchase notice in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the period of the VRN Purchase Option shown on the face hereof. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (h) **Purchases:** The Issuer and its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries shall be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. In this Condition 7(a) and in Condition 7(b), “**Bank**” means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
 - (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders, the Receiptholders or the Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least one major European city and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), those Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, the Receiptholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Malaysia other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes, the Receipts and the Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **"FATCA Withholding"**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of a FATCA Withholding.

As used in these Conditions, **"Relevant Date"** in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) **"principal"** shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) **"interest"** shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) **"principal"** and/or **"interest"** shall be deemed to include any additional amounts that may be payable under this Condition 8.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events (“**Events of Default**”) occurs, the holder of any Note may give written notice to the Issuer through the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

- (a) **Non-Payment:** default is made in the payment on the due date of interest or principal in respect of any of the Notes and such default remains unremedied for seven Business Days; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or
- (c) **Cross-Default:** (A) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (d) **Insolvency:** the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- (e) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (f) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Deed of Covenant and the Notes, (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Deed of Covenant and the Notes admissible in evidence in the courts of Malaysia is not taken, fulfilled or done; or
- (g) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or
- (h) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

11. Meetings of Noteholders and Modifications

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Receiptholders and Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer and the Fiscal Agent may agree, without the consent of any Noteholder, to (a) any modification of any of the provisions of this Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or (b) any other modification to the Agreement, any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agreement that is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. Any determination as to prejudice applying to the interests of the Noteholders pursuant to this Condition 11(b) shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination. Any such modification shall be binding on the Noteholders and any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

12. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to “**Issue Date**” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the *Wall Street Journal Asia*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by these Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under

any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, the Receiptholder or the Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

17. Governing Law and Jurisdiction

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons (including any dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (including any dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) (the "**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of 8 Floor, 100 Bishopsgate London EC2N 4AG, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.
- (d) **Waiver of immunity:** The Issuer irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream (the “**Common Depositary**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3. Exchange

3.1 *Temporary Global Notes*

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable, in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

3.2 *Permanent Global Notes*

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear or Clearstream or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or if principal in respect of any Notes is not paid when due.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Global Certificates

If the Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the registered holder of the Global Certificate (the “**Registered Holder**”) has given the Registrar not less than 30 days’ notice at its specified office of the Registered Holder’s intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due or if so provided, and in accordance with, the Conditions relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any Exchange Date (as defined in paragraph 3.6 below) the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 *Exchange Date*

“**Exchange Date**” means, in relation to a Temporary Global Note, the first day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4. **Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

For the purpose of any payment made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

4.2 *Prescription*

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 *Meetings*

The holder of a Permanent Global Note or the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes.

4.4 *Cancellation*

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

4.5 Purchase

Notes represented by a Permanent Global Note may only be purchased by the Issuer or any of its Subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required.

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

4.8 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 (Events of Default) by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable.

If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be.

However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.9 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note and, for so long as the Notes represented by such Global Note are listed and/or admitted to trading on or by any stock exchange or other competent listing authority and the rules of that stock exchange or competent listing authority so require, such notice will be published in accordance with those rules.

5. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Partly Paid Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Partly Paid Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general banking and financing activities, working capital, as well as other corporate purposes.

CAPITALISATION OF THE ISSUER

As at 31 December 2020, the Issuer had an issued and paid-up share capital of RM2,958,665,284 comprising the following:

- (i) 2,708,665,282 ordinary shares owned by MOF (Inc.);
- (ii) 1 ordinary share owned by Federal Lands Commissioner of Malaysia;
- (iii) 1 special right redeemable preference share owned by MOF (Inc.); and
- (iv) 250,000,000 redeemable cumulative and convertible preference shares owned by MOF (Inc.).

The following table sets forth the short-term and long-term liabilities and shareholders' equity of the Issuer as at 31 December 2020 and is derived from the audited financial statements of the Issuer as at 31 December 2020:

	31 December 2020⁽¹⁾
	<i>(RM million)</i>
Short-Term Debt⁽²⁾:	
Borrowings (less than one year)	634.0
Medium Term Notes/Sukuk⁽³⁾ (less than one year)	<u>2,178.1</u>
Total Short-term Debt	<u>2,812.1</u>
Long-Term Debt⁽²⁾:	
Borrowings (more than one year)	15.5
Syndication financing (three years to five years)	1,194.8
Medium Term Notes/Sukuk⁽³⁾ (more than one year)	<u>2,568.9</u>
Total Long-Term Debt	<u>3,779.2</u>
Total Debt	<u>6,591.3</u>
Capital and Reserves:	
Paid-up Capital	2,708.7
Redeemable convertible cumulative preference shares	250.0
Reserves	2.9
Retained Profits/(Accumulated Losses)	<u>(1,348.0)</u>
Total Capital and Reserve	<u>1,613.6</u>
Total Capitalisation	<u>8,204.9</u>

⁽¹⁾ Except as described in this Offering Circular, there has been no material adverse change in the Issuer's capitalisation since 31 December 2020.

⁽²⁾ The Issuer's borrowings in foreign currencies as at 31 December 2020 have been translated into RM at the rate of RM4.0170 to U.S.\$1.00, which was the exchange rate as announced by BNM, on 31 December 2020.

⁽³⁾ The outstanding notes and Sukuk were issued under the Issuer's Programme, and its U.S.\$1.0 billion Multicurrency Sukuk Issuance Programme established in September 2013, respectively.

SELECTED FINANCIAL INFORMATION OF THE ISSUER

The following tables present summary audited financial information for the financial year ended 31 December 2020 (which includes the comparatives as at and for the year ended 31 December 2019) for the Issuer. The Issuer's annual audited financial information below has been derived from, and should be read in conjunction with, the Issuer's historical audited financial statements and their related notes incorporated by reference into this Offering Circular. The Issuer's financial statements are reported in Ringgit and presented in accordance with the provisions of the Companies Act, 2016 of Malaysia and applicable Financial Reporting Standards in Malaysia as modified by BNM guidelines.

For a description of the changes in accounting policies adopted by the Issuer, please refer to Note 2, "Significant Accounting Policies".

	Audited	
	For the financial year ended 31 December	
	2019	2020
	<i>(RM million)</i>	
Statement of Profit and Loss		
Operating revenue	381.1	181.5
Interest income	219.9	133.7
Interest expense	(142.3)	(115.5)
Net interest income	77.6	18.2
Underwriting results	(22.0)	2.0
Income from Islamic business	122.3	112.2
Other income	46.7	106.7
Net income	224.5	239.0
Overhead expenses	(82.0)	(88.2)
Operating profit	142.5	150.8
Allowance for expected credit losses ("ECL") on loans, advances and financing	(566.1)	(53.6)
Allowances for ECL on commitments and contingencies	(64.9)	(2.8)
(Allowances)/writeback for ECL on financial investments	10.3	(42.6)
Allowances for ECL on other assets	–	(0.6)
Profit/(loss) before taxation	(478.3)	51.2
Taxation	(1.3)	–
Zakat	–	–
Net profit/(loss) for the year	(479.6)	51.2
Basic/diluted (loss)/earnings per share (sen)	(17.71)	1.89

	Audited	
	For the financial year ended 31 December	
	2019	2020
	<i>(RM million)</i>	
Statement of Financial Position		
Assets		
Cash and bank balances	62.6	122.4
Deposits and placements with banks and other financial institutions	3,047.2	3,364.1
Financial investments	1,204.4	1,165.6
Loans, advances and financing	4,768.6	3,679.1
Insurance receivables	0.1	0.6
Derivative financial instruments	61.2	141.8
Other assets	289.5	92.1
Deferred tax assets	–	–
Investment in subsidiaries	64.1	64.1
Investment properties	0.9	0.8
Intangible assets	2.4	2.0
Property and equipment	64.5	67.6
Right-of-use assets	0.5	0.2
Total assets	<u>9,566.0</u>	<u>8,700.3</u>
Liabilities		
Borrowings	7,438.4	6,591.3
Lease liabilities	0.6	0.3
Other payables and accruals	333.6	285.5
Provision for commitments and contingencies	81.4	83.6
Derivative financial instruments	18.5	–
Deferred tax liabilities	–	–
Deferred income	22.3	21.7
Provision for guarantee and claims	48.9	51.7
Amount due to subsidiaries	64.1	64.1
Total liabilities	<u>8,007.8</u>	<u>7,098.2</u>
Financed by:		
Share capital	2,708.7	2,708.7
Redeemable convertible cumulative preference shares (“RCCPS”)	250.0	250.0
Fair value adjustment reserve	(7.9)	3.0
Accumulated losses	<u>(1,382.8)</u>	<u>(1,348.0)</u>
Shareholders’ funds	<u>1,567.9</u>	<u>1,613.6</u>
Takaful participants fund	<u>(9.7)</u>	<u>(11.5)</u>
Total liabilities, shareholders’ fund and Takaful participants fund . . .	<u>9,566.0</u>	<u>8,700.3</u>
Commitments and contingencies	<u>3,034.2</u>	<u>3,109.6</u>

The following financial ratios are extracted from the Issuer’s audited financial information:

	Audited	
	As at 31 December	
	2019	2020
	(%)	
Financial Ratios		
Net impaired loans as a percentage of gross loans, advances and financing (with Export Credit Refinancing (“ ECR ”) debtors)	9.6	13.5
Net impaired loans as a percentage of gross loans, advances and financing (without ECR debtors)	10.0	13.5
Gross impaired loans as a percentage of gross loans, advances and financing (with ECR debtors)	37.7	41.5
Gross impaired loans as a percentage of gross loans, advances and financing (without ECR debtors)	39.0	41.8
Risk-weighted capital ratio ⁽¹⁾	29.0	38.8

$$(1) \text{ Risk-weighted capital ratio} = \frac{\text{Total capital base}}{\text{Risk-weighted assets}}$$

DESCRIPTION OF THE ISSUER

Introduction

The Issuer’s legal and commercial name is Export-Import Bank of Malaysia Berhad, having its registered office at Level 16, EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. The Issuer was initially established as the “International Division” of Bank Industri and Teknologi Malaysia Berhad (“BITMB”) and was subsequently incorporated on 29 August 1995 as a government-owned DFI under the Companies Act, 1965 of Malaysia through it becoming a subsidiary of BITMB. As a DFI, the Issuer is governed by the DFIA. The Issuer was subsequently spun off as an independent institution in 2005 to function as a standalone DFI focused on export credit activities. On 30 December 2005, the Issuer went on to merge with Malaysia Export Credit Insurance Berhad and retained the name Export-Import Bank of Malaysia Berhad.

As at 31 December 2020, the Issuer had an issued and paid-up share capital of RM2,958,665,284 comprising the following:

- (i) 2,708,665,282 ordinary shares owned by MOF (Inc.);
- (ii) 1 ordinary share owned by Federal Lands Commissioner of Malaysia;
- (iii) 1 special right redeemable preference share owned by MOF (Inc.); and
- (iv) 250,000,000 redeemable cumulative and convertible preference shares owned by MOF (Inc.).

MOF (Inc.), as the shareholder of the special right redeemable preference share, has the right to appoint no more than four members out of the maximum 12 members to the Issuer’s Board of Directors (the “Board”). As at the date of this Offering Circular, there are two directors representing the Government, one from MOF and one from Ministry of International Trade and Industry (“MITI”) on the Board. Any appointments of a Director and the Chief Executive Officer of the Issuer is subject to verification by BNM and final approval by MOF (Inc.).

Vision and Mission

The Issuer’s vision is to be the preferred financier and advisor for global businesses.



As a DFI, the Issuer strives to contribute to the growth of Malaysia’s economy through trade and investment partnerships worldwide.

Recent Developments

Impact of COVID-19

There continues to be a resurgence of reported infections of COVID-19, in many parts of the world, as well as the emergence and rapid spread of new variants of COVID-19. There remain substantial uncertainties in the development of the pandemic and its potential impact on the Issuer. For details, please see the risk factors titled “*The global outbreak of COVID-19 has adversely affected, and will continue to adversely affect, the Bank’s business*” and “*Pandemic outbreaks, in particular, COVID-19, or other infectious diseases, or any other serious public health concerns have impacted, and may in the future adversely impact the Bank’s business, financial condition, results of operations and prospects*”.

In response to COVID-19, the Issuer worked hand-in-hand with BNM to provide financial assistance packages to businesses and customers affected by the COVID-19 outbreak. This was through available packages under the BNM’s fund for SMEs, including the Special Relief Facility, All Economic Sectors Facility and Agrofood Facility.

Furthermore, the Issuer made a RM1 million donation to the Malaysian Red Crescent Society’s (“MRCS”) #responsMALAYSIA (Malaysia’s Response) initiative. This was a platform for individuals and corporate entities to contribute towards the procurement of essential items required by frontliners, as well as to drive MRCS’s community engagement efforts. Contributions made to the organisation are directed towards boosting public awareness about the dangers of COVID-19, the importance of social distancing and heeding the Movement Control Order; as well as providing support to the underprivileged through health screenings, basic treatment services, provision of face masks and stepping up education programmes on proper diet and nutrition.

Recent Merger Plan¹⁸

BNM has acknowledged that DFIs play an important role in supporting access to finance for strategic sectors in the economy. To increase the developmental impact and value offering of DFIs, a two-phase restructuring plan for Malaysia’s DFIs to strengthen the country’s development finance ecosystem was announced by the Government in the 2020 Budget Speech. The plan entails forming a new financial institution by merging Bank Pembangunan Malaysia Bhd (“BPMB”), Danajamin Nasional Bhd (“Danajamin”), Small Medium Enterprise Development Bank Malaysia Bhd and the Bank¹⁹. The main purpose of the two-phase restructuring plan is to create an enlarged entity that is better positioned to address the expanding financing needs of the economy going forward. With greater size and capacity, this will also enable DFIs to be better able to manage risks and withstand shocks.

BPMB will be taking the lead in the merger by taking over Danajamin. As of 30 September 2021, BPMB has announced the signing of agreements with Credit Guarantee Corp Malaysia Bhd and MOF (Inc.), the shareholders of Danajamin, for the 100% acquisition of Danajamin.²⁰

Business of the Issuer

The Issuer is the only DFI in Malaysia dedicated to promoting the development of cross-border ventures through the provision of financing and insurance/takaful facilities to Malaysian entities conducting their business overseas. The Issuer is owned by MOF (Inc.) and under the purview of the MITI.

¹⁸ (Source: Page 32 BNM 2019 Annual Report published on 03 April 2020)

¹⁹ <https://www.bnm.gov.my/documents/20124/761679/bs2020.pdf>

²⁰ <https://www.theedgemarkets.com/article/bank-pembangunan-malaysia-acquires-danajamin-nasional-cgc-and-mof-inc>

The Issuer's mandated role is to provide credit facilities to finance and support export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing. This is done by facilitating the entry of Malaysian companies into new markets abroad with an emphasis on non-traditional markets, where there is limited participation from commercial banks.

In addition, the Issuer provides export credit insurance and takaful services, overseas investments insurance and guarantee facilities. The Issuer's clientele consists of locally incorporated corporations and SMEs, as well as foreign companies and selected foreign governments. The Issuer in its export promotion efforts collaborates with the Government and its agencies including, MITI, Malaysia External Trade Development Corporation, Malaysian Investment Development Authority, Small and Medium Enterprise Corporation Malaysia and Construction Industry Development Board Malaysia.

The Issuer operates its business mainly from its headquarters in Kuala Lumpur and also from its three representative offices in Pulau Pinang, Johor Bahru and Sarawak, which serve its clients in northern, southern and eastern Malaysia, respectively.

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

The facilities offered by the Issuer fall into two principal categories: banking facilities and credit takaful facilities. The Issuer offers both conventional and Islamic variations of these products. The contribution of the Issuer's Islamic finance business to the Issuer's loan/financing and guarantee portfolio was 44.6 per cent. and 48.5 per cent. for the years ended 31 December 2019 and 2020, respectively. The Issuer intends to further strengthen its Islamic finance business going forward.

Banking facilities

The Issuer offers a wide range of conventional and Islamic banking facilities.

The conventional and Islamic banking facilities offered by the Issuer are classified into three key categories: cross-border term financing, trade finance and guarantees.

Cross-border term financing

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

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

As at 31 December 2019 and 31 December 2020, the Issuer's total loans outstanding relating to term financing (including both conventional and Islamic banking facilities) amounted to RM5.18 billion and RM4.48 billion, respectively.

Trade finance

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

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

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

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

As at 31 December 2019 and 31 December 2020, the Issuer's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to RM2.17 billion and RM1.25 billion, respectively.

Guarantees

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

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

As at 31 December 2019 and 31 December 2020, the Issuer's total guarantees outstanding amounted to RM341.90 million and RM127.32 million, respectively.

Credit takaful facilities

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

Short-term trade credit takaful facilities

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

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

As at 31 December 2019 and 31 December 2020, the Issuer’s total exposure under short-term trade credit takaful shipment amounted to RM739.23 million and RM454.73 million, respectively.

Medium- to long-term trade credit takaful facilities

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

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

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

As at 31 December 2019 and 31 December 2020, the Issuer’s total exposure under medium- to long-term trade credit takaful facilities amounted to RM483.28 million and RM366.64 million, respectively.

Interaction with Government agencies

The Issuer interacts closely with other agencies of the Government in its efforts to promote exports. It regularly participates in trade missions and exhibitions organised by MITI, Malaysia External Trade Development Corporation (“**MATRADE**”) and Construction Industry Development Board (“**CIDB Malaysia**”). MITI aims to make Malaysia a preferred investment destination and among the most globally competitive trading nations while MATRADE is actively involved in assisting foreign companies in sourcing suppliers of Malaysian products and services. The Issuer works with Malaysian Investment Development Authority (“**MIDA**”), which aims to promote the manufacturing and services sectors in Malaysia, with the promotion of investment initiatives and facilitating the implementation of manufacturing and related services for overseas projects financed by the Issuer. The Issuer also works with CIDB Malaysia to elevate the awareness of the Issuer’s facilities to its registered members.

The Issuer is an active participant in seminars organised by SME Corporation Malaysia, with the aim of educating, promoting its services and developing Malaysian SMEs to penetrate and be competitive in the global market. The Issuer is involved in the biotechnology sphere, working with the Malaysian

Bioeconomy Development Corporation (an agency under the purview of the Ministry of Agriculture and Food Industries) to provide assistance to BioNexus certified companies in sourcing for funds to finance their overseas projects. BioNexus is a special status awarded to qualified international and Malaysian companies undertaking value-added biotechnology and/or life sciences activities and entitles these companies to receive fiscal incentives, grants and other guarantees to assist growth.

Establishing New Strategic Alliances and Partnerships

The Issuer has been growing its networking and strategic alliances. Currently, the Issuer is a member of the Asian EXIM Banks Forum, an association of nine export-import banks in Asia, the Aman Union and Association of Development Finance Institutions in Asia.

The Issuer has also entered into an arrangement with the International Islamic Trade Finance Corporation (a member of the Islamic Development Bank (“**IDB**”)) to extend trade financing facilities to buyers from member countries of the IDB that import goods from Malaysia. It also signed a Memorandum of Understanding with the Joint Development Bank of Lao People’s Democratic Republic (“**Lao PDR**”) to promote mutual business relations between Malaysia and Lao PDR and to uphold trade and investment opportunities that will enable Malaysian companies to establish operations in Lao PDR and *vice versa* as part of their efforts to penetrate the global market. In 2016, the Issuer signed a Memorandum of Collaborative Arrangement with MIGHT Technology Nurturing Sdn Bhd to further the mutual objective of strengthening and assisting the industry players in the export market.

On 3 January 2020, the Issuer signed a Memorandum of Understanding with China Construction Bank, Malaysia-China Kuantan Industrial Park and ECARX Technology Co., Ltd. aiming to share learning experiences and relevant financial technology (“**FinTech**”) adoption and application for the design, development, building, implementation and operation of the Digital Bank in Malaysia. It also covers collaboration on FinTech solutions to facilitate trade, settlement, and potential financing between Malaysia, ASEAN and China. On 13 February 2020, the Issuer played host for the first Tashkent International Investment Forum briefing, which was scheduled to be held in Tashkent, Uzbekistan later in the year. On 16 February 2020, a multi-party collaboration Memorandum of Understanding was signed between the Issuer, Thailand and Malaysian institutions to promote business growth of SMEs on both sides of the border. This was witnessed by Datuk Mohd Hatta Md Ramli, former Deputy Minister of Entrepreneur Development and Cooperatives; H.E. Jurin Laksanawisit, Thailand Deputy Prime Minister and Minister of Commerce; and H.E. Nipon Bunyamane, Thailand Deputy Minister of Interior in Narathiwat, Thailand. The four institutions involved were represented by Dato’ Shahrul Nazri Abdul Rahim, President/Chief Executive Officer of the Issuer at the time; Aria Putera Ismail, SME Bank of Malaysia Group President/Chief Executive Officer; Pisit Serewiwattana, EXIM Bank Thailand President; and Nartnaree Rattapat, SME Bank Thailand Acting President. On 19 September 2020, the Issuer signed a bridge facility between Yinson-Sumitomo with seven local and international banks. Yinson Holdings Bhd and its project partner, Sumitomo Corporation, have entered into a U.S.\$400 million bridge loan financing agreement for the FPSO Anna Nery Project, a floating, production, storage and offloading vessel for the Marlim revitalisation project in Brazil. The bridge loan is supported by the Bank; Maybank Investment Bank Berhad and Maybank International Labuan Branch; Mizuho Bank Ltd, Labuan Branch; Natixis, Singapore Branch; Standard Chartered Bank (Singapore) Limited; Sumitomo Mitsui Banking Corporation, Singapore Branch; and The Hongkong and Shanghai Banking Corporation Limited. The Issuer will continue to pursue key alliances with commercial banks and other export credit agencies.

Strategy 2025

Strategy 2025 embodies the Issuer’s long-term ambition to steer itself towards greater resilience and business sustainability by focusing on a number of strategic objectives. These include focusing on underserved segments that are mandate-driven, strengthening strategic collaboration, diversifying its portfolio composition, increasing the coverage of its product offerings to encompass 100% of Islamic products, enhancing its advisory services, and leveraging trade finance, insurance and guarantee in pursuit of balanced business growth.

Through six strategic pillars, the Issuer will amplify its Islamic business, drive sustainable performance and foster highly competent talent. In addition, the Issuer will strive for best-in-class business operations and a high-performance culture, while becoming the catalyst for export businesses.

- ***Sustainable performance***

The Issuer aims to transform its capital and balance sheet, diversify its sources of funding, improve its liquidity diversity and expand its business and profitability by pursuing sustainable earnings.

- ***Catalyst of export business ecosystem***

The Issuer intends to act as a platform to facilitate cross-border business activities, while fostering sustainable business practices in furtherance of its mandate as a DFI. These include placing an emphasis on revenue growth, asset preservation and leveraging the financial growth of export businesses.

- ***Best-in-class business operation***

In pursuit of greater overall efficiency and more robust control systems, the Issuer aims to redesign its operation and governance model.

- ***Highly competent talent***

The Issuer aims to continue developing and retaining its employees. To do so, it will focus on its assessment processes and will offer job realignment, training and competency building.

- ***Amplification of Islamic business***

The Issuer aims to continue to focus on the growth in its Islamic financing and takaful business.

- ***High-performing culture***

The Issuer aims to reinforce its core values to ensure a high-performance culture.

Strengths

The Issuer's key strengths include the following:

- ***The Issuer has effective risk management strategies and prudent risk management processes***

Risk management is a critical part of the Issuer's operating model. The Issuer's established and prudent risk management approach forms an integral part of the Issuer's management and decision-making process at all levels.

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

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

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

- *Comprehensive assessment of risks in all activities:* All material risks faced by the Issuer are assessed. Risk assessment is conducted based on consistent application of the following process: identification of risk, measurement of risk and evaluation of risk.
- *Adequate system for monitoring and reporting:* The Issuer ensures the adequacy of its systems for monitoring and reporting risk exposures by assessing how the Issuer's changing risk profile affects the need for capital. The Board and management receive reports on the Issuer's risk profile and capital needs on a regular basis.
- *Integrate risk management in all decision-making processes:* As risk management is an essential component of good management, the Issuer integrates risk management into its existing strategic management and operational processes.
- *Effective risk control mechanisms:* Risk control mechanisms include policies, guidelines, procedures and risk limits. Each risk control ensures that each risk has a process or measure to help contain or control that risk and that such process or measure is applied and works as intended. The Issuer ensures that a proper risk control mechanism is established for each of its key risk areas.
- *Effective internal control review:* An effective internal control review system has been established by the Issuer to support its risk management process. Effective control of the risk management processes includes an independent review and, where appropriate, the involvement of internal or external audits.

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

- *Credit risk*
 - o The Issuer has in place a sound framework for managing credit risk that includes a Risk Appetite Statement and credit risk strategies, policies and guidelines, where it outlines credit underwriting standards, credit risk measurement, credit risk rating, prudential limit monitoring, credit risk mitigation, the review process, rehabilitation and restructuring, credit impairment, loss provisioning and reporting.
 - o Credit limits are governed under an approving authority structure to ascertain prudent credit decision-making. These authority limits are approved by the Board and reviewed periodically.
 - o Concentration risks are managed via the setting of a Country Limit, Sector Limit, Large Exposure Limit and Single Counter Party Exposure Limit. The limits enable the Issuer to avoid substantial credit impacts in the event of adverse changes in a particular country, sector or group of customers. The Issuer also closely monitors its exposures to concerned industries such as oil and gas, aviation and tourism.
 - o To enable the Issuer to better manage credit exposure at the transactional as well as portfolio level, it is embarking on a project to enhance the end-to-end credit risk management process.

- *Capital management*
 - o The Issuer has a systematic approach to ensure a sufficient level of capital in accordance with the requirements of internal capital targets, as well as regulatory requirements.
- *Asset Liability Management and Market Risk*
 - o Appropriate strategies are adopted by the Issuer in managing the liquidity level, which include monitoring and managing the structural liquidity indicators, liquidity gaps and stress testing, in accordance with policies, controls and limits approved.
 - o Sufficient liquidity is maintained by the Issuer to fund its day-to-day operations, meet cash flow obligations and repayments of borrowings and participate in new investments.
 - o The Assets and Liabilities Committee (“**ALCO**”) was established to oversee the Issuer’s asset and liability management (“**ALM**”) focused on the balance sheet. In addition, ALCO is also responsible for:
 - (i) Ensuring that all ALM risks remain within the risk appetite set by the Board of Directors;
 - (ii) Endorsing appropriate strategies developed in response to emerging ALM risks in the Issuer’s portfolio;
 - (iii) Deliberating on the net interest income (“**NI**”) performance; and
 - (iv) Deliberating on economic indicators and market outlook.
 - o The Issuer’s balance sheet, liquidity and market risk positions are monitored against the established policies, procedures and limits, and are reported to the relevant Management Committees and Board on a monthly basis.
 - o The Risk-Based Pricing Model is utilised by the Issuer to ensure appropriateness and to apply a standardised approach in evaluating and determining the loan and financing pricing for banking facilities, based on the concept of the risk-return relationship.
- *Shariah Risk*
 - o The Issuer has established Shariah risk management control functions as a part of the Issuer’s Shariah governance structure and integrated risk management framework, as governed by the Shariah Governance Framework for Islamic Financial Institutions, issued by BNM.
 - o Shariah risk management is executed through three lines of defence in managing Shariah Non-Compliance (“**SNC**”) risks.
 - First Line of Defence – Risk Taking:
 - (i) All business and support units
 - (ii) Shariah Management Department
 - Second Line of Defence – Control Functions:
 - (i) Shariah Risk Unit, Risk Management Division

(ii) Shariah Review Unit, Compliance Department

■ Third Line of Defence – Independent Assurance:

(i) Shariah Audit Unit, Internal Audit Department

- o The Issuer adopts Operational Risk Management tools in managing the SNC risks such as Risk and Control Self-Assessment, Key Risk Indicator, Key Control Testing and Loss Event Database.

• *Operational Risk*

- o An Operational Risk Management Framework has been established by the Issuer in managing operational risk. This is meant to minimise operational risk to an acceptable level via established tools and techniques, as practised by the industry.
- o The Operational Risk Management tools include Risk and Control Self-Assessment, Key Risk Indicator, Key Control Testing and Loss Event Database.
- o The Issuer has in place a programme, plan and strategy for managing crises and business continuity, which may arise from unforeseen events such as disasters or non-disasters, including pandemic outbreaks, which impact the workforce, workplace, processes and systems of the Issuer.

• *Emerging and Other Risks*

- o Processes and strategies to manage the affected portfolios have been implemented by the Issuer, which include close monitoring and reporting of affected accounts to the respective Board Committees, as well as conducting related scenario analysis through stress testing, etc. The stress test conducted covers, among others, countries with negative outlooks, changes in government policies and concerned accounts.
- o The Issuer also actively aims to improve compliance with the applicable laws and regulations and enhance the compliance awareness culture. The existing policies and processes are further strengthened in meeting the new laws' and regulations' requirements.

Details of the Issuer's risk management can be found in "***Risk Management***" section of this offering circular.

• ***The Issuer offers a broad spectrum of conventional and Islamic financing products***

The Issuer offers a broad spectrum of conventional and Islamic financing products to meet the diverse needs for financing of Malaysian importers and exporters and to adapt to the ever-changing operating environment of the global financial market. The Issuer maintains a dedicated Shariah Committee for its Islamic financing products and services, comprising reputable Shariah scholars in Malaysia, to advise the Board on Shariah matters and oversee the compliance of the Issuer's Islamic products with Shariah principles. As of the date of this Offering Circular, the Shariah Committee consists of five members.

• ***The Issuer's experienced and committed senior management***

The directors of the Issuer have significant relevant experience in their respective fields of expertise and have a mandate to develop a sustainable business model for the Issuer. As of the date of this Offering Circular, Dato' Azman Mahmud is the new Chairman of the Board. As of 31 December 2020, there are

seven Board members, including the Chairman. The Board is complemented by an experienced management team which contributes to the growth of the business of the Issuer.

Business Strategies

The Issuer's efforts are focused on pursuing the following objectives:

- ***Growing quality assets by targeting high-growth and high-yield sectors and countries***

As part of its on-going efforts to attract high quality assets, the Issuer has identified different sectors and borrowers which the Issuer believes will ensure the sustainable growth of its business.

The Issuer will continue to attract government-linked companies, publicly-listed companies and state-owned companies as borrowers through competitive pricing and by increasing its exposure to these companies through its marketing efforts. The Issuer has identified business opportunities in sectors such as manufacturing, transport storage and communication (including transport equipment, telecommunications equipment and storage units for data processing machines), infrastructure systems for power and water and the mining and quarrying sector and intends to attract customers from such sectors.

Against the backdrop of Malaysia as one of the most active trading nations in Southeast Asia, the Issuer believes it is in a position to provide more trade finance loans. Holding substantially medium- and long-term loan assets will further improve the Issuer's liquidity as it reduces the need to generate repeat income from its existing pool of clients. Accordingly, the Issuer will continue its focus on trade finance to achieve a loan disbursement mix of 40:60 with regard to trade to non-trade assets. This will enable the Issuer to assume a more balanced role when acting as a trade financier or a financier of overseas projects and contracts by Malaysian exporters, contractors or investors.

The Issuer caps its exposure to higher risk loans (being loans which are assigned an internal rating of between 7-9) at 40.0 per cent. of its total assets to prevent impairment of asset quality and also reviews its underwriting criteria for impaired accounts to determine whether they should be placed on the Issuer's watch list.

Further, as part of the Issuer's risk management strategy and response to the global uncertainty, the Issuer will increase its focus on providing project finance loans to borrowers such as government-linked companies and publicly-listed companies in lower-risk countries in Southeast Asia. As such, borrowers are based in jurisdictions which are geographically closer to the Issuer's home jurisdiction so that the Issuer is more familiar with the regulatory environment in which such borrowers operate and has greater ability to monitor their performance and compliance with the terms and conditions of the financing facilities.

- ***Continuous preservation of capital***

The Issuer undertook a recapitalisation exercise in 2008 by way of a RM1.98 billion loan-to-equity conversion in 2008 by the Government. The Issuer further undertook a recapitalisation exercise in 2018 by way of a RM250 million advance from MOF (Inc.) in 2017 which was subsequently capitalised as RCCPS. Through such recapitalisation exercise, the Issuer was able to restore its balance sheet. The Issuer will continue to focus on building a pool of high quality assets so as to avoid future erosion to capital and minimise future capital injection from the Government. The Issuer aims to be self-sustaining and in order to do so, it will pursue a cautious and sustainable approach in growing its business.

- ***Building Islamic finance and takaful business***

The Issuer aims to continue to grow its Islamic finance and takaful business. Where a customer is ambivalent as to whether to enter into an Islamic or conventional product and unless there is a material reason for entering into a conventional product, the Issuer seeks to offer the customer an Islamic financing

product where possible in the future. In 2020 the Issuer's income from its Islamic banking business was RM112.20 million, compared to RM122.27 million in 2019.

- ***Enhancing marketing strategies to SMEs***

The Issuer aims to build quality assets through SMEs and has begun collaborative efforts through various partnerships with both local and international financial institutions, technology partners and solution providers that will enable the Issuer to extend its support and promotion of SMEs to grow beyond their local markets.

The Issuer will enhance the marketing strategies it adopts to attract SME borrowers with respectable track records through direct marketing efforts and mass market outreach programmes. The Issuer believes a mass market outreach approach will be the most effective in attracting SMEs and will continue its mass market outreach programmes by participating in seminars or roadshows both locally and internationally, including through its collaboration with local banks, agencies of the Government or trade associations. Further, in order to improve its business opportunities with SMEs, the Issuer aims to develop specific products to meet their funding needs and further develop its expertise in SME marketing methodology through the exchange of information with regional export credit agencies and DFIs.

- ***Building trade credit insurance business***

The Issuer had in the past relied on the one-to-one marketing approach or the development of new partnerships with other banks where the Issuer will play the usual role of a commercial trade credit insurance provider to build its business. As there were limited engagement and follow-up meetings with prospective clients, this affected the ability of the Issuer to realise its pipeline into actual policies. To grow its trade credit insurance business further, the Issuer intends to build into its pipeline reciprocal business with government-linked companies and trade associations such as MATRADE and engage with the underwriters on a frequent basis to review certain key policies that could affect a deal outcome. In addition, the trade credit insurance department aims to structure its work methodology into three steps: (1) there will be personnel responsible for sourcing new business opportunities and others to nurture the business when they come in; (2) strengthening the skills of its personnel so that they are equipped to support robust growth of the business; and (3) mobilising its personnel and adapting their roles so as to meet the changing needs of the insurance industry.

- ***Cross-selling between its businesses and building branding and awareness***

The Issuer aims to capitalise on its insurance, banking and advisory services to broaden its reach to Malaysian exporters, thereby offering a complete solution to Malaysian businesses venturing overseas. The Issuer will further improve its branding and increase awareness of its areas of business such as the provision of financing facilities relating to the export of goods, export of services and overseas investments, financing facilities relating to imports of intermediary and capital goods and other strategic imports, as well as advisory services for Malaysian exporters.

- ***Sufficient liquidity of funds***

The Issuer will continue to diversify its financing arrangements for its conventional and Islamic banking business through borrowings or equity. To ensure asset growth is effectively funded, the Issuer will strive to match the maturity profile of its assets and liabilities. The Issuer obtains funding for its long-term borrowings from the debt capital markets or the loan markets (both syndicated and bilateral). To fund its trade finance facilities, the Issuer usually relies on revolving credit facilities through bilateral arrangements or using the Issuer's equity.

Further, the Issuer continues to explore other funding opportunities by building strategic alliances with suitable international financial institutions. In this connection, the Issuer has established and will continue to maintain strong alliances with other Asian export-import banks, commercial banks and

international organisations to expand its cross-border business, enhance international trade and facilitate transactions which are too large for a single Asian export-import bank.

- ***Leveraging on alliances with export credit agencies and multilateral bodies***

The Issuer will leverage on its current network of regional and international alliances with export credit agencies and multilateral bodies to offer co-financing and reciprocal insurance coverage against export credit and political risk. Close collaboration with such organisations will provide the Issuer with opportunities for commercial and technical co-operation through the exchange of commercial information, technical support and training programmes which will in turn align the Issuer closer to the quality and performance of other leading export-import banks and multilateral organisations.

- ***Developing and retaining talent***

The Issuer will continue to instil a high performance culture by conducting training and development programmes for its employees with a focus on credit management, soft skills development, enhancing technical proficiency and leadership development skills. The Issuer undertakes regular employee surveys with a view to apply meaningful key performance indicators and to undertake commensurate salary review exercises to boost productivity. The Issuer has also adopted a succession planning and strategic leadership development model to ensure the continued success of the Issuer.

The Issuer has engaged an Executive Committee to drive its culture of high performance, establish clear criteria and standards to encourage the right behaviours and actions to equip them for the digital future.

- ***Deploying modernised technology and building data analytics capabilities***

The Issuer aims to deploy technology to modernise and build resilience in its operations, and build data analytics capabilities. As part of this, the Issuer is assessing its current technology capability and maturity and identifying future trends and opportunities to chart a new IT and Digital Blueprint that will guide its digital transformation. The Issuer is also increasingly looking for partners and platforms that it can collaborate with.

Government Supervision and Support

DFIs are specialised financial institutions established by the Government with a specific mandate to develop and promote key sectors that are considered to be of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include agriculture, maritime, the export-oriented sector as well as capital-intensive and high-technology industries.

As specialised institutions, DFIs provide a range of specialised financial products and services to suit the specific needs of the targeted strategic sectors. Ancillary services in the form of consultation and advisory services are also provided by DFIs to nurture and develop the identified sectors. DFIs therefore complement the banking institutions and act as a strategic conduit to bridge the gaps in the supply of financial products and services to the identified strategic areas for the purpose of long-term economic development.

The Issuer is the only DFI in Malaysia dedicated to promoting the development of cross-border transactions, which it does mainly through the provision of loan facilities and insurance coverage to Malaysian entities venturing overseas in their businesses. The strategic function assigned to the Issuer is financing and credit insurance coverage for exports and imports.

The Issuer's performance is regularly monitored by MOF (Inc.) and BNM. MOF (Inc.) reviews quarterly management and key performance indicator reports submitted by the Issuer and assesses the Issuer's performance based on key performance indicators, including the Issuer's contribution to national development, compliance with statutory and regulatory requirements, value creation, fiscal performance and growth and Government and stakeholder management. The annual accounts of the Issuer are approved by MOF (Inc.), which has the authority to conduct an audit on the Issuer. The Issuer submits quarterly financial reports to BNM. The Issuer is also obliged to undertake monthly statistical reporting to BNM. BNM has specific guidelines in respect of governance, capital and risk management which the Issuer must observe as a DFI. BNM also has the authority to conduct an audit of the Issuer.

In 2007, MOF (Inc.) granted a RM100.0 million grant to the Issuer to strengthen the Issuer's balance sheet position. In 2008, MOF (Inc.) entered into a debt for equity swap for an approximately RM2.0 billion loan granted to the Issuer under the ECR scheme in order to strengthen the Issuer's capital base. The purpose of this loan was to promote Malaysian exports by offering competitive rates to banks participating in the export credit refinancing scheme for on-lending to exporters.

The Issuer has received funding from the Government to support specific causes considered to be of strategic importance to Malaysia's economic development. In 2006, BNM disbursed a RM1.0 billion loan to the Issuer in support of the EXIM overseas guarantee facility scheme to assist Malaysian companies which are bidding for or have secured overseas contracts to obtain credit facilities from financial institutions. Further, in 2006, the Government provided its support by way of a capital injection to the Issuer amounting to RM350.0 million in order for the Issuer to carry out its role of promoting Malaysia's export of goods and services under the Ninth Malaysia Plan 2006-2010. The Issuer has also managed funds from the Government for the Issuer's MKFF scheme since its inception in 2007. The funds intended for disbursement under the Issuer's MKFF scheme are due to be returned to the Government in December 2022.

Subsidiaries

The following is a description of the Issuer's subsidiaries as at 31 December 2019 and 31 December 2020:

Name of company	Principal activities	Country of incorporation	Effective ownership interest
			2020
			(%)
Malaysia Export Credit Insurance Berhad . . .	Dormant	Malaysia	100
EXIM Sukuk Malaysia Berhad	Special purpose vehicle for Sukuk issuance	Malaysia	100

Malaysia Export Credit Insurance Berhad, a wholly-owned subsidiary of the Issuer, was formerly engaged in the provision of export and domestic credit insurance facilities and guarantees. The company is currently dormant.

In September 2013, the Issuer launched its U.S.\$1.0 billion unsecured multicurrency Sukuk programme (the "**Sukuk Programme**") through a special purpose vehicle company, EXIM Sukuk Malaysia Berhad (the "**SPV**"). Under the Sukuk Programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in U.S. dollars or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenors and may bear a fixed or floating rate of interest.

Information Technology Systems

Under the Information Technology Steering Committee (“**ITSC**”), the Issuer has established information technology (“**IT**”) governance and formulated IT strategic plans in ensuring that IT is capable of supporting the Issuer’s strategic business plans.

ITSC is responsible for ensuring that the technology risk management function is established with a Board-approved Technology Risk Management Framework and Cyber Resilience Framework implemented and incorporated within the organisation, as well as any other specific policies and procedures that are consistent with the regulatory requirements. The technology risk management function shall provide independent advice on technology projects by ensuring critical issues that may have an impact on the Issuer’s risk appetite are adequately assessed or escalated, with reports and recommendations being prepared by the ITSC.

Legal Proceedings

The Issuer may from time to time be involved in a number of legal proceedings and regulatory relationships in the ordinary course of its business. There was an amount of insurance premium expense of RM59,857 for the directors of the group and the Issuer in respect of their liability for any act or omission in their capacity as directors of the group and the Issuer or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial year ended 31 December 2020. The Issuer is not aware of any governmental, legal or arbitration proceedings which may have a significant effect on the Issuer’s financial position and the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the recent past a significant effect on the Issuer’s financial position.

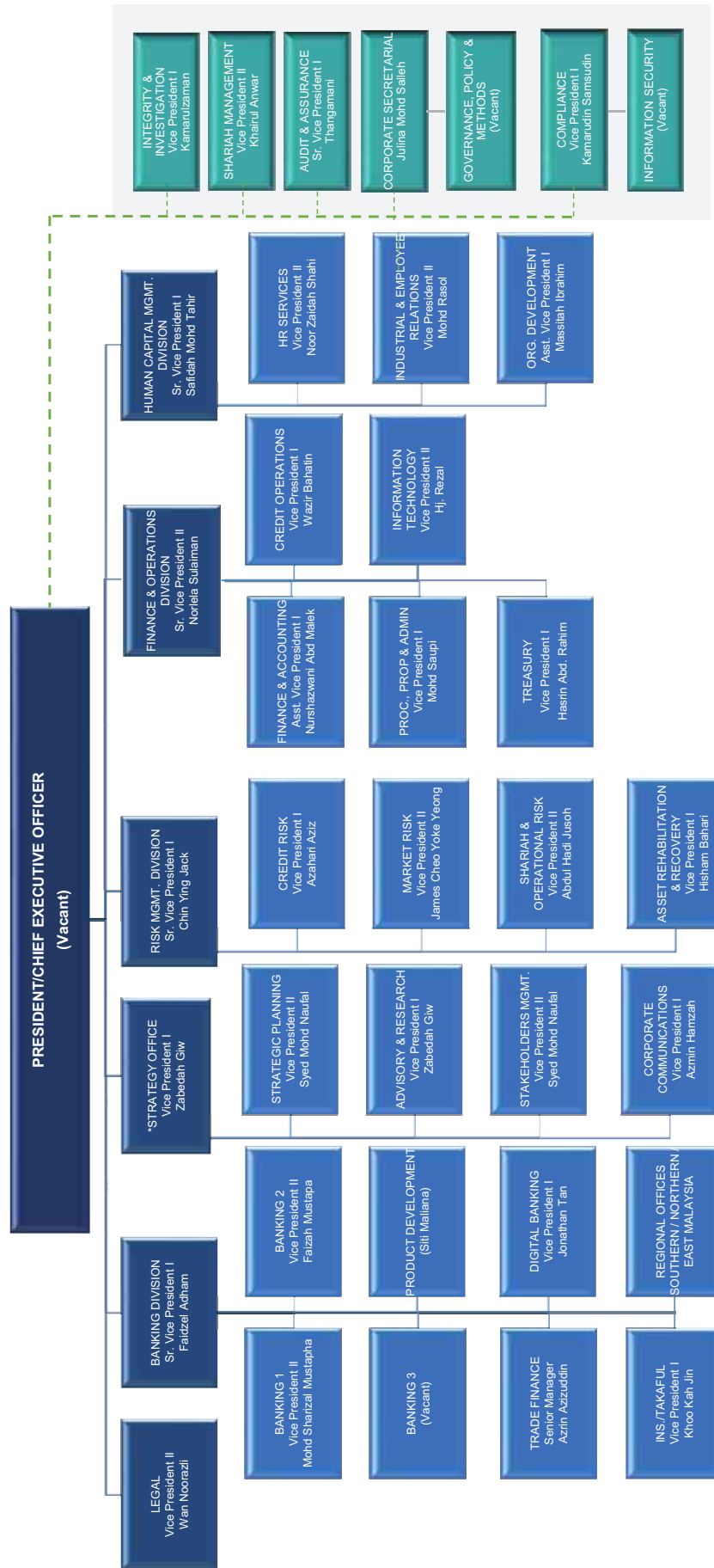
Employees

As at the date of this Offering Circular, the Issuer had 308 employees.

Corporate Organisation

Set forth below is the Issuer's corporate organisational chart as at the date of this Offering Circular.

ORGANISATION CHART



FUNDING AND CAPITAL ADEQUACY

Funding

The Issuer had shareholders' equity of RM1,613,612,000 as at 31 December 2020. The Issuer does not accept deposits and instead raises funds via other financial institutions as well as from the wholesale capital market. These borrowings are usually in the form of term loans, revolving loans or bonds (whether publicly offered or privately placed) denominated in U.S. dollars and other major international currencies. In June 2012, the Issuer established a U.S.\$1.5 billion (approximately RM6.0 billion) Multicurrency Medium Term Note Programme which was subsequently upsized to U.S.\$3.0 billion (approximately RM12.0 billion) in October 2016. In September 2013, the Issuer launched its U.S.\$1.0 billion unsecured multicurrency Sukuk Programme through the SPV. Under the programme, the Bank may from time to time issue Sukuk in series or tranches, which may be denominated in U.S. dollars or any other currency deemed appropriate at the time. The Issuer has also received funding from the Government to support specific causes considered by the Government to be of strategic importance to Malaysia's economic development. See "*Business of the Issuer – Government Supervision and Support*".

In contrast to commercial banks, there are no regulatory requirements issued by BNM which require the Issuer to maintain a minimum level of liquidity. Nevertheless, the Issuer recorded a liquidity coverage ratio of 179.78 per cent. and 185.42 per cent. as at 31 December 2019 and 31 December 2020, respectively. The Issuer has a reasonably diversified debt maturity structure with 6.9 per cent. of total borrowings having a maturity beyond five years as at 31 December 2020. The Issuer ensures that the majority of the Issuer's investments are maintained in liquid and quality fixed income securities. See "*Asset Quality – Loan Maturity Profile*".

Capital Adequacy

As at 31 December 2019 and 31 December 2020, the Issuer's ratio of capital base to total risk-weighted assets was 29.0 per cent. and 38.8 per cent., respectively, which were well above the minimum requirements set by BNM of 8.0 per cent. for DFIs.

The Issuer's computation of capital follows the capital adequacy framework provided in BNM's Guideline on Capital Framework for Development Financial Institutions (BNM/RH/GL 005-7) which comprises three broad categories, namely:

- (i) General capital adequacy requirements;
- (ii) Components of eligible regulatory capital; and
- (iii) Risk-weighted assets.

As at 31 December 2020, the entire tier 1 capital of the Issuer was in the form of core equity with no hybrid forms of capital.

ASSET QUALITY

Loan Portfolio

As at 31 December 2019 and 31 December 2020, the Issuer's total gross outstanding loans, advances and financing were RM7,011.0 million and RM5,739.6 million respectively, which represented 73.8 per cent. and 66.5 per cent. of the Issuer's total assets as at the same dates respectively.

The composition of the Issuer's loan portfolio as at 31 December 2019 and 31 December 2020 is set out below.

Gross loans, advances and financing

	2019	2020
	<i>(RM'000)</i>	
Loans, advances and financing	6,769,144	5,695,247
Loans under MKFF scheme	9,776	8,976
Amount due from ECR debtors	231,136	34,589
Staff loans	977	752
	7,011,033	5,739,564

Gross loans, advances and financing analysed by facility

	2019	2020
	<i>(RM'000)</i>	
Buyer Credit	837,608	890,257
Overseas Contract Financing	106,980	34,472
Overseas Investment Financing	576,613	526,845
Term Financing	15,468	85,500
Overseas Project Financing	1,749,273	1,221,569
Supplier Credit	224,389	103,748
Export Finance	8,108	–
Buyer Credit-i	(1,178)	–
Export Finance-i	–	8,236
Supplier Financing-i	1,439,805	1,242,791
Term Financing-i	953,588	861,189
Overseas Investment Financing-i	174,088	114,292
Overseas Contract Financing-i	98,494	84,189
Overseas Project Financing-i	474,044	456,067
Malaysian Kitchen Financing Facility (“MKFF”)	7,216	6,772
Malaysian Kitchen Financing Facility-i (“MKFF-i”)	2,560	2,204
ECR	231,136	34,589
Vendor Financing	13,449	8,776
Vendor Financing-i	98,415	57,316
Staff loans and advances	977	752
	7,011,033	5,739,564

Exposures to credit risks

The Issuer monitors country exposures and manages its country risk by undertaking, on a regular basis, analysis of the political, economic, financial and social developments of each country where it has significant exposures and by setting a specific country limit.

The table below shows the Issuer's exposures to on-balance sheet credit risk by geographical region. On-balance sheet exposures in these tables includes deposits and placements with banks and other financial institutions, investment securities and amounts due from ECR debtors, as well as loans, advances and financing.

Group and Bank	2019	2020
	<i>(RM'000)</i>	
Malaysia	7,973,385	7,533,959
East Asia	68,725	46,620
South Asia	1,961,305	1,517,637
Central Asia	335,923	322,905
Middle East	345,562	343,070
Africa	239,604	196,536
Europe	562,406	463,324
America	80,053	79,358
Oceania	79,162	111,259
	11,646,125	10,614,669

The table below shows the Issuer's exposures to off-balance sheet credit risk by geographical region. Off-balance sheet exposure includes banking operation commitments as well as short- and medium- or long-term insurance operations.

	2019	2020
	<i>(RM'000)</i>	
Malaysia	1,580,882	2,378,037
East Asia	549,894	26,288
Central Asia	—	—
South Asia	42,004	363,397
Middle East	119,979	102,492
Africa	207,023	132,969
Europe	101,361	32,782
America	82,648	40,936
Oceania	345,102	20,291
	3,028,893	3,097,192

The table below shows the percentages of the Issuer's exposure to on-balance sheet credit risk by industry.

	<u>2019</u>	<u>2020</u>
	(%)	
Primary agriculture	5.7	2.7
Mining and quarrying	3.0	4.7
Manufacturing	11.3	7.8
Transport, storage and communication	15.9	18.6
Construction	1.9	9.1
Wholesale and retail trade and restaurants and hotels	7.5	4.1
Finance, insurance, real estate and business activities	35.8	42.0
Electricity, gas and water	6.0	5.0
Education, health and others	0.9	1.4
Government	4.9	2.8
Property development	6.4	1.0
Others	0.7	0.8
	<u>100.0</u>	<u>100.0</u>

The table below shows the percentages of the Issuer's exposure to off-balance sheet credit risk by industry.

	<u>2019</u>	<u>2020</u>
	(%)	
Manufacturing	51.2	39.1
Transport, storage and communication	2.7	26.3
Construction	2.2	7.9
Electricity, gas and water supply	1.4	0.7
Finance, insurance, real estate and business activities	9.4	8.3
Wholesale and retail trade and restaurants and hotels	15.4	4.1
Government	2.9	–
Mining and quarrying	6.9	8.2
Primary agriculture	–	2.8
Education, health and others	2.9	2.6
Property development	1.7	–
Others	3.3	–
	<u>100.0</u>	<u>100.0</u>

Loan Maturity Profile

As at 31 December 2020, loans maturing in less than one year constituted 43.9 per cent. of the Issuer's gross loans, 28.6 per cent. of gross loans had maturities of one to three years, 17.0 per cent. of gross loans had maturities of three to five years and 10.5 per cent. of gross loans had maturities of more than five years.

Loans with maturities within one year consist entirely of short-term trade finance facilities.

The following table sets out the breakdown of the Issuer’s gross loan portfolio by remaining maturity as at 31 December 2019 and 31 December 2020:

	<u>2019</u>	<u>2020</u>
	<i>(RM'000)</i>	
Within one year	2,270,245	2,518,994
One year to three years	600,245	1,638,613
Three years to five years	1,789,856	977,353
Over five years	2,350,687	604,604
	<u>7,011,033</u>	<u>5,739,564</u>

Impairment of financial assets

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

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

For debt instruments at Fair Value through Other Comprehensive Income (“**FVOCI**”), the Issuer applies the low credit risk simplification. At every reporting date, the Issuer evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supporting information that is available without undue cost or effort. In making that evaluation, the Issuer reassesses the internal credit rating of the debt instrument. In addition, the Issuer considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Write-off Policies

The Bank in general would only write off Impaired Loans upon exhausting all efforts to recover the outstanding exposures. The process of write-off shall follow the internal guidelines of the Bank. However, in the case of very small exposures, they will be written off on the basis of the cost of recovery outweighing any expected benefits to be derived from pursuing any litigation.

Profile of Impaired Loans, Advances and Financing

As at 31 December 2020, the Issuer's Impaired Loans, Advances and Financing amounted to RM2,382.5 million and the ratio of gross and net Impaired Loans, Advances and Financing to total gross loans (with ECR debtors) was 41.5 per cent. and 13.5 per cent, respectively.

The table below shows the percentages of gross impaired loans, advances and financing and net impaired loans, advances and financing (including ECR) against gross loans, advances and financing in 2019 and 2020.

	<u>2019</u>	<u>2020</u>
Gross impaired loans, advances and financing as a percentage of gross loans, advances and financing (with ECR debtors)	37.7	41.5
Net impaired loans, advances and financing as a percentage of gross loans, advances and financing (with ECR debtors)	9.6	13.5

The table below shows the percentages of gross impaired loans, advances and financing and net impaired loans, advances and financing (excluding ECR) against gross loans, advances and financing in 2019 and 2020.

	<u>2019</u>	<u>2020</u>
Gross impaired loans, advances and financing as a percentage of gross loans, advances and financing (without ECR debtors)	39.0	41.8
Net impaired loans, advances and financing as a percentage of gross loans, advances and financing (without ECR debtors)	10.0	13.5

The table below shows the impaired loans, advances and financing coverage ratio (ratio of stage 3 allowance for probable losses on impaired loans, advances and financing to total gross impaired loans, advances and financing) in 2019 and 2020.

	<u>2019</u>	<u>2020</u>
Impaired loans, advances and financing coverage ratio (%)	74.5	67.6

The amount of gross impaired loans, advances and financing recovered was RM565.5 million in 2019 and RM361.9 million in 2020. The Issuer intends to focus on recovery and rehabilitation efforts, which may include the appointment of third party service providers to expedite its recovery exercise.

The table below shows the amount of the Issuer's Impaired Loans, Advances and Financing recovered in 2019 and 2020.

	<u>2019</u>	<u>2020</u>
Impaired Loans, Advances and Financing recovered (RM'000)	565,492	361,894

Securities Portfolio

Investments at amortised cost

Investments at amortised cost are measured using the Effective Interest Rate ("EIR") or the Effective Profit Rate ("EPR") method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or impaired. As at 31 December 2020, investments at amortised cost constituted 41.8 per cent. of the Group's and the Bank's total financial investments.

Investments at Fair Value through Other Comprehensive Income (“FVOCI”)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit and loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income (“OCI”). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. As at 31 December 2020, investments at FVOCI constituted 58.2 per cent. of the Group’s and the Bank’s total financial investments.

Investments designated at FVOCI

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment. As at 31 December 2020, the Group and the Bank do not have any equity investments designated at FVOCI.

Investments at Fair Value through Profit or Loss (“FVTPL”)

Investments at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statement of profit and loss. As at 31 December 2020, the Group and the Bank do not have any investments at FVTPL.

Investment Policy

The purpose of the Issuer’s investment policy is to provide a broad framework and guiding principles for cash placements and securities investment related activities of the Issuer’s excess funds, and to establish adequate control mechanisms that are maintained by the respective committees and senior management of the Issuer.

The main objectives of the Issuer’s investment activities are to:

- (a) ensure that all the principal and interest payments are protected from all investment exposures;
- (b) maintain an adequate level of liquidity so that the Issuer is able to meet its financial obligations as and when they arise, such as following the crystallisation of claims from the Issuer’s trade credit insurance and guarantee operations and from expenses arising from business operations;
- (c) optimise returns from investment activities by simultaneously pricing-in safety levels in respect of the Issuer’s future cash flow needs;

- (d) manage credit and interest rate risks and their potential impact on the Issuer's earnings and the market values of its assets; and
- (e) maintain an adequate level of liquid assets which can be used or readily converted into cash where such a need arises.

RISK MANAGEMENT

The Issuer is faced with many different types of risk including operational risks and credit risks. These risks, which present themselves on a number of fronts, demand a coordinated and systematic approach towards response and management. Risk management is a critical part of the Issuer's operating model, and has become an integral part of the Issuer's management and decision-making at all levels. The Issuer's risk management initiatives are formulated based on the objective of protecting the Issuer's capital from potential losses through effective management of risks which arise from fulfilling its vision of becoming a preferred financier and advisor for global business in Malaysia.

Risk Management Framework

The Issuer's risk management has evolved over the years in supporting its risk related decision-making, while balancing the appropriate level of risks taken to the desired level of rewards. This is governed by the Risk Management Framework ("**RMF**") that covers risk in the areas of primary enterprise categories, governance, approaches and the specific management of it. For this purpose, the Issuer has dedicated risk management functions that manage risks through the process of identifying, measuring, monitoring and controlling the primary enterprise risk categories, as well as timely reporting and update of action plans on the risk findings. These are governed by a structured risk governance mechanism consisting of strong Board and Management oversight roles and responsibilities towards building and integrating the Issuer's risk strategy within the organisation's strategic management and operational processes. This is further reflected through the establishment and regular review of other risk frameworks, policies, procedures and manuals to support the Issuer's risk related decision-making. These strategies and approaches of the Issuer's risk management must be responsive to any internal, as well as external, changes in the Issuer's environment, and may be achieved through the following:

- (a) Establishment of the Board approved risk appetite
- (b) Formulation of risk limits covering all relevant and material risks
- (c) Establishment of effective risk assessment, monitoring, mitigation and reporting processes
- (d) Development of risk methodology, models and model validation

Risk Management Strategies

The Issuer's risk management strategies were formulated based on the objective of protecting its capital from potential losses through effective management of risks which arise from fulfilling its vision to become a preferred financier and advisor for global business in Malaysia. In order to achieve the above objective, the Issuer has identified the following risk management strategies:

(a) ***Clear Responsibilities on Risk Management***

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

(b) ***Integrate Risk Management in all Decision-making Processes***

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

(c) *Comprehensive Assessment of Risks on All Activities*

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

(d) *Effective Risk Control Mechanisms*

Risk control mechanisms include framework, policies, guidelines, procedures and risk limits that are designed, among other things, to ensure that each risk has a proper mitigating process and measurement, which are effectively implemented.

(e) *Adequate System for Monitoring and Reporting*

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

(f) *Effective Internal Control Review*

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

Risk Governance

The Issuer's RMF specifies the structure of strategy setting, approval and overall governance of risk management in the Issuer that is appropriate to the nature, scale and complexity of the business activities.

Furthermore, its organisational structure supports the risk management culture to ensure a uniform view of risk bank-wide.

The Issuer's risk management organisation structure has the following characteristics:

- (a) clear roles and responsibilities of the Board and Management in managing risks;
- (b) clear roles and responsibilities of various committees and senior management that support the Issuer's risk management initiatives;
- (c) an independent risk management function with sufficient authority, independence, resources and access to the Board which is able to provide an independent view of the Issuer's risk positions; and
- (d) a strong risk management culture which manifests itself through the understanding of risks across every level of the organisation and which ensures that decisions on business and activities are in line with the Issuer's risk management strategies and risk appetite.

The following table shows the risk governance structure of the Issuer:

Risk Governance Structure:	
Board of Directors (Board)	
The ultimate governing body with overall risk oversight responsibility, including defining the appropriate governance structure and risk appetite.	
Shariah Committee (SC)	
Responsible to ensure that the Islamic banking and takaful business activities of the Bank comply and conform to Shariah rules and principles.	
Board Committee	
Board Risk Committee (BRC)	Board Credit Committee (BCC)
Responsible to review the risk management framework, key risk policies and risk appetite for approval of the Board, as well as review the risk reports.	Responsible to approve “policy loans/financing” and has veto power to challenge, reject credit and modify the terms of credits that have been recommended by Management Credit Committee (MCC.)

The Board aims to ensure that risks are managed effectively and at acceptable levels through effective oversight of the Management. The Board is assisted by the following Board committees in its overall responsibility for risk oversight:

- (a) Shariah Committee;
- (b) Board Committees (consist of Board Risk Committee and Board Credit Committee);
- (c) Management Committees (consist of Management Audit, Risk and Compliance Committee, Management Credit Committee, Assets and Liabilities Committee and Information Technology Steering Committee); and
- (d) Line of Defence (subdivided into Front Line, Second Line and Third Line).

1. *Shariah Committee*

The Shariah Committee is responsible for ensuring that the Islamic banking and takaful business activities of the Issuer comply and conform to Shariah rules and principles.

2. *Board Committees*

(a) *Board Risk Committee (“BRC”)*

The BRC is responsible for reviewing the risk management framework, key risk policies and risk appetite for approval of the Board, as well as reviewing the risk reports.

(b) *Board Credit Committee (“BCC”)*

The BCC is responsible for approving “policy loans/financing” and has the power to challenge, reject credit and modify the terms of credits that have been recommended by the MCC.

3. *Management Committees*

(a) *Management Audit, Risk and Compliance Committee (“MARCC”)*

The MARCC is responsible for monitoring and reviewing the management of key and any emerging risks of the Issuer. This includes reviewing the framework, policies, risk appetite, procedures, adequacy of internal controls and systems, as well as new product or material variation to the existing product offering.

The MARCC, if deemed appropriate, may make recommendations pertaining to the Bank's audit, risk and compliance management (for both conventional and Shariah) as well as new products or material variation to existing products to the BRC, for review and subsequent approval by the Board.

(b) Management Credit Committee ("MCC")

The MCC is responsible for reviewing, deliberating and approving new and renewed loan/financing/credit/insurance related proposals, including recovery, restructuring and rescheduling proposals, as prescribed in the Approving Authority and Authority Limits.

(c) Assets and Liabilities Committee ("ALCO")

The ALCO is responsible for overseeing the overall asset and liability ("ALM") management, including endorsing the appropriate strategies needed, assessing net interest income performance and ensuring that all ALM risks remain within the risk appetite set by the Board.

(d) Information Technology Steering Committee ("ITSC")

The ITSC is responsible for providing oversight of information technology ("IT") governance and formulating the IT strategic plans to ensure that IT is capable of supporting the Issuer's strategic business plans.

This includes monitoring and assessing any new IT regulations that may have an operational impact on the Issuer. The ITSC, if deemed appropriate, may make recommendations to the MARCC and the BRC for review and further approval by the Board.

4. Line of Defence

(a) First Line

First line of defence refers to all staff in the business functional lines and other supports functions.

(b) Second Line

Second line of defence shall remain well-defined, effective and independent from business and operational decisions. Departments/Divisions within the second line of defence shall be knowledgeable and competent in performing the risk management functions and constructively challenge business functional lines in executing the Issuer's activities and in managing risks. They shall be equipped with adequate resources and support to perform the risk management roles with unlimited access to internal systems and information. Regular communication with the first line of defence shall be put in place for effective risk management approaches bank-wide.

(c) Third Line

Third line of defence shall conduct periodic reviews of its risk management processes to ensure its integrity, accuracy, and reasonableness, as well as provide assurance on the Issuer's overall compliance to the applicable laws, regulations, internal policies, procedures and limits. Close interaction with the second line of defence is required in escalating any risk issues and to put in place effective controls bank-wide. This includes follow-up on the action plans on any risk findings prior to submission to the relevant authorities.

The Issuer has developed four main risk management processes as set forth below:

Risk Identification

- Identify all enterprise risk exposures, including credit risk, operational risk, Shariah non-compliance risk, market risk, liquidity risk, information and cyber security risk and compliance risk, as well as any emerging risks that may potentially impact the Issuer significantly.
- Classify the risk exposures in accordance to its risk characteristics, i.e. impact (example: internal or external, material or non-material, financial or non-financial impact, impact on current or future position) and likelihood of the risk materialising.

Risk Assessment

- Continuous assessment on the risks together with the measurement for potential impact of the risk exposure, such as the estimated credit loss computation using the Probability of Default, the Loss Given Default and the Exposure at Default on the Issuer's credit exposures and the assessment for loss event of the Issuer's exposures to operational risk and the effectiveness of the internal controls.
- Regular assessment of the effectiveness of the Issuer's management of risk.
- Periodic assessment through the agreed risk methodology and relevant tools, such as Risk and Control Self-Assessment, Key Risk Indicator and Key Control Testing.

**Risk Management,
Treatment and Control**

- Establishment of proper controls and limits.
- Proper coordination and communication for effective risk management between the business and functional lines.
- Evaluation for the effectiveness of the risk mitigation plan or strategy provided.
- Constructively challenge the assessments produced by the business lines.
- Ensure risk information is captured in a timely and relevant manner for further escalation and reporting to management and the Board's oversight and decision.

**Risk monitoring and
Reporting**

- Identify and specify the internal and external requirements of monitoring and reporting.
- Monitor and escalate any breaches of risk limits and ensure the proposed risk mitigation implemented is effective in managing the risk exposures and breaches within the risk limit and specific time frame.
- Ensure that the risk reporting systems are accurate, dynamic and comprehensive.

Risk and Compliance Culture

In cultivating such a culture, the issuer has implemented the Designated Compliance and Operational Risk Officer (“**DCORO**”) programme for effective compliance and risk management activities by departments/divisions. The DCOROs identify, document and assess the compliance risk, as well as to review the operational and Shariah non-compliance risk exposures, which may arise from the Issuer’s product, people, processes and systems.

They also facilitate the effective management of information disclosure from the regulatory authorities for onward submission to the Chief Compliance Officer (“**CCO**”) and Business Continuity Management (“**BCM**”) related activities. DCOROs are also responsible for reporting on the compliance and operational risk matters periodically, as well as on the loss event, as and when required, as per the Guidelines on Operational Risk Integrated Online Network and Guidelines on Managing Shariah Non-Compliance Risk.

Compliance Risk Management

The compliance function performs the identification and assessment through the qualitative or quantitative indicators in evaluating the adequacy of internal controls in place to manage compliance risk. It also reports to the Board for oversight on the assessment and findings analysis of compliance risk that highlights the key changes in the compliance risk profile for further attention, as well as to report any identified deficiencies and action plans to address such deficiencies within a stipulated timeframe.

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

Technology Risk Management

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

These specific policies and procedures include the Issuer’s technology processes and services, as well as proper cyber-resilience capabilities with continuous validation of controls and as the overseeing party of the information technology and cyber risks. It also provides independent advice on critical technology projects by ensuring critical issues that may have an impact on the Issuer’s risk appetite are adequately deliberated or escalated in a timely manner.

Risk Appetite

The Issuer’s Risk Appetite Framework (“**RAF**”) governs the overall approach, including policies, processes, controls and systems, through which the risk appetite is established, communicated and monitored.

Risk appetite is the amount and type of risk the Issuer is willing to undertake and implement, given the relevant controls for measuring and managing the risks identified. The RAF generally has three main components, for example, the Risk Appetite Statement (“**RAS**”), risk appetite metrics along with the limits, as well as the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

Defining and analysing the RAS is amongst the fundamental tools to maintain acceptable returns, while exploiting potential competitive advantages linked to the business models and portfolio compositions of the Issuer. Reviewing the RAS on a regular basis and/or when deemed necessary, ensures it remains aligned to the Issuer’s strategic objectives, business performance, emerging risks and changes in the external environment.

Stress Test

In order to anticipate and respond swiftly to new or emerging risks, the Issuer performs periodic stress tests as part of the risk management process.

Top-down and bottom-up approaches, where appropriate, are adopted by the Issuer in its stress testing exercise depending on the purpose of the stress test. The stress testing exercise must commensurate with the nature, size and complexity of the Issuer’s business operations and risk profile. It must be comprehensive in its scope and coverage and includes on-and off-balance sheet exposures, commitments, guarantees and contingent liabilities.

This is in line with BNM’s Stress Test Guidelines, which requires simulating events that could potentially impact the Issuer’s capital position with main emphasis on credit, liquidity, market and operational risks.

For governance, the respective primary enterprise risks in the Issuer produces the following key frameworks and policies:



Risk Mitigation

Effective management of risk is crucial to enable the Issuer’s strong and sustained growth.

Based on the operating landscape in 2020, the Issuer has identified key primary risks and risk mitigation as follows:

1. Credit Risk

Definition

Credit risk refers to the risk due to uncertainty on the customer or the customer’s counterparty ability to meet its obligations or failure to perform according to the terms and conditions of the credit related contract.

Mitigation Measures

- a. Perform independent credit evaluation and periodic review of the Portfolio Risk Rating, Target Market and Risk Acceptance Criteria, product programmes, Underwriting Standards and all other matters pertaining to credit risks.
- b. Proactive account management, through identification of the Significant Increase in Credit Risk events, for timely account classification and re-classification with appropriate expected credit loss provisioning and effective credit risk mitigation.
- c. Maintain comprehensive credit policy and limits within the Board-approved Risk Appetite.
- d. All exposures and non-compliances, including emerging risk, are investigated and escalated to the Management & Board Committees with action plan and monitoring status.

2. Shariah Non-Compliance (“SNC”) Risk

Definition

SNC risk is the risk that arises from the Issuer’s failure to comply with the rulings of the Shariah Advisory Council (“SAC”) of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA and section 33E(1) of the DFIA, or decisions or advice of the Shariah Committee for its Islamic banking and takaful business activities.

Mitigation Measures

- a. Ascertain the soundness of Shariah governance framework through four dedicated functions – Shariah
- b. Management, Shariah Risk Management, Shariah Review and Shariah Audit – as required under BNM
- c. Shariah Governance Framework.
- d. Embedded risk function through the establishment of the DCORO functions in every division for active monitoring of SNC risks and reporting matter.
- e. All SNC risk issues and incidents with detailed analysis and action plans are reported to the Management, Board and Shariah Committee.

3. Operational Risk

Definition

Operational risk is the risk of loss arising from inadequate or failed internal processes, inefficient management of personnel, or fault in operating systems or external events that may be beyond the control of the Issuer.

Mitigation Measures

- a. Embedded risk function through the establishment of the DCORO functions in every division for active monitoring of operational risks and reporting matters.
- b. All operational risk issues and incidents with detailed analysis and action plans are reported to Management and Board Committees.

4. Market Risk

Definition

Market risk refers to the potential loss arising from adverse movements in the market prices.

Mitigation Measures

- a. Maintain a comprehensive market risk policy and control.
- b. Proactive monitoring, analysis and reporting by Treasury Middle Office to ensure the market risk management is within the Board-approved Risk Appetite.
- c. All exposures and non-compliances including emerging risk are investigated and escalated to the Management and Board Committees with action plans and monitoring status.

5. Liquidity Risk

Definition

Liquidity risk is the risk of the Issuer's inability to meet cash flow obligations as they come due without incurring unacceptable losses.

Mitigation Measures

- a. Maintain a comprehensive liquidity risk policy and control.
- b. Proactive monitoring and liquidity risk management to ensure it is within the Board-approved Risk Appetite.
- c. Conduct forward-looking scenario analysis and stress test to identify the areas that are vulnerable to liquidity risk and mitigate it with the right amount of liquid buffer and contingency funding plan.
- d. All exposure and non-compliance including emerging risk are investigated and escalated to the Management and Board Committees with action plans and monitoring status.

6. Technology Risk

Definition

Information and cyber security risk are the risks emanating from the use of information technology ("IT") and the Internet. These risks arise from failures or breaches of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions in financial services or operations, or reputational harm to the Issuer.

Mitigation Measures

- a. Establish adequate internal processes and controls, including systems backup and recovery.
- b. Maintain listing of IT-related issues and incidents with close monitoring of rectification progress by the working level committees, for escalation to the Management and Board Committees.

7. Compliance Risk

Definition

Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage that the Issuer may suffer as a result of its failure to comply with legal and regulatory requirements applicable to the Issuer's activities.

Mitigation Measures

- a. Maintain a set of comprehensive compliance framework, policies and procedures.
- b. Embed compliance monitoring through the establishment of the DCORO functions in every division for active monitoring and reporting of compliance matters.
- c. Assessment of high-risk customers
- d. Compliance issues are highlighted and presented for deliberation by the Management and Board Committees.

Top 3 Milestone and Achievements in 2020

1. Revision of Credit Risk Policy (“CRP”)

The Issuer has revised the CRP to ensure comprehensive policies governing the credit risk management is in accordance to the Basel and BNM requirements. The new CRP addresses the credit risk governance, alignment of credit risk management with the Board-approved credit risk appetite, the Issuer’s Risk Appetite Statements and its respective credit components. The CRP also introduced the Target Market and Risk Acceptance Criteria and the Credit Risk Rating through the Credit Risk Management System.

2. Establishment of Shariah Risk and Control Self Assessment (“RCSA”), Key Risk Indicator (“KRI”) and Key Control Testing (“KCT”)

The Issuer has established the RCSA, the KRI and the KCT to inculcate the self-assessment risk awareness and culture among the process and risk owners, which includes the identification, assessment, mitigation and monitoring of the Issuer’s SNC risk exposures.

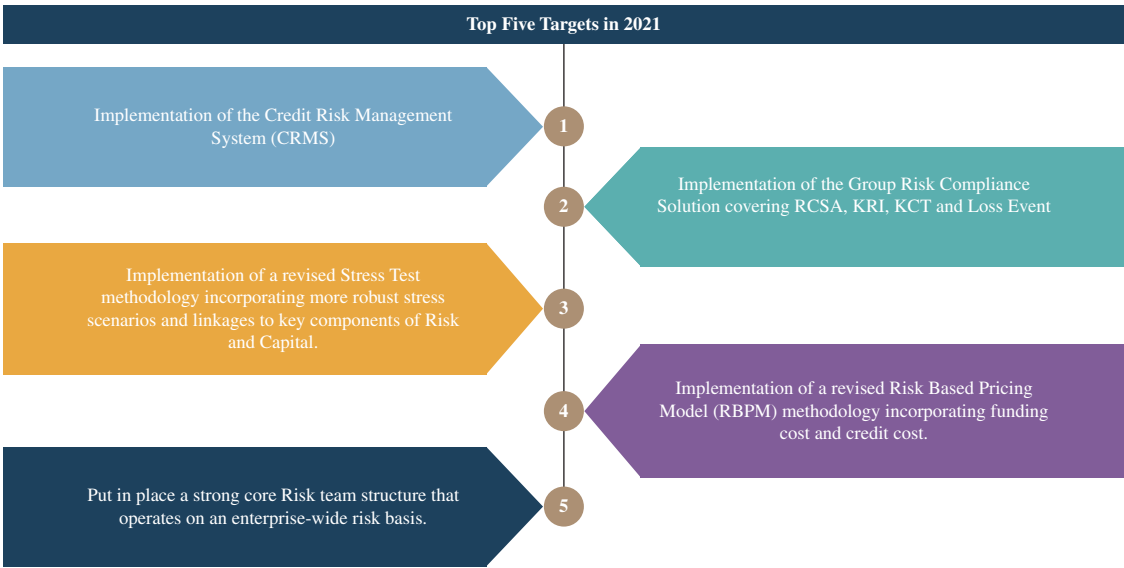
3. Review appointment of Designated Operational Risk Officer (“DOO”)

The Issuer has reviewed appointment of DOO to the DCORO to ensure broad coverage of compliance risk, operational and Shariah non-compliance risk identification and assessment that may arise from the Issuer’s product, people, processes and system. The DCOROs also facilitate for effective management of information disclosure from the regulatory authorities for onward submission to the CCO, participate in the BCM related activities, as well as report the loss event as and when required, as per the Guidelines on ORION and Guidelines on Managing SNC Risk requirements.

Risk Management Plan and Strategies for 2021

The Issuer has a number of Risk initiatives were initiated in 2020 including Credit Risk Management System and Group Risk Compliance Solution with targeted implementation in 2021 with a key focus on ensuring effective implementation of key risk management systems that are currently in progress and building a strong Risk team operating on an enterprise-wide risk model across Credit Risk, Market and Liquidity Risk, Capital Risk and Operational Risk.

The following sets forth the Issuer’s top five targets in 2021:



MALAYSIAN ECONOMY AND BANKING INDUSTRY

The following information regarding the Malaysian economy and banking industry is included for information purposes only and has not been independently verified by the Issuer, any of the Arrangers or Dealers or any of their respective affiliates or advisers. All data and information contained below has been obtained from publicly available official sources in Malaysia and neither the Issuer nor any of the Arrangers or Dealers takes any responsibility for the accuracy of such information.

The Malaysian Economy and Financial Developments²¹

The global economy continued to improve in the second quarter of 2021. However, growth was uneven across advanced economies (“AEs”) and emerging market economies (“EMEs”). In most AEs, faster growth was broad-based across both manufacturing and services sectors, as higher vaccination rates facilitated the easing of containment measures. In contrast, many EMEs continued to be disrupted by containment measures to curb ongoing COVID-19 risks, which dampened economic activity despite improving external demand conditions. With the exception of China, the improvement in year-on-year growth during the quarter was also partially attributable to low base effects from the lockdowns worldwide during the corresponding period last year. The U.S. economy accelerated and expanded by 12.2% during the quarter (1Q 2021: 0.5%). Private consumption was the main driver, supported by fiscal support and the steady improvement in labour market conditions. The further relaxation of containment measures also contributed to the recovery.

Growth in the Euro area also improved to 13.7% (1Q 2021: -1.3%), driven by improvements in both domestic and external activity. The pickup in the vaccine rollout within the euro area economies allowed for the relaxation of containment measures, which benefitted especially the domestic-oriented services. Growth was also supported by continued strength in manufacturing and trade activity. In China, growth normalised to 7.9% (1Q 2021: 18.3%). China experienced sustained strength in exports and a steady recovery in domestic demand, which was supported by expansionary financing. Exports in most regional economies experienced an improvement during the quarter. While this was due to some extent to the lower base in the same quarter last year, exports were also supported by continued strong external demand, particularly for electrical and electronics products, and the rise in commodity prices which benefitted commodity exporters. China and Hong Kong SAR continued to experience high growth in exports in the second quarter of 2021, albeit lower compared to the previous quarter, as growth normalised from the low base effect in the first quarter.

Financial market volatility declined during the quarter, with the Chicago Board Options Exchange’s CBOE Volatility Index averaging 18.1, but it remained above pre-pandemic levels (1Q 2021: 23.2; Jan-Feb 2020: 15.0). The improvement was supported by the better growth outlook in several major AEs. Nevertheless, some spikes in volatility were observed during the release of U.S. inflation data in May, as well as after the Federal Open Market Committee meeting, as investors reassessed the potential timing of the normalisation of U.S. monetary policy. In addition, investor sentiments were weighed by the spread of new COVID-19 variants that may affect the recovery of the global economy.

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). All economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), weighed by the tighter containment measures.

²¹ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for E&E products, continued to remain robust. Private consumption growth increased by 11.6% during the quarter (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the EPF i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure. Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services.

Gross fixed capital formation growth rebounded to 16.5% (1Q 2021: -3.3%), supported by the recovery in capital spending from both private and public sectors. By type of asset, both investment in structures and machinery & equipment (M&E) expanded by 20.2% (1Q 2021: -10.4%) and 15.1% (1Q 2021: 10.3%), respectively. Private investment registered a growth of 17.4% (1Q 2021: 1.3%). The higher investment activity was underpinned mainly by the continued capital spending in telecommunication-related equipment, as firms' automation and digitalisation efforts gain further traction, as well as the continued progress in national digital infrastructure investments. In addition, further expansions of new and ongoing investment projects amid improving external demand, particularly in the export-oriented industries such as E&E and metal, also provided further impetus to growth. After 12 quarters of contraction, public investment recorded a positive growth of 12.0% (1Q 2021: -18.6%). The performance mainly reflects the higher spending on fixed assets by the General Government amid continued weak capital spending by public corporations.

Gross exports grew at a faster pace of 44.0% (1Q 2021: 18.0%). The strong exports performance was broad-based across products and markets, underpinned by improving external demand. Gross imports also registered a higher growth of 33.3% (1Q21: 10.0%), due mainly to a stronger expansion in intermediate imports. The trade surplus amounted to RM56.4 billion (1Q 2021: RM58.7 billion). Manufactured exports increased by 43.6% (1Q -2021: 22.7%), supported mainly by non-E&E exports (55.5%, 1Q 2021: 19.0%). This was driven by strong demand for petroleum and chemical products, manufactures of metal and machinery, and equipment and parts. Commodities exports registered a strong rebound (46.3%, 1Q 2021: -6.5%) due mainly to improvement in CPO, LNG and crude petroleum exports. Intermediate imports registered a stronger growth of 43.8% (1Q 2021: 3.4%), due mainly to higher imports of industrial supplies, in tandem with the faster expansion in domestic manufacturing activity. This was partially offset by the decline in capital imports (-8.3%; 1Q 2021: 32.2%), due to the base effect from the import of a large floating structure in the second quarter of 2020.

Malaysia's external debt amounted to RM1,020.7 billion, or 68.5% of GDP as at end-June 2021 (end-March 2021: RM1,039.7 billion or 73.2% of GDP). The decline is attributable mainly to a net repayment of interbank borrowings, withdrawal of Non-residents ("NR") deposits as well as exchange rate valuation effects following the stronger ringgit against selected major and regional foreign currencies during the period. These were partially offset by a net issuance of bonds and notes abroad and an increase in NR holdings of Government domestic debt securities. Malaysia's external debt remained manageable, given its favourable currency and maturity profiles. As at end-June 2021, ringgit-denominated external debt amounted to RM358.2 billion and accounted for 35.1% of total external debt (end-March 2021: 33.6%). It was largely in the form of NR holdings of domestic debt securities (68.4% share of ringgit-denominated external debt) and ringgit deposits (16.8% share) in resident banking institutions. These liabilities were not affected by fluctuations in the ringgit exchange rate.

As at end-June 2021, foreign currency (FCY) external debt accounted for the remaining RM662.5 billion, or 64.9% of total external debt. 52.7% of FCY-denominated external debt were by the corporate sector and were mainly subject to BNM's prudential and hedging requirements. Long-term bonds and notes issued offshore were held largely by non-financial corporates. The net issuance of bonds and notes of RM23.5 billion during the quarter partly reflects refinancing activities amid an accommodative interest

rate environment. Intragroup loans, which accounted for 14.3% of FCY-denominated external debt, were generally on flexible and concessionary terms. Interbank borrowings and FCY deposits in the domestic banking system accounted for 33.2% of FCY-denominated external debt. Half of the decline in interbank borrowings during the quarter was due to maturing back-to-back intragroup transactions by banks in the Labuan International Business and Financial Centre. The ample FCY liquidity and higher domestic FCY deposits domestically have also reduced the need for domestic banks to raise interbank funding from non-residents.

Overall, three-quarters of outstanding interbank borrowings were in the form of intragroup borrowings from related parties located abroad as at end-June 2021, which are generally more stable, thereby limiting rollover risks faced by banks. Meanwhile, foreign-currency risk, as measured in terms of the net open position of FCY-denominated exposures, remained low at 4.8% of banks' total capital (end-March 2021: 4.5%). From a maturity perspective, 62.2% of total external debt has medium-to long-term tenure (end-March 2021: 58.4%), suggesting low rollover risks. Short-term external debt accounted for the remaining 37.8% of external debt. Of note, 42.3% of short-term external debt were in the form of intragroup borrowings, which were on-lent by parent banks or multi-national corporates located abroad and were generally stable and on concessionary terms. About another 14.3% were accounted by trade credits, largely backed by export earnings and are self-liquidating. As at 30 July 2021, international reserves stood at U.S.\$111.1 billion, sufficient to finance 8.1 months of retained imports, and is 1.2 times the short-term external debt.

As at 15 September 2021, the international reserves of BNM amounted to U.S.\$116.2 billion. BNM indicated that the reserves position is sufficient to finance 8.1 months of retained imports and is 1.3 times total short-term external debt.²²

Interest rates remain accommodative²³

At the May 2021 Monetary Policy Committee (MPC) meeting, and most recently also at the September and November 2021 MPC meetings, the MPC maintained the Overnight Policy Rate (OPR) at 1.75%.

Nominal interest rates remained broadly stable during the quarter. Nominal interest rates in the wholesale and retail markets were stable throughout the quarter. The benchmark 3-month KLIBOR remained unchanged at 1.94% (1Q 2021: 1.94%), while in the retail market, the weighted average base rate (BR) was also unchanged at 2.43% (1Q 2021: 2.43%).

More broadly, the weighted average lending rate (ALR) on outstanding loans declined slightly to 3.89% (1Q 2021: 3.93%), reflecting the reduced usage of revolving credit with higher rates, such as credit cards, amid the slower economic activity in June 2021. Nominal fixed deposit (FD) rates were also stable during the quarter, across tenures of 1 to 12 months. However, real 3-month and 12-month FD rates remained negative given expectations of higher inflation. This was due, in part, to the base effect from the low and negative inflation last year.

The MPC assessed that global economic recovery has strengthened further, supported by improvements in manufacturing and service activity, although the pace of recovery may vary across countries. Economies making better progress in their vaccination programmes have been able to ease containment measures, enabling a swift recovery in domestic activity. Sizeable fiscal and monetary measures in several advanced economies are also supporting a stronger recovery momentum, although tighter containment measures to curb COVID-19 resurgences have disrupted activities in some economies.

Financial conditions remain supportive of growth. Overall, the balance of risks to the growth outlook remains tilted to the downside, due mainly to uncertainty over the path of the pandemic as well as potential risks of heightened financial market volatility. For the Malaysian economy, better-than-expected economic

²² (Source: BNM Press Release — “International Reserves of Bank Negara Malaysia as at 15 September 2021” issued by BNM on 23 September 2021)

²³ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

activity in the first quarter of 2021 continued into April, particularly in exports, retail spending and labour market conditions. The re-imposition of nation-wide containment measures to curb the resurgence in COVID-19 cases, however, will dampen the growth momentum.

The degree of impact to the economy is highly dependent on the stringency and duration of containment measures. Nevertheless, the impact of restrictions will be partly mitigated by the continued allowances for essential economic sectors to operate, albeit at a reduced capacity, and higher adaptability to remote work, automation and digitalisation. The various policy support packages will alleviate some of the financial pressures on households and businesses. Favourable external demand conditions will continue to provide a lift to growth. Going forward, the gradual relaxation of containment measures, alongside the rapid progress of the domestic vaccination programme and continued strength in external demand will provide support for the growth recovery into 2022. The growth outlook, however, remains subject to significant downside risks, due mainly to factors that could lead to a delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

As expected, headline inflation spiked recently due mainly to the base effect from low fuel prices in the second quarter of last year. This spike is transitory and headline inflation is projected to moderate in the near term as this base effect dissipates. For 2021 as a whole, headline inflation is projected to average closer to the lower bound of the earlier communicated forecast range. Underlying inflation, as measured by core inflation, is expected to remain subdued, averaging between 0.5% and 1.5% for the year, amid continued spare capacity in the economy. The outlook, however, is subject to global commodity price developments.

The MPC considers the stance of monetary policy to be appropriate and accommodative. In addition, fiscal and financial measures will continue to cushion the economic impact on businesses and households and provide support to economic activity. Given the uncertainties surrounding the pandemic, the stance of monetary policy will continue to be determined by new data and information and their implications on the overall outlook for inflation and domestic growth. The Bank remains committed to utilise its policy levers as appropriate to foster enabling conditions for a sustainable economic recovery.

Foreign exchange rates²⁴

The ringgit appreciated by 0.1% against the U.S. dollar in the second quarter of 2021. This was largely due to the weakening of the U.S. dollar in the earlier part of the quarter as a result of declining real U.S. Treasury bond yields which led investors towards higher-yielding assets. Following the June Federal Open Market Committee (FOMC) meeting, expectations for a faster pace in monetary policy normalisation led to a slight rebalancing of investors' portfolios towards U.S. dollar-denominated assets at the end of the quarter.

Since 1 July 2021, the ringgit has depreciated by 1.7% against the U.S. dollar (as at 9 August 2021). This depreciation was in line with the performance of most other regional currencies amid the broad strengthening of the U.S. dollar. Going forward, as uncertainties linger around the momentum of global and domestic economic recovery, the ringgit is expected to continue to be exposed to periods of heightened volatility.

Domestic financial markets were affected by external and domestic factors²⁵

In the second quarter of 2021, conditions in the domestic financial markets were affected by both external and domestic developments. On the external front, the U.S. Treasury yield curve flattened as yields on short-term U.S. Treasuries rose due to increased expectations of earlier- than-expected monetary policy normalisation following the Federal Open Market Committee (FOMC) meeting in June. Meanwhile,

²⁴ (Source: BNM Press Release — “Economic and Financial Developments in Malaysia in the Second Quarter of 2021” issued by BNM on 13 August 2021)

²⁵ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

medium-and long-term yields declined due to continued asset purchases by the U.S. Federal Reserve and corrections from the over-adjustments experienced in the first quarter of 2021 (1Q 2021 change in 10-year U.S. Treasury: yield +82.7 basis points).

Movements in the domestic bond market followed a broadly similar trend. The 3-year Malaysian Government Securities (MGS) yield increased by 13.5 basis points (3-year U.S. Treasury yield: +11.5 basis points) while the 5-year MGS yield declined by 10.8 basis points (5-year U.S. Treasury yield: -5.0 basis points). Despite the decline in 10-year U.S. Treasury yields by 27.2 basis points, 10-year MGS yields, however, recorded a marginal increase of 1.5 basis points due partly to increased expectations of higher domestic bond issuances following the announcement of additional fiscal support in June 2021.

In the foreign exchange market, the ringgit appreciated marginally against the U.S. dollar (2Q 2021: +0.1%), in line with most other regional currencies. The U.S. dollar was negatively impacted in the earlier part of the quarter by rising U.S. inflation, as declining real bond yields led investors towards higher yielding assets; while weaker-than-expected economic data, such as unemployment data, drew concerns over the pace of U.S. recovery. However, expectations for a faster pace in monetary policy normalisation following the June FOMC meeting led to a slight rebalancing of investors' portfolios towards U.S. dollar-denominated assets at the end of the quarter.

The domestic equity market declined following concerns over the economic outlook due to the imposition of stricter containment measures amid rising COVID-19 cases. The FBM KLCI declined by 2.6% to close at 1,532.6 points as at end-June 2021 (end-March: 1,573.5 points). The most affected sectors in the domestic equity market were energy (-14.6%), plantations (-8.7%) and construction (-7.3%).

Banking system liquidity remained sufficient to facilitate financial intermediation²⁶

Banking system liquidity remained sufficient at both the institutional and system-wide levels to facilitate financial intermediation activity. The level of surplus liquidity placed with the Bank increased by RM3.0 billion, partly reflecting inflows from Government global U.S. dollars sukuk issuance during the quarter. At the institutional level, almost all banks maintained surplus liquidity positions with the Bank as at end-June 2021.

As at end-2Q 2021, net financing expanded by 4.4% on an annual basis (1Q 2021: 4.7%). Outstanding loan growth moderated to 3.6% (1Q 2021: 4.3%), while outstanding corporate bond growth increased to 6.9% (1Q 2021: 5.9%).

Outstanding business loans recorded an annual growth of 1.3% as at end-2Q 2021 (1Q 2021: 1.6%) amid slower outstanding investment-related loan growth (2Q 2021: 0.4%, 1Q 2021: 1.1%). Meanwhile, outstanding working capital loan growth increased (2Q 2021: 1.6%, 1Q 2021: 1.4%) in line with higher working capital loan disbursements growth (2Q 2021: 31.1%, 1Q 2021: 18.1%) during the quarter. Total business loan disbursements increased from the previous quarter (2Q 2021: RM234.4 billion, 1Q 2021: RM228.1 billion). Demand for business loans also increased but remained below 2017-19 average (RM82.2 billion, 1Q 2021: RM73.5 billion, 2017-19 quarterly average: RM87.8 billion), with the increase coming mainly from the SME segment.

For households, outstanding loan growth moderated to 5.3% (1Q 2021: 6.0%) as repayments growth outpaced that of disbursements. The moderation in outstanding loan growth was observed across most loan purposes, with the exception of loans for the purchase of passenger cars. However, demand for household loans continued to be forthcoming (RM151.8 billion, 1Q 2021: RM139.9 billion; 2017-19 quarterly average: RM119.2 billion), particularly for the purchase of residential property.

²⁶ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

Continued divergence in global economic outlook in 2021²⁷

At July World Economic Outlook, the IMF kept its projection of global growth in 2021 unchanged, compared to the April World Economic Outlook, at 6.0%. While the overall global growth outlook remained unchanged, there were offsetting revisions between AEs, which were revised upwards, and EMEs which were revised downwards. This reflects pandemic developments especially with regards to vaccination rates, differences in the extent of policy support and availability of policy space.

With higher vaccination rates, AEs are expected to be able to manage resurgences in COVID-19 infections with relatively lighter containment measures. This, along with improvement in domestic demand, will support the recovery momentum for AEs in the second half of 2021.

For EMEs, the risk of disruptions in domestic activity due to containment measures amidst COVID-19 resurgences is higher, due to the slower rate of vaccination. In addition, there is less policy space in EMEs, which will limit the degree of accommodation from policy to offset any shocks due to a resurgence of COVID-19.

The balance of risk remains tilted to the downside, with COVID-19 related risks remaining the key source of downside risk. The key risk concerns the spread of new variants of concern that could lead to the resumption of containment measures to preserve healthcare capacity, amid lower effectiveness of vaccines against newer variants. Nevertheless, upside risks to growth could come from faster-than-expected vaccination progress in EMEs and further fiscal stimulus, particularly in AEs.

The pace of recovery of the Malaysian economy dampened by resurgence of COVID-19 cases²⁸

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which are expected to weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0-4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand.

The balance of risks remains tilted to the downside, arising mainly from pandemic-related factors, such as delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

Headline inflation is projected to moderate in the near term²⁹

In line with earlier assessments, headline inflation spiked in the second quarter of 2021 due mainly to the base effect from fuel prices. This spike is transitory and headline inflation is expected to moderate in the near term as this base effect dissipates.

²⁷ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

²⁸ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

²⁹ (Source: The BNM Quarterly Bulletin Vol.36 No. 2 For the Second Quarter of 2021 issued by BNM in 2021)

For 2021 as a whole, headline inflation is projected to average between 2.0% and 3.0%. While there remain cost pressures from global commodity prices and idiosyncratic supply disruptions, these pressures are assessed to be temporary. Underlying inflation, as measured by core inflation, is expected to remain subdued, averaging between 0.5% and 1.5% in 2021, amid continued spare capacity in the economy.

Development of the financial sector³⁰

Monetary and financial conditions have been resilient throughout the COVID-19 pandemic period and supportive of economic recovery. Monetary operations will be supported by vibrant money and foreign exchange markets as well as intermediation activities. The banking sector is expected to remain robust and orderly, underpinned by ample liquidity and strong capital buffers. The capital market will continue to be resilient, driven by well-developed infrastructure and instruments. Nevertheless, concerns over the momentum of global economic recovery due to the pandemic, continued U.S.-China trade tensions, weak commodity prices, and volatile global financial markets may affect financial and capital market performance.

Monetary policy cushioned the adverse effects of measures implemented to contain the spread of COVID-19 on the economy. The policy also provided additional stimulus to sustain the pace of economic recovery. The Overnight Policy Rate (OPR) was reduced successively by 125 basis points (bps) during the first seven months of 2020 to a historic low of 1.75%. Similarly, the Statutory Reserve Requirement (SRR) was reduced by 100 bps from 3.00% to 2.00%. Banking institutions were also given the flexibility to use Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to fully meet SRR compliance. The measures were implemented to ensure sufficient liquidity and to support the orderly functioning of the domestic financial market.

The interest rate in the banking system was lowered in line with the OPR adjustment since January 2020. In the first seven months of 2020, the average lending rate and weighted base rate of commercial banks were reduced consecutively to 3.70% and 2.43%, respectively. During the same period, the average interest rate on savings deposit of commercial banks was lowered to 0.48% while fixed deposits of 1-month to 12-month maturities moderated to between 1.53% and 1.79%. With accommodative monetary policy, monetary aggregates expanded rapidly during the first seven months of 2020. M1 rose by 15.7% to RM497.2 billion, supported by higher currency in circulation and demand deposits which increased by 18.5% and 14.9%, respectively. Similarly, M3 expanded by 6.1% to RM2,029.7 billion, mainly due to higher net claims on the Government and extension of credit to the private sector, primarily through securities. The money supply is expected to expand further backed by higher demand for loans and securities by the private sector.

In January 2020, the ringgit appreciated against the U.S. dollar mainly due to non-resident portfolio inflows. This was supported by improved investors' risk sentiment attributed to positive development in the U.S.-China trade negotiation. However, in February and March, the local note, along with regional currencies, faced significant depreciation against the U.S. dollar. The downward trend of the ringgit was contributed by geopolitical uncertainties, declining commodity prices and rapid escalation of the COVID-19 pandemic. From the second quarter onwards, recovery in global investor sentiments amid monetary and fiscal stimulus measures deployed to combat the pandemic led the ringgit to appreciate by 3.5% against the U.S. dollar, in line with the appreciation of regional currencies. As at end-September, the ringgit recorded a depreciation of 1.6% against the U.S. dollar. Going forward, the expected recovery in the global and domestic economy will provide some support for the ringgit. However, lingering uncertainties over the COVID-19 pandemic, global political and policy environment could lead to periods of heightened exchange rate volatility.

³⁰ (Source: Economic Outlook 2021 Report issued by the Ministry of Finance of Malaysia on 06 November 2020)

Banking sector performance — resilient banking sector

The capitalisation of the banking sector remained strong, supported by the accumulation of high-quality loss-absorbing instruments. As at end-July 2020, excess total capital buffer remained high at RM121.6 billion. The banking sector remained well-capitalised with Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital Ratios at 14.6%, 15.1% and 18.3%, respectively. The ratios are well above the Basel III minimum regulatory levels of 4.5%, 6% and 8%, of risk-weighted assets. The pre-tax profit of the banking sector fell by 11.7% to RM20.5 billion in the first seven months of 2020. Despite the challenging environment, domestic banks remain strong, supported by orderly financial markets and sustained confidence in the banking sector.

As a result, returns on assets and equity continued to be stable at 1.2% and 10.5%, respectively. The loan quality and liquidity of the banking sector also remain sound. As at end-July 2020, the net impaired loans, advances and financing ratio and loan loss coverage ratio (including regulatory reserves) remained healthy at 0.91% and 121%, respectively. Similarly, the Liquidity Coverage Ratio was at 152%, well above the 100% minimum requirement. Notwithstanding uncertainties and heightened risks from global financial markets following the fallout from the COVID-19 pandemic and ongoing geopolitical tensions, the banking sector liquidity remains sufficient and stable in the near term. Lending activities slowed down, reflecting cautious sentiment on the global and domestic growth outlook. In the first seven months of 2020, loan approvals and disbursements fell by 22% and 7.3% to RM185.5 billion and RM657.1 billion, respectively. This was mainly due to financial institutions taking precautionary measures to approve new loans following restricted economic activities. However, total loans outstanding expanded by 4.5% to RM1,806.1 billion as at end-July 2020.

Loan approvals to businesses decreased by 12.5% to RM80.7 billion as at end-July 2020. Total disbursements to businesses fell by 4.3% to RM430.7 billion, representing 65.5% of total loans disbursed. The bulk of loans were channelled into manufacturing (22.2% of total loans), wholesale and retail trade, restaurants and hotels (19.4%) as well as construction (6.6%) sectors. At the same time, total loans outstanding to the business sector increased by 4% to RM633.3 billion, accounting for 35.2% of total loans outstanding. Household borrowings slowed down with loan approvals declining by 30% to RM88.9 billion. Loans disbursed to households also declined by 16.3% to RM165.3 billion, mainly for consumption credit (13.1% of total loans), purchase of residential properties (6.3%) and securities (2.7%).

As at end-July 2020, total household loans outstanding rose by 4.4% amounting to RM1,024 billion, which accounts for 56.8% of total loans outstanding in the banking sector. The overall household debt increased by 4% to RM1,265.9 billion, accounting for 87.5% of Gross Domestic Product (GDP) as at end-June 2020. The increase was mainly due to the sharp contraction in GDP during the first half of the year. The bulk of the debt comprises of loans for the purchase of residential properties (55.9%), followed by personal use (14.2%) and passenger cars (12.3%). Total household assets were valued at RM2,751.9 billion with growth in household financial assets continuing to outpace that of debt. Although household debt has risen, it is expected to remain manageable, supported by programmes to rein in the debt level and measures enacted to cushion the impact of the COVID-19 pandemic on the economy.

Capital market performance — fundraising activities to recover

Gross funds raised in the capital market declined by 14.4% to RM143.7 billion during the first seven months of 2020. The lacklustre performance was due to lower fundraising activity in the private sector, which fell significantly by 48.6% to RM45.8 billion. Gross funds raised by the private sector through the domestic equity market declined from RM5 billion to RM0.3 billion. The sharp decline was due to cautious investors' sentiment during the lockdown period. During the same period, funds raised through new corporate bond issuances also fell by 45.9% to RM45.6 billion. The bulk of issuances were medium-term notes, accounting for 92.1% of total corporate bonds.

The majority of funds were raised by finance, insurance, real estate, and business services sector, accounting for 72% of new corporate bond issuances. The funds were mainly allocated for infrastructure projects, working capital and business activities. On the back of global economic uncertainties and rising geopolitical risks, fundraising in the domestic capital market remains promising buoyed by ongoing and resumption of strategic projects. Gross funds raised by the public sector increased further by 24.5% to RM97.9 billion during the first seven months of 2020.

The expansion was contributed by strong demand for Government papers to support the various stimulus packages. The issuance of MGS rose to RM50 billion, while MGII expanded to RM47.9 billion. During the same period, foreign holdings of MGS and MGII stood at 38.2% and 5.8%, respectively. The holding portfolios indicate that Malaysia's debt market remains attractive to institutional and foreign investors, attributed to its deep, liquid and investor-friendly nature.

During the first seven months of 2020, MGS and corporate bond yields were broadly on a declining trend across all tenures. The lower MGS yields were influenced by the easing of domestic monetary stance given the slower- than-expected economic growth. Yields on MGS 1-year, 3-year, 5-year, and 10-year declined within the range of 76 and 119 bps. Yields for the corporate bond on the 5-year AAA-rated, AA-rated and A-rated securities also fell between 75 and 77 bps.

Islamic banking and capital market performance — Islamic banking and capital market to persevere

The Islamic banking industry expanded with total assets valued at RM1,038.2 billion (includes Development Financial Institutions (DFIs)) and market share at 33% as at end-July 2020. Meanwhile, the total Islamic financing outstanding increased further by 10% to RM787.8 billion. The growth is primarily contributed by household sector financing, which increased by 8.7% to RM490.9 billion, mainly for the purchase of residential properties. Islamic financing is expected to expand further supported by the recovery in economic activity and continuous promotion of Shariah-compliant products.

The Islamic Capital Market (ICM) continues to thrive with Malaysia being among the largest issuer of sukuk and Islamic equity in the world. As at end-July 2020, the domestic size of ICM was valued at RM2.2 trillion, accounting for 66.2% of RM3.3 trillion of Malaysia's total capital market size. Meanwhile, sukuk issuances amounted to RM130.8 billion or 60.2% of total bonds issuances. Sukuk outstanding was valued at RM986.9 billion or 62.6% of total bonds outstanding. While Malaysia continued to account for the largest share of global sukuk outstanding at 45.6% as at end-June 2020, the turmoil in the global market has affected the performance of the ICM. This was reflected in the subdued performance of corporate sukuk issuances during the initial MCO period. Nevertheless, the reopening of almost all economic sectors in the middle of the year led to the improvement in corporate sukuk performance.

Bursa Securities continued to promote Shariah-compliant securities products. As at end-July 2020, a total of 716 or 76.8% of the 932 listed companies was Shariah-compliant. The market capitalisation of Shariah-compliant securities stood at RM1.18 trillion or 69.5% of the total market capitalisation. Despite the challenging economic climate, the prospect for ICM remains promising. The demand for Shariah-compliant products is expected to be stronger in the future, supported by its appeal to a broader group of investors. The ongoing promotion of Shariah-compliant products and digitalisation of services will provide the impetus for the country to position itself as a prominent international centre for Islamic financial services.

Monetary policy will continue to support economic recovery. The economy is anticipated to improve during the second half of the year and register a sharp turn-around in 2021. The positive outlook will be backed by favourable global growth projection along with a revival in domestic economic activities. In turn, this will bode well for financial market performance. However, the resurgence of COVID-19 cases, geopolitical tensions and weak commodity prices may pose downside risks to the encouraging outlook. In this regard, various initiatives are being undertaken to ensure the financial market continues to be resilient. These initiatives include promoting green financing instruments, supporting financial platforms driven by digital technology, enhancing knowledge and awareness among investors, and fostering greater collaboration with market players at domestic and international levels.

Amendments to the DFIA

Amendments to the DFIA, which came into effect on 31 January 2016, marked another important development in BNM's continuing efforts to ensure an effective legal framework for financial services in Malaysia. The DFIA supports the effective regulation and supervision of DFIs to ensure that the specific mandates entrusted to DFIs are achieved in a financially sustainable manner.

The amendments aim to ensure sound financial management, and improve the operational efficiency and resilience of DFIs. To this end, existing provisions in the DFIA on corporate governance, business activities and the scope of BNM's regulatory oversight have been enhanced. In addition, the amended DFIA incorporates new provisions for the regulation of Shariah governance and consumer protection, with expanded enforcement tools to ensure compliance.

As Malaysia progresses towards becoming a high value-added economy, these amendments are expected to further support the important role of DFIs in promoting inclusive growth, building on achievements over the past decade. Importantly, the strengthened legislation will ensure that DFIs are financially sound and sustainable, and well managed in order to effectively contribute to Malaysia's socio-economic development and promote financial stability.

Corporate Governance³¹

Financial institutions in Malaysia have demonstrated continued improvements in corporate governance over the past few years. In particular, progress was observed among larger financial institutions in strengthening the collective expertise of the board and senior management to navigate a more complex regulatory and operating environment. BNM has reviewed its corporate governance standards for financial institutions to reflect these developments as well as evolving global standards. The revised corporate governance standards also incorporate changes to existing rules to take into consideration the more diverse range of practices among various financial institutions in the financial system.

Among the key changes proposed are: (i) requirements for boards of financial institutions to comprise a majority of independent directors; (ii) heightened expectations on the board and senior management to foster a corporate culture that promotes ethical, prudent and professional behaviour; and (iii) expanded requirements on compensation structures to ensure that employees' incentives are aligned with prudent risk-taking. Financial groups are also required to provide effective group-wide oversight over risks arising from activities within the group and across jurisdictions where the group has operations. BNM further proposes to reduce interlocking board representations across licensed institutions within a financial group to address potential conflicts that can arise between group and entity-specific interests.

BNM is cognisant that sourcing for top quality board members remains a challenge for many financial institutions and is therefore proposing to phase in the strengthened requirements on board composition over three to five years. Concurrently, work to develop a Directors Register is being advanced by the Financial Institutions Directors' Education Programme ("FIDE") FORUM, which is a joint initiative by FIDE FORUM, BNM and Perbadanan Insurans Deposit Malaysia. The Directors Register was launched in April 2016, along with a process to admit qualified individuals to the register on an on-going basis to meet the growing demand of financial institutions for new directors.

³¹ (Source: Financial Stability and Payment Systems Report 2015 issued by BNM on 23 March 2016)

On 13 December 2019, BNM issued a policy document on corporate governance which applies to prescribed DFIs including the Issuer. An overview of the policy document is as follows:³²

- (a) The adoption of sound corporate governance standards and practices by prescribed DFIs serves to protect the critical role of DFIs in intermediating funds to support the real economy. It ensures that DFIs are able to discharge their specific responsibilities for the development of identified priority sectors and effective management of public funds, with due regard to the interests of depositors. The policy document sets out BNM’s requirements and expectations for DFIs to have in place effective corporate governance arrangements consistent with these objectives;
- (b) A DFI’s corporate governance arrangements represent a fundamental component of BNM’s supervisory assessments and are a key factor in determining the level of supervisory intensity applied to a DFI;
- (c) The board of DFIs should have the competence, confidence and objectivity to challenge senior management and hold it to account. Accordingly, this policy document sets out strengthened expectations on directors’ oversight responsibilities and the composition of the board. This is expected to be demonstrated through evidence of effective challenge by the board, particularly in relation to key strategic decisions, including material exposures of the DFI. In turn, senior management is responsible and accountable for the sound and prudent day-to-day management of the DFI in accordance with the direction of the board;
- (d) Good corporate governance also needs to be rooted in a corporate culture that reinforces ethical, prudent and professional behaviour. This begins with the right “tone from the top”, where the example set by the board and senior management shapes the core values for the DFI; and
- (e) BNM expects DFIs to implement the minimum standards set out in the policy document and demonstrate that their governance arrangements are operating effectively. Such arrangements should be commensurate with the size, nature of business, complexity and respective mandate of a DFI. DFIs should also strive to continuously enhance these arrangements to reflect changing conditions and emerging sound practices, as appropriate. BNM expects each DFI to discharge its own legal and governance responsibilities as a separate entity, notwithstanding any group-wide arrangements that the DFI may be relying on.

³² (Source: Corporate Governance Policy Document issued by BNM on 13 December 2019)

MANAGEMENT

Board of Directors

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

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

- (a) The Board is charged with leading and managing the Issuer in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Issuer. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Issuer are managed. The Board sets the Issuer's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- (b) The Board plays a critical role in ensuring that the Issuer upholds sound and prudent policies and practices. The Board will perform its oversight role effectively and understands its overall responsibilities to shareholders and stakeholders. The Board will not be involved in the day-to-day operations of the Issuer but will provide an effective check and balance mechanism in the overall management of the Issuer.
- (c) The Board bears ultimate responsibility for the proper stewardship of the Issuer. The Board understands that the responsibility for good corporate governance in ensuring the maximisation of shareholders' value and the safeguarding of stakeholders' interest is performed through rigorous and diligent oversight of the Issuer's affairs, establishing, amongst others, the corporate values, vision and strategies that will direct the activities of the Issuer, and to be aware of the types of material financial activities the Issuer intends to pursue.
- (d) The Board has a fiduciary duty to act in the best interest of the Issuer and understands that the responsibility for good corporate governance rests with them and therefore strives to ensure that the highest standards of corporate governance are practised in the discharge of the Board's fiduciary duties and responsibilities and practised throughout the Issuer.
- (e) The roles and responsibilities of the Board shall be governed by the DFIA, Companies Act 2016, BNM Policy Document on Corporate Governance and the Constitution of the Issuer, including any other guidelines that may be issued by the relevant authorities from time to time.

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

As at the date of this Offering Circular, the Board consists of six directors, of which one is independent non-executive chairman and director, three are independent non-executive directors and, two are non-independent non-executive directors (nominees of the MOF (Inc.) and MITI respectively). The Issuer adopts the Principles and Best Practices in Corporate Governance as set out in BNM Policy Document on Corporate Governance as majority of its members are independent directors. Directors are nominated by MOF (Inc.), verification of appointment by BNM, and final approval by the MOF. Currently, there are two directors on the Board representing the GOM, one from MOF and one from MITI.

Under the Issuer’s Constitution, the Board must consist of a minimum of two directors and a maximum of 12 directors. As prescribed by BNM, all of the directors have attended the Financial Institutions Directors Education Core Programme for Banks. The Issuer considers that all the directors have the skills and experience in their respective areas of expertise, which have contributed significantly to the decision-making process of the Board.

Under the Issuer’s Constitution, one third (or the nearest to one third) of the directors of the Issuer shall retire every year. Retiring directors shall be eligible for reappointment. The structure of the Issuer provides a clear separation of functions, roles and responsibilities between the Chairman and the President/Chief Executive Officer.

As at the date of this Offering Circular, the directors of the Issuer were as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Appointment</u>
Dato’ Azman Mahmud	Independent Non-Executive Chairman	60	1 October 2021
Dato’ Dr. Amiruddin Muhamed	Non-Independent Non-Executive Director	49	15 January 2019
Datuk Bahria binti Mohd Tamil	Non-Independent Non-Executive Director	52	1 October 2019
Datuk Dr. Syed Muhamad Syed Abdul Kadir	Independent Non-Executive Director	74	15 July 2020
Dato’ Sandra Wong Lee Yun	Independent Non-Executive Director	68	15 July 2020
Mr. Wong Yoke Nyen	Independent Non-Executive Director	62	15 July 2020

The business address for the directors is EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia.

The Board meets at least once a month, with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings.

Information on the relevant business and financial experience of the directors is set out below:

Dato’ Azman Mahmud — Independent Non-Executive Chairman

Dato’ Azman Mahmud served MIDA for three decades retiring as the Chief Executive Officer in 2021. Being on the board of several key organisations, Dato’ Azman Mahmud is enthusiastic about positioning Malaysia as a preferred investment destination by sharing the country’s strategic value propositions and potential business opportunities. With a focus on being results-oriented and productivity-driven, Dato’ Azman Mahmud led and motivated a diverse team comprised of 800 talents to achieve Malaysia’s investment agenda against the dynamic and changing markets.

During his tenure in MIDA since 1989, he led MIDA in driving the investment agenda of Malaysia to achieve national investment targets and led the transformation of MIDA towards being a world-class Investment Promotion Agency. MIDA was named as Top Investment Promotion Agency in the Asia-Pacific National category by the Site Selection Magazine in 2015, 2016 and 2019. He was also the co-chairman of the National Committee on Investment from 2014-2019 and 2020-March 2021.

Dato’ Azman is currently serving on several boards of companies and organisations namely;

- Panasonic Manufacturing Malaysia Berhad, Chairman, Independent Non-Executive Director

- Privasia Technology Bhd, Chairman/Independent Non-Executive Director
- Gd Express Carrier Bhd, Independent Non-Executive Director
- Cynergiz Bhd, Chairman/Non-Executive Director
- Upm Holdings Sdn Bhd, Chairman/Non-Executive Independent Director
- SME Aerospace Sdn Bhd, Chairman/Independent Non-Executive Director
- Panasonic Malaysia Sdn Bhd, Chairman/Non-Executive Director
- Invest Sabah Bhd, Independent Non-Executive Board Member
- Kulim Technology Park Corporation, Independent Non-Executive Director

Dato' Azman Mahmud graduated with a Bachelor of Engineering, Universiti Putra Malaysia. He also attended several courses namely 'A Cutting Edge of Development Thinking', Harvard Kennedy School, John F. Kennedy School of Government, USA, 'Leading Change & Organisation Renewal', Harvard Business School, USA, Strategy Execution Programme, INSEAD France, APAC Government Leadership Programme in Crotonville, New York, USA and Temasek Foundation International Asia Leader's Connect, Singapore.

Dato' Azman was appointed as an Independent Non-Executive Chairman and Director of the Issuer on 1 October 2021.

Dato' Dr. Amiruddin Muhamed — Non-Independent Non-Executive Director

Dato' Dr. Amiruddin Muhamed holds a Doctorate Degree in Accounting and Finance from Durham University, United Kingdom, a Master of Economics from the Economics Development of Universiti Kebangsaan Malaysia and a Bachelor of Accounting (Hons) from Universiti Kebangsaan Malaysia.

In 1996, Dato' Dr. Amiruddin Muhamed served in the Corporate Planning Unit of Business Focus Group Sdn Bhd before acting as an Assistant Director in the Accounting and Management Development and Accountant General Department of the MOF in 1998. Dato' Dr. Amiruddin Muhamed also worked in Investment, MKD (Inc.) and Privatisation Division of the MOF, then was promoted to be the Senior Principal Assistant Secretary in the Investment, MKD (Inc.) and Privatisation Division and Strategic Investment Division of the MOF between 2005 and 2013. In 2014, Dato' Dr. Amiruddin Muhamed acted as Chief Executive Officer at Majlis Agama Islam dan Adat Melayu Perak.

Currently, Dato' Dr. Amiruddin Muhamed is also a director of MRT Corporation Sdn Bhd, SRC International Sdn Bhd, Suria Strategic Energy Resources Sdn Bhd (SSER), Malaysia Airport Holdings Berhad (acting as an Alternate Director), My Power (which is a company limited by guarantee), and Transit Acquirer Sdn Bhd.

Dato' Dr. Amiruddin Muhamed was appointed as a Non-Independent Non-Executive Director of the Issuer on 15 January 2019.

Datuk Bahria Mohd Tamil — Non-Independent Non-Executive Director

Datuk Bahria Mohd Tamil was appointed as a Non-Independent Non-Executive Director of the Issuer on 1 October 2019. Datuk Bahria holds a Master's degree in International Relations from Waseda University, Japan and a L.L.B. in Business Law (Honours) from Coventry University, United Kingdom.

Between 1995 and 1996, Datuk Bahria acted as an Assistant Secretary in the Government Procurement Division of MOF.

After obtaining a Diploma in Public Administration from National Institute of Public Administration (INTAN), she was posted to MITI in 1996 as Assistant Director in the Bilateral Trade Relations Division. Later in 2000, she was posted to Trade Support Division of MITI.

After obtaining her Master's Degree, Datuk Bahria was posted as Principal Assistant Director in the Strategic Planning Division of MITI in 2006. In the same year, Datuk Bahria was given the opportunity to serve as a Minister Counsellor of MITI Tokyo in the Embassy of Malaysia in Japan.

Upon returning in December 2009, Datuk Bahria acted as a Director of PEMUDAH (*Pasukan Petugas Khas Pemudahcara Perniagaan*) Secretariat MITI and later as a Director in the Entrepreneurship Development Division of MITI in 2013.

She was later promoted as Senior Director in the Industry and Trade Support Division of MITI in 2016, and as a Senior Director in the Bilateral Economic & Trade Relations Division of MITI in 2017.

Currently, Datuk Bahria is the Deputy Secretary General (Quality Investment) of MITI.

Datuk Bahria is also a Board of Director in *Perbadanan Kemajuan Ekonomi Negeri Perlis* (PKENPs).

Datuk Dr. Syed Muhamad Syed Abdul Kadir — Independent Non-Executive Director

Datuk Dr. Syed Muhamad Syed Abdul Kadir was appointed as Independent Non-Executive Director of the Issuer on 15 July 2020. Datuk Dr. Syed Muhamad Syed Abdul Kadir holds a Master of Law (Corporate Law) at UiTM, a Certificate of Legal Practice from Malaysian Professional Legal Board, a Bachelor of Jurisprudence (Hons.) at the University of Malaya, a PhD in Business Management at Virginia Polytechnic Institute and State University (Virginia Tech), USA, a Master of Business Administration at the University of Massachusetts, USA, a Certificate of Project Planning at University of Bradford, England, a Diploma in Management Science at the National Institute of Public Administration and a B.A. (Hons.) at the University of Malaya.

Datuk Dr. Syed Muhamad Syed Abdul Kadir previously worked as a Senior Project Officer at the School of Financial Management, National Institute of Public Administration (“INTAN”) between 1973 and 1975, then took the role of Programme Coordinator between 1977 and 1982, Head of the Management Development Centre between 1986 and 1988, and the Deputy Director of Academics in 1988 at INTAN. He was later promoted to Secretary of the Higher Education Division of the Ministry of Education between 1988 and 1991. From 1991 to 1993, he worked as Deputy Secretary in the Foreign and Domestic Borrowing, Debt Management Finance Division of the Federal Treasury. Later, he moved to Asian Development Bank, Manila, Philippines to work as Alternative Executive Director from 1993 to 1995 and as Executive Director from 1995 to 1997 in the same bank. Datuk Dr. Syed Muhamad Syed Abdul Kadir was given the opportunity to work as Secretary in the Tax Analysis Division of the MOF from 1997 to 1999 before being promoted to Deputy Secretary General (Operations) between 1999 and 2000. During 2000 and 2003, Datuk Dr. Syed Muhamad Syed Abdul Kadir acted as Secretary General of the Ministry of Human Resource in Malaysia.

Currently, Datuk Dr. Syed Muhamad Syed Abdul Kadir is also a director at Asia Capital Reinsurance Malaysia Sdn Bhd, Sun Life Malaysia Assurance Berhad, Sun Life Malaysia Takaful Berhad, Malakoff Corporation Berhad, BSL Corporation Berhad, Solution Group Berhad (formerly known as Solution Engineering Holdings Berhad) and MARA Corporation Sdn Bhd.

Dato' Sandra Wong Lee Yun — Independent Non-Executive Director

Dato' Sandra Wong Lee Yun was appointed as Independent Non-Executive Director of the Issuer on 15 July 2020. Dato' Sandra Wong Lee Yun is a Certified Public Accountant of Malaysia Institute of Certified Public Accountants.

Between 1981 and 1984, Dato' Sandra Wong Lee Yun worked as Deputy Head of Corporate Finance in Permata Chartered Merchant Bank, between 1985 and 1989, Dato' Sandra Wong Lee Yun worked as Manager of Business Development in Standard Chartered Bank. From 1989 to 1991, Dato' Sandra Wong Lee Yun worked as Head of Investment Banking in Chase Manhattan Bank Malaysia (now known as JP Morgan Chase Bank Bhd). From 1991 to 1996, Dato' Sandra Wong Lee Yun was the Director in Finance and Chief Investment Officer of HBN Management Sdn Bhd (Renong Group). From 1997 to 2000, Dato' Sandra Wong Lee Yun took on the role of Chief Executive Officer of Jaya Tiasa Holdings Berhad before moving to Mediharta Sdn Bhd to work as Executive Director between 2002 and 2020.

Previously, Dato' Sandra Wong Lee Yun held a directorship in Sin Chew Media Corporation Bhd and Kuala Lumpur Business Club. Dato' Sandra Wong Lee Yun's present directorships include Jaya Tiasa Holdings Bhd, Mediharta Sdn Bhd, Amal Sempurna Sdn Bhd, Vitulen Sdn Bhd, Papene Tulen Sdn Bhd, Kognatoz Pte Ltd, Plant Catridge Sdn Bhd and Savite Sdn Bhd. From 2007 to present, Dato' Sandra Wong Lee Yun has been appointed as Chairman of TC Capital in Malaysia.

Mr. Wong Yoke Nyen — Independent Non-Executive Director

Mr. Wong Yoke Nyen was appointed as Independent Non-Executive Director of the Issuer on 15 July 2020. Mr. Wong Yoke Nyen is a graduate of Wharton Advance Management Programme at Wharton Business School, University of Pennsylvania in United States of America, he also holds an Advance Diploma in Corporate Finance and was jointly awarded by the Institute of Chartered Accountants in England and Wales and Chartered Institute for Securities Investment, a Bachelor (Honours) Degree in Accountancy at London Metropolitan University (formerly known as City of London Polytechnic in United Kingdom).

Mr. Wong Yoke Nyen previously worked as Executive Vice President cum Head of Corporate Finance Department and Head of Projects Development in Maybank Investment Bank Berhad from 1983 to 2004. Between 1981 and 1983, Mr. Wong Yoke Nyen was an Associate at Baker Rooke in London.

Mr. Wong Yoke Nyen is the Founder and Managing Director of Wyncorp Advisory Sdn Bhd. He is also currently a director in a number of institutions, including Prasarana Raya Sdn Bhd, Prasarana Ecofuel Sdn Bhd, Benalec Holdings Berhad, Sentoria Group Berhad, New Hoong Fatt Holdings Berhad, Focus Lumber Berhad and Hap Seng Consolidated Berhad.

Board Credit Committee

The BCC is primarily responsible to perform supervisory and oversight role on financing/credit related proposals and approval, which shall make reference to the Credit Risk Policy and the Issuer's latest Approving Authority and Authority Limit. The BCC should meet at least once a month.

The BCC comprises three members, Mr Wong Yoke Nyen (Chairman), Dato' Dr. Amiruddin Muhamed and Dato' Sandra Wong Lee Yun.

The roles and responsibilities of BCC are as follows:

- (a) To deliberate, review and exercise the right to approve, reject and modify the terms and conditions of credit applications which have been approved by the MCC.
- (b) To recommend "policy loans/financing" and loans/financing which are required by statute to be approved by the Board, which has been reviewed and recommended by the MCC.

- (c) To seek/obtain any information from any employee of the Issuer and to commission any investigations, reports or surveys, if deemed necessary on credit related matters.

Board Audit Committee (“BAC”)

The Board Audit Committee reviews the financial condition of the Issuer, its internal controls, performance and findings of the internal auditors, and recommends appropriate remedial action regularly through its meeting, which is scheduled to take place at least once in three months.

The Board Audit Committee comprises Dato’ Sandra Wong Lee Yun, Datuk Dr. Syed Muhamad Syed Abdul Kadir and Mr Prem Kumar, and is chaired by Dato’ Sandra Wong Lee Yun.

The Board Audit Committee is responsible for the performance of the following duties and responsibilities:

- (a) To support the Board in ensuring that there is a reliable and transparent financial reporting process.
- (b) To ensure that the financial accounts are prepared in a timely and accurate manner and ensure prompt finalisation of the of Audited Financial Statements.
- (c) Reporting:
- to review the financial statements (half-yearly and annually basis), preliminary results release and any other formal releases relating to its financial performance prior to escalation to the Board for approval;
 - to inform the Board on the issues and concerns discussed during its meetings, including those raised by the External Auditors and where appropriate, make the necessary recommendations to the Board for approval; and
 - to review and endorse the status and progress of Management’s responses and corrective measures on issues raised by BNM, MOF, Jabatan Audit Negara Malaysia, Jabatan Akauntan Negara Malaysia or other regulatory bodies prior to submission to the Board for approval.
- (d) Oversee the effectiveness of the Internal Audit function:
- to oversee the functions of the internal audit and to ensure compliance with BNM Corporate Governance Guideline, BNM Guidelines on Internal Audit Function of Licensed Institutions, Malaysian Corporate Code of Governance and any other requirements of the relevant laws and regulations of others regulatory authorities;
 - to review the adequacy of internal controls, including the scope of the internal audit function, the internal audit findings, and to recommend actions to be taken by Management;
 - to review and approve the audit scope, audit procedures and frequencies and the annual internal audit plan;
 - to approve the Audit Charter for Board’s approval, so that the internal audit function can be discharged effectively;
 - to review key audit reports (including reports on internal controls, risk management processes, compliance with statutory requirements and governance practices) and

ensuring that Management is taking the necessary corrective actions in a timely manner to address weaknesses, non-compliance with laws, regulatory requirements, policies and other material issues identified;

- to recommend for the Board's approval the appointment, remuneration package, performance appraisal, transfer and dismissal of the CIA;
- to review the assessment or findings arising from the Shariah audit and report on the non-compliance events to the Shariah Committee and the Board and ensure management takes action to address any issues or shortfalls;
- to note significant disagreements between the CIA and the Management, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings;
- to establish a mechanism to assess the performance and effectiveness of the internal audit function; and
- to oversee the effectiveness of the internal audit function, staff competency requirements and adequacy of audit resources, and that internal audit has the necessary authority to carry out its functions.

(e) Oversight over External Auditor:

- to oversees the functions of the External Auditor and to ensure compliance with BNM Corporate Governance Guidelines, BNM Guidelines on External Auditor, Malaysian Corporate Code of Governance and any other requirements of the relevant laws and regulations of other regulatory authorities;
- to recommend to the Board for approval on the appointment or re-appointment, removal and remuneration of the External Auditor;
- to review and approve the scope of the External Auditor's audit plan, monitor and assess the effectiveness of the external audit carried out including meeting with External Auditor without the presence of Management at least annually;
- to ensure Management is taking the necessary corrective actions as per the Management's responses in a timely manner to address the external audit findings as per the Management Letter;
- to monitor and assess the independence of the External Auditor including recommending to the Board for approval the provision of non-audit services by the External Auditor;
- to ensure that the financial statements are prepared in a timely and accurate manner with emphasis on, among others, significant matters highlighted in the financial statements and significant judgment made by Management that include the adequacy of allowances against contingencies and impaired assets;
- to ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the External Auditor; and
- to maintain regular, timely, open and honest communications with the External Auditor and requiring the External Auditor to report to the BAC on significant matters.

- (f) Related Party Transactions (“**RPT**”) and/or Connected Party Transaction (“**CPT**”):
- to review RPT and/or CPT and to seek the Board’s approval for such transactions apart from all financing facilities with connected party which are reviewed and deliberated by both the Management Credit Committee and Board Credit Committee for recommendation to the Board in line with EXIM Bank’s Guidelines on Connected Parties Transactions Version 1.0 (2017);
 - to monitor and ensure compliance with the Bank’s Conflict of Interest Policy;
 - to review the accuracy and adequacy of the Chairman’s Statement in the Directors’ Report, Corporate Governance Disclosure, interim financial reports and preliminary announcements in relation to the preparation of the financial statements;
 - to review third-party opinions on the design and effectiveness of the Bank’s internal control framework;
 - to review and endorse the status and progress of Management’s responses and corrective measures on issues raised in the Composite Risk Rating (“**CRR**”) letter from BNM before the same is tabled to the Board for approval;
 - to review the Bank’s compliance to all relevant regulations including Anti-Money Laundering and Counter Financing of Terrorism (“**AML/CFT**”) measure;
 - to deliberate investigation reports in relation to whistleblowing cases and decide on actions to be taken in accordance with the Bank’s Whistle Blowing Policy; and
 - to carry out such other responsibilities as may be delegated to the BAC by the Board from time to time.

Board Risk Committee

The BRC is responsible to support the Board in managing risks as set out in the BNM Policy Document on Risk Governance and oversees the Management’s activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk, business risk, compliance/regulatory risk, digital/ICT security risk, reputational risk and other risk and to ensure that the risk management process is in place and functioning. The Committee should meet at least once every two (2) months or as and when required.

The BRC comprises three members, Datuk Dr. Syed Muhamad Syed Abdul Kadir (Chairman), Datuk Bahria Mohd Tamil and Mr Wong Yoke Nyen.

The roles and responsibilities of BRC are as follows:

Strategy and Policy

- (a) Oversee, review and approve/recommend risk management philosophy and strategy, including risk appetite to the Board for approval.
- (b) Review, approve/recommend the risk management framework, policies, controls and systems of the Issuer in accordance with the Board approved risk management philosophy and strategy.
- (c) Review and approve/recommend to the Board the risk appetite/tolerance of the Issuer at enterprise and at strategic business unit levels.

- (d) Recommend new products/services, systems and processes which are fundamentally different from the Issuer's existing products/services, systems and processes as proposed by Management.
- (e) Review, approve/recommend new outsourcing providers and arrangements for the Board's approval and periodically be informed and review on the performance of the existing outsourcing providers prior to renewal.
- (f) Maintain continued awareness of any changes in the Issuer's risk profile to ensure that the Issuer's business activities, operations, systems, policies and procedures are in line with the overall risk strategy, appetite and tolerance.

Organisation

- (a) Oversee the overall management of all risks including overall balance sheet risks, market risk, credit risk, country risk, operational risk, liquidity risk, legal risk, Shariah risk, business risk, compliance/regulatory risk, digital/IT/ICT security risk, reputational risk and other risk.
- (b) Ensure clear and independent reporting lines and responsibilities for the overall business activities and risk management functions.
- (c) Cultivate a proactive risk and compliance management culture in the day-to-day Issuer's business and activities.
- (d) Independent review/oversight of the Issuer's risk management, policies, procedures, infrastructure, capabilities, environment and processes.

Measurement

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

Processes and Technology

- (a) Ensure sufficient internal controls are embedded in the Issuer's daily activities to detect deficiencies in the control environment in a timely manner.

- (b) Oversee and review the independence and robustness of risk management processes throughout the Issuer and approve/recommend the Issuer’s key risk control and mitigation processes for the Board’s approval.
- (c) Periodically review risk exposures of the Issuer in line with its risk strategy and objectives.
- (d) Delegate predetermined specific authority to the MARCC or Management to approve specific deviations and the extent of these deviations from limits.
- (e) Review and recommend the contingency plan for dealing with various extreme internal/external event(s) disasters.
- (f) Ensure adequacy of tools, systems, processes and resources for the control functions including proper oversight of risk management as well data recording, accuracy, record maintenance and retention.

Oversight on matter relating to Anti Money Laundering and Counter Financing of Terrorism Act 2001 (“AMLATFA”)

- (a) Oversight on the Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) measures undertaken and be fully committed in establishing an effective internal control system, including but not limited to the following:
 - To ensure AML/CFT measures are in place.
 - To set minimum standards and endorse the AML/CFT policies, procedures and controls.
 - To designate a compliance officer at Senior Management level with sufficient authority.
 - To regularly review and assess the AML/CFT measures and implementation.
 - To ensure that proper training programmes on AML/CFT practices and measures for its employees are sufficiently and appropriately conducted.

Oversight role over the Chief Risk Officer (“CRO”) and Chief Compliance Officer (“CCO”)

- (a) To approve/recommend the appointment, remuneration package, performance evaluation and termination of the CRO and CCO.
- (b) To engage with CRO and CCO on a regular basis to discuss issues faced by the Risk Management and Compliance functions. BRC may consider engaging with CRO and CCO without the presence of other Senior Management from time to time.
- (c) To ensure that CRO and CCO are supported with sufficient resources including competent staff to perform their duties effectively.

Nomination and Remuneration Committee (“NRC”)

The primary objectives of the NRC are as follows:

- (a) To provide a formal and transparent procedure and support the Board in carrying out its function in overseeing the following matters concerning the Board, Board Committees, Directors, Shariah Committee, President/Chief Executive Officer (“P/CEO”) and Senior Management:

- appointments, reappointments and removals;
 - composition;
 - performance evaluation and development; and
 - fit and proper assessments.
- (b) To support the Board in overseeing matters relating to the remuneration policy and packages for the Directors, Shariah Committee members, P/CEO and Senior Management of the Issuer including various incentives or retention schemes implemented by the Issuer.

The NRC comprises Datuk Dr. Syed Muhamad Syed Abdul Kadir (Chairman), Datuk Bahria Mohd Tamil and Dato' Sandra Wong Lee Yun.

Nomination Functions under NRC

The nomination functions under NRC are as follows:

- (a) Overseeing the overall composition of the Board, Board Committee and Shariah Committee in terms of size, skill and the balance between Non-Executive Director and Independent Director and to recommend to the Board the appropriate policy relating thereto.
- (b) To recommend suitable candidates to the Board for appointment and re-appointment to the Board, Board Committee, Shariah Committee and P/CEO taking into consideration amongst others the fit and proper assessment that the individuals should bring to the Board.

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

- (a) To recommend candidates to the Board for the appointment and re-appointment of Senior Management based on the fit and proper assessment.
- (b) To assess annually the performance and effectiveness of the Board, Board Committees and the contribution of each individual director in discharging their duties.
- (c) To assess the performance and effectiveness of the Senior Management in discharging their duties including the setting of appropriate performance target parameters for each financial year.
- (d) To oversee the succession planning framework for the Board and Senior Management.
- (e) To ensure all Directors undergo appropriate induction programme and receive continuous training in order to keep abreast of the latest developments in the industry.
- (f) To oversee and recommend to the Board on the Human Capital policies and strategies, compensation and benefits policies/plans and the terms and conditions of service of the P/CEO and Senior Management.

Remuneration Functions under NRC

The remuneration functions under NRC are as follows:

- (a) To recommend to the Board, the remuneration framework and structure for the Board, Shariah Committee, P/CEO and Senior Management and ensure that the agreed framework and structure are in line with the MOF's directive.
- (b) To recommend remuneration packages of the Board, Board Committee members, Shariah Committee members, P/CEO and Senior Management to reflect the level of expertise, commitment and responsibilities. The remuneration packages should:
 - be based on an objective consideration and approved by the full Board;
 - take due consideration on the assessments of the effectiveness and contribution of the Director, P/CEO and Senior Management;
 - not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
 - be sufficiently competitive to attract, nurture and retain high quality talents in order to deliver the Issuer's mandate.
- (c) To make recommendation(s) to the Board with regard to the staff annual bonus and other performance related rewards and annual increment.
- (d) To deliberate on Senior Management's industrial relation matters.

Directors' Interests

None of the directors holds any of the Issuer's equity shares or is related to a substantial shareholder of the Issuer. There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties.

Shariah Committee

The Shariah Committee oversees all Shariah matters relating to the Issuer's Islamic business and operations and activities to ensure that matters are carried out in accordance with Shariah principles.

The Shariah Committee is responsible for the performance of the following duties and responsibilities:

- (a) responsible and accountable for all Shariah decisions, opinions and views provided by them;
- (b) recording any opinion given. In particular, the Shariah Committee shall prepare written Shariah opinions in the following circumstances: (i) where the Issuer makes reference to the SAC for advice; or (ii) where the Issuer submits an application to BNM for new product approval. The Shariah Committee shall provide the endorsement and decision with regard to the Shariah compliance of the concept and the mechanism/structure of every new product, furnishing the relevant jurisprudential literature, supporting evidence and reasoning. The endorsement shall be in the form of a letter and a copy of the Shariah paper presented to the Shariah Committee;
- (c) advising the Board on Shariah matters in order to ensure that the Islamic business operations of the Issuer comply with Shariah principles at all times;

- (d) recommending on the appointment and reappointment of the Shariah Committee members and Chairman for consideration and submission to the NRC and Board of Directors;
- (e) endorsing Shariah Policy and Procedure to ensure that the contents of Shariah Policy and Procedure do not contain any elements which are not in line with Shariah;
- (f) approving the terms and conditions contained in the forms, contracts, agreements or other legal documentation used in executing the transactions, the product manual, marketing advertisement, sales illustrations and brochures used to describe the product to ensure that the products of the Issuer comply with Shariah principles;
- (g) assessing work carried out by Shariah review, research, compliance and audit functions in order to ensure compliance with Shariah matters in its Islamic business operations;
- (h) assisting related parties of the Issuer, such as its legal counsel, auditor or consultant, with advice on Shariah matters upon request. The Shariah Committee is expected to provide assistance to them so that the compliance with Shariah principles can be assured completely;
- (i) advising the Issuer to consult the Shariah Advisory Council (“SAC”) on any Shariah matters that have not been resolved or endorsed by the SAC;
- (j) explaining the Shariah issues involved and the recommendations for a decision. This must be supported by relevant Shariah jurisprudential literature from established sources. The Shariah Committee is also expected to assist the SAC in any matters referred by the Issuer. Upon obtaining any advice from the SAC, the Shariah Committee shall ensure that all the SAC’s decisions are properly implemented by the Issuer;
- (k) reviewing, verifying and recommending to the Board that the financial year report on Islamic financing business and activities does not contravene Shariah principles;
- (l) representing the Issuer or attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Issuer’s Islamic business and operations; and
- (m) maintaining the confidentiality of the Issuer’s internal information. All information shall be kept in strict confidence, except when disclosure is authorised by the Issuer or required by the law.

The Shariah Committee comprises Prof. Dr. Rusni Hassan, Haji Zainal Abidin Mohd Tahir, Dr. Safinar Salleh, Dr. Ghazali Jaapar and Dr Muhamad Syahmi Mohd Karim and is chaired by Prof. Dr. Rusni Hassan.

The following table sets out information regarding the Issuer’s Shariah Committee as at the date of this Offering Circular.

Name	Position	Age	Date of Appointment
Prof. Dr. Rusni Hassan	Chairperson	54	1 May 2021 (2nd term of appointment)
Haji Zainal Abidin Mohd Tahir	Member	66	1 November 2019 (2nd term of appointment)
Dr. Safinar Salleh	Member	45	1 January 2019 (1st term of appointment)

Name	Position	Age	Date of Appointment
Dr. Ghazali Jaapar	Member	50	1 May 2021 (1st term of appointment)
Dr. Muhamad Syahmi Mohd Karim	Member	45	1 May 2021 (1st term of appointment)

Information on the relevant experience of members of the Shariah Committee is set out below:

Prof. Dr. Rusni Hassan

Prof. Dr. Rusni Hassan is a Professor and Deputy Dean at the IIUM Institute of Islamic Banking and Finance, IIUM. She graduated with LLB (Honours), LLB (Shariah) (First Class), Master of Comparative Laws (MCL) and Ph.D. in Law.

She served as a Member of the Shariah Advisory Council at BNM from 1 November 2010 to 2016. She is the Shariah Committee member for a number of Islamic Financial Institutions in Malaysia as well as the Association of Islamic Banking Institutions Malaysia (AIBIM). Internationally, she serves as the Shariah Committee member for Housing Development Finance Corporation and Housing Development Corporation, Maldives. She is a registered Shariah Advisor with the Securities Commission Malaysia. She was appointed as a member of the Bank's Shariah Committee on 2 January 2018.

She is an active member of the Association of Shariah Advisors in Islamic Finance Malaysia (ASAS) and the International Council of Islamic Finance Educators (ICIFE) as the Secretary and the Assistant Secretary for both associations respectively. She is also a prolific speaker in seminars, workshops, conferences and trainings on various Islamic Finance issues. Her publication includes books on Islamic Banking and Takaful, Islamic Banking under Malaysian Law, Corporate Governance of Islamic Financial Institutions, Islamic Banking Cases and Commentaries; Remedies for Default of Payment in Islamic Banking and more than 100 articles in local and international journals.

Her works and contribution to Islamic Finance have been internationally recognised. She was listed as one of the Top 10 Women in Islamic Finance by CPI Financial in 2013 and has been awarded as Most Talented Women Professional in Islamic Banking, Asia Islamic Banking Excellence Awards, CMO Asia, 2014; and Women of Distinction for her contribution in the field of Islamic Finance and Law by Venus International Women Awards (VIWA 2016). She was also listed as one of the 50 Most Influential Women in Islamic Finance by ISFIRE in 2017 and Top 10 Woman in Islamic Business and Finance from Cambridge IFA in 2018, 2019 and 2020.

Haji Zainal Abidin Mohd Tahir

Mr. Zainal Abidin, a former Teaching Fellow cum Deputy Dean of School of Professional Studies, INCEIF obtained his MBA in Islamic Banking & Finance from International Islamic University Malaysia and Bachelor of Economics (Hons.) in Analytical Economics from University of Malaya. He also has a Diploma (post-graduate) in Islamic Finance from Kolej Dar al Hikmah, Malaysia. Currently, he is an accredited trainer with Islamic Banking & Finance Institute of Malaysia (IBFIM) and an Associate Member of Asian Institute of Chartered Bankers (formerly known as IBBM). While teaching at INCEIF, he has been occasionally invited to be speaker/facilitator for Islamic and conventional commercial banks' training programmes. He was appointed as a member of the Bank's Shariah Committee on 2 November 2017.

He has 26 years of banking experience in both Islamic and conventional banking. His last position in banking was as Vice President/Head of Entrepreneur Department with Bank Muamalat Malaysia Berhad. Prior to that, he was Vice President/Head of Credit Risk Department for more than three years

during which several risk management initiatives were taken by the bank which include the establishment of Board Risk Management Committee. He sat in many committees while in the banks which among others include the Shariah Committee.

Mr. Zainal Abidin's early banking experience was with Bank Bumiputra Malaysia Berhad (BBMB) where he gained extensive exposures in banking operations which include credit/financing related work encompassing corporate, commercial and retail credit both at head office and branch level before moving into the Islamic banking division in 1993. During his banking career, he has carried out training activities for bank personnel as well as customers in the areas of Islamic banking, financial management, credit and entrepreneurship. He had also attended numerous overseas training courses while serving at the bank, one of which was at Moody's Risk Management Services, California.

He continued his teaching and training activities after leaving the banking industry by becoming a regular speaker/facilitator for IBFIM's training programmes and IBBM's Financial Sector Talent Enhancement Programme, apart from teaching on a part-time basis at a private university. He is also a trainer for various government-funded training programmes for unemployed graduates. Besides teaching, he was also engaged as a consultant in the areas of Islamic banking operation and education. He has a total of 27 years of active involvement in Islamic banking and finance, as practitioner as well as academician. He has written book chapters, co-written in journals as well as writing Islamic banking modules for a professional certification body.

Dr. Safinar Salleh

Dr. Safinar binti Salleh is a lecturer at the Department of Islamic Law, Ahmad Ibrahim Kulliyah of Law, International Islamic University Malaysia. Dr. Safinar binti Salleh obtained her Bachelor of Shariah from Al-Azhar University, Cairo in 1999, Master in Shariah from University of Malaya in 2005 and Ph.D in Islamic Studies from Glasgow Caledonian University, United Kingdom in 2013. She joined the Bank as the member of Shariah Committee on 1 January 2019. She is also the member of Shariah Committee of Hong Leong Islamic Bank Berhad as well as Shariah Committee of Swiss Reinsurance Company Ltd. (Swiss Re Takaful).

Her field of specialization includes Takaful, Retakaful, and Islamic Banking, Islamic law of contracts and Islamic Capital Market. She has published numerous Islamic books and articles and actively presented many papers in various local conferences and seminars.

Dr. Ghazali bin Jaapar

Dr Ghazali bin Jaapar is an Assistant Professor in the Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM. He obtained his first degree from the Faculty of Shariah, University of Malaya, Master's Degree in Comparative Law and obtained his Ph.D. in Islamic Jurisprudence from Birmingham University, United Kingdom. His Ph.D. thesis was entitled: "The Concept and Application of Equity in Islamic Law and in the Shariah Courts in Malaysia". He joined the Bank as a member of Shariah Committee on 1 May 2021. He is also a Chairman of Shariah Committee for Kenanga Investment Bank since April 2020 and a Shariah Committee member of FWD Takaful (formerly known as HSBC Amanah Takaful) since 2011. Previously, he served as Chairman, Group Shariah Committee for RHB Islamic Bank from 2011 until March 2021.

He has written various journals and articles on Islamic Legal System, Principles of Islamic Jurisprudence (Usul al-Fiqh), Islamic Legal Maxims, Maqasid Shariah (the objectives of Shariah implementation).

Dr. Muhammad Syahmi bin Mohd Karim

Dr Muhammad Syahmi bin Mohd Karim is a Deputy CEO/Senior Consultant, ISRA International Consulting Sdn Bhd. He graduated with a Bachelor's Degree in Accounting from International Islamic University Malaysia (IIUM) and received his Master of Science in Finance and was awarded as best student from the same university. He obtained his Ph.D in Islamic banking and finance from Durham University, United Kingdom. He joined the Bank as a member of Shariah Committee on 1 May 2021. He is also a member of Shariah Committee in HSBC Amanah Malaysia Berhad and Co-opBank Pertama Malaysia Berhad (Co-opbank Persatuan Malaysia Berhad). He has vast experience in banking services locally and internationally for the past 18 years. Prior to joining ISRA Consulting, he was the Global Lead Islamic Finance Expert, Islamic Development Bank (IDB) Group. He is also an external expert for Islamic finance field to the International Monetary Fund based in Washington DC.

Prior joining the IDB, he was with the BNM (Central Bank of Malaysia) from 2001 to 2011 in Banking Supervision Department with his last position as the Head of Islamic Finance and Shariah Risk Section, Specialist Risk Department. He is a Chartered Accountant of the Malaysian Institute of Accountants, an associate member of CPA Australia and Association of Shariah Advisors in Islamic Finance (ASAS).

Key Management Personnel

The Issuer's key management personnel are responsible for the day-to-day management of the Issuer's operations and implementation of the Issuer's business strategies, major plans and projects in accordance with the vision and mission guided by the direction and approval of the Board.

The following table sets out information regarding the Issuer's key management personnel as at the date of this Offering Circular.

Name	Position	Age	Date of Appointment
Chin Ying Jack	Chief Risk Officer	46	1 February 2021
Faidzel Adham Bin Sohari	Chief Business Officer	55	10 August 2020
Safidah Tahir	Chief People Officer	46	3 February 2020
Thangamani Rajagopal	Chief Internal Audit	61	2 January 2020
Kamarudin Samsudin	Chief Compliance Officer	51	15 May 2018
Zabedah Binti Giw	Acting Chief Strategy Officer	50	1 September 2021
Norlela Binti Sulaiman	Acting Chief Operating Officer	49	16 September 2021
Wan Noorazli Maula Wan Suleiman	Head, Legal Department	38	1 June 2020

None of the Issuer's key management holds 1.0 per cent. or more of the Issuer's equity shares or is related to a substantial shareholder of the Issuer.

Information on the relevant experience of members of the Issuer's key management is set out below:

Chin Ying Jack — Chief Risk Officer

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

risk management process, Jack Chin reviews and prepares risk reports to the Board and Management Risk Committees respectively, as well as provide recommendations for appropriate risk mitigation.

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

Faidzel Adham Bin Sohari — Chief Business Officer

As the Chief Business Officer of the Bank with a fiduciary duty to the Board, Faidzel is directly responsible for a variety of matters, including formulating, redesigning and implementing business and marketing strategies and operations for the effective delivery of services to support the Bank's Corporate and SME & Commercial banking businesses. He plays a critical role in providing advice and support to the Management Team on all aspects of the Bank's delivery of services in these areas, as he is accountable for revenue generation, as well as constant financial margin enhancement for solutions, products and services offered to the Issuer's customer base. With a crucial role to position the Issuer as a preferred financier & advisor for global business, Faidzel closely monitors growth of the business as per the agreed targets. He provides leadership and guidance to the leaders of the business line and encourages process improvement initiatives, via enhanced relationship nurturing and building initiatives with customers and the market at large, whilst adhering to approved governance and risk frameworks.

Safidah Tahir — Chief People Officer

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

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

Thangamani Rajagopal — Chief Internal Audit

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

capabilities and deliver up to expectations. He sets and assures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved audit plan.

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

Kamarudin Samsudin — Chief Compliance Officer

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

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

Zabedah Binti Giw — Acting Chief Strategy Officer

Zabedah has been with the Bank since 2009 in the Strategy Office. She graduated from Coventry University, England with a Bachelor degree in Business Administration.

She is currently the Acting Chief Strategy Officer in the Strategy Office overseeing Strategy Planning, Advisory & Research. As the head of the Strategy Office, Puan Zabedah is responsible for creating strategic partnerships by liaising with governmental bodies, partners, and key stakeholders internally and externally in order to facilitate strong working relationships that will enable the Bank to grow and better support its clients. She has a fiduciary duty to the Board of the Bank and is directly accountable and responsible to the PCEO of the Bank for a variety of matters including formulating strategy, developing business plan, market and trend analysis at global regional and local levels, developing bank-wide roadmap, crafting corporate scorecards and interlinked business line scorecards and metrics to support the Bank's overarching mandate.

She is an active speaker representing the Bank in conducting advisory and market talks/seminars for SMEs and corporate businesses, government agencies (such as CIDB Malaysia, MATRADE, MITI), universities, business chambers and other industry players.

Prior to joining the Bank she held several roles at Maybank namely Industry Analyst of Credit Risk in Risk Management Division, Senior Executive in Internal Audit as well as Credit Officer at RHB Bank.

Norlela Binti Sulaiman — Acting Chief Operating Officer

Norlela is a certified accountant. She graduated with a Bachelor (Hons) in Accounting and Finance from De Monfort University, England in 1995 and earned her ACCA from Emile Wolf College London in 1996.

She has been with the Bank since 2008, attached to the Finance and Accounting Department as Head Finance & Treasury from November 2008 to November 2010, as Chief Financial Officer from December 2010 to December 2019 and as Finance Director from January 2020 to September 2021. She was appointed as the Acting Chief Operating Officer (“**ACOO**”) in September 2021.

As the ACOO, she acts as the strategic partner and advisor to Senior Management, and the Board of Directors on matters pertaining to the financial position of the Bank and provides effective solutions with the objective of improving performance and maximising shareholder value in accordance with good corporate governance. She leads and manages the Finance & Accounting, Credit Operations, IT, Procurement, Property and Administration Departments to ensure alignment to the business objectives and achievement of the goals. She also has a fiduciary duty to the Board of Directors of the Bank and is directly responsible and accountable to the Bank in formulating, redesigning, where required, and implementing business strategies, plans and operations for effective delivery of services to support the Bank’s mandate.

Wan Noorazli Maula Wan Suleiman — Head, Legal Department

Wan Noorazli holds a Bachelor of Laws from the University of London. He joined the Bank in 2010 and has been attached to the Legal Department since then. He was promoted to Head, Legal Department in July 2020. He leads and manages the legal department and provides legal advice to support the Bank’s business objectives and drive compliance to respective regulations and policies to minimise exposure to legal liability and operational risks. He is also responsible for providing legal advice on contracts and service agreements and vetting of legal documents prepared on behalf of the Bank to protect it from any legal implication.

He also sits on the Executive Committee and provides legal opinions to the Board of Directors and the Management.

Prior to joining the Bank, he had been working at a legal firm, Messrs A.B Sidek & Co. from 2006.

SHAREHOLDERS

The shareholders of the Issuer as at the date of this Offering Circular are as follows:

Name	Number of shares held	Percentage of shareholding
Minister of Finance (Incorporated)	2,958,665,283 ⁽¹⁾	99.9
Federal Lands Commissioner of Malaysia	1	0.1

⁽¹⁾ Comprising 2,708,665,282 ordinary shares, one special right redeemable preference share and 250,000,000 redeemable cumulative and convertible preference shares.

REGULATION AND SUPERVISION

The Issuer is regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance, 1958 (now the Central Bank of Malaysia Act, 2009 (the “**2009 Act**”)) as the Central Bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia’s financial system. Its principal objectives are to: (a) formulate and conduct monetary policy in Malaysia; (b) issue currency in Malaysia; (c) regulate and supervise financial institutions which are subject to the laws enforced by BNM; (d) provide oversight over money and foreign exchange markets; (e) exercise oversight over payment systems; (f) promote a sound, progressive and inclusive financial system; (g) hold and manage the foreign reserves of Malaysia; (h) promote an exchange rate regime consistent with the fundamentals of the Malaysian economy; and (i) act as financial adviser, banker and financial agent of the Government.

BNM and the Minister of Finance of Malaysia (the “**Minister**”) have extensive powers under the DFIA, which is the principal statute that sets out the laws for the regulation and supervision of DFIs and for matters connected therewith. In addition to the DFIA, Malaysian DFIs are subject to guidelines issued by BNM from time to time. The following discussion sets out information with respect to the regulation of the banking industry by BNM.

Licensing and Limitation of Business Activities of Development Financial Institutions

Under the DFIA, a “**DFI**” means an institution which carries on any activity, whether for profit or otherwise, with or without the Government’s funding, with the purpose of promoting development in the industrial, agricultural, commercial or other economic sector, including the provision of capital or other credit facility; whereby “**development**” includes the commencement of any new industrial, agricultural, commercial or other economic venture or the expansion or improvement of any such existing venture. Also under the DFIA, “**business**” means any activity carried out for the purpose of gain or profit and includes all property derived from, or used in, or for the purpose of, carrying on such activity and all rights and liabilities arising from such activity. Further under the DFIA, “**prescribed institutions**” are DFIs prescribed by the Minister by order published in the Gazette³³.

Prescribed institutions are also subject to a number of other restrictions on the operation of their business. In particular, a prescribed institution may not: (i) pay any dividend on its shares until all of its capitalised expenditures (including preliminary expenses, organisation expenses, shares selling commission, brokerage, amount of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off and the prior approval of BNM in respect of the amount proposed to be declared has been obtained; (ii) grant any credit facilities to any of its directors or officers except as permitted under the DFIA; (iii) accept its own shares or shares of its holding company as security; (iv) carry out any activity in or outside Malaysia, otherwise than in connection with or for the purposes of carrying on of its business unless the approval of BNM has been obtained in writing; or (v) establish or acquire any subsidiary in or outside Malaysia unless the approval of BNM has been obtained in writing.

Statutory Reserves

Under the DFIA, Malaysian DFIs may be required by BNM to maintain a statutory reserve fund. BNM has not to date required the Issuer to maintain a statutory reserve fund.

³³ Gazette includes the official Gazette published in electronic or other form by order of the Government of Malaysia and shall, to the extent specified in subsection 18(3) of the Interpretations Act 1948 and 1956, include the official Gazette of any State of Malaysia.

Capital Adequacy Requirements

With effect from 1 September 1989, capital adequacy regulations implementing the agreement reached by the Basel Committee on Banking Regulations and Supervision Practices in July 1988 were introduced into the Malaysian banking system. The Capital Framework for Development Financial Institutions issued by BNM on 9 April 2014 specifies a minimum capital of RM300,000,000.00 and a risk-weighted capital ratio of 8.0 per cent.

Risk-weighted capital ratio is the ratio of capital base to total risk-weighted assets. Capital base represents resources that can be used to absorb current losses, while leaving the DFIs with the ability to continue operating as a going concern, and is the sum of eligible Tier I capital and eligible Tier II capital less any other deductions from total capital. Tier I capital includes paid-up ordinary share capital, share premium, statutory reserves, general reserves, retained profit less accumulated loss, minority interests and after deducting positive goodwill. Tier II capital includes government grants and subsidies, subordinated debt subject to prescribed limit and revaluation surpluses.

Risk-weighted assets is the sum of: (i) the credit risk weights of all the different categories of on-balance sheet assets; and (ii) the credit risk weights of off-balance sheet exposures after applying credit conversion factors to the types of off-balance sheet instrument. The credit risk weights and the credit conversion factors are provided in BNM guidelines.

Single Customer Limit

Prescribed institutions are prohibited from extending credit facilities to any customer in excess of the prescribed percentage as prescribed by BNM, subject to certain exemptions.

Qualifications of Directors; Power to Remove Directors

Under the DFIA, a person cannot be appointed as a director of a prescribed institution if, for example, that person has been declared bankrupt or has compounded with his creditors, whether in or outside of Malaysia; or if convicted of a criminal offence relating to dishonesty, fraud or violence under any written law punishable with imprisonment for one year or more, whether by itself, or in lieu of, or in addition to, a fine; or has been convicted of any offence under the DFIA; or if there has been any order of detention, supervision, restricted residence, banishment or deportation made against him; or if there has been imposed on him any form of restriction or supervision, by bond or otherwise, under any law relating to prevention of crime, or preventive detention for the prevention of crime or drug trafficking, or restricted residence, or banishment or immigration; or if that person has been a director of, or directly concerned in the management of, any corporation which is being or has been wound up by a court or any authority competent to do so in or outside Malaysia. The appointment of directors and chief executive officer of a prescribed institution is subject to the verification of BNM. The appointment of a director and the chief executive officer of a prescribed institution are subject to renewal every two years upon re-assessment by BNM pursuant to an application submitted by the prescribed institution for the re-appointment.

BNM Corporate Governance Policy Document (BNM/RH/PD 035-5) regarding composition of the board stipulates that: (i) a DFI must have at least three directors (excluding executive directors) with finance-related or accounting experience. A board member who is qualified in finance-related disciplines should have acquired a minimum of five years working experience at a senior management level in the discipline of banking, insurance, takaful or investment; (ii) the chairman of the board must not be an executive, and must not have served as a CEO of the DFI in the past five years; (iii) the board of the DFI must not have more than one executive director on the board to promote effective independent oversight by the board; (iv) the board must have a majority independent directors at all times; and (v) a director of a DFI must not be an active politician.

A DFI must notify BNM before the removal or resignation of an independent director. The notification shall include reasons for the removal or resignation of such director including where relevant, details of specific circumstances leading to the removal or resignation. The removal or resignation of independent director shall not take effect unless BNM has communicated to the DFI that it has no objection to the removal or resignation.

BNM is also empowered under the DFIA to remove any director of a prescribed institution with the consent of the Minister if, *inter alia*, it is satisfied that the prescribed institution is carrying on its business in a manner detrimental to the interests of its stakeholders or the public generally or is insolvent or is likely to become unable to meet all or any of its obligations or is about to suspend payment to any extent or has contravened any provision of the DFIA or any provision of any written law, regardless that there has been no criminal prosecution in respect of the contravention.

Powers of Enforcement

BNM has broad powers to enforce the DFIA. In particular, where a prescribed institution is insolvent or has become or is likely to become unable to meet all or any of its obligations or is about to suspend payment to any extent, BNM may, with the prior concurrence of the Minister, remove from office, with effect from such date as may be set out in the order, any director of the prescribed institution or appoint any person as a director of the prescribed institution, or appoint a person to advise the prescribed institution in relation to the proper conduct of its business or, alternatively or in addition to the foregoing, may recommend that the Minister place the prescribed institution under the control of BNM or authorise BNM to make a court application to appoint a receiver or manager to manage the affairs of the prescribed institution or authorise BNM to present a petition for winding up of the prescribed institution.

Inspections by BNM

BNM is empowered under the DFIA to examine from time to time, with or without any prior notice, the books or other documents, accounts and transactions of a prescribed institution and any of its offices in or outside Malaysia and may be directed by the Minister to do so in the event the Minister suspects that such prescribed institution is carrying on its business in a manner which is, or which is likely to be, detrimental to the interests of its stakeholders or has insufficient assets to cover its liabilities to the public or is contravening any provisions of the DFIA or any other written law.

Recent Merger Plan³⁴

BNM has acknowledged that DFIs play an important role in supporting access to finance for strategic sectors in the economy. To increase the developmental impact and value offering of DFIs, a two-phase restructuring plan for Malaysia's DFIs to strengthen the country's development finance ecosystem was announced by the Government in the 2020 Budget Speech. The plan entails forming a new financial institution by merging BPMB, Danajamin, Small Medium Enterprise Development Bank Malaysia Bhd and the Bank.³⁵ The main purpose of the two-phase restructuring plan is to create an enlarged entity that is better positioned to address the expanding financing needs of the economy going forward. With greater size and capacity, this will also enable DFIs to be better able to manage risks and withstand shocks.

BPMB will be taking the lead in the merger by taking over Danajamin. As at 30 September 2021, BPMB had announced the signing of agreements with Credit Guarantee Corp Malaysia Bhd and MOF (Inc.), the shareholders of Danajamin, for the 100% acquisition of Danajamin.³⁶

³⁴ (Source: Page 32 BNM 2019 Annual Report published on 03 April 2020)

³⁵ <https://www.bnm.gov.my/documents/20124/761679/bs2020.pdf>

³⁶ <https://www.theedgemarkets.com/article/bank-pembangunan-malaysia-acquires-danajamin-nasional-cgc-and-mof-inc>

Latest Regulatory Frameworks and Efforts³⁷

In recent years, BNM has issued and enabled regulatory frameworks to realise the full potential of DFIs.

BNM has acknowledged that DFIs continue to play an important role in supporting strategic economic sectors and advancing Malaysia's developmental and socio-economic objectives.

According to BNM, in 2019 DFIs approved RM44.9 billion of financing (2018: RM32.3 billion), driven mainly by strong demand from the infrastructure and agriculture sectors, and households. Importantly, more than 14,600 SMEs, including start-ups, benefitted from RM3.8 billion of financing approved.

Building on the Bank's review of the mandates of DFIs to ensure that their developmental objectives are aligned with the nation's economic strategies, BNM has started to apply greater differentiated regulatory and supervisory approach for DFIs, reflecting the nature, size, complexity, and specific roles and mandates of each DFI.

BNM has stressed that it is important to minimise market distortions and ensure that BNM's framework remains appropriate to the specific risk profiles of individual DFIs.

In 2019, BNM's policy focus for DFIs was steered towards nurturing a culture of developmental impact, innovation as well as greater accountability and transparency.

Key policies and consultative documents issued specifically for DFIs are as highlighted below:

(1) Corporate Governance (Issued on 13 December 2019)

The policy aims to strengthen DFIs' corporate governance practices through heightened expectations on the board and senior management to foster a sound risk culture. It also improves disclosures by DFIs on their mandate and performance measurement framework.

(2) Financial Reporting for Development Financial Institutions (Issued on 28 July 2020)

The policy aims to promote greater transparency on DFIs' performance, in particular, their achievements in meeting developmental mandates and their effectiveness in mobilising government funds/schemes.

(3) Corporate Strategic Plan (Issued on 27 May 2021)

The policy focuses on the development of robust and forward-looking corporate strategies that are aligned to DFIs' developmental mandates, supported by sound risk management practices to ensure their long-term sustainability. This includes expectations to measure their success through an enhanced performance measurement framework.

In its latest annual report, BNM reported that³⁸:

1. DFIs remained important in broadening access to finance. DFIs played a counter-cyclical role during the pandemic to bridge financing gaps in strategic economic sectors and to the underserved. In 2020, total loans/financing outstanding by DFIs registered a growth of 7.7% to RM153.7 billion (end-2019: -0.3% to RM142.7 billion), underpinned by demand from the household, agriculture and general commerce sectors;

³⁷ (Source: Page 15 BNM 2019 Annual Report published on 03 April 2020)

³⁸ (Source: Pages 30 to 32 BNM 2020 Annual Report published on 31 March 2021)

2. DFIs also provided support and assistance to higher risk segments not typically served by commercial banks, and who were badly affected by the pandemic. This includes financial assistance for agrofood businesses, tourism providers, money services businesses and homestays;
3. moreover, DFIs were involved as key administrators of various financing schemes introduced by the Government and the Bank under the PRIHATIN³⁹, PENJANA⁴⁰, PERMAI⁴¹ and recently announced PEMERKASA⁴² stimulus packages, aimed at sustaining the business operations of small businesses and microenterprises;
4. as at end-2020, DFIs provided financing amounting to RM833.7 million to 30,905 microenterprises under the PRIHATIN and PENJANA schemes. In addition to financing, more than 68,900 businesses and 1,625,000 individuals were granted a 6-month moratorium on financing repayments by DFIs. This provided timely support to vulnerable households and SMEs in key economic sectors during the challenging year; and
5. in 2020, BNM introduced and enhanced several policy requirements to better align and enhance DFIs' developmental outcomes with the principles set out by the Performance Measurement Framework (PMF). These requirements, centred around DFIs' corporate strategic planning and financial reporting, were aimed at institutionalising developmental objectives and mandates within the DFIs' business strategies and activities, and further aligning the DFIs' achievements with national development priorities. To ensure continued access to financing during movement restrictions, BNM further worked closely with State Governments and DFIs to ensure operational continuity of agent banks.

As a summary, BNM reported that one of the key areas in enhancing the financing ecosystem for SMEs and individuals amid the COVID-19 pandemic was through the advancement of DFI's countercyclical and developmental role including the following two aspects:

- (a) catalysed DFI's role in supporting higher-risk, strategic segments during pandemic. In particular, DFIs led the provision of certain facilities under BNM's Funds for small and medium enterprises in the country; and
- (b) strengthened governance and operational efficiencies of DFIs. In particular, BNM introduced the Corporate Strategic Plan and enhanced Financial Reporting requirements into DFI's strategy management and financial control.

³⁹ Prihatin Rakyat Economic Stimulus Package 2020 ("PRIHATIN") introduced by the Government on 27th March 2020 <<https://pre2020.treasury.gov.my/pdf/Booklet-PRIHATIN-EN.pdf>>

⁴⁰ Pelan Jana Semula Ekonomi Negara ("PENJANA") introduced by the Government on 5th June 2020 <<https://penjana.treasury.gov.my/pdf/PENJANA-Booklet-Bm.pdf>>

⁴¹ Perlindungan Ekonomi dan Rakyat Malaysia ("PERMAI") assistance package introduced by the Government on 18th January 2021 <<http://belanjawan2021.treasury.gov.my/manfaat/index.php/bm/permai>> and <<https://www.pmo.gov.my/perlindungan-ekonomi-dan-rakyat-malaysia-permai-assistance-package/>>

⁴² Program Strategik Memperkasa Rakyat dan Ekonomi ("PEMERKASA") introduced by the Government on 17th March 2021 <<https://www.pmo.gov.my/ms/pemeraksa/>> and <<https://belanjawan2021.treasury.gov.my/index.php/ms/pemeraksa>>

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

Book-entry Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Fiscal Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

Each of the persons shown in the records of Euroclear, Clearstream or an Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Notes. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Notes holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Issuer will not impose any fees in respect of the Notes, however, holders of book entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note will be deposited with a common depository for Euroclear and Clearstream. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal market debt securities operating procedures of Euroclear and Clearstream. Each Global Note will have an International Securities Identification Number (the “**ISIN**”) and a Common Code.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. Each Global Certificate will have an ISIN and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear and Clearstream have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear and Clearstream. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to, or payments made on account of, beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

Malaysia Taxation

All payments by the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any present or future tax, duty or charge of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Notes:

- (a) to or on behalf of a Noteholder who is treated as a resident of Malaysia or a permanent establishment in Malaysia for tax purposes;
- (b) to or on behalf of a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of his/her/it having some connection with Malaysia other than a mere holding of such Notes; and
- (c) presented for payment by or on behalf of a Noteholder who would not be liable or subject to such withholding or deduction by making a declaration of residence in Malaysia or other similar claim for exemption to the relevant tax authority and has failed to do so within the time prescribed by law or at all.

The Proposed Financial Transaction Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued on 8 December 2015 by participating Member States (other than Estonia) indicated a high-level agreement on the scope of the FTT. However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **“foreign financial institution”** may be required to withhold on certain payments it makes (**“foreign passthru payments”**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**“IGAs”**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining **“foreign passthru payments”** are filed with the U.S. Federal Register generally would be **“grandfathered”** for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an amended and restated dealer agreement (the “**Dealer Agreement**”) between the Issuer, the Arrangers and the Dealers, the Notes will be offered on a continuous basis by the Issuer to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Dealers and certain of their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, any of the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Each of the Dealers and its affiliates may also have performed certain investment banking and advisory services for the Issuer and/or its subsidiaries or affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries or affiliates in the ordinary course of their business and receive fees for so acting. While each Dealer and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

Selling Restrictions

United States

- 1.1 The Notes have not been and will not be registered under the Securities Act of 1933 and may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents, and each further Dealer appointed under the Programme will be required to represent, that it has not offered or sold, and agrees that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act (“Regulation S”). Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes.

Terms used in this paragraph 1.1 have the meaning given to them by Regulation S.

- 1.2 In respect of Notes that are expressed in the applicable Pricing Supplement to be subject to the D Rules, the following applies:
 - (a) Each Dealer represents, and each further Dealer appointed under the Programme will be required to represent, that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer; and

- (b) In addition:
- (i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (the “D Rules”), each Dealer represents, and each further Dealer appointed under the Programme will be required to represent, that (a) it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
 - (ii) each Dealer represents, and each further Dealer appointed under the Programme will be required to represent, that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
 - (iii) if a Dealer is a United States person, such Dealer represents, and each further Dealer appointed under the Programme will be required to represent, that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and
 - (iv) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, each Dealer either (x) repeats and confirms, and each further Dealer appointed under the Programme will be required to repeat and confirm, the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) on its behalf or (y) agrees, and each further Dealer appointed under the Programme will be required to agree, that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in clauses (a), (b) and (c).

Terms used in this paragraph 1.2 have the meaning given to them by the Code, and regulations thereunder, including the D Rules.

- 1.3 In respect of Notes that are expressed in the applicable Pricing Supplement to be subject to the C Rules, the following applies:

Under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”), to set out the criteria for “foreign targeted obligations” that are exempt from the excise tax under Section 4701(b)(1)(B) of the Code, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. In connection with the original issuance of Notes in bearer form, each Dealer represents that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions, and will not otherwise involve its U.S. office in the offer and sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code, as amended, and regulations thereunder, including the C Rules and Notice 2012-20.

Prohibition of Sales to EEA Retail Investors

Unless the applicable Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in MiFID II; or
 - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the applicable Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

- (a) if the applicable Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or applicable Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and, the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the applicable Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in the United Kingdom, except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) if the applicable Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA, or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “**an offer of Notes to the public**” in relation to any Security means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;

- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Malaysia

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the SC under the CMSA. Accordingly, each Dealer has represented and agreed that, at issuance, the Notes have not been and will not be offered, sold or delivered, transferred or otherwise disposed of, nor may any document or other material in connection therewith be distributed in Malaysia, other than to the persons falling within any one of the categories of persons specified under:

- (i) paragraph 1 (a), (b) or (d) of Part I of Schedule 5; and
- (ii) Schedule 6, Schedule 7 and Schedule 8 of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws. Thereafter, each Dealer has represented and agreed that the Notes may only be offered, sold, delivered, transferred or otherwise disposed of, directly or indirectly to a person to whom an offer or invitation to purchase the Notes would fall within:

- (i) paragraph 1 (a), (b) or (d) of Part I of Schedule 5; and
- (ii) Schedule 6 or section 229(1)(b) of the CMSA, and Schedule 8 of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws.

With respect to the establishment of the Programme of up to U.S.\$1,500,000,000 in 2012, in addition to an approval granted by BNM to the Issuer on 29 September 2009 for the Issuer to borrow in foreign currency (other than Israel currency) from reputable offshore financial institutions, the Issuer has on 5 June 2012 obtained approval from BNM for the issuance of Notes to residents and non-residents to finance its foreign currency lending activities.

In 2016, with respect to the update and upsize of the Programme from the initial programme limit of U.S.\$1,500,000,000 in nominal value to U.S.\$3,000,000,000 in nominal value, the Issuer subsequently received an approval from BNM on 14 March 2016 for further issuance of the Notes by the Issuer to residents and non-residents for purposes of financing its foreign currency lending activities.

With respect to the update of the Programme as at the date of this Offering Circular, the Issuer is not required to obtain any further approval from BNM for further issuance of the Notes under the Programme by the Issuer to residents and non-residents for purposes of financing its foreign currency lending activities.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from BNM to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

General

These selling restrictions may be supplemented or modified by the agreement of the Issuer and any relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each relevant Dealer will be required to agree that, it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement therefore in all cases at its own expense.

FORM OF PRICING SUPPLEMENT

[MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR PRODUCT GOVERNANCE/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[UK PRIIPs REGULATION — PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE — The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]⁴³

Pricing Supplement dated [●]

EXPORT-IMPORT BANK OF MALAYSIA BERHAD

Company Registration Number: 199501027992 (357198-K)

*Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$3,000,000,000 Multicurrency Medium Term Note Programme*

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 9 November 2021 [and the supplemental [Offering Circular] dated [●]] (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [●] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [●] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	Issuer:	Export-Import Bank of Malaysia Berhad
2	Legal Entity Identifier of the Issuer:	549300TCFMWGLMH7ZC74
3	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) [Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [insert date]]].]

⁴³ For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

- 4 Specified Currency or Currencies: [●]
- 5 Aggregate Nominal Amount:
- (i) Series: [●]
- (ii) Tranche: [●]
- 6 (i) Issue Price: [[●] per cent. of the Aggregate Nominal Amount
[plus accrued interest from *[insert date]* (if applicable)]]
- (ii) Net proceeds: [[●] (*Required only for listed issues*)]
- (iii) Utilisation of proceeds: [The net proceeds from the issue of Notes will be applied by the Issuer for its general banking and finance activities, working capital, as well as other corporate purposes.]
- 7 (i) Specified Denominations: [●]
If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the following:
“€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]”.
- (ii) Calculation Amount: [●]
- 8 (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*Specify/Issue Date/Not Applicable*]
- (iii) Trade Date⁴⁴: [●]
- 9 Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year/None*]
The Maturity Date for the Notes must be not less than one year from the Issue Date.
- 10 Interest Basis: [[●] per cent. Fixed Rate [from [●] to [●]]
[[specify reference rate] +/- [●] per cent.
Floating Rate [from [●] to [●]]
[Zero Coupon]
[Other (*specify*)]
(further particulars specified below)

⁴⁴ This will be the date of pricing.

- 11 Redemption/Payment Basis: [Redemption at par]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (specify)]
- 12 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption payment basis*]
 [Not Applicable]
- 13 Put/Call Options: [Investor Put]
 [Change of Control Put/Put Event]
 [Issuer Call]
 [(further particulars specified below)]
- 14 Status of the Notes: Senior
- 15 Listing: [SGX-ST/LFX/(*specify*)/None]
- 16 Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 17 Fixed Rate Note Provisions: [Applicable/Not Applicable]
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) [Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]

18 Floating Rate Note Provisions ⁴⁵ :	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Interest Period(s):	[●]
(ii) Specified Interest Payment Dates:	[●]
(iii) Interest Period Date:	[●] <i>(Not applicable unless different from Interest Payment Date)</i>
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
(v) Business Centre(s):	[●]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other <i>(give details)</i>]
(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent):	[●]
(viii) Screen Rate Determination	
Reference Rate:	[●]
Interest Determination Date(s):	[●]
Relevant Screen Page:	[●]
(ix) ISDA Determination:	
Floating Rate Option:	[●]
Designated Maturity:	[●]
Reset Date:	[●]
(x) Margin(s):	[+/-][●] per cent. per annum
(xi) Minimum Rate of Interest:	[●] per cent. per annum
(xii) Maximum Rate of Interest:	[●] per cent. per annum
(xiii) Day Count Fraction:	[●]
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]

⁴⁵ LIBOR is due to be discontinued by the end of 2021 and should not be used for notes with maturities that fall after 31 December 2021.

19	Variable Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[●]
		<i>(Not applicable unless different from Interest Payment Date)</i>
	(iv) Business Day Convention:	Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>
	(v) Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other <i>(give details)</i>]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(viii) Screen Rate Determination:	
	• Reference Rate:	[●]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[●]
	(ix) ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Variable Rate Date:	[●]
	(x) Margin(s):	[+/-][●] per cent. per annum
	(xi) Minimum Rate of Interest:	[●] per cent. per annum
	(xii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction:	[●]
	(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Variable Rate Notes, if different from those set out in the Conditions:	[●]

- 20 Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) [Day Count Fraction in relation to Early Redemption Amounts: [[30/360][Actual/360][Actual/365]][specify other]]
- (iii) Any other formula/basis of determining amount payable: [●]
- 21 Dual Currency Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

- 22 Call Options: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
- Minimum Redemption Amount: [●] per Calculation Amount
 - Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 23 [Change of Control Put Option/Put Option: [Applicable/Not Applicable]]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
- 24 Final Redemption Amount of each Note: [●] per Calculation Amount
- 25 Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26 Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] *(For this option to be available, such Notes shall only be issued in denominations that are equal to, or greater than, €100,000 (or its equivalent in other currencies) and integral multiples thereof)*

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

Registered Notes:

[Global Certificate ([*Currency*] [●] nominal amount) registered in the name of a nominee for a common depository for Euroclear and Clearstream]

- 27 Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(ii), 17(v) and 18(v) relate*]
- 28 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
- 29 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
- 30 Details relating to Variable Rate Notes: Interest Period; Specified Interest Payment Dates, Manner in which the Rate(s) of Interest is/are to be determined: [Not Applicable/*give details*]
- 31 Details relating to Instalment Notes: amount of each instalment (the “**Instalment Amount**”), date on which each payment is to be made (the “**Instalment Date**”): [Not Applicable/*give details*]
- 32 Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

- 33 (i) If syndicated, names of Managers: [Not Applicable/*give names*]
(ii) Stabilisation Manager (if any): [Not Applicable/*give name*]
- 34 If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- 35 U.S. Selling Restrictions: [Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable] The Notes are being offered and sold only in accordance with Regulation S.
- 36 Additional selling restrictions: [Not Applicable/*give details*]

- 37 Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)
- 38 Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

OPERATIONAL INFORMATION

- 39 ISIN: [●]
- 40 Common Code: [●]
- 41 Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- 42 Delivery: Delivery [against/free of] payment
- 43 Additional Paying Agent(s) (if any): [●]
- 44 The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars): [●]
- 45 Ratings: The Notes to be issued are [unrated/expected to be rated [●]].

GENERAL

- 46 Governing Law: English

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on [the Singapore Exchange Securities Trading Limited]/[The Labuan International Financial Exchange Inc.] of the Notes described herein pursuant to the U.S.\$3,000,000,000 Multicurrency Medium Term Note Programme of Export-Import Bank of Malaysia Berhad.

[STABILISATION

In connection with this issue, [insert name of Stabilisation Manager] (the “**Stabilisation Manager**”) (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

[The LFX takes no responsibility for the contents of this Pricing Supplement, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Pricing Supplement. Investors are advised to read and understand the contents of this Pricing Supplement before investing. If in doubt, the investors should consult his or her adviser. The approval in-principle from, and the admission of any Notes for listing on the LFX are not to be taken as indications of the merits of the Issuer, the Programme or the Notes].

[The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The approval in-principle from, and the admission of the Notes to the Official List of, the SGX-ST are not to be taken as indications of the merits of the Issuer, the Programme or the Notes].

Signed on behalf of
EXPORT-IMPORT BANK OF MALAYSIA BERHAD

By:
Duly authorised

GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in Malaysia in connection with the update of the Programme. The update of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the members of the Issuer dated 28 October 2021 and the Board of the Issuer dated 7 September 2021. The Legal Entity Identifier of the Issuer is 549300TCFMWGLMH7ZC74.
2. Application will be made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.
3. Approval-in-principle has been obtained from the LFX for the primary listing of the Programme. Application will be made to the LFX for the listing of, and permission to deal in, any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the LFX.
4. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.
5. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Issuer since 31 December 2020.
6. Save as disclosed in this Offering Circular, the Issuer is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant and material effect on the financial position of the Issuer.
7. The independent auditors of the Issuer are Ernst & Young PLT.

The financial statements of the Issuer as at and for the years ended 31 December 2020 (which includes the comparatives as at and for the year ended 31 December 2019), which are included elsewhere or incorporated by reference in this Offering Circular, have been audited by Ernst & Young PLT, independent auditors, as stated in their reports appearing or incorporated by reference herein.

8. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being at One Canada Square, London E14 5AL, United Kingdom:
 - (a) the constitutional documents of the Issuer;

- (b) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2019 and 2020 (in each case together with the audit reports in connection therewith). The Issuer currently prepares audited accounts on an annual basis;
- (c) the Dealer Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (d) a copy of this Offering Circular; and
- (e) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

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31 December 2020 F-2

Registration No.

199501027992 (357198-K)

EXPORT-IMPORT BANK OF MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Registration No.199501027992 (357198-K)

**Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

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Registration No.199501027992 (357198-K)

**Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

Directors' report

The Directors hereby present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2020.

Principal activities

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

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

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

Results

	Group RM'000	Bank RM'000
Profit for the year	<u>51,150</u>	<u>51,150</u>

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

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

Dividends

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

Registration No.199501027992 (357198-K)

**Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

Directors

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

Datuk Bahria binti Mohd Tamil	
Dato' Dr. Amiruddin bin Muhamed	
Datuk Dr. Syed Muhamad Syed Abdul Kadir	(Appointed on 15 July 2020)
Prem Kumar A/L Shambunath Kirparam	(Appointed on 15 July 2020)
Dato' Wong Lee Yun	(Appointed on 15 July 2020)
Wong Yoke Nyen	(Appointed on 15 July 2020)
Dato' Dzulkifli bin Mahmud	(Resigned on 8 March 2020)
Mohammad Fadzlan bin Abdul Samad	(Resigned on 28 April 2020)
Hijah Arifakh binti Othman	(Resigned on 27 October 2020)
Azizan bin Ahmad	(Resigned on 27 October 2020)
Dato' Feizal Mustapha @ Feizal bin Mustapha	(Resigned on 8 March 2021)

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

Malaysian Export Credit Insurance Berhad

Faidzel Adham bin Sohari	(Appointed on 12 January 2021)
Norlela binti Sulaiman	
Azhar bin Awang Kechil	(Resigned on 12 January 2021)

EXIM Sukuk Malaysia Berhad

Yam Kwai Ying Sharon
Edmund Lee Kwing Mun
Kew Thean Yew

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

Directors' benefits

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

Registration No.199501027992 (357198-K)

**Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

Directors' benefits (cont'd.)

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

There was an amount of insurance premium expense of RM59,857 for the Directors of the Group and the Bank in respect of their liability for any act or omission in their capacity as Directors of the Group and the Bank or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial year ended 31 December 2020.

Issue of shares and debentures

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

There were no issuance of debentures during the financial year.

Options granted over unissued shares

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

Other statutory information

- (a) Before the statements of financial position, statements of profit and loss and statements of comprehensive income of the Group and of the Bank were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

Registration No.199501027992 (357198-K)

**Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

Other statutory information (cont'd.)

- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.
- (g) Before the statements of financial position, statements of profit and loss and statement of comprehensive income of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its Insurance and Takaful liabilities in accordance with the valuation method as prescribed by Bank Negara Malaysia.
- (h) For the purpose of paragraph (e) and (f) above, contingent and other liabilities do not include liabilities arising from contract of Insurance or certificates of Takaful underwritten in the ordinary course of business of the Group and the Bank.

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Significant and subsequent events

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

<i>Rating agencies</i>	<i>Date</i>	<i>Ratings</i>
Moody's Investors Service	4 February 2021	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
Fitch Ratings	15 December 2020	Long-term Foreign Currency Issuer Default Rating: BBB+ Support Rating: 2 Support Rating Floor: BBB+ Senior Unsecured Notes: BBB+ Outlook: Stable
RAM Ratings	November 2020	National Ratings (Long-term) : AAA, (Short-term) : P1 ASEAN Ratings (Long-term) : seaAAA, (Short-term) : seaP1 Global Ratings (Long-term) : gA2, (Short-term) : gP1 Long-term Global Scale Rating (Exim Sukuk Malaysia Berhad): gA2(s) Outlook: Stable

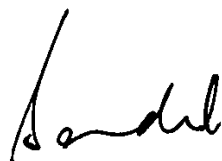
There have been no significant adjusting events subsequent to the financial year ended 31 December 2020.

Auditors and auditors' remuneration

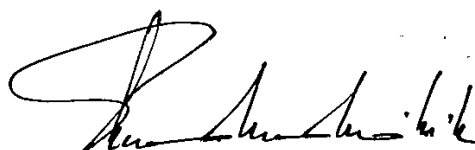
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

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

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



Dato Wong Lee Yun
28 May 2021



Datuk Dr. Syed Muhammad Syed Abdul Kadir

Shariah Committee's Report
IN THE NAME OF ALLAH , THE BENEFICENT, THE MOST MERCIFUL



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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ and "Salam Sejahtera"

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

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("the Committee") as prescribed in the Bank's Shariah Committee Charter and Bank Negara Malaysia ("BNM") Shariah Governance Policy Document ("SGPD"), we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2020.

Management's Responsibility

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

The Committee's Responsibility

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

1. The Committee had conducted twelve (12) meetings during the financial year to review and approve various new and enhancement to the Bank's Islamic banking and takaful products and its operational processes as well as guidelines and manuals relating to Shariah compliant transactions. We confirmed that we have reviewed the applicability and appropriateness of Shariah principles and the Shariah contracts adopted relating to the new and enhanced products, transactions and operational processes of Islamic banking and takaful activities of EXIM Bank for the period from 1 January 2020 until 31 December 2020.
2. The Committee has provided appropriate advice on various aspects of the Bank's Islamic business operations in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Council of Bank Negara Malaysia.
3. In performing our roles and responsibilities, we had obtained the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah guidelines and rulings issued by the Shariah Advisory of Bank Negara Malaysia.

Shariah Committee's Report (cont'd.)

4. The Committee has assessed the work carried out by Shariah review. The report has been presented and deliberated in the Committee meeting, which the findings be the basis for the Committee to form an opinion on its compliance with Shariah rules and principles, Shariah guidelines and rulings issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Committee.
5. The Committee has played a pivotal role in supporting the implementation of the Bank's strategic plan to be an Islamic financial institution.

Zakat on Islamic Business

6. For financial year ended 31 December 2020, zakat is calculated based on the growth method with appropriate adjustment. The Committee has reviewed and affirmed that the Bank is not eligible to pay zakat as the Bank is in net liabilities.
7. The Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared are in compliance with the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

Disclosure on Shariah Non-Compliant Event

8. During the financial year, the overall operations, business, affairs and activities of the Bank are in compliance with Shariah but it has come to the Shariah Committee's attention that a material Shariah non-compliance ("SNC") event has occurred and has been rectified accordingly.
9. During the period of which between 21 August 2020 until 31 October 2020, the ta'widh was still not charged based on the actual cost mechanism as endorsed by the Committee 18 March 2020 and approved by the Board of Directors on 30 June 2020.

As such, the Committee during its third Special Shariah Committee Meeting dated 22 December 2020 has decided that the overcharged ta'widh amounting to RM662.97 on the two accounts as actual SNC event. The following measures were undertaken by the Bank to rectify the issue:

- i. The overcharged ta'widh amount paid by the customer to be deducted or set-off from customer's outstanding balance (total principal or cost and accrued profit).
- ii. For those affected accounts (i.e. ta'widh overcharged) without any payment by the customers, the computation of ta'widh in the ledger position need to be adjusted or rectified by the affected departments in order to comply with the requirements.

Shariah Committee's Report (cont'd.)

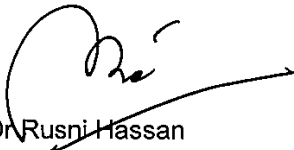
SHARIAH OPINION

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

- i. The Islamic banking and takaful business operations of EXIM Bank for the financial year ended 31 December 2020 have been conducted in conformity with the Shariah rules and principles.
- ii. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2020 that were reviewed by us, are in compliance with Shariah rules and principles.
- iii. The computation of zakat is in compliance with Shariah rules and principles.

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

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



Prof. Dr. Rusni Hassan
Chairman



Haji Zainal Abidin Mohd Tahir
Member

Kuala Lumpur, Malaysia
28 May 2021

Registration No.199501027992 (357198-K)

**Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

**Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016**

We, Dato' Wong Lee Yun and Datuk Dr. Syed Muhamad Syed Abdul Kadir, being two of the Directors of Export-Import Bank of Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 199 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020 and of the results and cash flows of the Group and of the Bank for the year then ended.

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

Dato' Wong Lee Yun
28 May 2021

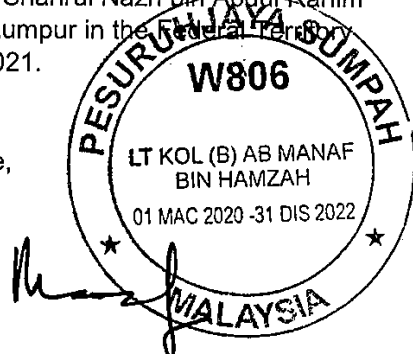
Datuk Dr. Syed Muhamad Syed Abdul Kadir

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

We, Dato' Wong Lee Yun and Dato' Shahrul Nazri bin Abdul Rahim, being the Director and officer primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 20 to 199 are in our opinion correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above named Dato' Wong Lee Yun
and Dato' Shahrul Nazri bin Abdul Rahim
at Kuala Lumpur in the Federal Territory
28 May 2021.

Before me,



Kedai 4, Aras G,
Kompleks KDN, WPKL
Jalan Sri Hartamas 1,
50480 KUALA LUMPUR.

Dato' Wong Lee Yun

Dato' Shahrul Nazri bin Abdul Rahim



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
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199501027992 (357198-K)

**Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and the Bank, and statements of profit and loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 199.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

Ernst & Young PLT 202006000003 (LLP0022760-LCA) & AF 0039 was registered on 02.01.2020 and with effect from that date, Ernst & Young (AF 0039), a conventional partnership was converted to a limited liability partnership.

A member firm of Ernst & Young Global Limited



199501027992 (357198-K)

Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

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

Risk area and rationale

Our response

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

As at 31 December 2020, loans, advances and financing represent 42.60% of the total assets of the Group and of the Bank, respectively, and financial investments not carried at fair value through profit or loss represent approximately 5.64% of the total assets of the Group and of the Bank, respectively.

As at 31 December 2020, ECL allowance amounting to approximately RM2.1 billion has been provided for the loans, advances and financing of the Group and of the Bank, respectively.

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

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



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Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Our response

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

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

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

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

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

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

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

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



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Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Our response

*Valuation of derivatives and hedge
accounting*

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

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

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

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

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



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Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Our response

*Valuation of derivatives and
hedge accounting (cont'd.)*

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

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

*Insurance contract/Takaful certificate
and expense liabilities*

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

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

(a) understood and documented the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating these liabilities;

(b) tested the completeness and sufficiency or accuracy of data used in the actuarial valuation;

(c) compared the actuarial valuation methodologies and assumptions against recognised actuarial practices, and with industry data;



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Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale

Our response

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

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

Reinsurance assets are quantified from claims case estimates, paid claims data and estimates of ultimate claims settlement amount. The Group and the Bank have reinsurance arrangements designed to protect its aggregate exposure to adverse development covers in the form of excess of loss contracts and catastrophic claim events. Refer to summary of significant accounting policies in Note 2.4(m), significant accounting estimates and judgement in Note 3 and the disclosures of these provisions in Note 22 to the financial statements.

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

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



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**Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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



199501027992 (357198-K)

**Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements

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

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

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



199501027992 (357198-K)

**Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)**

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

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

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

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

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

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



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Independent auditors' report to the members of
Export-Import Bank of Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

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

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

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

Kuala Lumpur, Malaysia
28 May 2021

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position
As at 31 December 2020

		Group	
	Note	2020 RM'000	2019 RM'000
Assets			
Cash and bank balances	4	122,399	62,593
Deposits and placements with banks and other financial institutions	5	3,364,099	3,047,168
Financial investments	6	1,165,551	1,204,442
Loans, advances and financing	7	3,679,083	4,768,642
Insurance receivables	8	588	89
Derivative financial instruments	9	141,749	61,218
Other assets	10	92,117	289,512
Deferred tax assets	11	-	-
Investment properties	13	832	850
Intangible assets	14	2,013	2,350
Property and equipment	15	67,563	64,533
Right-of-use assets	16	222	506
Total assets		8,636,216	9,501,903
Liabilities			
Borrowings	17	6,591,282	7,438,434
Lease liabilities	18	250	584
Other payables and accruals	19	285,519	333,550
Provision for commitments and contingencies	20	83,605	81,353
Derivative financial instruments	9	-	18,531
Deferred tax liabilities	11	-	-
Deferred income	21	21,725	22,338
Provision for guarantee and claims	22	51,701	48,863
Total liabilities		7,034,082	7,943,653

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position (cont'd.)
As at 31 December 2020

		Group	
	Note	2020 RM'000	2019 RM'000
Financed by:			
Share capital	23 (a)	2,708,665	2,708,665
Redeemable convertible cumulative preference shares ("RCCPS")	23 (b)	250,000	250,000
Fair value adjustment reserve		2,976	(7,932)
Accumulated losses		(1,348,024)	(1,382,809)
Shareholders' funds		<u>1,613,617</u>	<u>1,567,924</u>
Takaful participants fund	44	<u>(11,483)</u>	<u>(9,674)</u>
Total liabilities, shareholders' fund and Takaful participants fund		<u>8,636,216</u>	<u>9,501,903</u>
Commitments and contingencies	39	<u>3,109,585</u>	<u>3,034,206</u>

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

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2020

		Bank	
	Note	2020	2019
		RM'000	RM'000
Assets			
Cash and bank balances	4	122,399	62,593
Deposits and placements with banks and other financial institutions	5	3,364,099	3,047,168
Financial investments	6	1,165,551	1,204,442
Loans, advances and financing	7	3,679,083	4,768,642
Insurance receivables	8	588	89
Derivative financial instruments	9	141,749	61,218
Other assets	10	92,117	289,512
Deferred tax assets	11	-	-
Investment in subsidiaries	12	64,129	64,129
Investment properties	13	832	850
Intangible assets	14	2,013	2,350
Property and equipment	15	67,563	64,533
Right-of-use assets	16	222	506
Total assets		8,700,345	9,566,032
Liabilities			
Borrowings	17	6,591,282	7,438,434
Lease liabilities	18	250	584
Other payables and accruals	19	285,533	333,561
Provision for commitments and contingencies	20	83,605	81,353
Derivative financial instruments	9	-	18,531
Deferred tax liabilities	11	-	-
Deferred income	21	21,725	22,338
Provision for guarantee and claims	22	51,701	48,863
Amount due to subsidiaries	40	64,120	64,123
Total liabilities		7,098,216	8,007,787

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Statement of financial position (cont'd.)
As at 31 December 2020

		Bank	
	Note	2020 RM'000	2019 RM'000
Financed by:			
Share capital	23 (a)	2,708,665	2,708,665
RCCPS	23 (b)	250,000	250,000
Fair value adjustment reserve		2,976	(7,932)
Accumulated losses		(1,348,029)	(1,382,814)
Shareholders' funds		<u>1,613,612</u>	<u>1,567,919</u>
Takaful participants fund	44	<u>(11,483)</u>	<u>(9,674)</u>
Total liabilities, shareholders' fund and Takaful participants fund		<u>8,700,345</u>	<u>9,566,032</u>
Commitments and contingencies	39	<u>3,109,585</u>	<u>3,034,206</u>

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

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Statement of profit and loss
For the year ended 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating revenue	24	181,487	381,131	181,487	381,131
Interest income	25	133,662	219,910	133,662	219,910
Interest expense	26	(115,473)	(142,323)	(115,473)	(142,323)
Net interest income		18,189	77,587	18,189	77,587
Underwriting results	27	1,975	(21,965)	1,975	(21,965)
Income from Islamic business	44	112,202	122,265	112,202	122,265
Other income	28	106,659	46,653	106,659	46,653
Net income		239,025	224,540	239,025	224,540
Overhead expenses	29	(88,191)	(82,029)	(88,191)	(82,029)
Operating profit		150,834	142,511	150,834	142,511
Allowances for expected credit losses ("ECL") on loans, advances and financing	32	(53,643)	(566,135)	(53,643)	(566,135)
Allowances for ECL on commitment and contingencies	33	(2,833)	(64,947)	(2,833)	(64,947)
(Allowances)/writeback for ECL on financial investments	34	(42,584)	10,321	(42,584)	10,321
Allowances for ECL on other assets	35	(624)	-	(624)	-
Profit/(loss) before taxation		51,150	(478,250)	51,150	(478,250)
Taxation	36	-	993	-	(1,323)
Zakat		-	-	-	-
Net profit/(loss) for the year		51,150	(477,257)	51,150	(479,573)
Basic/diluted earnings/(loss) per share (sen)	37	1.89	(17.62)	1.89	(17.71)

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

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit/(loss) for the year		51,150	(477,257)	51,150	(479,573)
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Fair value changes of financial investments at FVOCI		10,908	13,666	10,908	13,666
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		10,908	13,666	10,908	13,666
Total comprehensive income/ (loss) for the year, net of tax		62,058	(463,591)	62,058	(465,907)

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

Registration No.199501027992 (357198-K)

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2020

Group	Share capital RM'000	(Accumulated losses) RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
At 1 January 2019	2,958,665	(891,144)	(21,598)	2,045,923
Dividends on RCCPS (Note 38)	-	(14,408)	-	(14,408)
Total comprehensive (loss)/income for the year	-	(477,257)	13,666	(463,591)
At 31 December 2019	<u>2,958,665</u>	<u>(1,382,809)</u>	<u>(7,932)</u>	<u>1,567,924</u>
At 1 January 2020	2,958,665	(1,382,809)	(7,932)	1,567,924
Dividends on RCCPS (Note 38)	-	(16,365)	-	(16,365)
Total comprehensive income for the year	-	51,150	10,908	62,058
At 31 December 2020	<u>2,958,665</u>	<u>(1,348,024)</u>	<u>2,976</u>	<u>1,613,617</u>
Bank				
At 1 January 2019	2,958,665	(888,833)	(21,598)	2,048,234
Dividends on RCCPS (Note 38)	-	(14,408)	-	(14,408)
Total comprehensive (loss)/income for the year	-	(479,573)	13,666	(465,907)
At 31 December 2019	<u>2,958,665</u>	<u>(1,382,814)</u>	<u>(7,932)</u>	<u>1,567,919</u>
At 1 January 2020	2,958,665	(1,382,814)	(7,932)	1,567,919
Dividends on RCCPS (Note 38)	-	(16,365)	-	(16,365)
Total comprehensive income for the year	-	51,150	10,908	62,058
At 31 December 2020	<u>2,958,665</u>	<u>(1,348,029)</u>	<u>2,976</u>	<u>1,613,612</u>

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

Export-Import Bank of Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	51,150	(478,250)	51,150	(478,250)
Adjustments for:				
ECL Stage 3 loans, advances and financing (Note 32)				
- Charged for the year	178,706	896,040	178,706	896,040
- Written back during the year	(520,790)	(313,174)	(520,790)	(313,174)
ECL Stage 1 and 2 loans, advances and financing (Note 32)				
- Allowances/(written back) during the year	175,654	(16,732)	175,654	(16,732)
Allowance on financial investments (Note 34)	42,584	(10,321)	42,584	(10,321)
Allowance on commitment and contingencies (Note 33)	2,833	64,947	2,833	64,947
Allowances for other assets (Note 35)	624	-	624	-
Claim and guarantee				
- Charged for the year	4,023	37,899	4,023	37,899
- Written back during the year	(925)	378	(925)	378
Depreciation				
- Property and equipment	4,445	4,616	4,445	4,616
- Investment properties	18	18	18	18
- Right of use assets	247	237	247	237
Amortisation of intangible assets	1,643	2,333	1,643	2,333
Gain on disposal of equipment	(39)	(27)	(39)	(27)
Gain on termination of lease contracts	8	-	8	-
Asset written-off	-	(3,353)	-	(3,353)
Unrealised foreign exchange gain	(5,576)	(444,964)	(5,576)	(444,964)
Unrealised gain on derivatives	(104,350)	(107,809)	(104,350)	(107,809)
Unrealised loss on MTN/Sukuk	40,429	88,628	40,429	88,628
Additional doubtful debt for insurance	122	197	122	197
Amortisation of premium less accretion of discount	(1,527)	(1,478)	(1,527)	(1,478)
Premium liabilities	(3,680)	3,009	(3,680)	3,009
Operating loss before changes in working capital	(134,401)	(277,806)	(134,401)	(277,806)

Export-Import Bank of Malaysia Berhad
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Statements of cash flows (cont'd.)
For the year ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities (cont'd.)				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	193,535	1,487,668	193,535	1,487,668
Loans, advances and financing	885,053	2,631,407	885,053	2,631,407
Insurance receivables	(621)	235	(621)	235
Other assets	196,646	(179,806)	196,646	(179,806)
Derivative financial instruments	107	2,481	107	2,481
Other payables and accruals	(66,878)	(57,075)	(66,875)	(57,072)
Provision for commitments and contingencies	(581)	(700)	(581)	(700)
Deferred income	3,067	(18,222)	3,067	(18,222)
Net claims paid for bank guarantee and insurance claims	(260)	(8,346)	(260)	(8,346)
Takaful participants fund	(1,809)	(1,537)	(1,809)	(1,537)
Amount due to subsidiary	-	-	(3)	(3)
Cash generated from operations	1,073,857	3,578,299	1,073,857	3,578,299
Income tax refund	-	10,083	-	10,083
Net cash generated from operating activities	1,073,857	3,588,382	1,073,857	3,588,382
Cash flows from investing activities				
Proceeds from disposals of property and equipment	24	9	24	9
Purchases of property and equipment	(8,796)	(762)	(8,796)	(762)
Purchases of intangible assets	(1,306)	(1,308)	(1,306)	(1,308)
Proceed from disposal of investment	3,054	34,686	3,054	34,686
Net cash (used in)/generated from investing activities	(7,024)	32,625	(7,024)	32,625

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Statements of cash flows (cont'd.)
For the year ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from financing activities				
Net repayment of borrowings	(813,187)	(2,200,527)	(813,187)	(2,200,527)
Net repayment of lease liabilities	(305)	(301)	(305)	(301)
Net cash used in financing activities	<u>(813,492)</u>	<u>(2,200,828)</u>	<u>(813,492)</u>	<u>(2,200,828)</u>
Net increase in cash and cash equivalents	253,341	1,420,179	253,341	1,420,179
Cash and cash equivalents at beginning of the year	<u>2,954,587</u>	<u>1,534,408</u>	<u>2,954,587</u>	<u>1,534,408</u>
Cash and cash equivalents at end of the year	<u>3,207,928</u>	<u>2,954,587</u>	<u>3,207,928</u>	<u>2,954,587</u>
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	122,399	62,593	122,399	62,593
Deposits and placements with banks and other financial institutions	3,364,099	3,047,168	3,364,099	3,047,168
Less : Deposits and placements on behalf of customers and government (Note 5)	(130,369)	(130,174)	(130,369)	(130,174)
Less : Deposits and placements more than three months	(148,201)	(25,000)	(148,201)	(25,000)
Cash and cash equivalents	<u>3,207,928</u>	<u>2,954,587</u>	<u>3,207,928</u>	<u>2,954,587</u>

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

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**Export-Import Bank of Malaysia Berhad
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Notes to the financial statements

1. Corporate information

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 March 2021.

2. Significant accounting policies

2.1 Basis of preparation

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

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

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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

During the financial year ended 31 December 2020, Bank Negara Malaysia ("BNM") had announced various COVID-19 assistance programmes which aimed to support the economy at large and provide relief to affected individuals, SMEs and corporations. The support measures include the following:

Automatic six-month moratorium

The automatic moratorium applies to ringgit-denominated loans/financing that are not in arrears exceeding 90 days as of 1 April 2020 and eligible for individuals or Small Medium Enterprise ("SME").

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

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies

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

On 1 January 2020, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods on or after 1 January 2020.

- MFRS 3 *Definition of business (Amendments to MFRS 3)*
- MFRS 4 *Extension of the temporary exemption from applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)*
- Interest Rate Benchmark Reform - Amendments to MFRS 7 *Financial Instruments: Disclosure*, MFRS 9 *Financial Instruments* and MFRS 139 *Financial Instruments: Recognition and Measurement*
- MFRS 16 *Leases on Covid-19 related rent concessions (amendments to MFRS 16 Leases)*
- MFRS 101 *Definition of Material (Amendments to MFRS 101)*
- MFRS 108 *Definition of Material (Amendments to MFRS 108)*

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

2.3 Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2021

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

The Group and the Bank expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except for Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16).

2. Significant accounting policies (cont'd.)

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

Effective for financial periods beginning on or after 1 January 2021 (cont'd.)

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

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

Effective for financial periods beginning on or after 1 January 2022

- MFRS 101 *Annual improvements to MFRS Standards 2018-2020*
- MFRS 3 *Reference to the Conceptual Framework (amendments to MFRS 3 Business Combinations)*
- MFRS 9 *Annual Improvements to MFRS Standards 2018-2020*
- MFRS 101 *Classification of liabilities as current or non-current (amendments to MFRS 101)*
- MFRS 116 *Amendment on Property, plant and equipment - proceeds before intended use*

Effective for financial periods beginning on or after 1 January 2023

- MFRS 17 *Insurance Contracts*

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

MFRS 17 Insurance Contracts

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

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2. Significant accounting policies (cont'd.)

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

MFRS 17 Insurance Contracts (cont'd.)

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

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

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

(ii) Basis of consolidation

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

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2. Significant accounting policies (cont'd.)

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

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

(ii) Basis of consolidation (cont'd.)

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

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

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2. Significant accounting policies (cont'd.)

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

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

(ii) Basis of consolidation (cont'd.)

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

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

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

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

(iii) Consolidation of EXIM Sukuk Malaysia Berhad

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

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2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

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

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

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

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

**Export-Import Bank of Malaysia Berhad
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2. Significant accounting policies (cont'd.)

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

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

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

(c) Intangible assets: Computer software

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

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

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

(d) Investment properties

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

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

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

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2. Significant accounting policies (cont'd.)

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

(d) Investment properties (cont'd.)

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

(e) Impairment of non-financial assets

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

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

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

(f) Financial assets

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

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2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

Initial recognition and measurement

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

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

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

Business Model assessments

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

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

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

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

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2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

Business Model assessments (cont'd.)

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

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

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

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

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

The SPPI test

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

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

2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

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

(i) Financial assets at amortised cost

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

(ii) Financial assets at FVOCI

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

(iii) Financial assets designated at FVOCI

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

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

(iv) Financial assets at FVTPL

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

2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

(iv) Financial assets at FVTPL (cont'd.)

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

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

(v) Financing and receivables

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

Definition of Shariah concept:

- (a) Murabahah: Sale of an asset by the Bank to the customer at cost plus a mark-up in which the profit rate has to be disclosed to the customer. The Sale Price is payable by the customer on deferred terms.
- (b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the customer in which the Sale Price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.
- (c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to the customer in exchange for a rental payment for a specified period.

2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

(v) Financing and receivables (cont'd.)

Definition of Shariah concept (cont'd.):

- (d) Istisna': An agreement to sell to the customer a non-existent asset that is to be manufactured or built according to the agreed specifications and delivered on a specified future date at a predetermined selling price.
- (e) Bai' Al Dayn: Sale of debt in which the customer sells his payable right to the Bank at discount price or at cost price on the spot payment basis.
- (f) Kafalah: Conjoining the guarantor's liability to the guaranteed party's liability such that the obligation of the guaranteed party is established as a joint liability of the guarantor and the guaranteed party.

(vi) Derivative instruments and hedge accounting

(a) Derivative instruments

The Group and the Bank enters into derivative contracts such as interest/profit rate swaps, cross currency interest/profit rate swaps and forward contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of profit and loss.

(b) Hedge accounting

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

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2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

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

(b) Hedge accounting (cont'd.)

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

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

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

Fair value hedge

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

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

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

2. Significant accounting policies (cont'd.)

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

(f) Financial assets (cont'd.)

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

(b) Hedge accounting (cont'd.)

Fair value hedge (cont'd.)

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

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

(g) Impairment of financial assets

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

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

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2. Significant accounting policies (cont'd.)

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

(g) Impairment of financial assets (cont'd.)

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

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

(h) Financial liabilities

Initial recognition and measurement

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

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

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

2. Significant accounting policies (cont'd.)

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

(h) Financial liabilities (cont'd.)

Subsequent measurement

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

(i) Financial liabilities at FVTPL

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

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

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

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

(ii) Loans and borrowings and trade and other payables

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

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

2. Significant accounting policies (cont'd.)

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

(h) Financial liabilities (cont'd.)

Derecognition

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

(i) Cash and cash equivalents

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

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

(j) Provisions

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

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

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

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2. Significant accounting policies (cont'd.)

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

(j) Provisions (cont'd.)

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

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

(k) Financial guarantee contracts

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

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

(l) Employee benefits

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

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

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2. Significant accounting policies (cont'd.)

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

(l) Employee benefits (cont'd.)

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

(m) Insurance Contract / Takaful Certificate Liabilities

These liabilities comprise premium/contribution liabilities and claims liabilities.

(i) Premium/Contribution liabilities

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

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

Unearned premium/contribution reserves

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

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

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

2. Significant accounting policies (cont'd.)

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

(m) Insurance/Takaful contract liabilities (cont'd.)

(i) Premium/Contribution liabilities (cont'd.)

Unearned premium/contribution reserves (cont'd.)

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

Unexpired risk reserves

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

(ii) Claims liabilities

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

The liability is calculated at the reporting date by an independent actuarial firm using projection techniques that included risk margin for adverse deviation. The liabilities are derecognised when the contract expires, is discharged or cancelled.

Claim liabilities are not discounted.

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2. Significant accounting policies (cont'd.)

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

(n) Government Fund - Malaysian Kitchen Financing Facility ("MKFF" or "the Fund")

The primary objective of the Fund is to encourage Malaysian companies involved in the food and beverages industry to venture abroad. In this respect, the Bank received funds from the Government of Malaysia ("the Government") to be disbursed as loans and financing.

The total placement amount and the interest income/profit shall be refunded to the Government upon expiry of the agreement. The interest income/profit earned on the loans financed by the Government funds and from the investment of the unutilised fund are recognised as amount payable to the Government in accordance with the placement agreement and are classified under other payables.

The Bank received in return, a management fee of 1.5% of the total placement amount. The fee income is recognised in the statement of profit and loss in accordance with Note 2.4(o)(iii). Credit losses or charges as a result of loan default are shared based on agreed ratio between the Bank and the Government of Malaysia. The portion of allowance for losses on loans and financing borne by the Bank is recognised in the statement of profit and loss in accordance with Note 2.4(g).

(o) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group and the Bank expect to be entitled when a performance obligation is satisfied. Revenue is recognised either over time or at a point in time. Revenue is measured at the fair value of consideration received or receivable.

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2. Significant accounting policies (cont'd.)

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

(o) Revenue recognition (cont'd.)

(i) Interest/profit and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets at FVOCI, interest income or expense is recorded using the effective interest rate or effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

(ii) Dividend income

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

(iii) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront, guarantee fees and facility fees.

(iv) Premium income

Premium income is recognised as income in the financial year in respect of risks assumed during that particular financial year. The method of deferral of premium income is as stated in Note 2.4(m).

Premium income from reinsurance or retakaful is recognised based on periodic advices received from ceding insurers.

Outward reinsurance premiums or retakaful contribution are recognised in the same financial year as the original policies to which the reinsurance or retakaful relates.

2. Significant accounting policies (cont'd.)

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

(o) Revenue recognition (cont'd.)

(v) Islamic income recognition

Income from financing and receivables is recognised in the statement of profit and loss using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payment and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate.

Murabahah, Tawarruq and Istisna'

Murabahah/Tawarruq and Istisna' income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

Ijarah

Ijarah income is recognised on the effective profit rate of the cost of the leased asset over the leased period.

Bai' Al Dayn

Bai' Al Dayn income is recognised monthly on the effective discount rate on the purchase price of the invoice over the duration of the financing.

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront, facility and Kafalah contract fees.

Takaful income

The source of Takaful income is derived from Takaful contributions. Income is recognised based on specific percentage of the contribution amount from participants. The remaining amount is placed in Risk Fund which is pooled for underwriting purposes.

Takaful income from retakaful is recognised based on periodic advices received from ceding takaful operators.

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2. Significant accounting policies (cont'd.)

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

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rate that has been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rate that is expected to apply in the year when the asset is realised or the liability is settled, based on tax rate that has been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the statement of profit and loss for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

In determining the Group's and the Bank's tax charge for the year it involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provides for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where and outflow is probable.

The recoverability of the Group's and the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax will be utilised.

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2. Significant accounting policies (cont'd.)

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

(q) Zakat

Zakat is payable by the Group and the Bank in compliance with the principle of Shariah and in line with National Fatwa Committee regulations.

(i) Method applied

Zakat is calculated using the growth method which is based on the adjusted net asset of the Group and the Bank, i.e. net asset excludes any items that do not meet the condition for zakat assets and liabilities.

(ii) Beneficiaries of zakat fund

The method of zakat distribution, as being practised by the Group and the Bank, is as follows:

- Zakat is paid to Pusat Pungutan Zakat ("PPZ") based on certain percentage of the adjusted net asset of the Bank and the Group;
- PPZ will determine a certain percentage of the zakat for the Bank's own distribution; and
- The distribution of zakat will be allocated by the Bank to three (3) groups of people who are eligible to receive zakat (*asnaf*):
 - a. The destitute (*fakir*);
 - b. The poor (*miskin*); and
 - c. Those in the cause of Allah (*fi sabilillah*).

(r) Foreign currencies

The Group's consolidated financial statements are presented in Malaysian Ringgit, currency which is also the Bank's (i.e. parent company's) functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are translated to the functional currencies of the Group's entities at their respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit and loss.

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2. Significant accounting policies (cont'd.)

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

(r) Foreign currencies (cont'd.)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of profit and loss are also recognised in other comprehensive income or statement of profit and loss, respectively).

(s) Foreclosed properties

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

(t) Sales and Service Tax

The Bank is subject to Sales and Service Tax ("SST") Act 2019 and charges service tax on its taxable supply of services made to customers such as domestic credit insurance premium / takaful contribution. Service tax is based on payment basis, hence, the Bank is required to account and make payment on service tax every bi-monthly.

(u) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

RCCPS are classified as equity. Dividend on RCCPS is recognised at a fixed coupon rate of 4.7% per annum and accounted for in equity in the year in which the Bank accrued.

(v) Leases

Right-of-use assets are classified as assets and measured at cost, less any accumulated depreciation and impairment losses disclosed in Note 16.

Lease liabilities are classified as liabilities and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) disclosed in Note 18.

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2. Significant accounting policies (cont'd.)

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

(w) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance receivable is impaired. The Group and the Bank reduce the carrying amount of the insurance receivable accordingly and recognised that impairment loss in profit and loss. Objective evidence of impairment for insurance receivables and the determination of consequential impairment losses.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4(f), have been met.

(x) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(y) Claims expenses and commission expenses

General Insurance/Takaful Business

Claim expenses represent compensation paid or payable on behalf of the insured in relation to a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting date even if they had not been reported to the Group and the Bank.

Commission Expenses and Acquisition Costs

(i) General Insurance/Takaful Business

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods on which it is probable they give rise to income.

2. Significant accounting policies (cont'd.)

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

(z) Expense liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities of the general takaful fund which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in statement of profit and loss.

(i) Expense liabilities of general takaful fund

Expenses liabilities in relation to the Group's and the Bank's general takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a Provision of Risk Margin for Adverse Deviation ("PRAD"), as prescribed by BNM.

(ii) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificated that relate to the unexpired periods of certificates at the end of reporting period. The method used in computing UWF is consistent with method used to reflect the actual unearned contribution reserves ("UCR").

(iii) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificated with unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

(aa) Wakalah Fees

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general takaful fund under the principle of Wakalah and are recognised at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.

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3. Significant accounting estimates and judgement

The preparation of the financial statements involved making certain estimates, assumptions and judgements that affects the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statement in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.1 Judgements

(a) Expected credit losses on loans, advances and financing and commitments and contingencies

The Group and the Bank review its individually significant loans, advances and financing and commitments and contingencies at each reporting date to assess whether the expected credit losses should be recorded in statement of profit and loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the expected credit losses. In estimation the cash flows, the Group and the Bank makes judgement about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

The Group's and the Bank's ECL calculation under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Internal credit grading model, which assigns PDs to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime-ECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and

3. Significant accounting estimates and judgement (cont'd.)

3.1 Judgements (cont'd.)

(a) Expected credit losses on loans, advances and financing and commitments and contingencies (cont'd.)

- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The allowance for expected credit losses on loans, advances and financing is disclosed in Note 7(ix) and commitments and contingencies is disclosed in Note 20.

(b) Valuation of derivatives and hedge accounting

The Group and the Bank value the derivative instruments and apply the hedge accounting to manage the exposures to interest/profit rate and foreign currency risks. In order to manage particular risk, the Group and the Bank apply hedge accounting for transactions which meet specified criteria. At the inception of each hedge relationship, the Group and the Bank formally designate and document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and ongoing basis.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and the Bank based its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and the Bank. Such changes will be reflected in the assumptions when they occur.

(a) Uncertainty in accounting estimates for credit insurance/Takaful business

The principal uncertainty in the credit insurance/Takaful business arises from the technical provisions which include the premium/contribution liabilities, claims liabilities and expense liabilities. The premium/contribution liabilities comprise unearned premium reserves and unexpired risk reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned premium/contribution reserves and unexpired risk reserves are explained in the related accounting policy statement.

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3. Significant accounting estimates and judgement (cont'd.)

3.2 Estimates and assumptions (cont'd.)

(a) Uncertainty in accounting estimates for credit insurance/Takaful business (cont'd.)

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums/contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

The estimates of premiums/contribution and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions in an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums/contribution and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

3.3 Basis for expected credit losses ("ECL") management overlays due to COVID-19

With the recent and rapid development of the coronavirus outbreak in Malaysia, the Government of Malaysia had initially declared a Movement Control Order ("MCO") from 18 March 2020 to 14 April 2020. This was then extended through the Conditional MCO and Recovery MCO throughout 2020.

The MCO involved limitation and/or suspension of business operations, travel restrictions, and quarantine measures. Similar measures have also been introduced in various countries, some of which the Group and the Bank have exposure in. Whilst these measures may not have an immediate and pronounced impact on the banking industry, it is expected to have some effect, impacting, for example the Group's and the Bank's allowance for ECL on loans, advances and financing, liabilities in respect of certain insurance/Takaful products and the valuation of financial investments.

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3. Significant accounting estimates and judgement (cont'd.)

3.3 Basis for expected credit losses ("ECL") management overlays due to COVID-19 (cont'd.)

As the outbreak continues to progress and evolve, it is challenging at this juncture, to predict the full extent and duration of its business and economic impact. The Group and the Bank will continue to monitor the progress of the outbreak and measure and report the impact, if any, of the outbreak on their financial statements as they occur subsequent to the reporting date. As the current MFRS 9 models may not fully reflect the ECL impact arising from the unprecedented ongoing COVID-19 pandemic, management overlays have been applied to determine a sufficient overall level of ECL for the financial year ended 31 December 2020. The management overlay on ECL for financial investment and loans, advances and financing for the Group and the Bank as at 31 December 2020 are RM54,259,225 (2019: Nil) and RM150,431,032 (2019: Nil) respectively.

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4. Cash and bank balances

	Group and Bank	
	2020	2019
	RM'000	RM'000
Cash and bank balances	122,399	62,593

5. Deposits and placements with banks and other financial institutions

	Group and Bank	
	2020	2019
	RM'000	RM'000
Deposits and placements with:		
Licensed banks	2,343,070	1,973,870
Other financial institutions	1,021,029	1,073,298
	<u>3,364,099</u>	<u>3,047,168</u>

Further breakdown to deposits and placements are as follows:

For EXIM Bank	3,233,730	2,916,994
On behalf of customers and government **	130,369	130,174
	<u>3,364,099</u>	<u>3,047,168</u>

** Included in deposits and placements with licensed banks and other financial institutions are placements of the unutilised fund from the Government of Malaysia under the MKFF Scheme amounting to RM27,387,487 (2019: RM26,119,486).

6. Financial investments

	Group and Bank	
	2020	2019
	RM'000	RM'000
Investments at FVOCI:		
Unquoted debt securities	779,295	769,696
Less: Allowance for expected credit losses	(101,110)	(101,192)
	<u>678,185</u>	<u>668,504</u>
Investments at amortised costs:		
Unquoted debt securities	601,274	607,180
Less: Allowance for expected credit losses	(113,908)	(71,242)
	<u>487,366</u>	<u>535,938</u>
Total financial investments	<u>1,165,551</u>	<u>1,204,442</u>

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6. Financial investments (cont'd.)

Included in financial investments at FVOCI are investments in to meet the requirement of Sukuk Programme of the Group amounting to RM139,719,294 (2019: RM160,036,300).

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

	Stage 1	Stage 2	Stage 3	
	12- months	Lifetime ECL	Lifetime	
	ECL	not credit	ECL credit	Total ECL
	RM'000	impaired	impaired	RM'000
At 1 January 2019	15	-	100,000	100,015
Allowance during the year	1,177	-	-	1,177
At 31 December 2019/ 1 January 2020	1,192	-	100,000	101,192
Written back during the year	(82)	-	-	(82)
At 31 December 2020	1,110	-	100,000	101,110

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

	Stage 1	Stage 2	Stage 3	
	12- months	Lifetime ECL	Lifetime	
	ECL	not credit	ECL credit	Total ECL
	RM'000	impaired	impaired	RM'000
At 1 January 2019	2	82,738	-	82,740
Allowance/(writeback) during the year	1	(11,499)	-	(11,498)
At 31 December 2019/ 1 January 2020	3	71,239	-	71,242
Allowance during the year	1	42,665	-	42,666
At 31 December 2020	4	113,904	-	113,908

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the financial year ended and as at 31 December 2020. The total additional management overlay on Stage 2 ECL of RM54,259,225 (2019: Nil) was provided for a non-rated financial investment.

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7. Loans, advances and financing

	Group and Bank	
	2020	2019
	RM'000	RM'000
At amortised cost		
Loans, advances and financing	5,695,247	6,769,144
Loans under MKFF scheme	8,976	9,776
Amount due from Export Credit Refinancing ("ECR")* debtors	34,589	231,136
Staff loans	752	977
Gross loans, advances and financing	<u>5,739,564</u>	<u>7,011,033</u>
Less: Allowance for impaired loans, advances and financing:		
- 12 month ECL - Stage 1	(31,569)	(83,810)
- Lifetime not impaired ECL - Stage 2	(418,195)	(190,300)
- Lifetime ECL credit impaired - Stage 3	<u>(1,610,717)</u>	<u>(1,968,281)</u>
Net loans, advances and financing	<u>3,679,083</u>	<u>4,768,642</u>

* The amount represents block discounting of bills facility provided to participating banks in Malaysia granted under ECR Scheme. The primary objective of the Scheme is for the promotion of Malaysian export by offering competitive rates to banks participating in the ECR Scheme for on-lending to exporters.

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Buyer Credit	890,257	837,608
Overseas Contract Financing	34,472	106,980
Overseas Investment Financing	526,845	576,613
Term Financing	85,500	15,468
Overseas Project Financing	1,221,569	1,749,273
Supplier Credit	103,748	224,389
Export Finance	-	8,108
Buyer Credit-i	-	(1,178)
Export Finance-i	8,236	-
Supplier Financing-i	1,242,791	1,439,805
Term Financing-i	861,189	953,588
Overseas Investment Financing-i	114,292	174,088
Overseas Contract Financing-i	84,189	98,494
Overseas Project Financing-i	456,067	474,044
Malaysian Kitchen Financing Facility ("MKFF")	6,772	7,216

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7. Loans, advances and financing (cont'd.)

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Malaysian Kitchen Financing Facility-i ("MKFF-i")	2,204	2,560
ECR	34,589	231,136
Vendor Financing	8,776	13,449
Vendor Financing-i	57,316	98,415
Staff loans and advances	752	977
	<u>5,739,564</u>	<u>7,011,033</u>

Included in Term Financing-i are amounts to meet the requirement of Sukuk Programme of the Group amounting to Nil (2019 :RM51,907,426).

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Within one year	2,518,994	2,270,245
One year to three years	1,638,613	600,245
Three years to five years	977,353	1,789,856
Over five years	604,604	2,350,687
	<u>5,739,564</u>	<u>7,011,033</u>

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Conventional		
Fixed rate	77,557	28,528
Variable rate	2,835,723	3,734,582
Islamic		
Fixed rate	2,204	2,755
Variable rate	2,824,080	3,245,168
	<u>5,739,564</u>	<u>7,011,033</u>

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7. Loans, advances and financing (cont'd.)

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Malaysia	2,658,855	3,704,633
East Asia	1,481,694	1,960,047
South Asia	71,510	74,425
Central Asia	333,958	347,513
Middle East	343,070	145,188
Africa	196,536	254,619
Europe	463,324	365,393
America	79,358	80,053
Oceania	111,259	79,162
	5,739,564	7,011,033

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Primary agriculture	40,560	134,471
Manufacturing	1,467,564	1,455,686
Transport, storage and communication	1,127,575	1,325,258
Construction	1,317,073	1,353,630
Wholesale and retail trade, and restaurants and hotels	764,369	1,157,852
Others	1,022,423	1,584,136
	5,739,564	7,011,033

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
At 1 January	2,643,617	2,676,982
Impaired during the year	326,057	705,467
Recoveries	(361,894)	(565,492)
Amount written off	(220,073)	(170,113)
Exchange differences	(5,230)	(3,227)
At 31 December	2,382,477	2,643,617

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7. Loans, advances and financing (cont'd.)

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	41.51%	37.71%
- without ECR debtors	41.76%	38.99%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	13.45%	9.63%
- without ECR debtors	13.53%	9.96%

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Malaysia	902,464	886,310
East Asia	761,435	1,151,210
South Asia	48,805	50,092
Central Asia	333,958	347,513
Middle East	26,998	23,623
Africa	103,948	97,090
Europe	121,974	4,289
America	79,358	80,053
Oceania	3,537	3,437
	2,382,477	2,643,617

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Primary agriculture	12,410	83,227
Manufacturing	481,896	488,919
Transport, storage and communication	730,175	639,331
Construction	737,309	775,478

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7. Loans, advances and financing (cont'd.)

(viii) Gross impaired loans, advances and financing analysed by industry are as follows:
(cont'd.)

	Group and Bank	
	2020	2019
	RM'000	RM'000
Wholesale and retail trade, and restaurants and hotels	226,573	328,094
Others	194,114	328,568
	<u>2,382,477</u>	<u>2,643,617</u>

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

	Stage 1	Stage 2	Stage 3	Total ECL
	12 - months ECL	Lifetime ECL	Lifetime ECL	
	RM'000	not credit impaired RM'000	credit impaired RM'000	RM'000
Group and Bank				
2020				
At 1 January	83,810	190,300	1,968,281	2,242,391
Transferred from Stage 1	(244)	-	244	-
Transferred from Stage 2	(89)	89	-	-
Transferred to Stage 3	-	(65,561)	65,561	-
(Written back)/allowance recognised in profit and loss	5,477	(6,252)	(187,816)	(188,591)
Financial assets derecognised	(11,984)	(140)	-	(12,124)
Changes due to change in credit risk	(10,769)	102,835	-	92,066
Modification to contractual cash flows of financial assets	(34,632)	196,924	-	162,292
Total amount charged to profit and loss during the period	<u>(52,241)</u>	<u>227,895</u>	<u>(122,011)</u>	<u>53,643</u>
Other movement with no profit and loss impact				
Write offs	-	-	(220,073)	(220,073)
Exchange differences	-	-	(15,480)	(15,480)
At 31 December	<u>31,569</u>	<u>418,195</u>	<u>1,610,717</u>	<u>2,060,481</u>

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7. Loans, advances and financing (cont'd.)

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

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

	Group and Bank	
	2020 RM'000	2019 RM'000
Breakdown of ECL Stage 1 and 2 :		
From non-impaired loans, advances and financing	449,764	274,110
	449,764	274,110
As % of net loans, advances and financing	13.40%	6.28%

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7. Loans, advances and financing (cont'd.)

(x) Overlays and adjustments for ECL amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

The overlays involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19, the impact of these adjustments were estimated at portfolio level and the Bank for loans, advances and financing as at 31 December 2020 amounted to RM1,172,904,000. Total additional management overlays for ECL provided by the Group and the Bank as at 31 December 2020 are RM150,431,032 (2019: Nil).

ECL (inclusive of overlays) analysed by geographical area are as follows:

	Group and Bank			Total ECL 2020 RM'000
	Outstanding Balance 2020 RM'000	Modelled ECL 2020 RM'000	Management Overlay 2020 RM'000	
Malaysia	739,583	93,134	114,215	207,349
East Asia	170,912	6,158	7,152	13,310
South Asia	22,705	7,134	-	7,134
Middle East	192,546	43,874	26,102	69,976
Africa	45,305	916	2,500	3,416
Oceania	1,853	287	462	749
	1,172,904	151,503	150,431	301,934

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7. Loans, advances and financing (cont'd.)

(xi) ECL (inclusive of overlays) analysed by industry are as follows:

	Outstanding Balance 2020 RM'000	Group and Bank		2020 RM'000
		ECL Stage 1 2020 RM'000	Management Overlay 2020 RM'000	
Primary agriculture	13,132	1,227	91	1,318
Manufacturing	600,265	95,943	80,159	176,102
Transport, storage and communication	192,546	43,874	26,102	69,976
Construction	205,164	6,999	9,542	16,541
Wholesale and retail trade, and restaurants and hotels	87,305	2,651	6,874	9,525
Others	74,492	809	27,663	28,472
	1,172,904	151,503	150,431	301,934

8. Insurance receivables

	Group and Bank	
	2020 RM'000	2019 RM'000
Amount due from agents, brokers and co-insurers	1,228	607
Less: Allowance for expected credit losses	(640)	(518)
	588	89

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

	Group and Bank	
	2020 RM'000	2019 RM'000
<u>Expected credit losses</u>		
At 1 January	518	498
Allowance made during the year	469	217
Amount written back	(347)	(197)
At 31 December	640	518

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9. Derivative financial instruments

The notional amounts, recorded at gross, is the amount of derivatives' underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the market risk nor the credit risk.

The following table shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts. Derivative assets and derivative liabilities are disclosed on a gross basis as it is the Bank's practice to settle those derivative on a gross basis.

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9. Derivative financial instruments (cont'd.)

As at 31 December 2020, the Bank has entered into the following derivative financial instruments:

	Group and Bank					
	2020			2019		
	Fair Value		Notional Amount RM'000	Fair Value		Notional Amount RM'000
Assets RM'000	Liabilities RM'000	Assets RM'000		Liabilities RM'000		
<u>Derivatives used in fair value hedges</u>						
Interest/profit rate swaps	106,016	-	2,813,105	42,587	18,531	2,866,328
Cross currency interest/profit rate swap	35,733	-	464,342	18,631	-	470,947
Total	141,749	-	3,277,447	61,218	18,531	3,337,275

At their inception, derivatives often involve only mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group and the Bank.

Over-the-counter derivative may expose the Group and the Bank to the risks associated with absence of an exchange market on which to close out an open position.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over-time based on specified notional amounts, in relation to movements in a specified underlying index such an interest/profit rate, foreign currency rate or equity index.

Interest/profit rate swaps relate to contracts taken out by the Group and the Bank with other financial institution in which the Group and the Bank either receive or pay a floating rate of interest/profit, respectively, in return for paying or receiving a fixed rate of interest/profit. The payment flows are usually netted against each other with the difference being paid by one party to the other.

In a cross currency interest/profit rate swap, the Group and the Bank swap their fixed coupon interest rate into a floating rate coupon in different currencies.

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9. Derivative financial instruments (cont'd.)

Forwards

The Group and the Bank enter into Forward Exchange Contract to sell or buy a specific amount of currency at a specified exchange rate for settlement in the future. The contract is entered for the Group's and the Bank's own requirement or on behalf of customer based on approved foreign exchange line.

Fair values

Disclosure concerning the fair value of derivatives are provided in Note 42.

Fair value hedge

The financial instruments hedged for interest/profit rate risk and foreign currency risk consist of the Medium Term Notes ("MTN") and Multi-currency Sukuk Programme ("Sukuk") issued by the Bank and the Group respectively.

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

Full details of hedging as follows:

Group and Bank

2020

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a. (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% p.a. (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD150 million	Floating rate of 3 months Libor + 1.16% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank

2020 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD150 million	Floating rate of 3 months Libor + 1.214% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a. (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank

2019

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.509% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.2615% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.26% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD75 million	Floating rate of 6 months Libor + 1.264% p.a. (receive fixed USD semi-annually/pay float USD semi-annually)	Fixed 2.874% per annum (payable semi-annually)	Fair value hedge	Profit rate

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank

2019 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD50 million	Floating rate of 3 months Libor + 1.01% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.85% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.00% pa (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.66% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a. (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% p.a. (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Profit rate
USD150 million	Floating rate of 3 months Libor + 1.16% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank

2019 (cont'd.)

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD150 million	Floating rate of 3 months Libor + 1.21% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a. (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

Group and Bank

2019 (cont'd.)

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

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9. Derivative financial instruments (cont'd.)

Fair value hedge (cont'd.)

The gain arising from the fair value hedges are as follows:

	Group and Bank	
	2020	2019
	RM'000	RM'000
Gain arising from fair value hedges:		
Hedging instruments	104,350	107,809
Hedged items	(40,429)	(88,628)
	<u>63,921</u>	<u>19,181</u>

10. Other assets

	Group and Bank	
	2020	2019
	RM'000	RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	46,649	47,425
Other receivables, deposits and prepayments*	34,069	230,688
Tax prepayment	11,399	11,399
	<u>92,117</u>	<u>289,512</u>

*Included in other receivables, deposits and prepayments as at 31 December 2020 and 31 December 2019 is an amount related to a Bank Guarantee called in 2019 of RM31,991,623. Also included in other receivables, deposits and prepayment as at 31 December 2019 was an amount of RM181,469,859 for which the underlying financing was subsequently written off during the financial year ended 31 December 2020.

11. Deferred tax (liabilities)/assets

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	(2,316)	-	-
Recognised in profit and loss (Note 36)	-	2,316	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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11. Deferred tax (liabilities)/assets (cont'd.)

Deferred tax assets

Group	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unutilised business losses RM'000	Unabsorbed capital allowances RM'000	Total deductible temporary differences RM'000
At 1 January 2019	-	4,101	7,568	-	11,669
Recognised in statement profit and loss At 31 December 2019	-	(4,101)	(1,593)	-	(5,694)
Recognised in statement profit and loss At 31 December 2020	-	-	5,975	-	5,975
	-	-	(1,513)	-	(1,513)
	-	-	4,462	-	4,462
Bank					
At 1 January 2019	2,229	4,188	7,568	-	13,985
Recognised in statement profit and loss At 31 December 2019	(2,229)	(4,188)	(1,593)	-	(8,010)
Recognised in statement profit and loss At 31 December 2020	-	-	5,975	-	5,975
	-	-	(1,513)	-	(1,513)
	-	-	4,462	-	4,462

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11. Deferred tax (liabilities)/assets (cont'd.)

Deferred tax liabilities

	Other temporary differences RM'000	Unrealised gain on foreign exchange RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Group				
At 1 January 2019	(22,259)	12,123	(3,849)	(13,985)
Recognised in profit and loss	20,356	(12,123)	(223)	8,010
At 31 December 2019	(1,903)	-	(4,072)	(5,975)
Recognised in profit and loss	1,903	-	(390)	1,513
At 31 December 2020	-	-	(4,462)	(4,462)

	Other temporary differences RM'000	Unrealised gain on foreign exchange RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
Bank				
At 1 January 2019	(22,259)	12,123	(3,849)	(13,985)
Recognised in profit and loss	20,356	(12,123)	(223)	8,010
At 31 December 2019	(1,903)	-	(4,072)	(5,975)
Recognised in profit and loss	1,903	-	(390)	1,513
At 31 December 2020	-	-	(4,462)	(4,462)

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11. Deferred tax (liabilities)/assets (cont'd.)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	4,462	5,975	4,462	5,975
Deferred tax liabilities	(4,462)	(5,975)	(4,462)	(5,975)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

At the reporting date, the Group and the Bank have recognised deferred tax assets for the following items:

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	18,595	24,900	18,595	24,900
Tax rate	24%	24%	24%	24%
	<u>4,463</u>	<u>5,976</u>	<u>4,463</u>	<u>5,976</u>

The deferred tax assets have been recognised as at 31 December 2020 to the extent that the Group and the Bank have sufficient taxable temporary differences to utilise.

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11. Deferred tax (liabilities)/assets (cont'd.)

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised business losses	1,247,906	1,468,758	1,247,906	1,468,758
Other deductible temporary differences	455,473	308,130	455,473	308,130
	<u>1,703,379</u>	<u>1,776,888</u>	<u>1,703,379</u>	<u>1,776,888</u>
Tax rate	24%	24%	24%	24%
	<u>408,811</u>	<u>426,453</u>	<u>408,811</u>	<u>426,453</u>

The unutilised tax losses above are available for offset against future taxable profits at the Group and the Bank. The unabsorbed business tax losses will only be allowed to be carried forward consecutively seven years effective from the Year of Assessment 2019.

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

12. Investment in subsidiaries and jointly controlled entity

(a) Investment in subsidiaries

	Bank	
	2020 RM'000	2019 RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for impairment	(9,290)	(9,290)
	<u>64,129</u>	<u>64,129</u>

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12. Investment in subsidiaries and jointly controlled entity (cont'd.)

(a) Investment in subsidiaries (cont'd.)

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2020	2019
Malaysia Export Credit Insurance Berhad	Dormant	Malaysia	100	100
EXIM Sukuk Malaysia Berhad	Special Purpose Vehicle for Sukuk issuance	Malaysia	100	100

Malaysia Export Credit Insurance Berhad, a wholly owned subsidiary of the Bank was formerly engaged in the provision of export and domestic credit insurance facilities and guarantees. The Company is currently dormant.

13. Investment properties

	Group and Bank	
	2020 RM'000	2019 RM'000
Cost		
At 1 January	1,300	1,300
Accumulated depreciation		
At 1 January	450	432
Charged for the year (Note 29)	18	18
At 31 December	<u>468</u>	<u>450</u>
Carrying amount	<u>832</u>	<u>850</u>

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13. Investment properties (cont'd.)

	Group and Bank	
	2020	2019
	RM'000	RM'000
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	432	450
	<u>832</u>	<u>850</u>
Fair value of investment properties	<u>1,140</u>	<u>1,140</u>

The investment properties were mainly valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer, on 11 February 2021. The fair value is determined based on the comparison method of valuation.

This method of valuation seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving similar properties in the vicinity.

14. Intangible assets

	Group and Bank	
	2020	2019
	RM'000	RM'000
Computer software		
Cost		
At 1 January	25,721	24,413
Transfer from property and equipment	1,306	1,308
At 31 December	<u>27,027</u>	<u>25,721</u>
Accumulated depreciation		
At 1 January	23,371	21,038
Charged for the year (Note 29)	1,643	2,333
At 31 December	<u>25,014</u>	<u>23,371</u>
Carrying amount	<u>2,013</u>	<u>2,350</u>

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15. Property and equipment

Group and Bank	Freehold	Building	Office	Renovation	Motor	Furniture,	Work-in-	Total
	land	equipment	equipment	and	vehicles	electrical,	progress	RM'000
	RM'000	RM'000	RM'000	improvements	RM'000	fittings and	RM'000	RM'000
				RM'000		equipment		
						RM'000		
Cost								
At 1 January 2020	30,000	33,000	1,524	28,544	905	5,538	268	115,019
Additions	-	-	62	461	-	275	6,506	8,796
Transfer to intangible assets	-	-	-	-	-	-	-	(1,306)
Disposals	-	-	-	-	(310)	-	-	(455)
At 31 December 2020	30,000	33,000	1,586	29,005	595	5,813	6,774	122,054
Accumulated depreciation								
At 1 January 2020	-	6,930	1,354	21,860	782	5,015	-	50,486
Charged for the year	-	660	70	2,672	74	455	-	4,445
Disposals	-	-	-	-	(310)	-	-	(440)
At 31 December 2020	-	7,590	1,424	24,532	546	5,470	-	54,491
Carrying amount								
At 31 December 2020	30,000	25,410	162	4,473	49	343	6,774	67,563

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15. Property and equipment (cont'd.)

Group and Bank	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Computers RM'000	Work-in- progress RM'000	Total RM'000
Cost									
At 1 January 2019	30,000	33,000	1,404	28,508	1,043	5,417	15,769	1,082	116,223
Additions	-	-	120	36	-	121	304	181	762
Transfer to intangible assets	-	-	-	-	-	-	(313)	(995)	(1,308)
Disposals	-	-	-	-	(138)	-	(520)	-	(658)
At 31 December 2019	30,000	33,000	1,524	28,544	905	5,538	15,240	268	115,019
Accumulated depreciation									
At 1 January 2019	-	6,270	1,273	19,026	843	4,754	14,353	-	46,519
Charged for the year	-	660	81	2,834	77	261	703	-	4,616
Disposals	-	-	-	-	(138)	-	(511)	-	(649)
At 31 December 2019	-	6,930	1,354	21,860	782	5,015	14,545	-	50,486
Carrying amount									
At 31 December 2019	30,000	26,070	170	6,684	123	523	695	268	64,533

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16. Right-of-use assets

	Group and Bank	
	2020	2019
	RM'000	RM'000
Cost		
At 1 January/ At 31 December	1,697	1,697
Additions	82	-
Termination of lease contracts	(791)	-
	988	1,697
Accumulated depreciation		
At 1 January	1,191	954
Charged for the year (Note 29)	247	237
Termination of lease contracts	(672)	-
At 31 December	766	1,191
Carrying amount	222	506

17. Borrowings

	Group and Bank	
	2020	2019
	RM'000	RM'000
Term loans/Revolving credits - unsecured	649,430	1,244,832
Medium Term Notes/Sukuk	4,747,071	4,979,143
Syndication financing	1,194,781	1,214,459
	6,591,282	7,438,434
	Group and Bank	
	2020	2019
	RM'000	RM'000
(i) <u>Term loans/Revolving credits - unsecured</u>		
Repayable within one year	633,966	1,183,322
One year to three years	15,064	61,510
Three years to five years	400	-
	649,430	1,244,832

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17. Borrowings (cont'd.)

	Group and Bank	
	2020 RM'000	2019 RM'000
(ii) <u>Medium Term Notes/Sukuk</u>		
Repayable within one year	2,178,170	360,160
One year to three years	2,032,415	3,346,908
Three years to five years	80,235	752,795
Over five years	456,251	519,280
	<u>4,747,071</u>	<u>4,979,143</u>
(iii) <u>Syndication financing</u>		
Three years to five years	1,194,781	1,214,459
	<u>1,194,781</u>	<u>1,214,459</u>
	<u>6,591,282</u>	<u>7,438,434</u>

Repayment based on the currencies of the borrowings are as follows:

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2020					
- USD	5,357,121	2,256,501	2,564,134	80,235	456,251
- RM	36,328	35,928	-	400	-
- EUR	359,135	161,581	197,554	-	-
- GBP	274,520	274,520	-	-	-
- SGD	-	-	-	-	-
- AUD	83,606	83,606	-	-	-
- HKD	480,572	-	480,572	-	-
	<u>6,591,282</u>	<u>2,812,136</u>	<u>3,242,260</u>	<u>80,635</u>	<u>456,251</u>

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17. Borrowings (cont'd.)

Repayment based on the currencies of the borrowings are as follows: (cont'd.)

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2019					
- USD	6,023,717	2,037,127	3,189,007	278,303	519,280
- RM	35,928	-	35,928	-	-
- EUR	395,573	212,090	183,483	-	-
- GBP	268,860	268,860	-	-	-
- SGD	168,179	168,179	-	-	-
- AUD	71,685	71,685	-	-	-
- HKD	474,492	-	-	474,492	-
	<u>7,438,434</u>	<u>2,757,941</u>	<u>3,408,418</u>	<u>752,795</u>	<u>519,280</u>

Borrowings of the Group and the Bank comprise the followings:

Term loans/Revolving credits

- (a) Term loan of USD35,000,000 (approximately RM140,595,000) (2019: USD35,000,000 (approximately RM143,255,000)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 to 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2019: 0.395%) per annum above LIBOR.

- (b) Revolving multi-currency loan up to an aggregate of USD150,000,000 (approximately RM602,550,000) (2019: USD150,000,000 (approximately RM613,950,000)). This facility is available for utilisation in USD, GBP, SGD and EUR.

The loan was obtained on 25 June 2009. The principal and interest of the loan was revised to USD100,000,000 and 0.80% respectively on March 2014 and further revised to USD150,000,000 on July 2014. Interest on the loan is charged at the rate of 0.80% (2019: 0.80%) per annum above LIBOR or USD and 0.80% above COF for GBP, SGD and EUR.

- (c) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD50,000,000 (approximately RM200,850,000) (2019: USD100,000,000 (approximately RM409,300,000)) renewable after one (1) year. This Facility is available for utilisation in USD, GBP, SGD ,AUD and MYR.

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17. Borrowings (cont'd.)

Borrowings of the Group and the Bank comprise the followings:(cont'd.)

Term loans/Revolving credits (cont'd.)

(c) The financing was obtained on 10 November 2010 for USD30,000,000, renewed on 14 December 2011, 21 March 2014 and 2 March 2015 with additional amounts of USD10,000,000, USD30,000,000 and USD30,000,000 respectively. On 21 November 2020, the amount was reduced to USD50,000,000. Profit rate on the financing was charged at the rate of 0.80% and has been subsequently revised to 0.50% (2019:0.50%) per annum above the Islamic Cost of Fund since March 2014. In 2020, the Bank has outstanding amount of AUD27,000,000 million (approximately RM83,605,500) under the facility.

(d) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM148,239,000) (2019: EUR30,000,000 (approximately RM137,721,000)).

The loan was obtained on 12 March 2012. Interest rate on the loan is charged at the rate of 0.80% (2019: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

(e) Multi-Currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD85,000,000 (approximately RM341,445,000) (2019: USD85,000,000 (approximately RM347,905,000)) renewable after one (1) year.

The financing was obtained on 14 June 2013 for USD25,000,000. The limit was revised to USD85,000,000 on 12 August 2013 and profit rate was reduced to 0.80% per annum on 4 August 2014. Profit rate on the financing is charged at the rate of 0.80% (2019: 0.80%) per annum above the Islamic Cost of Fund. This financing was terminated effective 7 September 2020.

(f) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM100,425,000) (2019: USD25,000,000 (approximately RM102,325,000)) renewable after one (1) year.

The financing was obtained on 13 May 2013. Profit rate on the financing is charged at the rate of 0.50% (2019: 0.50%) per annum above the Islamic Cost of Fund.

(g) Commodity Murabahah Revolving Credit-i up to an aggregate of USD20,000,000 (approximately RM80,340,000) (2019: USD40,000,000 (approximately RM163,720,000)) renewable after one (1) year.

The financing was obtained on 15 August 2013. Profit rate on the financing is charged at the rate of 0.75% (2019: 0.75%) per annum above the Islamic Cost of Fund. On 27 July 2020, the financing amount was reduced to USD20,000,000 (approximately RM80,340,000).

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17. Borrowings (cont'd.)

Borrowings of the Group and the Bank comprise the followings:(cont'd.)

Term loans/Revolving credits (cont'd.)

- (h) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM592,956,000) (2019: EUR120,000,000 (approximately RM550,884,000)). This facility is available for utilisation in EUR, USD, and GBP.

The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% (2019: 0.80%) per annum above EURIBOR for EUR and 0.80% above COF for USD and GBP. As at year end 2020, the Bank has outstanding amount of EUR10,700,000 (approximately RM52,871,910) and GBP50,000,000 (approximately RM274,520,000) under the facility.

- (i) Revolving multi currency loan up to an aggregate of USD50,000,000 (approximately RM200,850,000) (2019 : USD50,000,000 (approximately RM204,650,000)).

The loan was obtained on 17 February 2014 and renewable yearly. Interest on loan is charged at the rate of 0.80% (2019 : 0.80%) per annum over cost of fund. The loan was cancelled on 17 August 2020.

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD20,000,000 (approximately RM80,340,000) (2019 : USD40,000,000 (approximately RM163,720,000)).

The financing was obtained on 29 October 2015 and renewable yearly. Profit rate on the financing is charged at the rate of 0.93% (2019 : 0.93%) per annum above LIBOR. On 8 May 2020, the amount was reduced to USD20,000,000.

- (k) Multi-currency commodity Murabahah Revolving Credit-i up to an aggregate of USD75,000,000 (approximately RM301,275,000) (2019 : USD75,000,000 (approximately RM306,975,000)). This facility is available for utilisation in USD, EUR and JPY.

The financing was obtained on 26 February 2016 and renewable yearly. Profit rate on the financing was revised to 0.75% (2019: 1.00%) per annum above the LIBOR for USD and 0.75% per annum above COF for EUR and JPY on 31 December 2020. In 2020, the Bank has not drawn down any amount in currency other than USD.

- (l) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM100,425,000) (2019 : USD25,000,000 (approximately RM102,325,000)).

The financing was obtained on 28 January 2016. Profit rate on the financing is charged at the rate of 0.45% (2019 : 0.45%) per annum above the Islamic Cost of Fund.

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17. Borrowings (cont'd.)

Borrowings of the Group and the Bank comprise the followings:(cont'd.)

Term loans/Revolving credits (cont'd.)

- (m) The term loan placement from the Government of Malaysia for Malaysian Kitchen Financing Facility Scheme amounting to RM170,100,000 for the purpose of providing loans to qualified applicants under the Malaysia The Truly Asian Kitchen or Malaysia Kitchen Program.

The placement is interest-free and repayable after a period of fifteen (15) years from dates of disbursement of 14 December 2007 and 15 January 2009.

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

- (n) Commodity Murabahah Revolving Credit-i up to an aggregate of USD50,000,000 (approximately RM200,850,000) (2019 : USD50,000,000 (approximately RM204,650,000)) renewable after one (1) year.

The financing was obtained on 14 November 2020. Profit rate on the financing is charged at the rate of 0.75% per annum above LIBOR.

- (o) Revolving US Dollar loan up to a maximum facility of USD60,000,000 (approximately RM241,020,000). (2019 : USD60,000,000 (approximately RM245,580,000)).

The loan was obtained on 9 January 2017. Interest on loan is charged at the rate of 0.80% (2019 : 0.80%) per annum above LIBOR.

- (p) Syndicated Term Financing Facility of USD300,000,000 (approximately RM1,205,100,000 (2019 : USD300,000,000 (approximately RM1,227,900,000))).

The loan was obtained on 5 November 2020 and repayable after a period of 4.5 years. Profit on the financing is charged at 0.90% per annum above LIBOR.

- (q) Revolving US Dollar loan up to a maximum facility of USD20,000,000 (approximately RM80,340,000).

The loan was obtained on 20 October 2020. Interest on loan is charged at the rate of 0.75% (2019 : 0.80%) per annum above Cost of Fund.

- (r) The fund from Bank Negara Malaysia ("BNM") amounting to RM400,000 for the purpose to provide financing to SME customers.

The placement is interest-free and commence from 6 March 2020 and expire on the repayment date.

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17. Borrowings (cont'd.)

Borrowings of the Group and the Bank comprise the followings:(cont'd.)

Medium Term Notes

In June 2012, the Bank established multicurrency Medium Term Notes ("MTN") programme. The maximum principal of notes that may be issued under the programme was USD1,500,000,000, which was subsequently upsized to USD3,000,000,000 in October 2016. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating rate of interest.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/ Floating
11 July 2012	USD63 mil (equivalent to RM253 mil)	10 years	3.509%	Fixed
12 March 2013	HKD896 mil (equivalent to RM464 mil)	10 years	2.950%	Fixed
6 June 2014	USD100 mil (equivalent to RM402 mil)	15 years	4.250%	Fixed
20 October 2016	USD500 mil (equivalent to RM2,009 mil)	5 years	2.480%	Fixed
21 August 2017	EUR40 mil (equivalent to RM198 mil)	5 years	3m Euribor + 0.75%	Floating
7 November 2017	USD20 mil (equivalent to RM80 mil)	5 years	3m Libor + 0.85%	Floating
8 November 2017	USD100 mil (equivalent to RM402 mil)	5 years	3m Libor + 0.85%	Floating
10 November 2017	USD15 mil (equivalent to RM60 mil)	5 years	3m Libor + 0.85%	Floating

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17. Borrowings (cont'd.)

Borrowings of the Group and the Bank comprise the followings:(cont'd.)

Medium Term Notes (cont'd.)

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

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/ Floating
10 November 2017	USD25 mil (equivalent to RM100 mil)	5 years	3m Libor+0.85%	Floating
28 February 2018	USD23 mil (equivalent to RM93 mil)	5 years	3m Libor+0.85%	Floating
4 May 2018	USD45 mil (equivalent to RM181 mil)	5 years	3m Libor+0.85%	Floating

Multi-currency Sukuk Programme

In September 2013, the Bank launched its USD1.0 billion unsecured multicurrency Sukuk programme through Special Purpose Vehicle ("SPV") company. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of interest.

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

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17. Borrowings (cont'd.)

Borrowings of the Group and the Bank comprise the followings:(cont'd.)

Multi-currency Sukuk Programme (cont'd.)

Issuances made as at year end are as follows:

Date of	Nominal value	Tenure	Coupon rate	Fixed/ Floating
8 June 2015*	USD50 mil (equivalent to RM201 mil)	5 years	2.700%	Fixed
28 January 2016	USD37.3 mil (equivalent to RM150 mil)	5 years	3.010%	Fixed
28 July 2016*	USD17 mil (equivalent to RM68 mil)	3 years	3m Libor + 1.20%	Floating
5 August 2016*	HKD400 mil (equivalent to RM207 mil)	3 years	2.100%	Fixed
4 May 2017	USD45 mil (equivalent to RM181 mil)	5 years	3.00%	Fixed

* *The Sukuk of USD50 million has matured on 8 June 2020.*

18. Lease liabilities

	Group and Bank	
	2020 RM'000	2019 RM'000
Repayable within one year	123	309
One year to three years	127	261
Three years to five years	-	14
	250	584

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19. Other payables and accruals

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Sinking fund and debt services reserve accounts	86,116	111,664	86,116	111,664
Interest payable	50,720	69,046	50,720	69,046
Amount due to the Government of Malaysia for MKFF scheme	2,264	1,481	2,264	1,481
Amount due to Teraju* RCCPS dividend payables	42,877	26,512	42,877	26,512
Others	50,830	72,483	50,844	72,494
	285,519	333,550	285,533	333,561

* This fund represents advances received from Teraju as collateral for loan to be disbursed to Bumiputera Exporters. Withdrawal of the fund is upon the borrower turning impaired up to a maximum of RM5,000,000 per borrower.

20. Provision for commitments and contingencies

	Group and Bank	
	2020	2019
	RM'000	RM'000
Provision for commitments and contingencies	83,605	81,353

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20. Provision for commitments and contingencies (cont'd.)

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

	Stage 1 12- months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2019	15,013	2,093	-	17,106
Changes due to changes in credit risk (Note 33)	10,028	(850)	44,935	54,113
Allowance during the year (Note 33)	6,129	4,705	-	10,834
Exchange differences	-	-	(700)	(700)
At 31 December 2019/ 1 January 2020	31,170	5,948	44,235	81,353
Transferred to Stage 2 (Note 33)	(7,193)	7,193	-	-
Transferred to Stage 3 (Note 33)	-	(407)	407	-
Changes due to changes in credit risk (Note 33)	(2,094)	445	-	(1,649)
Modification to contractual cash flows of financial assets (Note 33)	2,398	1,444	-	3,842
Allowance/(written back) during the year (Note 33)	(349)	9,192	(8,203)	640
Exchange differences	-	-	(581)	(581)
At 31 December 2020	23,932	23,815	35,858	83,605

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21. Deferred income

	Gross RM'000	Group and Bank Reinsurance RM'000	Net RM'000
2020			
Arising from:			
(i) Guarantee and other fees from conventional banking activities			
At 1 January	8,620	-	8,620
Addition during the year	10,357	-	10,357
Recognised in profit and loss	(9,032)	-	(9,032)
At 31 December	<u>9,945</u>	<u>-</u>	<u>9,945</u>
(ii) Guarantee and other fees from Islamic banking activities			
At 1 January	6,944	-	6,944
Addition during the year	37	-	37
Recognised in profit and loss	(5,069)	-	(5,069)
At 31 December	<u>1,912</u>	<u>-</u>	<u>1,912</u>
(iii) Premium liabilities			
At 1 January	(3,217)	4,062	845
Increase in reserve	2,902	778	3,680
At 31 December	<u>(315)</u>	<u>4,840</u>	<u>4,525</u>
(iv) Takaful contribution liabilities			
At 1 January	4,015	1,914	5,929
Decrease in reserve	(1,543)	957	(586)
At 31 December	<u>2,472</u>	<u>2,871</u>	<u>5,343</u>
	<u>14,014</u>	<u>7,711</u>	<u>21,725</u>

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21. Deferred income (cont'd.)

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

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22. Provision for guarantee and claims

	Group and Bank	
	Gross	Net
	RM'000	RM'000
2020		
Arising from:		
(i) Insurance claims		
At 1 January	31,962	31,962
Reversal during the year (Note 27(ii))	(925)	(925)
Paid during the year (Note 27(ii))	(314)	(314)
At 31 December	30,723	30,723
(ii) Takaful claims		
At 1 January	16,240	16,240
Addition during the year (Note 44)	4,023	4,023
Paid during the year	(70)	(70)
At 31 December	20,193	20,193
(iii) Expenses liabilities		
At 1 January	661	661
Addition during the year	124	124
At 31 December	785	785
	51,701	51,701
2019		
Arising from:		
(i) Insurance claims		
At 1 January	11,980	11,980
Addition during the year	28,328	28,328
Paid during the year (Note 27(ii))	(8,346)	(8,346)
At 31 December	31,962	31,962
(ii) Takaful claims		
At 1 January	6,669	6,669
Addition during the year (Note 44)	9,571	9,571
At 31 December	16,240	16,240
(iii) Expenses liabilities		
At 1 January	283	283
Paid during the year	(15)	(15)
Addition during the year	393	393
At 31 December	661	661
	48,863	48,863

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23. Share capital and redeemable convertible cumulative preference shares

(a) Share capital

	Group and Bank			
	2020		2019	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid-up				
Ordinary shares	2,708,665	2,708,665	2,708,665	2,708,665
Special rights	**	**	**	**
At 31 December	2,708,665	2,708,665	2,708,665	2,708,665

** Special right of 1 unit at RM1.

The Special Rights Redeemable Share (“Special Rights”) may be held or transferred only to the Ministry of Finance (Incorporated) or its successors or any Ministry, representative or any person acting on behalf of the Government of Malaysia.

The Special Rights shareholder shall have the right from time to time to appoint any person to be an appointed Director (“Government Appointed Director”), so that there shall not be more than four Government appointed Directors at any time.

The Special Rights shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings of any meeting of any class of shareholders of the Bank, but the Special Share shall carry neither right to vote nor any other rights at any such meeting.

In a distribution of capital in a winding up of the Bank, the Special Rights shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share shall confer no other right to participate in the capital or profits of the Bank.

The Special Rights shareholder may, subject to the provision of the Companies Act 2016, require the Bank to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

The Special Rights shareholder shall determine on general guidelines pertaining to lending, investments and divestment by the Bank from time to time as deemed appropriate.

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23. Share capital and redeemable convertible cumulative preference shares (cont'd.)

(b) Redeemable convertible cumulative preference shares

On 21 December 2017, the Bank received an advance from MoF, Inc of RM250 million. This advance carries a financing cost of 4.7%. This advance is to be capitalised as Redeemable Convertible Cumulative Preference Shares ("RCCPS") via a Subscription Agreement based on the terms that was approved by BNM on 21 November 2017 and 30 January 2018. The Bank has obtained the shareholder's approval on the proposed RCCPS issuance via Extraordinary General Meeting held on 8 March 2018.

The key terms are as follows:

Tenure: Based on perpetual from 8 March 2018.

Dividend rate: 4.7% per annum, payable semi-annually in arrears.

Conversion right: Shall not constitute a cancellation, redemption or termination of a RCCPS but will be by way of variation to the status of, and rights attaching to, the RCCPS so that it becomes an ordinary shares. The conversion is at the option of the Ministry of Finance (on behalf of the Government of Malaysia).

24. Operating revenue

Operating revenue of the Group and the Bank comprises gross interest income, fee and commission income, income from insurance operation and income from Islamic banking and Takaful businesses.

	Group and Bank	
	2020	2019
	RM'000	RM'000
Banking	158,112	338,836
Insurance and takaful	(1,272)	7,702
Recoveries from impaired loans	23,467	34,593
Treasury	1,180	-
	181,487	381,131

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
At a point in time	28,954	53,553
Over a period of time	152,533	327,578
	181,487	381,131

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25. Interest income

	Group and Bank	
	2020	2019
	RM'000	RM'000
Financial assets at amortised cost		
Loans, advances and financing		
- Interest income from non-impaired loans	90,456	172,316
- Recoveries from impaired loans	12,317	24,835
- Effects on modification loss, to contractual cash flows of financial assets	(31,073)	-
Money at call and deposit placements with banks and other financial institutions	27,577	39,740
Financial investment at FVOCI and at amortised cost	12,340	12,237
Amortisation of premium, net	(218)	(209)
Financial assets at FVTPL		
Net interest on derivatives	22,263	(29,009)
	<u>133,662</u>	<u>219,910</u>

26. Interest expense

	Group and Bank	
	2020	2019
	RM'000	RM'000
Financial liabilities at amortised cost		
Borrowings :		
Term loans/Revolving credits	1,400	4,243
Medium Term Notes	114,073	138,080
	<u>115,473</u>	<u>142,323</u>

27. Underwriting results

	Group and Bank	
	2020	2019
	RM'000	RM'000
Gross premium	1,046	10,948
Reinsurance	(876)	(8,636)
Net premium	170	2,312
Decrease in premium liabilities reserves	(3,680)	3,009
Net earned premium (Note 27(i))	(3,510)	5,321
Other fee income	525	845
Write-back of allowance for doubtful debts	4	197
	(2,981)	6,363
Net claims recovered/(incurred) (Note 27(ii))	4,956	(28,328)
Underwriting results	<u>1,975</u>	<u>(21,965)</u>

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27. Underwriting results (cont'd.)

(i) Net earned premium

	Group and Bank	
	2020	2019
	RM'000	RM'000
Gross premium	1,046	10,948
Change in premium liabilities reserves (Note 21)	(3,680)	3,009
	<u>(2,634)</u>	<u>13,957</u>
Net premium ceded	(876)	(8,636)
Net earned premium	<u>(3,510)</u>	<u>5,321</u>

(ii) Net claims recovered/(incurred)

	Group and Bank	
	2020	2019
	RM'000	RM'000
Gross claims paid less salvage (Note 22)	(314)	(8,346)
Recoveries	4,031	-
Claims recovered/(paid)	<u>3,717</u>	<u>(8,346)</u>
Change to insurance claims (Note 22)	1,239	(19,982)
Net claims recovered/(incurred)	<u>4,956</u>	<u>(28,328)</u>

28. Other income

	Group and Bank	
	2020	2019
	RM'000	RM'000
Fee income from loans, advances and financing	21,483	22,023
Unrealised foreign exchange gain	5,576	444,964
Realised foreign exchange gain/(loss)		
- Financial assets at amortised cost	44,163	(190,915)
- Financial liabilities at FVTPL	(28,714)	(249,797)
Gain on disposal of equipment	39	27
Rental of income	14	25
Unrealised gain on derivatives	104,350	107,809
Loss on MTN/Sukuk		
- Unrealised	(40,429)	(88,628)
Others	177	1,145
	<u>106,659</u>	<u>46,653</u>

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29. Overhead expenses

	Note	Group and Bank	
		2020 RM'000	2019 RM'000
Personnel costs	(i)	55,918	46,984
Establishment related expenses	(ii)	10,676	11,779
Promotion and marketing expenses	(iii)	558	2,225
General administrative expenses	(iv)	21,039	21,041
		<u>88,191</u>	<u>82,029</u>

(i) Personnel costs

	Group and Bank	
	2020 RM'000	2019 RM'000
Salaries, allowances and bonuses	43,605	33,692
Defined contribution plan	6,529	6,316
Other staff related expenses	5,784	6,976
	<u>55,918</u>	<u>46,984</u>

(ii) Establishment related expenses

	Group and Bank	
	2020 RM'000	2019 RM'000
Depreciation:		
- Property and equipment (Note 15)	4,445	4,616
- Investment properties (Note 13)	18	18
- Right-of-use assets (Note 16)	247	237
Amortisation of intangible assets (Note 14)	1,643	2,333
Rental of equipment	200	246
Interest expense - lease liabilities	33	27
Repairs and maintenance of property and equipment	4,090	4,302
	<u>10,676</u>	<u>11,779</u>

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29. Overhead expenses (cont'd.)

(iii) Promotion and marketing expenses

	Group and Bank	
	2020	2019
	RM'000	RM'000
Advertisement and publicity	558	2,225

(iv) General administrative expenses

	Group and Bank	
	2020	2019
	RM'000	RM'000
Administrative expenses	1,952	2,755
Auditors' remuneration		
- statutory audit	433	533
- regulatory related services	3	3
- other services	179	199
Property and equipment written off	-	3,353
General expenses	8,438	8,848
Non-Executive directors remuneration (Note 30)	1,059	1,601
Professional fees	8,367	2,655
Charge of brokerage fees	6	19
Others	602	1,075
	<u>21,039</u>	<u>21,041</u>

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30. Directors' fees and remuneration

Group and Bank 2020	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Executive Director:					
Dato' Shahrul Nazri bin Abdul Rahim	876	-	-	131	1,007
	<u>876</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>1,007</u>
Non-Executive Directors: (Note 29)					
Dato' Feizal Mustapha @ Feizal bin Mustapha	-	216	-	36	252
Dato' Dr. Amiruddin bin Muhamed	-	129	-	-	129
Datuk Bahria binti Mohd Tamil	-	118	-	-	118
Datuk Dr. Syed Muhamad Syed Abdul Kadir	-	63	-	-	63
Dato' Wong Lee Yun	-	61	-	-	61
Wong Yoke Nyen	-	73	-	-	73
Prem Kumar A/L Shambunath Kirparam	-	71	-	-	71
Mohammad Fadzlan bin Abdul Samad	-	47	-	-	47
Hijah Arifakh binti Othman	-	103	-	-	103
Dato' Dzulkifli bin Mahmud	-	24	-	-	24
Azizan bin Ahmad	-	118	-	-	118
	<u>-</u>	<u>1,023</u>	<u>-</u>	<u>36</u>	<u>1,059</u>
Total Directors' remuneration (excluding benefits in-kind)	<u>876</u>	<u>1,023</u>	<u>-</u>	<u>167</u>	<u>2,066</u>

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30. Directors' fees and remuneration (cont'd.)

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

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31. Key management personnel compensation

Key management personnel comprise person having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. It comprises the President/Chief Executive Officer and senior management of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2020	2019
	RM'000	RM'000
Salaries and other short-term benefits	3,584	593
Defined contribution plan ("EPF")	531	-
Benefits-in-kind	66	105
	<u>4,181</u>	<u>698</u>
Included in the total key management personnel is:		
Executive Director's remuneration (Note 30)	<u>1,007</u>	<u>698</u>

32. Allowances for expected credit losses on loans, advances and financing

	Group and Bank	
	2020	2019
	RM'000	RM'000
Allowances for losses on loans, advances and financing		
- 12-month ECL - Stage 1, net	(52,241)	(56,514)
- Lifetime not credit impaired ECL - Stage 2, net	227,895	39,782
- Lifetime ECL credit impaired - Stage 3, charged for the year	178,706	725,928
- Lifetime ECL credit impaired - Stage 3, written back during the year	(520,790)	(313,174)
- Bad debts written off	220,073	170,113
	<u>53,643</u>	<u>566,135</u>

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33. Allowances for ECL on commitments and contingencies

	Group and Bank	
	2020	2019
	RM'000	RM'000
Allowances for commitments and contingencies		
- 12-month ECL - Stage 1, net	(7,238)	16,157
- Lifetime not impaired ECL - Stage 2, net	17,867	3,855
- Lifetime ECL credit impaired - Stage 3, net	(7,796)	44,935
	<u>2,833</u>	<u>64,947</u>

34. Allowances for/(writeback) ECL on financial investments

	Group and Bank	
	2020	2019
	RM'000	RM'000
Financial investments at FVOCI (Note 6)	(82)	1,177
Financial investments at amortised costs (Note 6)	<u>42,666</u>	<u>(11,498)</u>
Total allowances on financial investments	<u>42,584</u>	<u>(10,321)</u>

35. Allowances for ECL on other assets

	Group and Bank	
	2020	2019
	RM'000	RM'000
Allowances for other assets	<u>624</u>	<u>-</u>

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36. Taxation

The major components of taxation for the years ended 31 December 2020 and 2019 are:

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
- Overprovision of income tax in prior year	-	1,323	-	1,323
Deferred tax expense (Note 11):				
- Origination and reversal of temporary differences	2,676	3,550	2,676	3,550
- Benefits from previously unutilised business losses	(2,676)	(3,550)	(2,676)	(3,550)
- Underprovision of income tax in prior year	-	(2,316)	-	-
	-	(993)	-	1,323

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

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36. Taxation (cont'd.)

A reconciliation of the taxation applicable to loss before taxation and zakat at the statutory tax rate to taxation at the effective tax rate of the Group and the Bank is as follows:

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before Taxation	51,150	(478,250)	51,150	(478,250)
Income tax using Malaysian statutory tax rate of 24% (2019: 24%)	12,276	(114,780)	12,276	(114,780)
Non-deductible expenses	5,366	4,823	5,366	4,823
Deferred tax assets not recognised on unutilised business losses	(17,642)	109,957	(17,642)	109,957
Underprovision of deferred tax in prior year	-	(2,316)	-	-
Overprovision of income tax in prior year	-	1,323	-	1,323
	-	(993)	-	1,323

37. Basic/diluted earnings/(loss) per share

	Group		Bank	
	2020	2019	2020	2019
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
Profit/(Loss) after taxation (RM'000)	51,150	(477,257)	51,150	(479,573)
Basic/(diluted) loss per share (sen)	1.89	(17.62)	1.89	(17.71)

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

38. Dividends

The holders of redeemable convertible cumulative preference shares are entitled to receive dividends at a fixed rate of 4.7% per annum as and when declared by the Bank.

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39. Commitments and contingencies

	Group and Bank	
	2020	2019
	RM'000	RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	124,039	336,306
Letter of credit	3,281	5,598
Undrawn loans and financing	2,148,512	1,464,482
	<u>2,275,832</u>	<u>1,806,386</u>
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	454,725	739,232
One year or later and no later than five years	366,635	483,275
	<u>821,360</u>	<u>1,222,507</u>
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	12,393	5,313
	<u>12,393</u>	<u>5,313</u>
Total commitments and contingencies	<u>3,109,585</u>	<u>3,034,206</u>

40. Significant related parties transaction and balances

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank, if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party transactions and balances with the following parties:

(a) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel consists of the President/Chief Executive Officer and senior management of the Group and the Bank. The key management personnel compensation is disclosed in Note 31.

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40. Significant related parties transaction and balances (cont'd.)

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

	Bank	
	2020	2019
	RM'000	RM'000
Amount due to subsidiaries	64,120	64,123

- (c) Government related parties

Included in the financial position of the Group and the Bank are the amounts due from The Government of Malaysia relating to management fee represented by the following:

	Group and Bank	
	2020	2019
	RM'000	RM'000
Amount due from The Government of Malaysia	2,699	2,114

The transaction of management fee represented by the following:

	Group and Bank	
	2020	2019
	RM'000	RM'000
Transaction during the year		
Other income: Management fee	539	539

The Government of Malaysia

At the end of the tenure, the Bank shall repay the fund received under the MKFF scheme together with all interest earned, less the allowance for impaired loans and return all proceeds derived from investment of the unutilised funds to the Government. The net amount repayable to the Government as at the financial year is represented as follows:

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40. Significant related parties transaction and balances (cont'd.)

The Group has related party transactions and balances with the following parties (cont'd.):

(c) Government related parties (cont'd.)

	Group and Bank	
	2020	2019
	RM'000	RM'000
Fund under MKFF Scheme	170,100	170,100
Less:		
Loans repayment	(134,172)	(134,172)
	<u>35,928</u>	<u>35,928</u>
Less:		
Loans and financing (Note 7)	(8,976)	(9,776)
Allowance for ECL for loans and financing	(5,605)	(4,473)
Add:		
Interest earned from financing	1,504	1,401
Interest income on investment	7,201	6,511
Net repayable	<u>30,052</u>	<u>29,591</u>

(d) Licensed banks and other financial institutions

	Group and Bank	
	2020	2019
	RM'000	RM'000
Unutilised funds under the MKFF Scheme included in deposits and placements (Note 5)	<u>27,387</u>	<u>26,119</u>

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41. Credit exposure arising from financing facilities with connected parties

The Group's and the Bank's credit exposure arising from financing facilities with connected parties are as disclosed below:

	Group and Bank	
	2020	2019
	RM'000	RM'000
Aggregate value of outstanding exposure with connected parties	551,146	556,167
Equities and PDS held	600,000	600,000
	<u>1,151,146</u>	<u>1,156,167</u>
Total exposure to connected parties as % of total capital	<u>73.40%</u>	<u>56.44%</u>
Total exposure to connected parties as % of total outstanding exposures	<u>10.00%</u>	<u>8.50%</u>

The credit exposures disclosed below are based on the requirement of Paragraph 14.1 of Bank Negara Malaysia's Policy Document on Financing Facilities with Connected Parties ("Policy Document").

42. Financial risk management policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Bank.

The Risk Management Division ("RMD") of the Group and the Bank is responsible for formulating policies and the oversight of credit, market liquidity and operational risks.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group's and Bank's financial risk management policies, which are reported to and approved by the Board of Directors of the Bank ("the Board"). The Board also approves the treasury practices which cover the management of these risks.

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42. Financial risk management policies (cont'd.)

The main areas of financial risks faced by the Group and the Bank and the policies are set out as follows:

a. Capital management

Capital management refers to continuous, proactive and systematic process to ensure the Group and the Bank have sufficient capital in accordance to its risk profile and regulator's requirements.

b. Market risk

The Group's and the Bank's market risk arise due to changes foreign currency value which would lead to a decline in the valuation of the Group's and the Bank's foreign currency base investment securities, derivatives and borrowings.

c. Asset liability management risk

Asset Liability Management ("ALM") risk comprises:

(i) Interest rate risks

This refers to the exposure of the Group's and the Bank's financial conditions due to adverse movements in interest rates to the banking book.

(ii) Liquidity risks

Defined as the risk of not being able to obtain sufficient funds in a timely manner at a reasonable cost to meet financial commitments when due.

d. Credit risk

Credit risk is defined as risk due to uncertainty in the customers or the counterparties ability to meet its obligations or failure to perform according to the terms and conditions of the credit-related contract.

Oversight and organisation

A stable enterprise-level organisational structure for risk management is necessary to ensure a uniform view of risk across the Group and the Bank. It is also important to have clear roles and responsibilities defined for each functions.

The Board has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that the risks are properly managed.

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42. Financial risk management policies (cont'd.)

While the Board is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Committee ("BRC") to carry out its functions. Although the responsibilities have been delegated, the Board still remains accountable. BRC, which is chaired by an independent Director of the Board, oversees the overall management of all risks covering credit risk management, country risk management, market risk management, asset liability management and operational risk management.

Executions of the Board's risk strategies and policies are the responsibilities of the Group's and the Bank's management and the conduct of these functions are being exercised under a committee structure, namely Management Risk Committee ("MRC"). The President/Chief Executive Officer chairs MRC. The Committee focuses on the overall business strategies and daily business operations of the Group and the Bank in respect of risk management.

To carry out the day-to-day risk management function, a dedicated RMD that is independent of profit and volume targets supports the Committee. RMD reports functionally to the BRC and administratively to the President/Chief Executive Officer.

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Group and the Bank view capital position as an important key barometer of financial health.

In order to support its mandated roles, the Group and the Bank must have strong and adequate capital to support its business activities on an on-going basis. BNM has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital funds of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refers to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Group and the Bank through a progressive and systematic building up of the reserve fund, the Group and the Bank are required to maintain a reserve fund and transfer a certain percentage of its net profits to the reserve fund once the RWCR falls below the threshold of 16%. As at the reporting date, the reserve fund is not yet required as at the reporting date as the Group's and the Bank's capital is currently above the threshold of 16%.

The Bank has adopted BNM's transitional arrangements to add back a portion of the Stage 1 and Stage 2 allowance for ECL to Tier 1 Capital over a four-year period from financial year beginning 2020. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of Covid-19" dated April 2020.

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42. Financial risk management policies (cont'd.)

Regulatory capital

The following table set forth capital resources and capital adequacy for the Bank as at 31 December:

	Without Transitional Arrangement 2020 RM'000	With Transitional Arrangement 2020 RM'000	2019 RM'000
Ordinary share capital	2,708,665	2,708,665	2,708,665
Accumulated losses	(1,382,814)	(1,382,814)	(888,833)
Current year profit/(loss)	51,150	51,150	(479,573)
Add: Transitional arrangement	-	228,867	-
Eligible Tier 1 capital	<u>1,377,001</u>	<u>1,605,868</u>	<u>1,340,259</u>
Loss provision and regulatory reserve*	564,782	335,915	346,544
Redeemable convertible cumulative preference shares	250,000	250,000	250,000
Provision for guarantee and claims	41,587	41,587	39,705
Provision for commitment and contingencies	47,747	47,747	37,118
Eligible Tier 2 capital	<u>904,116</u>	<u>675,249</u>	<u>673,367</u>
Investment in subsidiaries	<u>(64,129)</u>	<u>(64,129)</u>	<u>(64,129)</u>
Total capital base	<u>2,216,988</u>	<u>2,216,988</u>	<u>1,949,497</u>
Risk weighted assets	<u>5,667,574</u>	<u>5,667,574</u>	<u>6,674,261</u>
Capital Ratio			
- With proposed RCCPS dividend (Note 38)			
Core capital ratio	24.01%	28.05%	19.87%
RWCR	<u>38.83%</u>	<u>38.83%</u>	<u>28.99%</u>
- Without proposed RCCPS dividend			
Core capital ratio	24.30%	28.33%	20.08%
RWCR	<u>39.12%</u>	<u>39.12%</u>	<u>29.21%</u>

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42. Financial risk management policies (cont'd.)

Regulatory capital (cont'd.)

- * The loss provision for 2020 is computed based on Para 13.1 (d)(ii) or Capital Adequacy Framework (capital components) issued by BNM on 2 February 2019. The Tier 2 Capital comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve.

The Group and the Bank have elected to apply the transitional arrangements in accordance with BNM's Guidelines on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions.

Capital monitoring

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

Market risk management

Approach and risk strategy

The principal objectives of market risk management are to assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds and to ensure prudent management of the Group's and the Bank's resources to support the growth of the Group's and the Bank's economic value.

The Group's and the Bank's market risk management strategies are to identify, measure, monitor and manage the Group's and the Bank's earnings and capital against market risk inherent in all activities of the Group and the Bank and ensure all relevant personnel clearly understand the Group's and the Bank's approach in managing market risk.

Risk identification

The Group's and the Bank's market risk arise due to changes foreign currency which would lead to a decline in the value of the Group's and the Bank's investment securities, derivatives, borrowings, foreign exchange and equity position.

Measurement

The Group's and the Bank's policies are to minimise the exposures to foreign currency risk arising from lending activities by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

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42. Financial risk management policies (cont'd.)

Market risk management (cont'd.)

Measurement (cont'd.)

The table below shows the Group's and the Bank's foreign currencies sensitivity based on reasonable possible movements on the increase/(decrease) in foreign exchange ("FX") rates that resulted to the increase/(decrease) in profit and loss:

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
2020					
EUR	5	42	(42)	42	(42)
GBP	5	24	(24)	24	(24)
SGD	5	2,466	(2,466)	2,466	(2,466)
USD	10	1,463	(1,463)	1,463	(1,463)
AUD	10	3,284	(3,284)	3,284	(3,284)
		<u>7,279</u>	<u>(7,279)</u>	<u>7,279</u>	<u>(7,279)</u>
2019					
EUR	5	362	(362)	362	(362)
GBP	5	1,324	(1,324)	1,324	(1,324)
SGD	5	2,266	(2,266)	2,266	(2,266)
USD	10	3,839	(3,839)	3,839	(3,839)
AUD	10	2,182	(2,182)	2,182	(2,182)
HKD	5	-	-	-	-
		<u>9,973</u>	<u>(9,973)</u>	<u>9,973</u>	<u>(9,973)</u>

Asset liability management

Approach and risk strategy

The main objective is to proactively manage the Group's and the Bank's financial position which includes assets, liabilities and capital, in order to maximise earnings and to attain its strategic goal, within the overall risk/return preferences.

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42. Financial risk management policies (cont'd.)

Asset liability management (cont'd.)

Approach and risk strategy (cont'd.)

The Group's and the Bank's Asset and Liability Management ("ALM") strategies are as follows:

- Ensure that the Group and the Bank achieve its financial objective through strategic business plan which shall be developed within the risk tolerance level;
- Ensure that the Group's and Bank's pricing and funding are adequately maintain to support a sound capital base through strategic management of the balance sheet; and
- Ensure that the Group and the Bank are able to sustain its capital against ALM risk inherent in all activities of the Group and the Bank.

Risk identification

When analysing whether or not an activity introduces a new element of ALM risk exposure, the Group and the Bank should be aware that changes to an instrument's maturity, repricing or repayment terms could materially affect the product's ALM risks characteristics.

Measurement

The Group and the Bank face interest rate risks arising from re-pricing mismatches of assets and liabilities from its banking businesses. These risks are monitored through economic value of equity limit and net interest income changes.

The Group and the Bank perform regular net interest income simulation to better understand the sensitivity to changes in interest rates on the net interest income. In addition, MRC will actively manage the re-pricing mismatches with the aid of monthly re-pricing gap and Earning-at-Risk ("EAR") reports.

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42. Financial risk management policies (cont'd.)

Asset liability management (cont'd.)

Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap:

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	-	-	-	-	122,399	122,399
Deposits and placement with banks and other financial institutions	3,205,749	148,201	10,149	-	-	3,364,099
Financial Investments	-	49,459	1,116,092	-	-	1,165,551
Loans, advances and financing	189,598	932,205	1,112,125	672,411	772,744	3,679,083
Derivative financial instruments	-	-	-	-	141,749	141,749
Other assets	-	-	-	-	163,334	163,334
Total assets	3,395,347	1,129,865	2,238,366	672,411	1,200,226	8,636,215
Liabilities and equity						
Borrowings	748,027	2,064,109	3,322,895	456,251	-	6,591,282
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	442,800	442,800
Shareholders' and Takaful participants fund	-	-	-	-	1,602,134	1,602,134
Total liabilities and equity	748,027	2,064,109	3,322,895	456,251	2,044,934	8,636,216
Period gap	2,647,320	(934,244)	(1,084,529)	216,160	(844,707)	-
Cumulative gap	2,647,320	1,713,076	628,547	844,707	-	-

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42. Financial risk management policies (cont'd.)

Asset liability management (cont'd.)

Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2019						
Assets						
Cash and bank balances	-	-	-	-	62,593	62,593
Deposits and placement with banks and other financial institutions	3,022,168	25,000	-	-	-	3,047,168
Financial investments	-	-	1,204,442	-	-	1,204,442
Loans, advances and financing	1,025,259	292,669	1,815,073	959,327	676,314	4,768,642
Derivative financial instruments	-	-	-	-	61,218	61,218
Other assets	-	-	-	-	357,840	357,840
Total assets	4,047,427	317,669	3,019,515	959,327	1,157,965	9,501,903
Liabilities and equity						
Borrowings	2,394,740	363,201	4,161,213	519,280	-	7,438,434
Derivative financial instruments	-	-	-	-	18,531	18,531
Other liabilities	-	-	-	-	486,688	486,688
Shareholders' and Takaful participants fund	-	-	-	-	1,558,250	1,558,250
Total liabilities and equity	2,394,740	363,201	4,161,213	519,280	2,063,469	9,501,903
Period gap	1,652,687	(45,532)	(1,141,698)	440,047	(905,504)	-
Cumulative gap	1,652,687	1,607,155	465,457	905,504	-	-

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42. Financial risk management policies (cont'd.)

Asset liability management (cont'd.)

Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	-	-	-	-	122,399	122,399
Deposits and placement with banks and other financial institutions	3,205,749	148,201	10,149	-	-	3,364,099
Financial Investments	-	49,459	1,116,092	-	-	1,165,551
Loans, advances and financing	189,598	932,205	1,112,125	672,411	772,744	3,679,083
Derivative financial instruments	-	-	-	-	141,749	141,749
Other assets	-	-	-	-	227,463	227,463
Total assets	3,395,347	1,129,865	2,238,366	672,411	1,264,355	8,700,344
Liabilities and equity						
Borrowings	748,027	2,064,109	3,322,895	456,251	-	6,591,282
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	506,934	506,934
Shareholders' and Takaful participants fund	-	-	-	-	1,602,129	1,602,129
Total liabilities and equity	748,027	2,064,109	3,322,895	456,251	2,109,063	8,700,345
Period gap	2,647,320	(934,244)	(1,084,529)	216,160	(844,707)	-
Cumulative gap	2,647,320	1,713,076	628,547	844,707	-	-

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42. Financial risk management policies (cont'd.)

Asset liability management (cont'd.)

Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
2019						
Assets						
Cash and bank balances	-	-	-	-	62,593	62,593
Deposits and placement with banks and other financial institutions	3,022,168	25,000	-	-	-	3,047,168
Financial investments	-	-	1,204,442	-	-	1,204,442
Loans, advances and financing	1,025,259	292,669	1,815,073	959,327	676,314	4,768,642
Derivative financial instruments	-	-	-	-	61,218	61,218
Other assets	-	-	-	-	421,969	421,969
Total assets	4,047,427	317,669	3,019,515	959,327	1,222,094	9,566,032
Liabilities and equity						
Borrowings	2,394,740	363,201	4,161,213	519,280	-	7,438,434
Derivative financial instruments	-	-	-	-	18,531	18,531
Other liabilities	-	-	-	-	550,822	550,822
Shareholders' and Takaful participants fund	-	-	-	-	1,558,245	1,558,245
Total liabilities and equity	2,394,740	363,201	4,161,213	519,280	2,127,598	9,566,032
Period gap	1,652,687	(45,532)	(1,141,698)	440,047	(905,504)	-
Cumulative gap	1,652,687	1,607,155	465,457	905,504	-	-

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42. Financial risk management policies (cont'd.)

Asset liability management (cont'd.)

Analysis of net interest income ("NII") and net profit income ("NPI") sensitivity

The table below shows the Bank's NII and NPI sensitivity based on possible parallel shift in interest rate:

	NII		NPI	
	2020 Impact on profit and loss Increase/ (decrease) RM'000	2019 Impact on profit and loss Increase/ (decrease) RM'000	2020 Impact on profit and loss Increase/ (decrease) RM'000	2019 Impact on profit and loss Increase/ (decrease) RM'000
Interest/Profit rate - parallel shift				
+ 50 basis points	91	388	552	604
- 50 basis points	(91)	(388)	(552)	(604)

Impact to revaluation reserve is assessed by applying up and down 50 basis points rate shock to the yield curve to model on mark-to-market for financial investments at FVOCI portfolio:

	2020 Impact on OCI Increase/ (decrease) RM'000	2019 Impact on OCI Increase/ (decrease) RM'000
+ 50 basis points	(55)	68
- 50 basis points	55	(68)

Liquidity risk management

Approach and risk strategy

The inability to create liquidity would cause serious repercussion to the Group and the Bank in terms of its reputation and even its continued existence. In view of this, the Group and the Bank pay particular attention to liquidity risk management approach and strategy.

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

Approach and risk strategy (cont'd.)

The objective of liquidity risk management is to ensure the availability of sufficient liquidity to honour all financial obligations and able to meet any stressful events. The Group's and the Bank's liquidity risk management strategies involve:

- Establish appropriate policies to oversee the management of liquidity risk of the Group and the Bank;
- Establish prudent liquidity risk limits to ensure the Group and the Bank maintain a safe level of asset liquidity; and
- Develop contingency funding plans to manage the Group's and the Bank's funding requirement during liquidity crisis.

Risk identification

There are two types of liquidity risk i.e. funding liquidity risk and market liquidity risk. Funding liquidity risk refers to the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost. Market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price.

Measurement

Liquidity is measured by the Group's and the Bank's ability to efficiently and economically accommodate decrease in deposits/funding (such as funds obtained from the Government) and other purchased liabilities and to fund increases in assets to ensure continued growth of the Group and the Bank.

The Group and the Bank maintain large capital base, sufficient liquid assets, diversified funding sources, and regularly assesses the long-standing relationship with traditional fund providers. These processes are subject to regular reviews to ensure adequacy and appropriateness.

In addition, the Group's and the Bank's liquidity positions are monitored and managed through structural liquidity indicators, such as loan to purchase funds and offshore revolving funds utilisation rate ratios to maintain an optimal funding mix and asset composition.

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity:

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	122,399	-	-	-	-	122,399
Deposits and placements with banks and other financial institutions	-	3,205,749	148,201	10,149	-	3,364,099
Financial Investment	-	-	49,459	1,116,092	-	1,165,551
Loans, advances and financing	-	189,598	932,205	1,112,235	1,445,045	3,679,083
Derivative financial instruments	141,749	-	-	-	-	141,749
Other assets	163,334	-	-	-	-	163,334
Total assets	427,482	3,395,347	1,129,865	2,238,476	1,445,045	8,636,215
Liabilities						
Borrowings	-	748,027	2,064,109	3,322,895	456,251	6,591,282
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	442,800	-	-	-	-	442,800
Total liabilities	442,800	748,027	2,064,109	3,322,895	456,251	7,034,082
Net maturity mismatch	(15,317)	2,647,320	(934,244)	(1,084,419)	988,794	1,602,134

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2019						
Assets						
Cash and bank balances	62,593	-	-	-	-	62,593
Deposits and placements with banks and other financial institutions	-	3,022,168	25,000	-	-	3,047,168
Financial Investment	-	-	-	1,204,442	-	1,204,442
Loans, advances and financing	676,314	1,025,259	292,669	1,815,073	959,327	4,768,642
Derivative financial instruments	61,218	-	-	-	-	61,218
Other assets	357,840	-	-	-	-	357,840
Total assets	1,157,965	4,047,427	317,669	3,019,515	959,327	9,501,903
Liabilities						
Borrowings	-	2,394,740	363,201	4,161,213	519,280	7,438,434
Derivative financial instruments	18,531	-	-	-	-	18,531
Other liabilities	486,688	-	-	-	-	486,688
Total liabilities	505,219	2,394,740	363,201	4,161,213	519,280	7,943,653
Net maturity mismatch	652,746	1,652,687	(45,532)	(1,141,698)	440,047	1,558,250

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	122,399	-	-	-	-	122,399
Deposits and placements with banks and other financial institutions	-	3,205,749	148,201	10,149	-	3,364,099
Financial Investment	-	-	49,459	1,116,092	-	1,165,551
Loans, advances and financing	-	189,598	932,205	1,112,125	1,445,155	3,679,083
Derivative financial instruments	141,749	-	-	-	-	141,749
Other assets	227,463	-	-	-	-	227,463
Total assets	491,611	3,395,347	1,129,865	2,238,366	1,445,155	8,700,344
Liabilities						
Borrowings	-	748,027	2,064,109	3,322,895	456,251	6,591,282
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	506,934	-	-	-	-	506,934
Total liabilities	506,934	748,027	2,064,109	3,322,895	456,251	7,098,216
Net maturity mismatch	(15,322)	2,647,320	(934,244)	(1,084,529)	988,904	1,602,129

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2019						
Assets						
Cash and bank balances	62,593	-	-	-	-	62,593
Deposits and placements with banks and other financial institutions	-	3,022,168	25,000	-	-	3,047,168
Financial Investment	-	-	-	1,204,442	-	1,204,442
Loans, advances and financing	676,314	1,025,259	292,669	1,815,073	959,327	4,768,642
Derivative financial instruments	61,218	-	-	-	-	61,218
Other assets	421,969	-	-	-	-	421,969
Total assets	1,222,094	4,047,427	317,669	3,019,515	959,327	9,566,032
Liabilities						
Borrowings	-	2,394,740	363,201	4,161,213	519,280	7,438,434
Derivative financial instruments	18,531	-	-	-	-	18,531
Other liabilities	550,822	-	-	-	-	550,822
Total liabilities	569,353	2,394,740	363,201	4,161,213	519,280	8,007,787
Net maturity mismatch	652,741	1,652,687	(45,532)	(1,141,698)	440,047	1,558,245

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows.

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Derivative financial instruments	-	-	-	-	-	-
Non-derivative financial liabilities						
Borrowings	-	751,207	2,114,612	3,426,350	603,452	6,895,621
Other liabilities	442,800	-	-	-	-	442,800
Total financial liabilities	442,800	751,207	2,114,612	3,426,350	603,452	7,338,421
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	124,039	-	-	-	-	124,039
Letter of credit	3,281	-	-	-	-	3,281
Undrawn loans and financing	-	612,020	1,163,470	264,584	108,438	2,148,512
	127,320	612,020	1,163,470	264,584	108,438	2,275,832
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	454,725	-	-	454,725
One year or later and no later than five years	-	-	-	366,635	-	366,635
	-	-	454,725	366,635	-	821,360
Total commitments and contingencies	127,320	612,020	1,618,195	631,219	108,438	3,097,192

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42. Financial risk management policies (cont'd.)

Liquidity risk management (cont'd.)

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2019						
Derivative financial liabilities instruments	-	28,363	80,517	634,629	65,537	809,046
Non-derivative financial liabilities						
Borrowings	-	2,435,288	498,132	4,546,489	600,049	8,079,958
Other liabilities	486,688	-	-	-	-	486,688
Total financial liabilities	486,688	2,435,288	498,132	4,546,489	600,049	8,566,646
Commitments and contingencies						
Banking operation commitments						
Contracted but not provided for:						
Guarantee facility	336,306	-	-	-	-	336,306
Letter of credit	5,598	-	-	-	-	5,598
Undrawn loans and financing	3,662	448,504	610,470	69,844	332,002	1,464,482
	345,566	448,504	610,470	69,844	332,002	1,806,386
Insurance operation commitments						
Contracted but not provided for:						
Within one year	-	-	739,232	-	-	739,232
One year or later and no later than five years	-	-	-	483,275	-	483,275
	-	-	739,232	483,275	-	1,222,507
Total commitments and contingencies	345,566	448,504	1,349,702	553,119	332,002	3,028,893

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42. Financial risk management policies (cont'd.)

Credit risk management

Approach and risk strategy

The Group and the Bank recognise that credit risk is inherent in its banking and insurance activities. The main objective of the Group's and the Bank's credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

The Group's and the Bank's strategies in credit risk management are:

- Consistent credit approving standards are applied in each of its credit decision process;
- All credit decisions are within credit risk tolerance that the Group and the Bank are willing to take in meeting its mandated role;
- All credit risk inherent in business activities of the Group and the Bank are comprehensively identified, measured and managed;
- Ensure the Group and the Bank hold adequate capital against credit risk and adequately compensated for risks assumed;
- Regular credit review is performed as an effective tool to constantly evaluate the quality of credits given and adherence to the credit process;
- The composition and quality of the Group's and the Bank's credit portfolio are constantly monitored to identify and manage concentrations risk; and
- Conduct stress testing on the Group's and the Bank's credit portfolio to identify possible events or future changes in economic conditions that could have favourable effects to its credit exposures and assess the Groups and the Bank's ability to withstand such changes.

Risk identification

The Group and the Bank take into account the sources of credit risks identified from all lines of business on a bank-wide basis such as direct financing risk, contingent financing risk, issuer risk, pre-settlement risk and settlement risk.

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions.

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42. Financial risk management policies (cont'd.)

Credit risk management (cont'd.)

Risk identification (cont'd.)

Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities.

The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

Measurement

The Group and the Bank monitor actual exposures against established limits and have procedures in place for the purpose of monitoring and taking appropriate actions when such limits are breached. If exceeded limits, such occurrences must be reported to the MRC and subsequently, corrective measures are taken to avoid recurrence of such breaches.

Internal credit rating system is an integral part of the Group's and the Bank's credit risk management. It provides a good means of differentiating the degree of credit risk in the different credit exposures of the Group and the Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits and the adequacy of allowances for losses on loans, advances and financing.

Impairment of financial assets

The Group and the Bank individually assesses its financial assets for any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition. In determining that there is objective evidence of an impaired loss, the Group and the Bank adopted a systematic mechanism for a prompt trigger of impairment test whereby the triggers are based on obligatory and judgmental event triggers.

When there is objective evidence of impairment of the financial assets, the classification of these assets as impaired shall be endorsed and approved by Management Committee ("MC"). Impairment losses are recorded as charges to the statement of profit and loss. The carrying amount of impaired loans, advances and financing on the statement of financial position is reduced through the use of impairment allowance account. Losses expected from future events are not recognised.

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42. Financial risk management policies (cont'd.)

Credit risk exposure

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2020			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	122,399	-	122,399
Deposits and placements with banks and other financial institutions	3,364,099	-	3,364,099
Financial investments	1,165,551	-	1,165,551
Loans, advances and financing	3,679,083	2,560,461	1,118,622
Insurance receivables	588	-	588
Net derivative financial instruments	141,749	-	141,749
Other assets excluding tax prepayment	80,718	-	80,718
	<u>8,554,187</u>	<u>2,560,461</u>	<u>5,993,726</u>
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	2,275,832	-	2,275,832
Insurance operations commitments			
Short term	454,725	-	454,725
Medium/Long term	366,635	-	366,635
	<u>3,097,192</u>	<u>-</u>	<u>3,097,192</u>
	<u>11,651,379</u>	<u>2,560,461</u>	<u>9,090,918</u>

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
2019			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	62,593	-	62,593
Deposits and placements with banks and other financial institutions	3,047,168	-	3,047,168
Financial investments	1,204,442	-	1,204,442
Loans, advances and financing	4,768,642	3,012,318	1,756,324
Insurance receivables	89	-	89
Net derivative financial instruments	42,687	-	42,687
Other assets excluding tax prepayment	278,113	-	278,113
	<u>9,403,734</u>	<u>3,012,318</u>	<u>6,391,416</u>
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	1,806,386	-	1,806,386
Insurance operations commitments			
Short term	739,232	-	739,232
Medium/Long term	483,275	-	483,275
	<u>3,028,893</u>	<u>-</u>	<u>3,028,893</u>
	<u>12,432,627</u>	<u>3,012,318</u>	<u>9,420,309</u>

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Collateral and credit enhancement

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Group and the Bank, and subject to seizure in the event of default. Collateral provides the Group and the Bank with a secondary source of repayment, i.e. a source of fund to help recover its investment should the customer be unable to repay the facility obtained from the Group and the Bank.

The Group and the Bank shall consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral types and amounts held by the Group and the Bank are as follows:

	2020	2019
	RM'000	RM'000
<u>Collateral type</u>		
Secured by cash	45,718	121,331
Secured by property	1,652,440	1,710,566
Secured by machinery	862,303	1,180,421
	<u>2,560,461</u>	<u>3,012,318</u>

The financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross carrying amount		Net carrying amount	Fair value of collateral held
	RM'000	ECL	RM'000	RM'000
		RM'000		
2020				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,382,477	1,610,717	771,760	1,241,209
Financial investment at FVOCI	100,000	100,000	-	-
Total credit impaired financial assets	<u>2,482,477</u>	<u>1,710,717</u>	<u>771,760</u>	<u>1,241,209</u>

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Collateral and credit enhancement (cont'd.)

	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000	Fair value of collateral held RM'000
2019				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,643,617	1,968,281	675,336	1,630,357
Financial investment at FVOCI	100,000	100,000	-	-
Total credit impaired financial assets	2,743,617	2,068,281	675,336	1,630,357

Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Bank to mitigate credit risk are fixed deposits, securities, commercial and residential properties and machineries.

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Geographical analysis

Exposures to credit risk by geographical region are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2020								
Malaysia	122,399	3,364,099	1,165,551	2,658,855	588	141,749	80,718	7,533,959
East Asia	-	-	-	46,620	-	-	-	46,620
South Asia	-	-	-	1,517,637	-	-	-	1,517,637
Central Asia	-	-	-	322,905	-	-	-	322,905
Middle East	-	-	-	343,070	-	-	-	343,070
Africa	-	-	-	196,536	-	-	-	196,536
Europe	-	-	-	463,324	-	-	-	463,324
America	-	-	-	79,358	-	-	-	79,358
Oceania	-	-	-	111,259	-	-	-	111,259
	122,399	3,364,099	1,165,551	5,739,564	588	141,749	80,718	10,614,669

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Exposures to credit risk by geographical region are as follows: (cont'd.)

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2019								
Malaysia	62,593	3,047,168	1,204,442	3,338,293	89	42,687	278,113	7,973,385
East Asia	-	-	-	68,725	-	-	-	68,725
South Asia	-	-	-	1,961,305	-	-	-	1,961,305
Central Asia	-	-	-	335,923	-	-	-	335,923
Middle East	-	-	-	345,562	-	-	-	345,562
Africa	-	-	-	239,604	-	-	-	239,604
Europe	-	-	-	562,406	-	-	-	562,406
America	-	-	-	80,053	-	-	-	80,053
Oceania	-	-	-	79,162	-	-	-	79,162
	62,593	3,047,168	1,204,442	7,011,033	89	42,687	278,113	11,646,125

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Geographical analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2020				
Malaysia	2,138,945	239,092	-	2,378,037
East Asia	-	26,288	-	26,288
Central Asia	-	-	-	-
South Asia	25,242	65,059	273,096	363,397
Middle East	80,340	22,152	-	102,492
Africa	31,305	8,125	93,539	132,969
Europe	-	32,782	-	32,782
America	-	40,936	-	40,936
Oceania	-	20,291	-	20,291
	2,275,832	454,725	366,635	3,097,192
2019				
Malaysia	1,263,490	317,392	-	1,580,882
East Asia	117,915	135,600	296,379	549,894
Central Asia	-	-	-	-
South Asia	-	17,508	24,496	42,004
Middle East	95,741	24,238	-	119,979
Africa	15,390	29,233	162,400	207,023
Europe	-	101,361	-	101,361
America	-	82,648	-	82,648
Oceania	313,850	31,252	-	345,102
	1,806,386	739,232	483,275	3,028,893

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Industrial analysis

Exposures to credit risk by industry are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2020								
Primary agriculture	-	-	49,459	232,815	-	-	-	282,274
Mining and quarrying	-	-	-	501,845	-	-	-	501,845
Manufacturing	-	-	-	825,940	-	-	-	825,940
Transport, storage and communication	-	-	320,170	1,651,578	-	-	-	1,971,748
Construction	-	-	-	966,620	-	-	-	966,620
Wholesale and retail trade and restaurants and hotels	-	-	-	436,841	-	-	-	436,841
Finance, insurance, real estate and business activities	122,399	3,364,099	308,556	524,617	-	141,749	-	4,461,420
Electricity, gas and water	-	-	186,684	339,628	-	-	-	526,312
Education, health & others	-	-	-	153,183	-	-	-	153,183
Government	-	-	300,682	-	-	-	-	300,682
Property development	-	-	-	106,497	-	-	-	106,497
Others	-	-	-	-	588	-	80,718	81,306
	122,399	3,364,099	1,165,551	5,739,564	588	141,749	80,718	10,614,668

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows (cont'd.):

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing receivables RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
2019								
Primary agriculture	-	-	49,040	608,422	-	-	-	657,462
Mining and quarrying	-	-	-	339,975	-	-	-	339,975
Manufacturing	-	-	-	1,298,316	-	-	-	1,298,316
Transport, storage and communication	-	-	313,987	1,505,785	-	-	-	1,819,772
Construction	-	-	-	216,186	-	-	-	216,186
Wholesale and retail trade and restaurants and hotels	-	-	-	858,049	-	-	-	858,049
Finance, insurance, real estate and business activities	62,593	3,047,168	305,478	643,669	-	42,687	-	4,101,595
Electricity, gas and water	-	-	235,035	458,324	-	-	-	693,359
Education, health & others	-	-	-	99,074	-	-	-	99,074
Property development	-	-	-	556,405	-	-	-	556,405
Government	-	-	300,902	426,828	-	-	-	727,730
Others	-	-	-	-	89	-	80,718	80,807
	62,593	3,047,168	1,204,442	7,011,033	89	42,687	80,718	11,448,730

**Export-Import Bank of Malaysia Berhad
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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2020				
Manufacturing	711,465	436,464	63,492	1,211,421
Transport, storage and communication	813,388	-	-	813,388
Construction	25,327	-	219,730	245,057
Electricity, gas and water supply	21,332	-	-	21,332
Finance, insurance, real estate and business activities	258,341	-	-	258,341
Wholesale and retail trade and restaurants and hotels	108,871	18,261	-	127,132
Government				-
Mining and quarrying	251,402	-	3,073	254,475
Primary Agriculture	85,706	-	-	85,706
Education, health and others	-	-	80,340	80,340
Property development	-	-	-	-
Others	-	-	-	-
	2,275,832	454,725	366,635	3,097,192

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
2019				
Manufacturing	794,336	623,456	131,784	1,549,576
Transport, storage and communication	82,612	-	-	82,612
Construction	13,881	-	51,981	65,862
Electricity, gas and water supply	-	-	42,613	42,613
Finance, insurance, real estate and business activities	112,948	-	171,906	284,854
Wholesale and retail trade and restaurants and hotels	450,288	15,014	-	465,302
Government	89,235	-	-	89,235
Mining and quarrying	204,650	-	3,131	207,781
Primary agriculture	-	-	-	-
Education, health and others	7,605	-	81,860	89,465
Property development	50,831	-	-	50,831
Others	-	100,762	-	100,762
	1,806,386	739,232	483,275	3,028,893

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42. Financial risk management policies (cont'd.)

Credit risk exposure (cont'd.)

Relief measure baseline by industry breakdown:

Group and Bank	Outstanding Balance RM'000	ECL RM'000	Moratorium RM'000
2020			
Primary agriculture	13,132	1,318	70
Manufacturing	600,265	176,102	3,567
Transport, storage and communication	192,546	69,976	(2,178)
Construction	205,164	16,541	34,544
Wholesale and retail trade, and restaurants and hotels	87,305	9,525	11,403
Others	74,492	28,472	-
	<u>1,172,904</u>	<u>273,462</u>	<u>47,406</u>

As a percentage of total:

Primary agriculture	0.23%
Manufacturing	10.46%
Transport, storage and communication	3.35%
Construction	3.57%
Wholesale and retail trade, and restaurants and hotels	1.52%
Others	<u>1.30%</u>

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42. Financial risk management policies (cont'd.)

Credit quality by class of financial assets

Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposure by the current counterparties' rating:

Group and Bank	2020 RM'000	2019 RM'000
Financial investments at FVOCI (Gross):		
AA	50,536	50,210
D	100,000	100,000
Government guarantees	628,759	619,486
	<u>779,295</u>	<u>769,696</u>
Investment securities at amortised cost (Gross):		
Long-term		
BBB	-	306,066
BB	300,588	-
Government guarantees	300,686	301,114
	<u>601,274</u>	<u>607,180</u>
Net derivative financial assets/(liabilities)		
Financial institutions		
AAA	57,180	100
A +	8,565	1,625
AA-	74,470	40,681
AA2	1,534	281
	<u>141,749</u>	<u>42,687</u>

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42. Financial risk management policies (cont'd.)

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

Credit quality by loans, advances and financing

For commercial exposures, the Group and the Bank use ten risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'aaa' representing the lowest risk. The exposure under each of these risk grades is as follows:

	ECL Stage 1	ECL Stage 2	ECL Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2020				
Commercial customer				
Risk Rating 1	-	-	-	-
Risk Rating 2	274,866	-	-	274,866
Risk Rating 3	529,221	87,764	-	616,985
Risk Rating 4	154,336	428,834	-	583,170
Risk Rating 5	193,089	668,280	-	861,369
Risk Rating 6	1,229	315,544	-	316,773
Risk Rating 7	17	236,702	-	236,719
Risk Rating 8	-	67,279	-	67,279
Risk Rating 9	-	2,898	-	2,898
Impaired	-	-	2,382,477	2,382,477
	1,152,758	1,807,301	2,382,477	5,342,536
Sovereign				
Risk Rating b-	-	2,347	-	2,347
Risk Rating b+	-	19,712	-	19,712
Risk Rating ccc	-	339,628	-	339,628
	-	361,687	-	361,687
	1,152,758	2,168,988	2,382,477	5,704,223

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42. Financial risk management policies (cont'd.)

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

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

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

Restructured items

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. There were impaired loans restructured by the Group and the Bank during the year of RM109,434,295.48 (2019: RM127,682,059.70).

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42. Financial risk management policies (cont'd.)

Fair values

(i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation method for which all significant inputs are, or are based on, observable market data.

Level 3 - Valuation method for which significant inputs are not based on observable data.

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions at arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

For financial instruments classified as Level 2, their values are based on quoted prices in inactive markets, or whose values are based on models whereby the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. These would include certain bonds, corporate debt securities and issued notes.

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
Group and Bank			
2020			
Financial assets			
Assets measured at fair value			
Financial investments at FVOCI			
- Unquoted debt securities	678,185	678,185	-
Derivative financial instruments	141,749	141,749	-
Total financial assets carried at fair value	819,934	819,934	-

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42. Financial risk management policies (cont'd.)

Fair values (cont'd.)

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

	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
Group and Bank			
2020			
Financial assets			
Assets not measured at fair value			
Investment properties	832	-	1,140
Investment securities at amortised cost			
- Unquoted debt securities	487,366	540,348	-
Loans, advances and financing	3,679,083	-	3,678,630
Financial liabilities			
Liabilities not measured at fair value			
Borrowings	6,591,282	6,595,733	-
	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
Group and Bank			
2019			
Financial assets			
Assets measured at fair value			
Financial investments at FVOCI			
- Unquoted debt securities	668,504	668,504	-
Derivative financial instruments	61,218	61,218	-
Total financial assets carried at fair value	729,722	729,722	-

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42. Financial risk management policies (cont'd.)

Fair values (cont'd.)

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

	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
Group and Bank			
2019			
Financial assets			
Assets not measured at fair value			
Investment properties	850	-	1,140
Investment securities at amortised cost			
- Unquoted debt securities	535,938	558,361	-
Loans, advances and financing	4,768,642	-	4,766,632
Financial liabilities			
Liabilities measured at fair value			
Derivative financial instruments	18,531	18,531	-
Total financial liabilities carried at fair value	18,531	18,531	-
Liabilities not measured at fair value			
Borrowings	7,438,434	7,443,665	-

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

(ii) Financial assets and liabilities carried at fair value

The carrying amounts of cash and cash equivalents, other receivables and other payables approximate fair values due to the relatively short term nature of these financial instruments.

42. Financial risk management policies (cont'd.)

Fair values (cont'd.)

(ii) Financial assets and liabilities carried at fair value (cont'd.)

Financial investments at FVOCI

The fair value of quoted financial investments is derived from market bid prices as at the reporting date. For unquoted financial investments, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

Derivative financial assets/liabilities

The fair value is based on quoted market price or marked to model valuation.

Borrowings (Hedged items)

The fair value is based on marked to model valuation.

(iii) Financial assets and liabilities not carried at fair value

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Financial investments at amortised cost

For non actively traded financial investments, independent broker quotations are obtained. Fair values of equity financial investments are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

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42. Financial risk management policies (cont'd.)

Fair values (cont'd.)

(iii) Financial assets and liabilities not carried at fair value (cont'd.)

Loans, advances and financing

Loans, advances and financing to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect to impaired loans/financing, the fair values are deemed to approximate the carrying values which are net of allowances for stage 3 ECL.

Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value determined by an accredited independent valuer.

Borrowings (Non-hedged items)

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

43. Insurance risks

The principal underwriting risk to which the Group and the Bank is exposed is credit risk in connection with credit, guarantee and political risk insurance underwriting activities. Management has established underwriting processes and limits to manage this risk by performing credit review on its policy holders and buyers.

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43. Insurance risks (cont'd.)

The underwriting function undertakes qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved insured amount. Policies in riskier markets may be rejected or charged at a higher premium rate accompanied by stringent terms and conditions to commensurate the risks.

Concentration limits are set to avoid heavy concentration within a specific region or country. Maximum limits are set for buyer credit limits and client facility limits for prudent risk mitigation.

For the monitoring of buyer risks, the Group and the Bank takes into consideration both qualitative and quantitative factors and conducts regular reviews on the buyers' credit standing and payment performance to track any deterioration in their financial position that may result in a loss to the Group and the Bank.

On country risk, the Group and the Bank periodically reviews the economic and political conditions of the insured markets so as to revise its guidelines, wherever appropriate. In order to mitigate the insurance risk, the Group and the Bank may cede or transfer the risk to another insurer company. The ceding arrangement minimises the net loss to the Group and the Bank arising from potential claims.

Key assumptions

The sensitivity analysis is based upon the assumptions set out in the actuarial report and is subject to the reliance's and limitations contained within the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

The sensitivity items shown are independent of each other. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

Sensitivity analysis

The independent actuarial firm engaged by the Group and the Bank re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Bank's estimation process in respect of its Insurance contracts and Takaful certificates. The table presented below demonstrates the sensitivity of the Insurance contract liabilities and Takaful certificates estimates to particular movements in assumptions used in the estimation process.

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43. Insurance risks (cont'd.)

Sensitivity analysis (cont'd.)

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2020 Net RM'000	2019 Net RM'000
Estimated claim liabilities (Note 22)	51,701	48,863

Claim liability sensitivity analysis

a. Change in claim costs

Assumed an average claim cost of RM550,000 (2019: RM400,000) net of non-reinsurance recoveries for the Comprehensive Policy Shipments and adopted the Group's and the Bank's specific provisions for the other types of contracts where applicable. Changing the average claims cost and specific provisions by 10% gives the following result:

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	52,069	51,334	49,112	48,616

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43. Insurance risks (cont'd.)

Claim liability sensitivity analysis (cont'd.)

b. Change in average number of claims

Assumed 10% (2019: 8%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following result:

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	51,918	51,485	49,137	48,566

c. Change in Claims Handling Expenses ("CHE")

Assumed the following expenses 5% of gross IBNR and 4% of the specific provisions. Changing this by 10% points gives the following result:

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	51,940	51,463	49,090	48,638

d. Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 25%. Changing this by 10% (to 27.5% and 22.5% respectively) gives the following result:

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	52,736	50,668	49,678	48,050

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43. Insurance risks (cont'd.)

	2020 Net RM'000	2019 Net RM'000
Estimated premium	9,870	-

Premium/contribution liability sensitivity analysis

a. Change in probability of default

Management has assumed 1-year probability of default of ranging from 0.5% to 5% for short-term contracts, depending on the type of contract. For the medium long term ("MLT") policies, all 1-year probabilities were assumed to have a B rating which equated to a 3.2% 1-year probability of default. Changing this rating assumption to B-rating (less trustworthy - for the "High" Scenario) and B+- rating (more trustworthy - for the "Low" Scenario) gives the following result:

	2020 Net		2019 Net	
	High B- rating points	Low B+ rating points	High B- rating points	Low BBB- rating points
Estimated premium/ contribution	12,650	8,989	9,773	7,065

b. Change in recovery rates

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

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities/contribution	11,494	8,245	7,065	7,065

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43. Insurance risks (cont'd.)

Premium/contribution liability sensitivity analysis (cont'd.)

c. Change in Maintenance Expenses ("ME")

Assumed ME of 5%. Changing this by 10% (to 5.5% and 4.5% respectively) points gives the following result:

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities/contribution	9,892	9,847	7,087	7,043

d. Change in PRAD %

Assumed a premium PRAD of 40%. Changing this by 10% (to 44% and 36% respectively) gives the following result:

	2020 Net		2019 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated premium liabilities	10,152	9,588	7,219	6,911

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44. Islamic business funds

Statements of financial position as at 31 December 2020

Group and Bank	2020			2019			
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Assets							
Cash and bank balances	(a)	96,283	759	97,042	454	341	795
Deposits and placements with banks and other financial institutions	(b)	1,468,850	15,634	1,484,484	1,190,689	14,047	1,204,736
Financial investments	(c)	864,869	-	864,869	903,540	-	903,540
Islamic financing	(d)	2,083,341	-	2,083,341	2,486,294	-	2,486,294
Derivative financial instruments	(e)	1,532	-	1,532	279	-	279
Contribution receivable		-	361	361	-	435	435
Other receivables		8,794	11,730	20,524	180,221	9,930	190,151
Total assets		4,523,669	28,484	4,552,153	4,761,477	24,753	4,786,230
Liabilities							
Financing payable	(f)	2,095,467	-	2,095,467	2,709,440	-	2,709,440
Deferred income		1,911	5,343	7,254	6,943	5,929	12,872
Provision for commitments and contingencies	(o)	39,813	-	39,813	40,963	-	40,963
Provision for claim	(22(ii))	-	20,193	20,193	-	16,240	16,240
Provision for expenses liability		785	-	785	661	-	661
Other liabilities	(n)	1,767,081	2,948	1,770,029	1,478,006	2,584	1,480,590
Total liabilities		3,905,057	28,484	3,933,541	4,236,013	24,753	4,260,766

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44. Islamic business funds (cont'd.)

Statements of financial position as at 31 December 2020 (cont'd.)

Group and Bank	2020			2019			
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Financed by:							
Islamic banking fund		800,000	-	800,000	800,000	-	800,000
Reserves		2,976	-	2,976	(7,932)	-	(7,932)
Accumulated losses		(172,881)	-	(172,881)	(256,930)	-	(256,930)
Takaful participants fund	(j)	(11,483)	-	(11,483)	(9,674)	-	(9,674)
Total Islamic business fund and Takaful fund		618,612	-	618,612	525,464	-	525,464
Total liabilities, Islamic business fund, and Takaful participants fund		4,512,186	28,484	4,540,670	4,761,477	24,753	4,786,230
Commitments and contingencies	(k)	1,056,279	623,439	1,679,718	1,283,548	899,812	2,183,360

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44. Islamic business funds (cont'd.)

Statement of profit and loss for the year ended 31 December 2020

Group and Bank	Note	2020			2019		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Income derived from Islamic banking fund	(g)	159,893	-	159,893	214,738	-	214,738
Financing cost		(49,404)	-	(49,404)	(94,011)	-	(94,011)
Net income from Islamic banking fund		110,489	-	110,489	120,727	-	120,727
Gross contribution		-	3,776	3,776	-	3,964	3,964
Wakalah fee		1,564	(1,564)	-	1,687	(1,687)	-
Reinsurance outward		-	(83)	(83)	-	(139)	(139)
Decrease/(increase) in contribution liability		-	231	231	-	6,142	6,142
Increase in claim liability (Note 22)		-	(4,023)	(4,023)	-	(9,571)	(9,571)
Increase in expenses liability (Note 22)		(124)	-	(124)	(393)	-	(393)
Takaful fees and brokerage commission		273	(19)	254	244	(29)	215
Income from Takaful activities		1,713	(1,682)	31	1,538	(1,320)	218

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44. Islamic business funds (cont'd.)

Statement of profit and loss for the year ended 31 December 2020 (cont'd.)

	Note	2020			2019		
		Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Islamic banking fund and Takaful fund results		112,202	(1,682)	110,520	122,265	(1,320)	120,945
Other income/(expenses)	(h)	10,888	-	10,888	(11,450)	-	(11,450)
Net Income from Islamic business		123,090	(1,682)	121,408	110,815	(1,320)	109,495
Administrative expenses		(663)	-	(663)	(812)	-	(812)
Reversal of allowance on doubtful debt			(127)	(127)	-	(217)	(217)
Writeback/(allowances) for losses on financing	(i)	3,055	-	3,055	(55,924)	-	(55,924)
Writeback/(allowances) for commitments and contingencies		1,150	-	1,150	(28,481)	-	(28,481)
(Allowances)/writeback of allowances on financial investments		(42,583)	-	(42,583)	10,322	-	10,322
Profit/(Loss) for the year before zakat		84,049	(1,809)	82,240	35,920	(1,537)	34,383
Taxation		-	-	-	-	-	-
Zakat		-	-	-	-	-	-
Net profit/(loss) for the year		84,049	(1,809)	82,240	35,920	(1,537)	34,383

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44. Islamic business funds (cont'd.)

Group and Bank	2020			2019		
	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Net profit/(loss) for the year	84,049	(1,809)	82,240	35,920	(1,537)	34,383
Other comprehensive income to be reclassified to profit or (loss) in subsequent periods:						
Fair value changes on FVOCI	10,908	-	10,908	13,666	-	13,666
Net other comprehensive income to be reclassified to profit or (loss) in subsequent periods	10,908	-	10,908	13,666	-	13,666
Total comprehensive income/(loss) for the year	94,957	(1,809)	93,148	49,586	(1,537)	48,049

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44. Islamic business (cont'd.)

**Statement of changes in Islamic business fund and Takaful fund
for the year ended 31 December 2020**

Group and Bank	Islamic Banking Fund RM'000	Retained profits/ Accumulated losses) RM'000	Fair value adjustment reserve RM'000	Total RM'000
At 1 January 2019	800,000	(300,987)	(21,598)	477,415
Net profit for the year	-	34,383	-	34,383
Other comprehensive income	-	-	13,666	13,666
At 31 December 2019	800,000	(266,604)	(7,932)	525,464
Net profit for the year	-	82,240	-	82,240
Other comprehensive income	-	-	10,908	10,908
At 31 December 2020	800,000	(184,364)	2,976	618,612

**Statement of cash flows for Islamic business fund the financial year ended 31
December 2020**

	Group and Bank	
	2020	2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before zakat	84,049	35,920
Adjustments for:		
ECL Stage 3 of financing		
- Charged for the year	26,036	193,595
- Written back during the year	(43,301)	(291,543)
ECL Stage 1 and 2 of financing		
- Charged for the year	37,014	25,972
- Written back during the year	(27,300)	(42,213)
Additional/(reversal) of allowance on financial investments	42,583	(10,322)
ECL Stage 3 of commitments and contingencies	-	12,943
ECL Stage 1 and 2 of commitments and contingencies		
- Charged for the year	15,487	21,910
- Written back during the year	(16,637)	(6,372)
Unrealised foreign exchange loss/(gain)	19,729	(266,834)
Unrealised (gain)/loss on derivatives	(1,363)	12,433
Unrealised gain on Sukuk	(3,004)	(5,722)
Amortisation of premium less accretion of discount	(1,309)	(1,269)
Operating profit/(loss) before working capital changes	131,984	(321,502)

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44. Islamic business (cont'd.)

Statement of cash flows for Islamic business fund the financial year ended 31 December 2020 (cont'd.)

	Group and Bank	
	2020	2019
	RM'000	RM'000
Changes in working capital:		
Deposits and placements with banks and other financial institutions	197,792	848,010
Islamic financing	97,639	1,086,506
Other assets	169,450	(164,490)
Derivative financial instruments	17	(43)
Other liabilities	288,886	90,021
Deferred income	(5,032)	(1,584)
Net claims paid for bank guarantee and takaful claims	124	378
Net cash generated from operating activities	<u>880,860</u>	<u>1,537,296</u>
Cash flow from investing activities		
Proceed from disposal of investments	2,616	34,267
Net cash generated from investing activities	<u>2,616</u>	<u>34,267</u>
Cash flows from financing activities		
Net repayment of financing payable	(589,855)	(744,701)
Net cash used in financing activities	<u>(589,855)</u>	<u>(744,701)</u>
Net increase in cash and cash equivalents	293,621	826,862
Cash and cash equivalents at beginning of year excluding on behalf of customer	<u>1,141,143</u>	<u>314,281</u>
Cash and cash equivalents at end of year	<u>1,434,764</u>	<u>1,141,143</u>
Cash and cash equivalents comprise:		
Cash and bank balances	96,283	454
Deposits and placements with financial institutions	1,468,850	1,190,689
Less: Deposits and placements on behalf of customers	(130,369)	(50,000)
	<u>1,434,764</u>	<u>1,141,143</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020

(a) Cash and bank balances

	Group and Bank	
	2020	2019
	RM'000	RM'000
Cash and bank balances	97,042	795

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Deposits and placements with:		
Licensed banks	782,781	502,659
Other financial institutions	701,703	702,077
	<u>1,484,484</u>	<u>1,204,736</u>

Further breakdown to deposits and placements are as follows:

For EXIM Bank	1,382,697	1,154,736
On behalf of customers and government	101,787	50,000
	<u>1,484,484</u>	<u>1,204,736</u>

(c) Financial investments

	Group and Bank	
	2020	2019
	RM'000	RM'000
Financial investments at FVOCI		
Unquoted debt securities	779,295	769,696
Less: Allowance for expected credit losses	(101,110)	(101,192)
	<u>678,185</u>	<u>668,504</u>
Investment securities at amortised costs		
Unquoted debt securities	300,588	306,275
Less: Allowance for expected credit losses	(113,904)	(71,239)
	<u>186,684</u>	<u>235,036</u>
Total financial investments	<u>864,869</u>	<u>903,540</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(c) Financial investments (cont'd.)

Included in financial investments at FVOCI are investments in to meet the requirement of Sukuk Programme of the Group amounting to RM139,719,294 (2019: RM160,036,300).

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

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	15	-	100,000	100,015
Allowance during the year	1,177	-	-	1,177
At 1 January 2020	1,192	-	100,000	101,192
Allowance during the year	(82)	-	-	(82)
At 31 December 2020	1,110	-	100,000	101,110

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(c) Financial investments (cont'd.)

Movements in the allowances for expected credit losses on financial investments at amortised cost is as follow:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2019	2	82,738	-	82,740
Reversal during the year	(2)	(11,499)	-	(11,501)
Exchange differences	-	-	-	-
At 1 January 2020	-	71,239	-	71,239
Allowance during during the year	-	42,665	-	42,665
At 31 December 2020	-	113,904	-	113,904

(d) Islamic financing

	Group and Bank	
	2020 RM'000	2019 RM'000
(i) Murabahah	127,103	781,476
Istisna'	25,061	200,515
Tawarruq	2,372,374	2,011,767
Ijarah **	301,746	156,055
Ad- Dayn	-	98,110
	2,826,284	3,247,923
Less: Allowance for expected credit losses on impaired advances and financing		
- 12-month ECL - Stage 1	(30,304)	(35,801)
- Lifetime not impaired ECL - Stage 2	(54,662)	(39,453)
- Lifetime ECL credit impaired - Stage 3	(657,977)	(686,375)
Net advances and financing	2,083,341	2,486,294

** Nil (2019: RM51,907,426) is in respect of Sukuk Programme of the Group.

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(d) Islamic financing (cont'd.)

	Group and Bank	
	2020	2019
	RM'000	RM'000
(ii) The maturity structure of the advances and financing are as follows:		
Within one year	1,477,939	1,424,056
One year to three years	852,931	101,244
Three years to five years	353,996	813,978
Over five years	141,418	908,645
	<u>2,826,284</u>	<u>3,247,923</u>

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Fixed rate	2,204	2,755
Variable rate	2,824,080	3,245,168
	<u>2,826,284</u>	<u>3,247,923</u>

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Malaysia	1,768,416	2,331,353
East Asia	355,441	536,727
South Asia	30,863	32,624
Europe	332,759	-
West Africa	72,877	135,864
Oceania	106,698	72,755
Middle East	148,177	127,010
Central Asia	11,053	11,590
	<u>2,826,284</u>	<u>3,247,923</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(d) Islamic financing (cont'd.)

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

	Group and Bank	
	2020	2019
	RM'000	RM'000
Primary agriculture	40,560	134,471
Mining and quarrying	-	-
Manufacturing	530,029	378,202
Transport, storage and communication	452,555	627,458
Construction	774,950	750,809
Wholesale and retail trade, and restaurants and hotels	722,422	1,011,643
Other	305,768	345,340
	<u>2,826,284</u>	<u>3,247,923</u>

(vi) Movements in impaired financing are as follows:

	Group and Bank	
	2020	2019
	RM'000	RM'000
At 1 January	1,000,690	1,341,356
Impaired during the year	20,242	333,018
Recoveries	(85,202)	(523,251)
Written-off	(4,496)	(170,113)
Exchange differences	(6,867)	19,680
At 31 December	<u>924,367</u>	<u>1,000,690</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020
(cont'd.)

(d) Islamic financing (cont'd.)

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

2020	Murabahah RM'000	Istisna RM'000	Bai'Dayn RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
At amortised cost						
Malaysian Kitchen Financing Facility-i	-	-	-	2,204	-	2,204
Overseas Contract Financing-i	-	-	-	84,189	-	84,189
Overseas Investment Financing-i	-	-	-	114,292	-	114,292
Overseas Project Financing-i	-	25,061	-	431,006	-	456,067
Supplier Financing-i	123,263	-	-	996,046	131,718	1,251,027
Term Financing-i	3,840	-	-	687,321	170,028	861,189
Vendor Financing-i	-	-	-	57,316	-	57,316
Gross financing	127,103	25,061	-	2,372,374	301,746	2,826,284
Allowances for expected credit losses on advances and financing						
- 12-month ECL - Stage 1	-	-	-	-	-	(30,304)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	-	(54,662)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	-	(657,977)
Net advances and financing	127,103	25,061	-	2,372,374	301,746	2,083,341

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020
(cont'd.)

(d) Islamic financing (cont'd.)

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

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

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(d) Islamic financing (cont'd.)

(viii) Movements in the allowance for impaired advances and financing are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2020				
At 1 January	35,801	39,453	686,375	761,629
Transferred to/ (from) Stage 1	(281)	38	243	-
Transferred (to)/ from Stage 2 (Written back)/ allowance	-	(1,713)	1,713	-
Financial assets derecognised	12,586	(6,322)	(14,724)	(8,460)
Changes due to change in credit risk	(11,984)	(30)	-	(12,014)
Modification to contractual cash flows of financial assets	(4,090)	4,759	-	669
	(1,728)	18,477	-	16,749
Total net profit and loss charge during the period	(5,497)	15,209	(12,768)	(3,056)
Write offs	-	-	(4,496)	(4,496)
Exchange differences	-	-	(11,134)	(11,134)
At 31 December	30,304	54,662	657,977	742,943

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(d) Islamic financing (cont'd.)

(viii) Movements in the allowance for impaired advances and financing are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
2019				
At 1 January	65,036	26,459	811,872	903,367
Transferred to Stage 1	(4,128)	-	-	(4,128)
Transferred to Stage 2 (Written back)/ allowance	-	14,259	-	14,259
Financial assets derecognised	(6,833)	760	72,165	66,092
Changes due to change in credit risk	(17,027)	(2,455)	-	(19,482)
Modification to contractual cash flows of financial assets	(3,111)	430	-	(2,681)
	1,864	-	-	1,864
Total net profit and loss charge during the period	(29,235)	12,994	72,165	55,924
Write offs	-	-	(170,113)	(170,113)
Exchange differences	-	-	(27,549)	(27,549)
At 31 December	35,801	39,453	686,375	761,629

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(d) Islamic financing (cont'd.)

(ix) Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

The overlays involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19, the impact of these adjustments were estimated at portfolio level and the Bank for financing as at 31 December 2020 amounted to RM246,341,000. Total additional overlays for ECL maintained by the Group and the Bank as at 31 December 2020 are RM7,740,954 (2019: Nil).

ECL (inclusive of overlays) analysed by geographical area are as follows:

	Group and Bank			Total ECL 2020 RM'000
	Outstanding Amount 2020 RM'000	Modelled ECL 2020 RM'000	Management Overlay 2020 RM'000	
Africa	45,305	916	2,500	3,416
East Asia	28,328	355	479	834
Malaysia	149,174	18,041	6,466	24,507
Oceania	829	181	339	520
South Asia	22,705	7,134	-	7,134
	<u>246,341</u>	<u>26,627</u>	<u>9,784</u>	<u>36,411</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(d) Islamic financing (cont'd.)

- (ix) Overlays and adjustments for expected credit losses amid COVID-19 environment (cont'd.)

ECL (inclusive of overalys) analysed by industry are as follows:

	Outstanding Amount 2020 RM'000	Group and Bank		Total ECL 2020 RM'000
		Modelled ECL 2020 RM'000	Management Overlay 2020 RM'000	
Construction	62,580	1,196	2,869	4,065.00
Manufacturing	84,347	21,659	73	21,732.00
Primary agriculture	13,132	1,227	91	1,318.00
Wholesale and retail trade, and restaurants and hotels	86,282	2,545	6,751	9,296.00
	<u>246,341</u>	<u>26,627</u>	<u>9,784</u>	<u>36,411</u>

(e) Derivative financial instruments

	2020		Group and Bank			
	Fair Value		Notional Amount RM'000	2019		Notional Amount RM'000
Assets RM'000	Liability RM'000	Assets RM'000		Liability RM'000		
<u>Derivatives used as fair value hedges</u>						
Profit rate swaps	<u>1,532</u>	<u>-</u>	<u>149,834</u>	<u>279</u>	<u>-</u>	<u>152,669</u>
Total	<u>1,532</u>	<u>-</u>	<u>149,834</u>	<u>279</u>	<u>-</u>	<u>152,669</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(f) Financing Payable

	Group and Bank	
	2020	2019
	RM'000	RM'000
(i) <u>Revolving credit facility - unsecured</u>		
Within one year	489,329	868,987
Three years to five years	400	-
	<u>489,729</u>	<u>868,987</u>
(ii) <u>Sukuk</u>		
Within one year	149,989	360,160
One year to three years	180,733	184,292
Three years to five years	80,235	-
Over five years	-	81,542
	<u>410,957</u>	<u>625,994</u>
(iii) <u>Syndication financing</u>		
Three years to five years	<u>1,194,781</u>	<u>1,214,459</u>
	<u>2,095,467</u>	<u>2,709,440</u>

(g) Income derived from investment of Islamic banking fund

	Group and Bank	
	2020	2019
	RM'000	RM'000
Islamic financing:		
Murabahah	43,488	64,454
Istisna'	3,389	12,092
Bai' Dayn	-	-
Tawarruq	47,939	64,842
Ijarah	1,821	3,108
Effects on modification loss, to contractual cash flow of financial assets	(16,171)	-
Recoveries from impaired financing	7,119	9,758
Deposits and placements with banks and other financial institutions	28,926	38,970
Financial investments	42,770	29,241
Net income from profit rate swaps	612	(7,726)
	<u>159,893</u>	<u>214,738</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(h) Other income/(expenses)

	Group and Bank	
	2020	2019
	RM'000	RM'000
Fee Income	8,725	5,255
Foreign exchange gain/(loss)		
- unrealised	(19,729)	266,834
- realised	17,525	(276,828)
Unrealised (loss)/gain on derivatives	1,363	(12,433)
Unrealised gain/(loss) on Sukuk	3,004	5,722
	<u>10,888</u>	<u>(11,450)</u>

(i) (Writeback)/allowances for expected credit losses on advances and financing

	Group and Bank	
	2020	2019
	RM'000	RM'000
Allowances for expected credit losses on advances and financing		
- 12-month ECL - Stage 1, net	(5,497)	(29,235)
- Lifetime not impaired ECL - Stage 2, net	15,211	12,994
- Lifetime ECL credit impaired - Stage 3, net	26,036	193,595
- Lifetime ECL written back - Stage 3, net	(43,301)	(291,543)
- Bad debts written off	4,496	170,113
	<u>(3,055)</u>	<u>55,924</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(j) Takaful participants fund

		2020 RM'000	2019 RM'000
<u>Takaful participants fund</u>			
Accumulated deficit	(i)	(11,483)	(9,674)
Qard	(ii)	11,483	9,674
		<u>-</u>	<u>-</u>

The deficit in the Takaful participant fund is covered by the Qard from Shareholders' funds. Qard represents a benevolent financing to the Takaful participants fund to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment. The management expects to recover the balance from future profits of Takaful participants fund.

Measurement and impairment of Qard

Any deficit in the Takaful fund is made good via a benevolent financing, or Qard, granted by the Islamic business fund. Qard is stated at cost less any accumulated impairment losses in the Islamic business fund. In the Takaful fund, Qard is stated at cost. The Qard shall be repaid from future surpluses of the Takaful fund.

Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the Takaful fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its carrying amount and its recoverable amount, less any impairment loss previously recognised, is recognised in the statements of profit and loss.

Impairment losses are subsequently reversed in the statements of profit and loss if objective evidence exists that the Qard is no longer impaired.

		2020 RM'000	2019 RM'000
(i) <u>Accumulated deficit</u>			
At beginning of the year		(9,674)	(8,137)
Net deficit of the Takaful fund		(1,809)	(1,537)
At end of the year		<u>(11,483)</u>	<u>(9,674)</u>

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

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

(ii) <u>Qard</u>		
At beginning of the year	9,674	8,137
Increase in Qard	1,809	1,537
At end of the year	<u>11,483</u>	<u>9,674</u>

(k) Commitments and contingencies

	Group and Bank	
	2020	2019
	RM'000	RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	20,460	29,368
Letter of credit	198	2,225
Undrawn financing	<u>1,035,621</u>	<u>1,251,955</u>
	<u>1,056,279</u>	<u>1,283,548</u>
<u>Takaful operation commitments</u>		
Contracted but not provided for:		
Within one year	454,725	727,906
One year or later and no later than five years	<u>168,714</u>	<u>171,906</u>
	<u>623,439</u>	<u>899,812</u>
Total commitments and contingencies	<u>1,679,718</u>	<u>2,183,360</u>

(l) Shariah disclosures

(i) Shariah non-compliant events

There is one event related to Shariah non-compliant event occurred for the financial year ended 31 December 2020 of RM662.97 (2019:Nil).

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(l) Shariah disclosures (cont'd.)

(ii) Sources and uses of charity funds

	Group and Bank	
	2020	2019
	RM'000	RM'000
At 1 January	5,515	3,956
Funds collected during the year		
- Income earned from late payment charges	-	2,527
Funds distributed during the year		
- Contribution to non-profit organisation	(1,637)	(968)
At 31 December	3,878	5,515

Monies derived from the Shariah non-compliant event and late payment charges on Islamic financing activities as disclosed in Shariah Committee's Report under note Disclosure on Shariah Non-Compliant Event were channelled to charity fund and distributed progressively to the eligible beneficiaries. On 1 January 2020, the Group and the Bank recognised the late payment charges on Islamic Financing activities to other income.

(m) Regulatory Capital

	Group and Bank		
	Without Transitional Arrangement 2020	With Transitional Arrangement 2020	2019
	RM'000	RM'000	RM'000
Islamic banking fund	800,000	800,000	800,000
Accumulated losses	(256,930)	(256,930)	(292,850)
Current year profit	84,049	84,049	35,920
Add: Transitional arrangement	-	54,966	-
Eligible Tier 1 capital	627,119	682,085	543,070

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(m) Regulatory Capital (cont'd.)

	Group and Bank		
	Before Transitional Arrangement 2020 RM'000	After Transitional Arrangement 2020 RM'000	2019 RM'000
	Collective allowance on Islamic financing*	199,980	145,014
Provision for commitments and contingencies	26,870	26,870	28,020
Provision for guarantee and claim	16,525	16,525	13,854
Eligible Tier 2 capital	<u>243,375</u>	<u>188,409</u>	<u>189,559</u>
Total capital base	<u>870,494</u>	<u>870,494</u>	<u>732,629</u>
Risk weighted assets	<u>3,024,282</u>	<u>3,024,282</u>	<u>3,450,305</u>
Core capital ratio	20.74%	22.55%	15.74%
RWCR	28.78%	28.78%	21.23%

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

(n) Other liabilities

	Group and Bank	
	2020 RM'000	2019 RM'000
Sinking fund and debt services reserve accounts	60,256	77,348
Interest payable	9,425	9,850
Amount due from the Government of Malaysia for MKFF scheme	(549)	(591)
Amount due to Teraju	52,712	52,365
Financing from banking business*	1,622,142	1,322,302
Others	26,043	19,316
	<u>1,770,029</u>	<u>1,480,590</u>

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

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(o) Provision for commitments and contingencies

	Group and Bank	
	2020	2019
	RM'000	RM'000
Provision for commitments and contingencies	39,813	40,963

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

	Stage 1	Stage 2	Stage 3	Total ECL
	12- months	Lifetime ECL	Lifetime ECL	RM'000
	ECL	not credit	credit impaired	
	RM'000	impaired	RM'000	RM'000
		RM'000		
At 1 January 2019	10,825	1,657	-	12,482
Changes due change in credit risk	10,467	(1,037)		9,430
Reversal ECL during the year	6,100	8	12,943	19,051
At 31 December 2019 /1 January 2020	27,392	628	12,943	40,963
Transferred to Stage 2	(5,239)	5,239		-
Transferred to Stage 3	-	(407)	407	-
Changes due change in credit risk	(2,094)	1,024	-	(1,070)
Modification to contractual cash flows of financial assets	2,393	572	-	2,965
Allowance/(written back) during the year	(7,662)	5,024	(407)	(3,045)
At 31 December 2020	14,790	12,080	12,943	39,813

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44. Islamic business (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2020 (cont'd.)

(p) Shariah directors remuneration

	Group and Bank	
	2020	2019
	RM'000	RM'000
Salaries and other short-term benefits	372	407

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44. Islamic Business (cont'd.)

(q) Liquidity risk management

Measurement

Table below analyses assets and liabilities of the Islamic business's according to their contractual maturity:

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Assets						
Cash and bank balances	96,283	-	-	-	-	96,283
Deposits and placements with banks and other financial institutions	-	1,345,746	123,104	-	-	1,468,850
Financial Investment	-	-	49,459	815,410	-	864,869
Loans, advances and financing	-	472,840	396,004	721,948	492,549	2,083,341
Derivative financial instruments	1,532	-	-	-	-	1,532
Other assets	8,794	-	-	-	-	8,794
Total assets	106,609	1,818,586	568,567	1,537,358	492,549	4,523,669
Liabilities						
Borrowings	-	639,318	1,456,149	-	-	2,095,467
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	1,809,590	-	-	-	-	1,809,590
Total liabilities	1,809,590	639,318	1,456,149	-	-	3,905,057
Net maturity mismatch	(1,702,981)	1,179,268	(887,582)	1,537,358	492,549	618,612

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44. Islamic Business (cont'd.)

(q) Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Islamic business's according to their contractual maturity (cont'd.):

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2019						
Assets						
Cash and bank balances	454	-	-	-	-	454
Deposits and placements with banks and other financial institutions	-	1,165,689	25,000	-	-	1,190,689
Financial Investment	-	-	-	903,540	-	903,540
Loans, advances and financing	781,688	210,838	882,588	296,867	314,313	2,486,294
Derivative financial instruments	279	-	-	-	-	279
Other assets	180,221	-	-	-	-	180,221
Total assets	962,642	1,376,527	907,588	1,200,407	314,313	4,761,477
Liabilities						
Borrowings	2,080,406	363,201	184,292	81,542	-	2,709,440
Derivative financial instruments	-	-	-	-	-	-
Other liabilities	1,526,573	-	-	-	-	1,526,573
Total liabilities	3,606,979	363,201	184,292	81,542	-	4,236,013
Net maturity mismatch	(2,644,337)	1,013,326	723,296	1,118,866	314,313	525,464

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44. Islamic Business (cont'd.)

(q) Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows.

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020						
Derivative financial instruments	-	-	-	-	-	-
Non-derivative financial liabilities						
Borrowings	-	642,361	-	1,476,650	-	2,119,011
Other liabilities	1,809,590	-	-	-	-	1,809,590
Total financial liabilities	1,809,590	642,361	-	1,476,650	-	3,928,601
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	20,460	-	-	-	-	20,460
Letter of credit	198	-	-	-	-	198
Undrawn loans and financing	-	531,680	353,102	63,733	87,106	1,035,621
	20,658	531,680	353,102	63,733	87,106	1,056,279
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	454,725	-	-	454,725
One year or later and no later than five years	-	-	-	168,714	-	168,714
	-	-	454,725	168,714	-	623,439
Total commitments and contingencies	20,658	531,680	807,827	232,447	87,106	1,679,718

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44. Islamic Business (cont'd.)

(q) Liquidity risk management (cont'd.)

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2019						
Derivative financial liabilities instruments	-	28,363	80,517	634,629	65,537	809,046
Non-derivative financial liabilities						
Borrowings	-	403,749	319,223	466,818	80,769	1,270,558
Other liabilities	1,526,573	-	-	-	-	1,526,573
Total financial liabilities	1,526,573	403,749	319,223	466,818	80,769	2,797,131
Commitments and contingencies						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	29,368	-	-	-	-	29,368
Letter of credit	2,225	-	-	-	-	2,225
Undrawn loans and financing	3,662	366,644	584,143	69,844	227,662	1,251,955
	35,255	366,644	584,143	69,844	227,662	1,283,548
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	727,906	-	-	727,906
One year or later and no later than five years	-	-	-	171,906	-	171,906
	-	-	727,906	171,906	-	899,812
Total commitments and contingencies	35,255	366,644	1,312,049	241,750	227,662	2,183,360

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45. Segment information

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments.

It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity.

Segment information are presented in respect of the Group's business segments as follows:

(1) Banking

Banking comprises activities involving conventional and Islamic facilities to finance and support export and import of goods, services and overseas projects as well as financial guarantee facilities with an emphasis on non-traditional markets.

(2) Insurance and Takaful

Insurance and Takaful comprise activities involving providing export, credit and political risks insurance/takaful.

(3) Support

Support refers to non-core operations mainly involving finance, treasury, administration, human resource and others which support the Group's overall operation.

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45. Segment information (cont'd.)

	2020				2019			
	Group and Bank		Business segments Insurance and		Group and Bank		Business segments Insurance and	
	Banking RM'000	Takaful RM'000	Support RM'000	Total RM'000	Banking RM'000	Takaful RM'000	Support RM'000	Total RM'000
Net interest income	18,189	-	-	18,189	25,819	-	51,768	77,587
Underwriting results	-	1,975	-	1,975	-	(21,965)	-	(21,965)
Income from Islamic business	110,489	1,713	-	112,202	120,727	1,538	-	122,265
Other income	21,483	-	85,176	106,659	22,023	-	24,630	46,653
Net income	150,161	3,688	85,176	239,025	168,569	(20,427)	76,398	224,540
Overhead expenses	(21,653)	(2,013)	(64,525)	(88,191)	(28,379)	(6,579)	(47,071)	(82,029)
Operating profit	128,508	1,675	20,651	150,834	140,190	(27,006)	29,327	142,511
Allowance for expected credit losses on advances and financing	(53,643)	-	-	(53,643)	(566,135)	-	-	(566,135)
Allowance for expected credit losses on commitment and contingencies	(2,833)	-	-	(2,833)	(64,947)	-	-	(64,947)
Allowance for expected credit losses on investment securities	-	-	(42,584)	(42,584)	-	-	10,321	10,321
Allowances for other assets	(624)	-	-	(624)	-	-	-	-
	71,408	1,675	(21,933)	51,150	(490,892)	(27,006)	39,648	(478,250)
Taxation				-				(1,323)
Net profit/(loss) for the year - Bank				51,150				(479,573)
Add: taxation for the Group				-				2,316
Net profit/(loss) for the year - Group				51,150				(477,257)

ISSUER

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