Citibank Berhad

2020 Annual Report

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Registered Office

44th Floor, Menara Citibank,
165 Jalan Ampang,
50450 Kuala Lumpur

Date of Incorporation

22 April 1994

Auditors

KPMG

Chairman's Statement

Mr. Terence Cuddyre

I am pleased to present to you the Citibank Berhad Annual Report for the financial year ended 31 December 2020.

The COVID-19 global pandemic remains unabated and its severity to economies worldwide has compelled us all to take a hard look at strengthening franchise resilience and to future proof for long-term economic sustainability. In more than six decades since we first opened our doors here in Malaysia, we have adapted well to the challenges of all economic cycles. Agility and the ability to anticipate both crisis and opportunity have provided us with valuable lessons and experience to weather any storm.

I would like to take this opportunity to record my appreciation to all Citibankers who have worked hard and adapted to the new normal of working from home. Stay vigilant and adhere strictly to health and safety guidance to protect your well-being and minimise the risk of infection in our home and work environments.

It has been a challenging time from a business standpoint and while we continue to record consistent profitability, we closed the year with lower profit. We recorded, however, a strong Return on Equity of 13.1% and Risk Weighted Total Capital Adequacy Ratio of 21.1%.

I would like to express my deepfelt appreciation to our former Chief Executive Officer, Mr. Lee Lung Nien and the Senior Management Team for their able leadership in navigating the difficult external environment and protecting our franchise, keeping the best interests of our employees and customers at the heart of all that we do for Citi. Mr. Lee has since returned to Singapore to take up a new appointment as Chairman of Citi Private Bank, South Asia.

Replacing Mr. Lee as Chief Executive Officer is Mr. Usman Ahmed and I wish him the very best as we move to a new phase of growth and transformation at Citi. In his 21 years with Citi, Usman has held a range of senior leadership roles in Bahrain, Hong Kong, Pakistan, the Philippines, United Arab Emirates and the United Kingdom.

The future landscape demands that we accelerate our growth strategy, differentiate and reinforce our leadership as a premier global digital bank in country. For this, it will require all of us on deck to navigate a track of dynamic and resilient growth.

Finally, we would like to acknowledge and thank Bank Negara Malaysia and the relevant authorities for the support extended throughout the year. The road ahead is one that calls for courage and resolve, for collective wisdom and a resilient spirit to deliver our Citi mission of enabling growth and economic progress.

Stay safe and be vigilant.

Mr. Terence Cuddyre
Chairman

CEO's Statement

It has truly been a year of unprecedented challenges globally arising from the COVID-19 pandemic, which tested the very fabric of socio-economic structures and financial resilience across the world.

The 2020 journey for many was one which called for courage and boldness, perseverance and a reset of convention. With the global vaccination drive picking up momentum, we remain optimistic of better economic conditions in the year ahead.

Citibank Berhad had a commendable 2020, albeit with lower growth compared to the previous financial year given the external environment. We stood firmly by our customers when they needed us the most, offering COVID-19 relief measures and taking extensive measures to maintain essential banking services during the Movement Control Order, while safeguarding the health and safety of our employees. We also stepped up our citizenship initiatives and intend to continue helping our customers, communities and employees manage through the COVID-19 crisis in 2021 as well.

Highlights

The Malaysian economy shrank by 5.6% in 2020, the biggest contraction since the 1998 Asian Financial crisis. The country recorded GDP growth of 4.3% in 2019. Growth challenges were largely due to the restrictions and curbs related to COVID-19. All economic sectors except manufacturing showed negative growth while private and public investment were also impacted by the pandemic and restrictive measures.

The unemployment rate rose to 4.8% in December 2020 compared to 3.3% in the corresponding period in 2019. The decline in the Consumer Price Index saw a 1.2% drop in the inflation rate.

Amidst the ensuing challenges, the financial industry remained a pillar of resilience and support, investing in technology and innovation to bridge financial needs and bring to market financial solutions that are relevant to changing consumer preferences and the future economic landscape.

Performance Review

The Bank continued its track record of consistent profitability. Profit for the year totalled RM529.201 million. This, however, was lower by 34% compared to the profit of RM801.312 million in 2019.

Pre-tax profit was also lower by 38% and totalled RM677.499 million compared to RM1.098 billion in 2019.

Revenue stood at RM2.173 billion compared to RM2.601 billion in 2019. Net interest income totalled RM1.036 billion while non-interest income was at RM751.541 million.

The Bank's return on equity was 13.1% while the Risk Weighted Total Capital Adequacy Ratio stood at a healthy 21.1%, well above the industry average.

Business Highlights

Consumer Banking

Credit Cards

Digital acceleration was a pivotal strategy to sustaining business momentum and drove the client and portfolio growth in 2020. Client acquisitions through digital channels grew 40% year-on-year despite the pandemic and accounted for 51% of total acquisitions. The cards instalment through digital grew 28% year-on-year and accounted for more than 50% of total new card loans booked in 2020. Citi's investment and efforts in digital is recognized by The Asset as the Bank won the Digital Bank of the Year in Malaysia for four years consecutively.

Our "mobile first" strategy further generated strong gains in client engagement, preference and satisfaction. Apart from bill payments, viewing of account details and e-statements user journey via the Citi mobile app, card members also have the flexibility to cash out from their available credit limit and convert their outstanding card balances into flexible instalment payments conveniently. The mobile app was further enhanced to allow customers to make new card referrals and enhanced the way the bank communicates our offers and proposition to customers.

These enablers have driven the 30-day mobile active rate (defined as 1 financial transaction on the Citi Mobile App within 30 days) up by 14% from the previous year, and the 90-day mobile active rate was up by 33% vs 2019.

Throughout 2020, Citi cardmembers were accorded flexibilities from a range of offers across all our card products, including rewards and rebates for essential spends, primarily targeting e-wallets, e-commerce, groceries, pharmacies, utilities, telco, dining and deliveries. Additionally, further enhancements to value propositions were rolled-out across our PremierMiles, Rewards, Clear and Lazada co-branded cards – shifting the rewards to relevant categories covering the likes of Spotify, Netflix, IKEA, Harvey Norman, food deliveries and local travels.

In line with the government's COVID-19 relief measures, Citi provided financial assistance to its cardholders by allowing them to defer their card repayments for a period of six months or more. These, along with other client delights and service improvement initiatives were positively reflected in the Net Promoter Score, which improved 12.4 points compared to the previous year.

Retail Banking

Lockdowns across much of the world due to the pandemic in March and April drove a significant economic slowdown. Volatility spiked, in some cases to levels last seen during the global financial crisis. One of the steepest bear market runs in history was followed by a rapid initial rebound as policymakers across the globe introduced massive economic stimulus packages. Despite a challenging investment landscape, Citi remained focused in helping customers with their long term investment objectives by offering our best-in-class advisory and comprehensive suite of wealth solutions.

We remained steadfast in empowering and engaging our customers with comprehensive wealth management solutions and tools such as the model portfolio and Client Diversification Index. Citi introduced the phone sales service for non-advised unit trust transactions to ensure customers have uninterrupted unit trust investment services even during the MCO period. Citi provided constant and consistent investment and insurance updates through multiple webinars throughout the year, keeping customers abreast on the latest market updates, investment opportunities and protection solutions. We also digitized our marque event, The Edge-Citigold Wealth Forum, through a series of exclusive webinars towards the later part of 2020 and continued the series into 2021 as part of our commitment to provide best-in-class services to our Citigold customers.

Citi continued to broaden its range of wealth management products over the year - our customers had access to invest globally across multiple asset classes in different currencies as well as new Bancassurance products to ensure that wealth protection continued to be a core part of the overall customer portfolio. Citi rolled out the CASA Bonus campaign, a high-interest savings campaign to drive new deposit balance and new-to-bank acquisition as well as campaigns focusing on the usage of debit cards. We continued to foster a dynamic partnership with PayNet through the introduction of new payment solutions in 2020. Citi introduced the DuitNow, JomPay and QR services, allowing our customers to use QR technology to make payments to vendors and billers. Citi also introduced MyDebit Cross Border, a functionality allowing Citi debit cardholders to make payments through NETS merchants in Singapore. Enhancement of the Total Wealth Advisor (TWA) via iPad allowed customers to update risk profiling via OTP technology – effectively making the portfolio review with Relationship Managers and specialists more robust and efficient.

Despite external challenges and competition, the business attracted positive deposit balances and saw a more than 10% annual increase in assets under management.

Mortgage

The property market in Malaysia remained soft during the financial year with lower property transaction volume. The economic downturn stalled the market, as buyers delayed purchase decisions.

At Citi, we fully supported government measures in extending COVID-19 related financial assistance to mortgage customers as well. Citi executed the six-month Bank Negara Malaysia (BNM) automatic loan moratorium and thereafter, extended assistance to customers who had difficulties making payments or repayments or who had requested for lower monthly repayments to their existing mortgage loan/financing.

Citi, in addition, maintained its offer of attractive home loan packages for house buyers, focusing on fast loan approvals and hassle-free application via its 10-minute home loan approval process.

Institutional Clients Group

Treasury and Trade Solutions

Going digital and delivering exceptional client experience continued to be a key focus area for Treasury & Trade Solutions (TTS). We continued to accelerate and invest in digital technologies to support our clients, providing agile solutions and addressing emerging opportunities. TTS launched several market leading products such as the Citi Supplier Finance platform, CitiDirect Digital Onboarding and leveraged industry accepted digital signature technologies to execute documents electronically.

Our efforts to increase client adoption of digital technologies resulted in:

- 71% increase in user adoption of CitiDirect year-on-year.
- 70% adopted MobilePass (a soft token tool to authenticate securely into CitiDirect from customer's smartphone), up from 44% in 2019.
- 7X increase in logins via biometrics authentication.
- Migrated 96% of paper initiated fund transfers transactions to electronic payments via CitiDirect.

In 2020, we witnessed how the pandemic changed commerce and corporate behaviour as corporates were required to adapt to working remotely. During this period of acute change, TTS continued to provide support to our clients by implementing business continuity procedures to support client transactions. Client engagement was done primarily through virtual webinars which featured internal and external speakers on wide ranging topics such as the digital sales model and managing working capital efficiently.

Citi was named Best Corporate Digital Bank Award for

Malaysia at the Global Finance 2020 World's Best Digital Banks Awards.

Securities Services

In Securities Services, the intermediary business was marginally impacted by a drop in foreign participation in the local equity market. The investor business continued to outperform with strong contribution from new local mandates, which also helped Securities Services to achieve overall growth in transaction volume and asset under custody.

Citi was named Best Sub-Custodian-Malaysia at The Asset Triple A Asset Servicing, Institutional Investor and Insurance Awards 2020.

Global Markets

The world grappled with a universally crippling pandemic and investors adapted to work-from-home arrangements. Amidst the uncertainties, we intensified our client engagement and stepped up on our virtual interactions. As a result, we saw our bond volumes increase by RM59.4 billion.

Citi continued to adopt technology and automation to enhance client FX execution and deliver value added solutions content, encompassing different asset classes beyond traditional FX flows in response to unprecedented changes to the corporate work environment. This resulted in Citi achieving dominant onshore FX market share of 10% and winning various prestigious markets awards in 2020.

Citi was voted Best Bank for FX, Best Bank for FX for Corporates and Best Single-dealer Platform at the FX Markets Best Bank Awards. Citi was also voted Best Liquidity Provider for Corporates, Best Liquidity Provider for Options and Best Single-dealer Platform at the FX Markets e-FX Awards. Citi was awarded Best Derivatives House of the Year and FX Derivatives House of the Year by Global Capital. Citi also won Best Global Foreign Exchange Bank, Best Bank Platform (Citi Velocity), Most Innovative Bank Platform (Citi Velocity) and Best Platform for Corporates (CitiFX Pulse and Gateway) awards from Global Finance.

Working For and In Community: Pathways to Progress

Beyond philanthropy, our citizenship efforts in country are anchored on a consistent commitment to development of community solutions and addressing needs particularly that of youth employment, urban regeneration and young entrepreneur development.

Through Citi Foundation, the Asia School of Business in Malaysia has pioneered a young entrepreneur development for community colleges. The Rapid Youth Success Entrepreneurship (RYSE) Program aims to improve youth unemployment rates in urban areas. Low income students from community colleges in the country are taught innovation and design thinking by the Asia School of Business team in addition to social entrepreneurship skills and e-commerce.

Over the last six years, Think City, a subsidiary of Khazanah Nasional Berhad has carried out significant programmes on culture, art and urban sustainability in the heart of Kuala Lumpur. Engagement with local communities and job creation for the urban homeless has generated economic well-being amongst lower income groups in the city and more vibrant living environments.

The pandemic did not deter Citi from celebrating its annual Global Community Day. More than 1,200 Citi Volunteers participated virtually in Malaysia. Volunteers managed to raise more than RM125,000 and successfully completed 41 community projects, ranging from supporting local NGOs, environmental and green initiatives, supporting small local businesses and individual acts of kindness benefitting 17 charitable and non-governmental organizations.

Our journey in serving communities has always been aligned to Citi's mission of enabling growth and economic progress. It is about collective social impact and a shared purpose with community stakeholders to secure a better future for the next generation.

Our People

We believe that Citi has more to offer than others do – our global business model, rich history, values, culture and commitment to progress, diversity and inclusion are second to none. In 2020, Citi took prompt and proactive actions in safeguarding our employees and clients in response to the COVID-19 pandemic outbreak. In Malaysia, we mobilized 82% of our employees into a full work from home model from early March 2020. We held firm to our principle to prioritize the health and safety of all our employees and we continue to be driven by data in our return to office plan.

We believe our people are our most important asset. How we come to work and how we show up for one another directly translates into how we demonstrate what it means to Be the Best for our clients.

We have a work force of over 1,750 employees in Malaysia and continue to look for ways to make Citi Malaysia an even more inclusive and equitable workplace. Our work to champion equality is reflected in Citi's decision to be transparent about the results of our pay equity review which entered its second year in 2020. We continue to monitor our progress to increase diversity at more senior levels.

We want to ensure diverse candidates see Citi Malaysia as a place where they can thrive and advance their careers and to this end, we continuously innovate how we recruit and develop talent, enhance diversity and deepen our culture of meritocracy.

Citibank Berhad has been a leadership incubator in the country through the years, nurturing and grooming some of the best financial talent in Malaysia today and will continue playing this vital role.

Priorities for 2021

Excellence will be our hallmark as we move boldly to transform and entrench our leadership as a premier global digital bank in Malaysia.

Setting our sights on new frontiers in digital banking, we will be solutions driven as we seek to redefine client experience and invest for the future.

We will continue to build on the strong culture we have in risk and controls and be exemplary in the conduct of our business, operating at all times with integrity and earning the trust of all our stakeholders.

Our People are our strong asset. We remain committed to leadership development and nurturing top banking talent in the country.

Outlook

As we look at the industry and societal trends shaping business across the globe, we are incredibly excited about the opportunity for us to offer a uniquely differentiated value proposition to the customers we serve. We are also particularly focused on the future architecture of financial services and will continue to invest in developing our digital banking solutions. In line with Citi's global commitments, Citibank Berhad will look to contribute its financial and intellectual capital towards supporting Environmental, Social, and Governance ("ESG") initiatives in Malaysia. Through the global transformation initiatives announced by Citi, we will strengthen our risk and controls and leverage data as a firm-wide asset. We will also continue to invest in our talent to further develop our human capital as a competitive advantage and nurture a culture of excellence in everything that we do.

We look ahead with renewed determination as we move into a new phase of growth and transformation. With change, comes the commitment to standards of excellence in global financial services in the country.

I would like to record my sincere appreciation to our Chairman and Board of Directors for their counsel and support during the financial year. My gratitude also to the Senior Management team and all employees of Citibank Berhad for their dedicated service and cooperation that has made all the difference in a year that has seen unprecedented challenges worldwide.

I am confident that there will be new opportunities out there even in the face of adversity. Our responsibility today is to build for future success. This will require the best from us as together we re-imagine and sharpen our competitive edge, gaining at all times the trust and respect of our stakeholders.

Mr. Usman Ahmed
Chief Executive Officer

Board of Directors - Profile

TERENCE KENT CUDDYRE

Non-Independent Non-Executive Director (Chairman)
69 years of age
American

Appointment
14 December 2010 (Appointed as Chairman on 12 March 2013)

Qualification
- Master of Business Administration, Wharton Business School, University of Pennsylvania, USA
- Bachelor of Arts in Economics, University of California, Santa Barbara, USA

Working Experience and Directorships
Mr. Terence Cuddyre was Citigroup Country Officer for Brunei Darussalam from July 2009 to December 2014. Prior to that, he spent four years as Asia Pacific Head of Training for the Citi Centre for Advanced Learning. He also served as Citigroup's Country Officer for Thailand from 2002 to 2005. He was the North Asia Regional Risk Officer from 2000 to 2001.

Mr. Cuddyre joined Citigroup in 2000 after 23 years with Bank of America where he held numerous international roles including Country Head of Ireland, Korea, Hong Kong and China. He also held several risk positions in North America and Asia.

He was active in the American Chamber of Commerce, serving on the boards in Hong Kong, Korea and China. In Thailand, he served as the Chairman.

He is currently a director of Greystones Consulting, LLC and Greystones Property Management, LLC.

Membership of Board Committees in Citibank:
- Audit Committee (Member)
- Risk Management Committee (Member)
- Nominations and Compensation Committee (Member)

Shareholdings in Citibank
Nil

USMAN AHMED

Non-Independent Executive Director/Chief Executive Officer
48 years of age
British

Appointment
1 February 2021

Qualification
- Master of Business Administration, Lahore University of Management Sciences, Pakistan

Working Experience and Directorships
Mr. Usman Ahmed ("Usman") was the Chief Executive Officer ("CEO") of Citigroup for Bahrain, Kuwait and Qatar and concurrently the Global Head of Citi's Islamic Banking business, since October 2015 prior to his current appointment as the Bank's CEO.

From August 2012 till October 2015 Usman was the Managing Director and Head of Corporate and Investment Banking for the Philippines and the Head of Global Islamic Banking for the Asia Pacific region. Usman was based in Manila and was also an Executive Director on the Board of Citicorp Capital Philippines, Inc.

Usman was appointed as Managing Director Chief Operating Officer, Corporate Banking as well as Managing Director, Head of Global Islamic Banking for the Asia Pacific region in August 2011 and was based in Hong Kong till July 2012. Between April 2008 and July 2011 Usman was the Managing Director and Head of Corporate Banking for Emerging Markets at Barclays Bank, with responsibility for 14 countries across the Middle East, Africa and South Asia.

He was the Chief Executive Officer Managing Director of Global Islamic Banking at Citi, based in Dubai prior to joining Barclays Bank and has also worked with Citi in various other roles, including as a Director in Capital Markets Origination, London, and as a Product Manager and Relationship Manager in Bahrain and Pakistan.

He is also a Senior Credit Officer of Citi since 2013 and has banking experience of over 25 years, in various product, coverage and franchise leadership roles across Europe, the Middle East and Africa, and Asia Pacific regions.

He is currently a director of Citigroup Global Markets Malaysia Sdn Bhd, an affiliate of the Bank. He is also a Council Member of The Association of Banks in Malaysia and Asian Institute of Chartered Bankers.

Membership of Board Committees in Citibank:
Nil

Shareholdings in Citibank
Nil

DATUK ALI BIN ABDUL KADIR

Independent Non-Executive Director
72 years of age
Malaysian

Appointment
6 May 2014

Qualification
- Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW")
- Chartered Accountant of The Malaysian Institute of Accountants ("MIA")
- Certified Public Accountant of The Malaysian Institute of Certified Public Accountants ("MICPA")
- Honorary Advisor to ICAEW Malaysia
- Honorary Fellow of the Institute of Chartered Secretaries & Administrators (UK)

Working Experience and Directorships
Datuk Ali bin Abdul Kadir ("Datuk Ali") was the Chairman of the Securities Commission of Malaysia from 1 March 1999 to 29 February 2004. During his tenure, he initiated and launched the Capital Market Masterplan and created and chaired the Capital Market Advisory Council. He was also a member of a number of national level committees, including the Foreign Investment Committee, Oversight Committee of Danaharta and Finance Committee on Corporate Governance.

On the international front, Datuk Ali was a member of the executive committee of the International Organisation of Securities Commissions' ("IOSCO") and chairman of its Asia-Pacific Regional Committee and the Islamic Capital Market Working Group. He was also the advisor to the Sri Lanka Securities and Exchange Commission.

Earlier in his career, Datuk Ali was the Executive Chairman and Partner of Ernst & Young and its related firms. He was the past President of MICPA, chairing its Executive Committee and Insolvency Practices Committee, and co-chairing the Company Law Forum. He was appointed as an Adjunct Professor in the Accounting and Business Faculty, University of Malaya in 2008 and retired in August 2011. He was then appointed to the Advisory Board of the same Faculty. He chaired the Financial Reporting Foundation from 2009 to 2016, which oversees the Malaysian Accounting Standards Board and oversaw the convergence with International Accounting Standards.

Datuk Ali is currently the Chairman of JcbNext Berhad and ENRA Group Berhad. He is a Board Member of Glomac Berhad, Ekuiti Nasional Berhad as well as several private limited companies and non-profit organisations.

Membership of Board Committees in Citibank:
- Audit Committee (Member)
- Nominations and Compensation Committee (Chairman)

Shareholdings in Citibank
Nil

PHILIP TAN PUAY KOON

Independent Non-Executive Director
64 years of age
Malaysian

Appointment
9 October 2015

Qualification
- First Class Honours in Bachelor of Arts (CNAA) degree in Business Studies (Accounting and Finance) from North-East London Polytechnic, United Kingdom
- Fellow of the Institute of Corporate Directors Malaysia
- Associate Fellow of Asian Institute of Chartered Bankers ("AICB")

Working Experience and Directorships
Mr. Philip Tan Puay Koon is a treasury and professional training consultant with close to 30 years of experience in banking and finance, principally in the areas of treasury and risk management. He was formerly a Managing Director and the Chief Financial Officer of Emerging Market Sales and Trading, Asia-Pacific of Citibank N.A. He was also the Financial Markets Head and Country Treasurer of Citibank Berhad from 1995 to 2001. He was a Director of Citibank Malaysia (L) Ltd from 2000 to 2001.

Mr. Philip Tan currently serves as an Independent Director of SP Setia Bhd, Qinzhou Development (Malaysia) Consortium Sdn. Bhd., China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd, Malaysian Electronic Payment System Sdn. Bhd., MEPS Currency Management Sdn. Bhd. and Payments Network Malaysia Sdn. Bhd. He is a Non-Public Interest Director of Private Pension Administrator Malaysia. He is also a member of the Corporate Debt Restructuring Committee since his appointment by Bank Negara Malaysia in 2009.

Membership of Board Committees in Citibank:
- Risk Management Committee (Chairman)
- Nominations and Compensation Committee (Member)

Shareholdings in Citibank
Nil

DATUK BAZLAN BIN OSMAN

Independent Non-Executive Director
57 years of age
Malaysian

Appointment
1 July 2019

Qualification
- Fellow of the Association of Chartered Certified Accountants, United Kingdom
- Chartered Accountant of the Malaysian Institute of Accountants ("MIA")

Working Experience and Directorships
Datuk Bazlan bin Osman ("Datuk Bazlan") has extensive experience in leadership and senior management roles in strategy, business development, financial management, operations and M&As in various sectors particularly Technology, Media & Telecommunications, diversified conglomerates, financial services, and agrobased industry.

Datuk Bazlan began his career as an auditor with Messrs Hanafiah Raslan & Mohamad, a public accounting firm in 1986. He then joined the Sime Darby Group from 1989 to 1993, holding various finance positions in its corporate offices in Kuala Lumpur, Singapore and Melaka. He had a one year stint in American Express Malaysia Berhad as its Manager-Accounting. Thereafter he served in Kumpulan FIMA Berhad as Senior Vice President, Finance/Company Secretary from 1994 to 2000. He joined Celcom in 2001 as Senior Vice President, Corporate Finance and Treasury and was appointed the Chief Financial Officer ("CFO") in 2002. He was the Executive Director of Telekom Malaysia Berhad ("TM"), from April 2008 until February 2019. He served as TM's Group CFO from May 2005 until his promotion to the position of Deputy Group Chief Executive Officer ("CEO") in April 2017. He was appointed as the Acting Group CEO from June 2018 to November 2018.

He is currently an Independent Director of Bursa Malaysia Berhad, FIMA Corporation Berhad, Glomac Berhad and Syarikat Takaful Malaysia Keluarga Berhad. He is the Non-Executive Chairman of GITN Sdn Berhad, a subsidiary company of TM and a director of Malaysia Accountancy Professional Centre. He also serves as a Council Member of MIA and as Deputy Chair of the ACCA Malaysia Advisory Committee.

Membership of Board Committees in Citibank:
- Audit Committee (Chairman)
- Risk Management Committee (Member)

Shareholdings in Citibank
Nil

MARK FORDYCE HART

Independent Non-Executive Director
66 years of age
American

Appointment
28 February 2020

Qualification
- Master in Business Administration, Fordham University, USA
- Bachelor of Science degree in Business, University of Maryland, USA

Working Experience and Directorships
Mr. Mark Fordyce Hart began his career with Citi in 1976 as a financial analyst and in his 41 years with Citi, Mr. Mark Hart has held a number of key senior finance positions, both at the country and regional levels.

He was based in Japan from December 1983 until March 1995 when he led the Corporate Bank and the Consumer Bank Financial Planning units before he was appointed as the Citi Japan Franchise Chief Financial Officer ("CFO"). Between April 1995 to February 2009, he assumed a number of senior financial appointments including: Citi CFO Hong Kong and China; Citi North Asia Corporate Bank CFO; Citi Asia Corporate Bank and Investment Bank, CFO; Citi Asia Franchise Controller.

He was then appointed the CFO of Citi Japan, Institutional Clients Group and Consumer Banking Group in March 2009 and held the position until February 2012. Prior to his retirement from Citi in August 2017, he was the CFO of Citi Asia Pacific.

He is currently an Independent Non-Executive Director of Citicorp International Limited, Hong Kong.

Membership of Board Committees in Citibank:
- Audit Committee (Member)
- Risk Management Committee (Member)
- Nominations and Compensation Committee (Member)

Shareholdings in Citibank
Nil

Statement of Corporate Governance

INTRODUCTION

Citibank Berhad ("the Bank") aspires to the highest standards of corporate governance and ethical conduct: doing what we say; reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern the Bank's businesses.

The Bank is wholly-owned by Citigroup Holding (Singapore) Pte Ltd and is ultimately owned by Citigroup, Inc. ("Citigroup"). Since 1 July 1994, the Bank has been licensed by the Minister of Finance Malaysia as a licensed financial institution to engage in banking business in Malaysia. As a Malaysia-incorporated financial institution, the Bank's corporate governance practice have to comply with Bank Negara Malaysia's ("BNM") policy document on Corporate Governance issued on 3 August 2016 ("BNM Corporate Governance Policy").

BOARD GOVERNANCE

Board Composition

The Board of Directors ("Board") of the Bank currently comprises six (6) members with a broad range of experience and deep industry expertise.

The following is the Board line-up:

Mr. Terence Kent Cuddyre
Non-Independent Non-Executive Director/Chairman

Mr. Usman Ahmed
Non-Independent Executive Director/Chief Executive Officer

Datuk Ali bin Abdul Kadir
Independent Non-Executive Director

Mr. Philip Tan Puay Koon
Independent Non-Executive Director

Datuk Bazlan bin Osman
Independent Non-Executive Director

Mr. Mark Fordyce Hart
Independent Non-Executive Director

Mr. Usman Ahmed, the Bank's Chief Executive Officer ("CEO"), is the sole Executive Director. Mr. Terence Kent Cuddyre, the Board Chairman, is designated as a Non-Independent Non-Executive Director because of his service on the Board has exceeded nine (9) years from the date of his first appointment as a Director. Four (4) Directors are Independent Non-Executive Directors and three (3) of the Directors are Malaysian citizens.

More information on the Directors are set out on pages 11 to 16 of this report.

The Bank considers its present Board composition and size to be appropriate for its current operations.

As Board Chairman, Mr. Terence Kent Cuddyre performs a key role in guiding the Board through its decision-making process. He ensures the Board operates effectively as a team. The CEO together with the Bank's management team oversee the execution of the Bank's strategy and is responsible for the day-to-day operations. The role of the Independent Non-Executive Directors is to challenge and scrutinise the performance of management in meeting agreed goals and objectives. There is a strong independent element on the Board to ensure the thoroughness and impartiality of the Board's oversight of the management.

Changes of Board of Directors during the Financial Year

Candidates for the Board are recommended by the Nominations and Compensation Committee in accordance with the qualifications approved by the Board, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer. On 28 February 2020, Mr. Mark Fordyce Hart joined the Board as an Independent Non-Executive Director. Mr. Mark Fordyce Hart is a Citi alumni and he is a veteran former banker with extensive experience in banking and finance. Mr. Lee Lung Nien stepped down as CEO and Executive Director of the Bank on 31 August 2020 to assume a new role as Chairman, South Asia of

Citi Private Bank effective 1 September 2020. Ms. Elaine Fan Lee Boey was appointed as the Bank's interim CEO pending the appointment of a permanent successor.

The Nominations and Compensation Committee initiated a rigorous selection process to identify a new CEO and the search resulted in the appointment of Mr. Usman Ahmed as the Bank's CEO and Executive Director effective from 1 February 2021.

Roles and Responsibilities

The primary responsibility of the Board is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to consider the interests of its diverse constituencies, including customers, employees, suppliers and the local community.

Working in consultation with the Bank's management team, the Board provides oversight for the overall management of the Bank's business. The Board reviews and approves the strategic business plans set by Citigroup for the Bank and has overall responsibility for risk management, financial reporting and corporate governance issues.

The Board ensures that the Bank upholds Citigroup's core values including the values set out in Citigroup's Code of Conduct and the Code of Ethics for Financial Professionals, and adopts Citi policies to comply with the laws, rules and regulations that govern Citi's business operations.

In addition, the Board carries out various other functions and responsibilities as stipulated in the guidelines, policies and directives issued by BNM from time to time.

As a means to ensure the Bank has a beneficial influence on the economy of the local community, the Directors have a continuous responsibility to provide banking services and facilities that are conducive to a well-balanced economic growth.

Director Independence and Length of Service

The Nominations and Compensation Committee determines the Directors' independence based on the criteria set out in BNM Corporate Governance Policy. Under BNM Corporate Governance Policy, a Director is considered independent if he is independent from substantial shareholders, management and significant business or other contractual relationships and if the Director has not served on the Board for a continuous period of nine (9) years or longer.

With the exception of Mr. Usman Ahmed, all current Directors are considered to be independent from management relationships with the Bank and from substantial shareholder. All current Directors are considered to be independent from significant business or other contractual relationship with the Bank. Mr. Terence Kent Cuddyre is the only Director who has served on the Board for more than nine (9) years. The Board has specifically considered the skillsets and contribution of Mr. Cuddyre and agreed that it is in the Bank's interests for Mr. Cuddyre to continue serving as the Board Chairman to provide leadership and continuity. Mr. Cuddyre's extensive knowledge and experience in the risk environment for banks is critical in helping the Bank navigate the challenging risk landscape.

Director Training and On-going Development

The Nominations and Compensation Committee exercises oversight of the training and continuous development programme for Directors and ensures that Directors undergo the relevant mandatory training programmes for directors of a licensed financial institution.

In view of the new operating requirements following the relaxation of the Movement Control Order and safety concerns on the participants of the Islamic Finance for Board Programme, Bank Negara Malaysia has granted an extended period for Directors to complete the Islamic Finance for Board Programme. All existing Directors of the Bank who have yet to complete the programme have been accorded with a one-year extension until end-2021 to complete the programme.

Both Datuk Bazlan bin Osman and Mr. Mark Fordyce Hart have successfully completed all modules under the mandatory Financial Institutions Directors' Education (FIDE) Programme in July 2020.

The Bank organises briefing sessions for Directors given by members of senior management or subject matter experts on the various businesses of the Bank and its supporting functions. In addition, a training budget is being set aside to provide the Directors with the opportunity to attend webinars, seminars, or forums that are conducted by external professionals. Training topics are selected by the Board members based on relevance. Board members also contribute by highlighting areas of interest and possible topics.

In 2020, Citi's franchise management team had organised training calls on a number of important topics relevant to today's risk landscape and Citi's activities, which included, inter-alia, Citi's strategy, US Consent Orders, Citi's Transformation Programme, operational resilience, crisis management, Citi's response to COVID-19, environmental, social & governance, and sustainability and climate change at Citi. There were briefing sessions and webinars attended by Board members on anti-money laundering and sanctions, data and analytics, digital banking and board's role in challenging times.

Evaluation of Board Performance

The Nominations and Compensation Committee conducts an annual evaluation of the performance of the Board, the Board committees and the Directors. The results of the Board and the Board committees evaluations and follow-up action on certain items are discussed at the Nominations and Compensation Committee meeting whereas the results of the individual director's evaluation are reported to the Chairman of the Board.

The annual evaluation process is useful in allowing the Board to evaluate its effectiveness and to provide Directors with a formal forum to make suggestions for improvement.

Frequency and Conduct of Board Meetings and Attendance

The Board meets at least six times a year to effectively discharge their duties. Additional Board meetings to consider specific matters are held when necessary.

For the Board meetings, the Directors are provided with an agenda, discussion decks on the Bank's financial performance, risk management reports, budgets, new business initiatives or product launches, Board committees' meeting minutes and updates on industry regulations or policy changes. The Board also receives business presentations on topical matters, subject to such requests.

The Board meeting agenda and discussion decks are distributed to all Directors prior to the scheduled meetings to grant them sufficient time to review all materials and issues that will be discussed during the meeting. This procedure goes a long way in ensuring that all Board meeting discussions as well as decisions made/taken are meaningful and based on accurate facts and figures.

The proceedings of all Board meetings are taken down as official minutes and the meeting minutes are later circulated for the Directors' perusal prior to confirmation during the following meetings.

During the year, the Board held ten (10) meetings and nine (9) of which were by video-conference, due to safety concerns as well as travel restrictions following the COVID-19 outbreak.

The table below sets out the meeting attendance record for each Board member for the financial year ended 31 December 2020.

Director	No. of Board meetings held in 2020	No. of Board meetings attended
Terence Kent Cuddyre (Chairman)	10	10
Lee Lung Nien [1]	6	5
Datuk Ali bin Abdul Kadir	10	10
Philip Tan Puay Koon	10	10
Datuk Bazlan bin Osman	10	10
Mark Fordyce Hart [2]	9	9

Notes:
(1) Mr. Lee Lung Nien stepped down as CEO and Executive Director of the Bank on 31 August 2020.
(2) Mr. Mark Fordyce Hart was appointed as Independent Director of the Bank on 28 February 2020. He attended all the Board meetings held in 2020 since his appointment.

BOARD COMMITTEES

The Board has established several Board committees to assist the Board in fulfilling its diverse range of responsibilities.

The committee members are appointed by the Board based on recommendation of the Nominations and Compensation Committee.

Each committee has its own written charter approved by the Board, clearly outlining the mission and responsibilities of the respective committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure, operations and reporting to the Board. The Board monitors the responsibilities delegated to the Board committees to ensure proper and effective oversight and control of the Bank's activities.

The agenda for each committee meeting is furnished to all Directors in advance of the meeting, and each independent director may attend any meeting of any committee, whether or not he or she is a member of that committee.

The Board and each committee have the power to hire independent legal, financial or other advisors, as they may deem necessary.

Pursuant to BNM Corporate Governance policy, the following prescribed committees have been set up in the Bank:

- Audit Committee
- Nominations and Compensation Committee
- Risk Management Committee

Audit Committee

Composition and Frequency of Meetings

The Audit Committee was established in 1994. Majority of the Audit Committee members are independent non-executive directors of the Bank.

The table below sets out the meeting attendance record for each Audit Committee member for the financial year ended 31 December 2020.

Audit Committee Member	No. of Audit Committee meetings held in 2020	No. of Audit Committee meetings attended
Datuk Bazlan bin Osman (Chairman)	5	5
Datuk Ali bin Abdul Kadir	5	5
Terence Kent Cuddyre	5	5
Mark Fordyce Hart [1]	4	4

Note:
(1) Mr. Mark Fordyce Hart was appointed as member of the Audit Committee on 28 February 2020. He attended all the Audit Committee meetings held in 2020 since his appointment.

Audit Committee Charter

The Board has approved the written charter for the Audit Committee.

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Bank's financial statements, financial reporting process and systems of internal accounting and financial controls; (ii) the performance of the internal audit function ("Internal Audit"); (iii) policy standards and guidelines for risk assessment and risk management; (iv) the Bank's compliance with legal and regulatory requirements; and (v) the fulfillment of the other responsibilities set out in the Audit Committee Charter ("Charter").

While the Audit Committee has the responsibilities and powers set forth in the Charter, it is not the duty of the Audit Committee to (a) plan or conduct integrated audits which is the responsibility of the Independent Auditors or (b) to determine that the Bank's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations, which is the responsibility of the management. The Committee may take into consideration the Independent Auditor's views and matters communicated to it by the Independent Auditors when reporting to the Board.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee.

The Bank shall provide funding, as recommended by the Committee, for payment of compensation to the Independent Auditors and to any advisors or consultants engaged by the Committee.

The Audit Committee's main duties and responsibilities are as follows:

Financial Statement and Disclosure Matters

(a) Review with management the Bank's financial results, review and discuss with management and the Independent Auditors the annual audited financial statements of the Bank.

(b) Review the accuracy and adequacy of the chairman's statement in the Directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

(c) Review and discuss with management (1) any significant deficiencies or material weaknesses in the design or operation of the Bank's internal control over financial reporting, and (2) any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control.

(d) Review and discuss periodically reports from the Independent Auditors on, among other things:

- Critical accounting policies and estimates and practices to be used;
- Alternative treatments of the Bank's financial information in conformance with locally accepted accounting principles;
- Significant unusual transactions;
- New accounting pronouncements;
- Schedules of uncorrected audit misstatements;
- Other material written communications between the Independent Auditors and management, such as any management letter and the Bank's response to such letter or schedule of unadjusted differences; and
- Difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, any significant disagreements with management, and communications between the audit team and the audit firm's national office, (if relevant), with respect to difficult auditing or accounting issues presented by the engagement as it relates to the Bank.

(e) Review and discuss with management and the Independent Auditors, at least annually:

- Developments and issues with respect to loan loss reserves (if set at local level);
- Regulatory and accounting initiatives, as well as off-balance sheet structures, and their effect on the Bank's financial statements; and
- Accounting policies used in the preparation of the Bank's financial statements and, in particular, those policies for which management is required to exercise discretion or judgement regarding the implementation thereof.

(f) Review with management its evaluation of the Bank's internal control structure and procedures for financial reporting and review periodically, but in no event less frequently than quarterly, management's conclusions about the efficacy of such internal controls and procedures, including any significant deficiencies or material weaknesses in such controls and procedures.

(g) Annually review and discuss with management and the Independent Auditors (1) management's assessment of the effectiveness of the Bank's internal control structure and procedures for financial reporting and (2) the Independent Auditors' report on the effectiveness of the Bank's internal control over financial reporting.

(h) Ensure that prior to publication of the annual report, a complete review is done to comply with the regulatory requirements.

(i) To monitor related party transactions and conflict of interest situation that may arise within the Bank including any transactions, procedure or course of conduct that raises questions on management integrity.

Oversight of the Bank's Relationship with the Independent Auditors

(a) Make recommendations to the Board on the appointment, removal and remuneration of the Independent Auditors.

(b) Monitor and assess the independence of the Independent Auditors including by approving the provision of non-audit services by the Independent Auditors.

(c) Review and discuss the scope and plan of the independent audit.

(d) Maintain regular, timely, open and honest communication with the Independent Auditors, and requiring the Independent Auditors to report on significant matters.

(e) Monitor and assess the effectiveness of the independent audit, including by meeting with the Independent Auditors without the presence of senior management at least annually.

(f) Ensure the senior management is taking necessary actions in a timely manner to address external audit findings and recommendations.

Oversight of Internal Audit

(a) Review and approve the appointment, remuneration, performance evaluation and replacement of the Chief Internal Auditor who shall report directly to the Committee and to the Chief Auditor of Citigroup or his/her designee.

(b) Review and discuss any significant Internal Audit findings that have been reported to management, management's responses, and the progress of the related corrective action plans.

(c) Review and evaluate on at least an annual basis the adequacy of the work performed by the Chief Internal Auditor and Internal Audit, and ensure that Internal Audit is independent and has adequate resources to fulfill its duties, including implementation of the annual audit plan.

(d) Review on at least an annual basis the effectiveness of the internal technology audit function.

(e) Approve all significant aspects of outsourcing arrangements for Internal Audit. Internal Audit will retain oversight of its outsourced arrangements and will report identified audit deficiencies in a manner consistent with those provided by Internal Audit.

(f) Review and approve the Internal Audit Charter.

Compliance and Regulatory Oversight Responsibilities

(a) Review and discuss with management, at least annually the Bank's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(b) Receive and discuss reports from management on a quarterly and as needed basis relating to:

- Regulatory and fiduciary compliance
- Significant reported ethics violations
- Compliance with regulatory internal control and compliance reporting requirements
- Business resumption and contingency planning, including disaster recovery
- Fraud and operating losses
- Internal and external fraud incidents, including associated control enhancements and remediation plans
- Technology, information security and cybersecurity

(c) Monitor the Board members' compliance with the Board's conflicts of interest policy.

(d) Have the discretion to call on any staff of the Bank for explanation.

(e) Have authority to investigate any matter within its Charter.

(f) Have the resources which are required to perform its duties.

(g) Have full and unrestricted access to any information pertaining to the Bank.

Nominations and Compensation Committee

Composition and Frequency of Meetings

The Nominating Committee was established in 2006. It was subsequently renamed to Nominations and Compensation Committee in 2016.

Majority of the Nominations and Compensation Committee members are independent non-executive directors of the Bank.

The table below sets out the meeting attendance record for each Nominations and Compensation Committee member for the financial year ended 31 December 2020.

Nominations and Compensation Committee ("NC") Member	No. of NC meetings held in 2020	No. of NC meetings attended
Datuk Ali bin Abdul Kadir (Chairman)	8	8
Terence Kent Cuddyre	8	8
Philip Tan Puay Koon	8	8
Mark Fordyce Hart [1]	6	6

Note:
(1) Mr. Mark Fordyce Hart was appointed as member of the NC on 28 February 2020. He attended all the NC meetings held in 2020 since his appointment.

Nominations and Compensation Committee Charter

The Board has approved the written charter for the Nominations and Compensation Committee.

The main objective of the Nominations and Compensation Committee is to provide a formal and transparent procedure for the appointment of directors as well as assessing the effectiveness of individual directors, the Board committees, the Board as a whole and also the performance of the Chief Executive Officer ("CEO") along with other key senior management staff.

The Nominations and Compensation Committee's main responsibilities are as follows:

- Review and assess the adequacy of the Bank's Code of Conduct and other internal policies and guidelines and monitor that the principles described therein are being incorporated into the Bank's culture and business practices.

- Establish minimum requirements for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the CEO. The requirements and criteria should be approved by the full Board.

- Review the appropriateness of the size of the Board relative to its various responsibilities. Review the overall composition of the Board, taking into consideration factors such as business experience and specific areas of expertise of each Board member and make recommendations to the Board as necessary.

- Review and assess that the Directors do not have any directorship(s) that could potentially result in conflict of interest(s).

- Recommend to the Board the number of committees required, identify their respective responsibilities, propose a suitable Chairperson as well as suggest ordinary members for the different committees. This includes advising the Board on committee member appointments and removal of such members from the relevant committees or from the Board, rotation of the committee members and Chairperson as well as proposals on individual committee structures and operations.

- Assist the Board in developing criteria to identify and select qualified individuals who may be nominated for election to the Board, which shall reflect, at a minimum, all applicable laws, rules and governing regulations. This includes assessing Directors for re-appointment before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full Board.

- Recommend to the Board qualified individuals to become members of the Board.

- Review and recommend periodically to the Board, the compensation structure for non-executive directors.

- Recommend to the Board the removal of a Director/CEO from the Board/Management, if the Director/CEO is ineffective, errant and negligent in discharging his responsibilities.

- Assess annually the effectiveness of the Board as a whole in meeting its responsibilities and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO.

- Report annually to the Board with an assessment of the Board's performance and such assessment is conducted based on an objective performance criteria. Such performance criteria to be approved by the full Board.

- Leveraging on the Bank's Performance Management and Talent Inventory development process in overseeing the appointment, management succession planning and performance evaluation of key senior management officers, except that (as recommended by BNM) the Committee shall play an active role in reviewing and recommending the nominees for the position of CEO, Chief Financial Officer and Chief Risk Officer.

- Support the Board in actively overseeing the design and operation of the financial institution's remuneration system.

- Assess annually to ensure the Directors and key senior management officers are not disqualified under the Financial Services Act 2013.

- Plan and ensure all Directors receive appropriate and continuous training programme in order to keep abreast with the latest developments in the industry.

- Conduct an annual review of the Committee's performance and report the results to the Board, assess periodically the adequacy of its charter and recommend changes to the Board as needed.

- Report regularly to the Board on the Committee's activities.

- Perform any other duties and responsibilities expressly delegated to the Committee by the Board from time to time.

Risk Management Committee

Composition and Frequency of Meetings

The Risk Management Committee was established in 2006. Majority of the Risk Management Committee members are independent non-executive directors of the Bank.

The table below sets out the meeting attendance record for each Risk Management Committee member for the financial year ended 31 December 2020.

Risk Management Committee ("RMC") Member	No. of RMC meetings held in 2020	No. of RMC meetings attended
Philip Tan Puay Koon (Chairman)	5	5
Terence Kent Cuddyre	5	5
Datuk Bazlan bin Osman	5	5
Mark Fordyce Hart [1]	4	4

Note:
(1) Mr. Mark Fordyce Hart was appointed as a member of the RMC on 28 February 2020. He attended all the RMC meetings held in 2020 since his appointment.

Risk Management Committee Charter

The Board has approved the written charter for the Risk Management Committee.

The main objective of the Risk Management Committee is to oversee the senior management's activities in managing credit, market, liquidity, operational, legal and other risk(s) while ensuring proper risk management process is properly in place and functioning well.

The Risk Management Committee's main responsibilities are as follows:

- Recommend the adoption of Citi risk management strategies, policies, and risk tolerance to the Board for approval.
- Discuss with Management the Bank's major credit, market, liquidity and operational risk exposures and steps that the Management has taken to monitor and control such exposures, including the Bank's risk assessment and risk management policies.
- Assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively.
- Ensure appropriate infrastructure, resources and systems are in place for actual risk management implementation, i.e. ensure staff responsible for implementing the risk management system perform their duties independently of the Bank's risk taking activities.
- Review periodically management reports on risk exposure, risk portfolio, composition and other risk management activities.
- Review periodically with management, including independent Risk Officer, Head of Compliance and Legal Counsel, any correspondence(s) with or action by, regulators or governmental agencies, any material legal affairs of the Bank and the Bank's compliance with applicable laws and regulations.
- Report regularly to the Board on the Committee's activities.
- Review annually and report to the Board on its own performance.
- Review and assess the adequacy of its charter annually and recommend any proposed changes to the Board for approval.
- Present the risk strategy and the risk appetite to the Board of Directors and seek approval on an annual basis.
- Share the Bank's risk appetite indicators with the Board on a regular basis to ensure that the risk appetite remains consistent with the Bank's risk taking ability, its inherent risk profile and its external market and macroeconomic conditions.
- Discuss matters related to Comprehensive Capital Analysis and Review ("CCAR")/Dodd-Frank Act Stress Testing ("DFAST") and provide adequate oversight. The Risk Management Committee will also be the governance vehicle for the Bank's Board to provide oversight to the strategic forecasting and stress testing processes (CCAR/DFAST) including forecasting framework, models and non-model analyses and forecast results. Specific invitees to such meetings may be included.
- Supporting the Board in providing oversight over technology-related matters.

Risk Management

Please Refer To Pillar 3 Disclosure.

Statement on Internal Audit and Internal Control

Citibank Berhad's Board of Directors is responsible to establish and maintain adequate internal control over financial reporting standards and related issues.

The Bank's internal control system is designed to provide reasonable assurance to the Bank's management and Board of Directors regarding the preparation and fair presentation of published financial statements in accordance with the provisions under the Companies Act 2016 and other applicable approved standards in Malaysia.

All internal control systems no matter how well designed and implemented have inherent limitations.

In view of the limitations, therefore, even the best of systems determined to be effective can only provide a reasonable assurance in relation to the preparation and presentation of financial statements.

A comprehensive system of controls is maintained to ensure that all transactions are executed in accordance with the management's authorisation, assets are safeguarded and that the financial records are reliable.

The management also takes relevant steps to see that information and communication flows are effective and monitor the performance of internal control procedures.

Citibank Berhad's risk management policies, procedures and practices set out the foundation to the risk architecture governing its business activities.

The management conducts business monitoring initiatives and continuously assesses their significant processes and controls in accordance with the Manager's Control Assessment Procedures/ Operational Risk policy for all applicable businesses.

Control system weaknesses resulting in corrective actions will be documented, escalated to the management and tracked to closure.

Citibank Berhad's Internal Audit reports to the Audit Committee. The role of Internal Audit is to provide independent, objective, reliable, valued and timely assurance to the Boards of Directors of Citigroup and Citibank Berhad, the Audit Committees, senior management and regulators over the effectiveness of governance, risk management, and controls that mitigate current and evolving risks and enhance the control culture within Citigroup and Citibank Berhad.

While audits are carried out on a risk-based approach, audit activities and plan are reviewed and endorsed by the Audit Committee to provide independent and objective reports on control activities.

The Audit Committee regularly reviews and deliberates with management on the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors, regulatory authorities and the management themselves.

The management of Citibank Berhad has also set up a Country Coordinating Committee, Business Risk Compliance and Control Committee, Asset and Liability Committee, Country Regulatory Change Management Governance Committee and Management Committee as part of its monitoring function to ensure effective management and supervision of the areas under the respective Committee's purview.

Citibank Berhad has also adopted the Citi Code of Conduct which expresses the values that each employee is expected to appreciate and apply in their respective working life.

Ethics hotlines are made available to employees who wish to voice concerns about suspected violations of law or industry regulation as well as actions that may fail to live up to the Bank's high standards of ethical conduct.

The Bank has an internal policy prohibiting retaliatory actions against any individual for raising legitimate concerns or questions regarding ethical matters, or for reporting suspected violations.

Citibank Berhad's Remuneration Policy

The following policy covers all employees in Citibank Berhad:

Compensation Philosophy

Employee compensation is a critical strategic tool in the successful execution of our goals. As long-term value creation requires balancing strategic goals, so does developing compensation programmes that incent balanced behaviours. The Group's and the Bank's Compensation Philosophy describes our approach to balancing the five primary objectives that our compensation programmes and structures are designed to achieve.

Objectives

Our compensation objectives, as outlined below, have been developed globally and approved by the Nomination and Compensation Committee of the Board of Directors (the "Committee"), in consultation with management, independent consultants and the Group's and the Bank's senior risk officers. They have been specifically created to encourage prudent risk-taking, while attracting the world-class talent necessary to see the Bank through to success and 'Be the Best for Our Clients'.

Compensation Objectives:

1. Align compensation programmes, structure and decisions with shareholder and other stakeholder interests;
2. Reinforce a business culture based on the highest ethical standards;
3. Manage risks by encouraging prudent decision-making;
4. Reflect regulatory guidance in compensation programmes; and
5. Attract and retain the best talent to lead the Bank to success.

Shareholder/Stakeholder Alignment

- Compensate executives through an objective framework that aims to strengthen the link between pay and performance by using a balanced scorecard approach with financial metrics and non-financial objectives that, in combination, are expected to improve risk-adjusted returns to shareholders;
- Provide meaningful portions of incentive compensation in the form of equity to help build a culture of ownership and to align employee interests with those of shareholders and other stakeholders;
- Defer the delivery of significant portions of incentive compensation with vesting over a number of years and tie the amounts delivered to longer-term performance of the Bank to better link long-term shareholder value creation to the interests of management and to enhance alignment with risk outcome;
- Provide for Clawbacks in cases of improper risk-taking and material adverse outcomes in the years following the awarding of incentive compensation;
- Size incentive compensation to reflect company performance as well as industry and environmental factors, while maintaining strong capital levels; and
- Recognise capital planning outcomes in senior management incentive compensation awards, to improve alignment with both shareholder interests and regulatory guidance.

Ethics and Culture

- Promote conduct based on the highest ethical standards through performance assessments, incentive compensation programmes and, where appropriate, disciplinary actions, and communicate throughout the organisation that acting with integrity at all times is the foundation of our business; and
- Enhance a business culture that supports accountability and a zero-tolerance environment for unethical conduct, through appropriate compensation and employment decisions.

Risk Management

- Develop and enforce risk management controls that reduce incentives to create imprudent risks for the Group and the Bank and its businesses, and that reward a thoughtful balance of risk and return.

- Exercise discretion within a framework designed to make appropriate trade-offs between risk and reward.

- Encourage prudent risk-taking through multiple incentive compensation programme processes for all employees who manage or influence material risks, including
  a. rigorous performance management processes;
  b. bonus pool funding and individual bonus determination processes that reflect risk adjusted performance; and
  c. deferrals that keep a meaningful portion of incentives at risk for future performance outcomes.

- Evaluate incentive compensation programme results on an iterative basis, recognising that validation and monitoring may result in future changes.

- Communicate clearly to all employees that poor risk management practices and imprudent risk-taking activity will lead to an adverse impact on incentive compensation, including the loss of incentive compensation and the reduction or elimination of previously awarded incentive compensation.

- Differentiate compensation decisions based on demonstrated risk management behaviours.

- Appoint only independent Directors to the Committee, to provide independent review and approval of the firm's overall compensation philosophy.

- Involve the Group's and the Bank's control functions, including Independent Risk, Compliance and Internal Audit, in compensation governance and oversight.

Regulatory Guidance

- Design incentive compensation programmes with the recognition that global regulation of bank incentive compensation is evolving and that the programmes must be responsive to emerging trends and best practices.

- Where appropriate, develop innovative and industry-leading approaches that reconcile regulatory considerations and other stakeholder interests in compensation structures and designs.

- Promote understanding of the design and implementation of incentive compensation programmes by outlining compensation policies, procedures and practices in public disclosures.

Attract and Retain Talent

- Compensate employees based on ability, contributions and risk-adjusted performance demonstrated over time, balanced with appropriate recognition for short-term results and contributions.

- Provide compensation programmes that are competitive within global financial services to attract the best talent to successfully execute the Bank's strategy.

- Differentiate individual compensation to reflect employees' current or prospective contributions, based on both financial and non-financial performance such as risk and compliance behaviour, and to reward those employees who demonstrate ingenuity and leadership.

- Provide discretionary incentive compensation, including equity awards, that is variable within guidelines prescribed by management and the Committee using a rigorous objective framework of goal-setting and performance evaluation for all highly paid professionals.

- Clearly and consistently communicate the approach to compensation throughout the year, cascading such communications broadly to employees through key value statements such as the Code of Conduct and the statements and actions of senior management and managers generally.

Guiding Principles on Remuneration

General

1. As part of a global organisation, the Group's and the Bank's policy on remuneration follows mostly the global policies, programmes, or directions/guidelines where it is applicable to the local context. In formulating this remuneration policy, references are made to the respective global policies/practices where necessary while local consideration will also be included.

2. Fixed remuneration should be sufficiently competitive against our competitors in order to support the Group and the Bank to attract and retain talent based on individual circumstances and performance level.

3. Variable remuneration will be structured to encourage behaviour that supports the Group's and the Bank's long term objectives and business strategies, and will not encourage excessive risk-taking that would otherwise jeopardise the Group's and the Bank's risk tolerance and long term financial soundness, while balancing the needs to attract and retain talent with the relevant skills, knowledge and expertise to discharge their s

4. The mix between fixed and variable remuneration depends on the importance of the employee's role within the organisation. In general, highly compensated employees will receive a greater percentage of their total annual compensation as variable remuneration. Of the variable remuneration awarded to highly compensated employees, a percentage, currently ranging from 25% to 60%, will be awarded as deferred variable remuneration under the Discretionary Incentive and Retention Award Plan (the "DIRA plan"). Currently, employees, except for Covered Employees, who receive annual variable remuneration that equals or exceeds the local currency equivalent of USD 100,000 will receive deferred variable remuneration under the DIRA plan. Covered Employees who receive annual variable remuneration of greater than USD 50,000 but less than USD 100,000 have a deferral of 10% of the variable award. Group 1 and 2 Covered Employees are subjected to a minimum deferral of 40% of their incentive, and all Covered Employees have 50% of their deferral in stock and 50% in cash. Generally, deferred variable remuneration awarded under the DIRA plan is granted in the form of an equity award that vests in four equal annual instalments.

5. The payment or distribution of deferred variable remuneration requires that the employee satisfy pre-defined vesting conditions (and performance-based vesting conditions for Covered Employees). The pre-defined vesting conditions generally require that an employee remain actively employed by the Group and the Bank over the vesting period applicable to the award.

6. Generally, unvested deferred variable remuneration is subject to forfeiture upon employee's voluntary resignation. In addition, irrespective of an employee's employment status, an unvested deferred variable remuneration award is subject to forfeiture, in whole or in part, if the following Clawback provision is triggered:
   a. The award is based on materially inaccurate publicly reported financial statements; or
   b. Employee knowingly engaged in providing materially inaccurate information relating to publicly reported financial statements; or
   c. Employee materially violated any risk limits established or revised by senior management and/or risk management; or
   d. The employee engaged in misconduct resulting in summary dismissal or a material breach of the Code of Conduct.

7. It is important to differentiate performance among employees in order to support a pay for performance culture. In general, employees with a higher performance rating should be given a relatively higher reward when compare to employees with a lower performance rating, and employees with unsatisfactory performance rating should not be given any reward.

8. Risk adjustment to the variable remuneration awarded to an individual employee will take any adverse performance in non-financial measures into account, and any adverse performance may result in a reduction or elimination of the variable remuneration awarded to an individual employee.

9. To avoid conflicts of interest, individual employees are not involved in the decision making process in respect of their own remuneration.

Senior Management and Individual Key Personnel

1. The determination of the remuneration package of Senior Management and Key Personnel is reviewed and approved independent of the local management. With respect to the determination of the annual variable remuneration for Senior Management and Key Personnel, the process begins at the Regional Office of Asia Pacific Region, which initially reviews and approves annual variable remuneration for all countries in the region.

2. The determination and approval of bonus pool size and the respective allocation to the regional products and

functions are conducted at the global level. In addition to financial performance, the pool calculations are based on a business scorecard approach which takes account of risk with increasing degrees of sophistication. Bonus pool amounts are reviewed and approved internally by the Global CEO and presented to the Personnel and Compensation Committee for final approval.

3. Once the pool allocations are released to the region, regional management (which is independent of local management) will review the annual variable remuneration of the Senior Management and Key Personnel. The review will focus on linking performance to variable compensation. These recommendations will be reviewed and approved by the regional CEO before submitting to the global head office for further review and approval.

4. At the global level, the annual variable remuneration for Senior Management and Key Personnel will be reviewed and approved by the respective global management before they are presented to the Personnel & Compensation Committee for final review.

5. The annual variable remuneration for Senior Management and Key Personnel who are identified as Covered Employees will be subjected to the Group's and the Bank's global policy on Covered Employees for determination of annual variable remuneration.

6. The ultimate approval of incentive pools will be by the Country Nomination and Compensation Committee of the Board of Directors before any compensation decisions are communicated to the employees.

Disclosure Requirement

Aggregated quantitative information on remuneration for Senior Management and Key Personnel, as well as key information on decision making process and plan characteristics of the remuneration system, as required under the local law shall also be disclosed to the public or to Bank Negara Malaysia ("BNM") as the case may be in a timely manner.

This information will be prepared for disclosure on an annual basis after the completion of the year-end process. Timeframe is usually around the end of the first quarter.

Annual Independent Self-Assessment

An annual independent self-assessment will be conducted by the Nominations and Compensation Committee of the Board of Directors to demonstrate that the Group and the Bank comply with BNM's Corporate Governance Guidelines. Such assessment is usually performed around the fourth quarter of the year.

Management Reports

The pre-set agenda, management reports and other ad hoc proposals or applications are circulated to the Directors prior to the actual Board and Board committee meetings.

This enables the Board of Directors to assess the overall performance of the Bank and make sound management decisions.

Management reports presented to the Board and Board committees include, among others, the following:

- Economic Updates
- Strategy and Business Plan
- Financial Performance
- Performance Scorecard
- Stress Scenarios and Stress Tests Results
- Internal Capital Adequacy Assessment Process (ICAAP)
- Outsourcing Framework, Annual Outsourcing Plan and updates
- Impact of COVID-19
- Credit Risk Management Report
- Liquidity & Market Risk Management Reports
- Operational Risk Update
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Ratings Statement

RAM Rating Services Berhad ("RAM") has, on 7 January 2021, reaffirmed the AAA/Stable/P1 financial institution ratings ("FIR") of Citibank Berhad.

The reaffirmation of Citibank Berhad's financial institution ratings incorporate its strategic importance to Citigroup Inc., and the expectation that support will be readily extended if required. The ratings also reflect the Bank's robust capitalisation and sturdy funding and liquidity profile, which have remained within our expectations. Meanwhile, the Bank's asset quality remained moderate given its sizeable unsecured consumer lending portfolio.

Bank Rating Symbols and Definitions:

AAA	A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term FIR assigned by RAM Ratings.
P1	A financial institution rated P1 has a strong capacity to meet its short-term financial obligations. This is the highest short-term FIR assigned by RAM Ratings.

Shariah Committee

Citibank Berhad's Shariah Committee is responsible for the provision of Shariah oversight in relation to Citibank Berhad's Islamic Banking business operations. The duties and responsibilities of the Shariah Committee are governed by the Shariah Governance Framework for Islamic Financial Institution as issued by the Bank Negara Malaysia ("BNM").

For the year 2020, the Shariah Committee convened 5 times. Additionally, individual Shariah Committee members have participated in various business discussions where Shariah advice was required prior to submission to the full Shariah Committee.

Citibank Berhad's Islamic Banking business operations were subjected to a full Shariah audit conducted jointly by Citibank Berhad's Internal Audit together with Citi's Global Islamic Control unit. The Shariah Committee reviewed the findings of the Shariah audit and was satisfied with the report and its findings.

Citibank Berhad's Shariah Committee included the following distinguished members:

Dr. Mat Noor Mat Zain (Chairman)

Dr. Mat Noor Mat Zain is Chairman of the Research Centre for Shariah, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia ("UKM").

His specialisation areas are in Fiqh Muamalat, Islamic Contract, and Islamic Family Law. He has extensive research experience in the area of Fiqh Muamalat and Islamic Finance such as Instruments of Islamic Hedging, The Development of Forward Sale-based Islamic Personal Financing Model, Term and Condition in Standard Form Contract. He teaches several courses related to Muamalah and Islamic Jurisprudence such as Fiqh Muamalat, Islamic Finance, and Principles of Islamic Jurisprudence.

He has presented many papers related to Islamic banking and finance at domestic and international level. He is a consultant for UKM Pakarunding, Shariah Committee for Pusat Zakat UKM and the Managing Director of the Journal of Contemporary Islamic Law published by Research Centre for Shari'ah, Faculty of Islamic Studies, UKM.

He holds a Bachelor of Shariah from the Islamic University of Medina, Saudi Arabia, a Master's Degree in Islamic Studies (Muamalah) from UKM and Ph.D. in the field of Islamic Contract from International Islamic University Malaysia ("IIUM").

Prof. Dr. Abdul Ghafar Ismail

He received his Doctorate in Economics from the University of Southampton in 1994. He is currently Professor of Islamic Financial Economics at Universiti Sains Islam Malaysia; Senate Member of Universiti Sains Islam Malaysia; Chairman of Organisation of Islamic Studies and Thoughts; and AmBank Group Resident Fellow, Perdana Leadership Foundation. He has served as Rector, Kolej Pengajian Islam Johor (2019-2020), a lecturer and professor at Universiti Kebangsaan Malaysia (1987-2016), Professor of Islamic financial economics at Universiti Islam Sultan Sharif Ali, Head of research, Islamic Development Bank Jeddah (2013-2017), and Islamic banking advisor to the IMF for Djibouti (2015) and Board Member of Yayasan Pembangunan Ekonomi Islam Malaysia from November 2018 to June 2020. He has also been a consultant for: Islamic Economics Master Plan for Indonesia; National Co-operative Policy for the Department of Cooperative Development; Microfinancing Action Plan for Economic Planning Division, Prime Minister's Department. He has also been a visiting guest at several institutions of higher learning - Taskent State Technical University, Islamic University Indonesia, Trisakti University, University of North Sumatra, Istanbul Sabahatin Zain University, and the Islamic Foundation of Lancaster.

His research in Islamic financial economics has been widely published in indexed and peer-reviewed journals. Among them are Sage Open, Journal of Business Ethics, the Review of Islamic Economics; Journal of Islamic Economics, Banking and Finance; Asian Economies; IIUM Journal of Economics and Management; Gadjah Mada International Journal of Business; Asian

Economic Review; Humanomics, International Journal of Social Economics; Savings and Development; Journal of Financial Services Marketing, Qualitative Research in Financial Markets, and Journal of Islamic Accounting and Business Research.

The book is also published by top publishers such as Palgrave, Springer, UKM Press and Cengage. Among his book titles are Zakat: Persyariatan, Perekonomian dan Perundangan; Money, Islamic Banks and Real Economy; Islamic Pawnbroking; Financial Inclusiveness of the Poor: Beyond Microfinance; Maqasid Al Shariah Based Index of Socio Economic Development; Financial Inclusion and Poverty Alleviation: Perspective from Islamic Institutions and Instruments; Regulation and Supervision of Islamic Microfinance; Case Studies in Islamic Banking and Finance; and Macroprudential Regulation and Policy for the Islamic Financial Industry; Taxation and Zakat of Islamic Financial Instruments, and Waqf and Socio Economic Development.

Dr. Nik Abdul Rahim bin Nik Abdul Ghani

Dr. Nik Abdul Rahim is a senior lecturer of Fiqh Muamalat at Research Centre for Shari'ah, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia ("UKM").

He regularly conducts lectures, researches and presents papers at seminars and conferences, both locally and internationally on the areas of Fiqh Muamalat and Usul Fiqh particularly those related to Islamic banking, Islamic insurance (Takaful) and current issues of Islamic transaction laws.

He is currently a member of the Hukum Syarak Consultative Committee, Office of Wilayah Persekutuan's Mufti. He is also a member of the Research Centre for Islamic Economics and Finance ("EKONIS") or formerly known as Islamic Economics and Finance Research Group. He is one of the members of the committee of Klinik Hukum Syarak and Guaman Syarie, Research Centre for Shari'ah, and also an expert consultant and speaker for Pusat Islam UKM and Unit Latihan UKM programmes related to Islamic Law.

He holds a Master's Degree in Shariah from UKM and a PhD in Islamic Finance from the International Centre for Education in Islamic Finance ("INCEIF").

Dr. Nik Abdul Rahim bin Nik Abdul Ghani has resigned from the Shariah Committee on 1 August 2020.

Customer Engagement and Service Delivery

Despite the pandemic, Citi took deliberate steps to deliver only the best for our clients. Execution of a comprehensive approach to address pressing customer pain-points proved valuable in managing customer expectations with keen insights gained on customer preferences across our product offerings, service fulfilment and channels of interactions. Client Obsession Week saw an expansion of proactive servicing capabilities and active engagement, generating more than 1,500 new ideas for a better Retail Banking and Cards usage experience. As a result, Citi Malaysia achieved a 33% reduction in client complaints during the financial year.

Citi's Senior Management team connected with clients through numerous Zoom video-conferencing calls. These calls provided feedback which helped prioritize initiatives, products and services to deliver better client value and banking needs. In an independent Financial Industry market research coordinated by The Association of Banks in Malaysia, Citi ranked in the top tier group for both the Client Satisfaction Index (CSAT) and Net Promoter Score (NPS). In a move to reinforce our customer centric culture within Citi, the Above and Beyond initiative for individual and team recognition was well received and instrumental in enhancing customer experience.

Corporate Citizenship at Citi

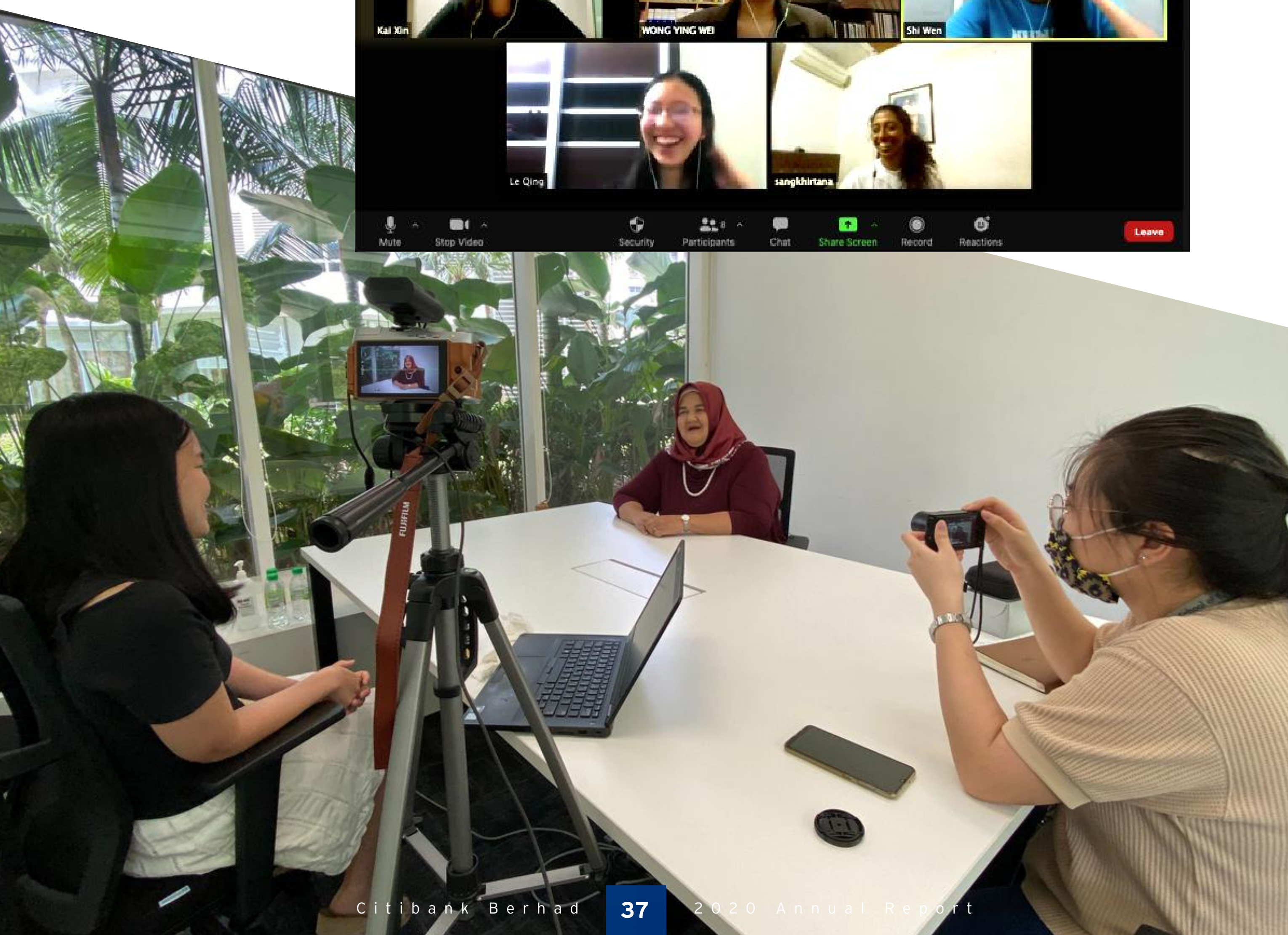
Citizenship is core to Citi and a responsibility shared by all of our businesses, clients, suppliers and communities. We continuously invest in initiatives that enhance financial inclusion, create job opportunities for youth and introduce new approaches to build and sustain vibrant cities.

In Malaysia, Citi has proactively embraced a "More than Philanthropy" approach to our strategic community initiatives. Our focus areas include Urban Transformation, Financial Inclusion and Youth Economic Opportunities.

In the area of Youth Entrepreneurship, Citi is in its second year of partnership with the **Asia School of Business** supporting The Rapid Youth Success Entrepreneurship (RYSE) Program to improve youth unemployment rates in urban Malaysia. Low income students from community colleges in the country are taught innovation and design thinking by the Asia School of Business team in addition to social entrepreneurship skills and e-commerce.

With the challenges of the COVID-19 pandemic, the team pivoted from its physical flagship programme to **RYSE Online 2020,** a series of online courses to equip Malaysian youth in starting their small businesses. The online series successfully reached 380 youth from all states in Malaysia. Three teams with the best business ideas were then incubated and received RM10,000 seed funding to kickstart their small business.

The Asia School of Business also introduced **Tauke Talks,** a series highlighting Malaysian entrepreneurs' journey to support upcoming small business owners in Malaysia. Tauke Talks aims to highlight stories of small local entrepreneurs and to motivate young Malaysians to start their own small businesses. A total of 43 local entrepreneurs from various industries were interviewed in this series and over 320 youth were positively impacted.



Over the last six years, Citi has partnered with **Think City,** a subsidiary of Khazanah Nasional Berhad. This community-based urban regeneration body seeks to create more sustainable and livable cities.

Think City's Culture Based Urban Regeneration Programme served as a platform to promote urban sustainability, best practices and diverse aspects of urban regeneration to achieve the United Nation's Sustainable Development Goals (SDGs). Initiatives under the Programme include the **Placemaker Week ASEAN,** a first in South East Asia that was held in Kuala Lumpur involving 379 participants from 22 countries. The conference advocated placemaking best practice to Malaysian local councils and developers.

Other projects include the **Heritage Symposium** comprising a series of webinars, courses and a symposium targeted to ASEAN residents below 30 years of age. The project aims to build capacity among young professionals in fields related to city-making, and provide practical solutions on heritage conservation in working towards the SDGs.

Additionally, Think City launched **ACTIVE KL,** a project targeted to PPR Kampung Baru Hicom, an urban poor community affected by the COVID-19 pandemic. The project aims to uplift the spirits of the community, build social cohesion among its residents and encourage the adoption of long-term health promoting activities and better well-being.

In light of the COVID-19 pandemic, Think City activated the COVID-19 response plan and partnered with four NGOs to provide food aid and supplies to urban poor communities, including migrant workers and B40 households impacted by COVID-19.

Global Community Day

The pandemic did not stop Citi from celebrating its annual Global Community Day. This year, more than 1,200 Citi Volunteers participated virtually in Malaysia. Volunteers managed to raise more than RM 125,000 and successfully completed 41 community projects, ranging from supporting local NGOs, environmental and green initiatives, supporting small local businesses and individual acts of kindness benefiting 17 charitable and non-governmental organizations.

Our journey in serving the communities has always been aligned to Citi's mission of enabling economic progress. Through Citi Foundation, we were able to positively impact communities through our projects in promoting more vibrant and sustainable living in cities, providing a brighter future for youth in low income families, empowering women and girls to build financially independent lives and encouraging the development of youth entrepreneurship in the country.

COVID-19 Initiatives

As the world came together to battle the challenges arising from the COVID-19 pandemic, Citi contributed by accelerating its community engagement initiatives in the country, supporting critical areas of need.

In April 2020, Citi Malaysia made a charitable contribution of **RM500,000 to The Edge COVID-19 pandemic funds,** giving RM250,000 each to The Edge COVID-19 Equipment Fund and The Edge COVID-19 Healthcare Workers Support Fund, respectively. The funds were used to purchase medical equipment as well as provide financial assistance to healthcare workers infected while caring for COVID-19 patients.

To help customers tide over financial difficulties during the COVID-19 pandemic, Citi Malaysia provided a slew of **financial relief measures** relevant to specific customer circumstances in line with the Bank Negara Malaysia (BNM) moratorium announcement. Individual and commercial banking SME customers had an automatic moratorium on loan/financing repayments and payments excluding credit card balances for a period of 6 months from 1 April 2020 to 30 September 2020.

Upon the end of the moratorium, Citi continued to assist customers with repayment plans and other arrangements according to their specific circumstances following the BNM announcement on measures to provide a targeted extension of the moratorium and repayment flexibility to individuals and SMEs who continue to be affected by COVID-19.

Citi Malaysia was also the first bank to offer a special compensation award of **RM1,000 for every employee** earning a base salary of RM60,000 and below per annum, recognizing the hardship these employees were likely to face during the COVID-19 pandemic and to help ease their financial burden.

As the health and safety of our employees are our top priority during this pandemic, Citi focused on advocating **Work From Home** for employees and also increased its technology support to enable close to 5,000 employees in Malaysia transition seamlessly from an office work environment to one of working from home. Citi's **technology network** has equipped even mission critical employees to work from home now. Citi's Markets team has achieved 100% readiness to work from home in the event of a crisis.

Following the BNM moratorium announcement in March 2020, the team from Operations and Technology for the consumer business worked from home and took just seven days to get Citi's system readiness in place. Analysis and building quick effective solutions were done in just under 96 hours. The team worked together with Citi's regional technology colleagues around the clock to find tactical solutions best suited to client needs.

Citi also implemented its **employee tracking system online** and through mobile phone to ensure employees' safety at all times.

Our People

In 2020, we continued our focus on identifying and developing a diverse pool of top talent for current and future leadership roles. High potential individuals with a history of high performance, potential and aspiration are periodically assessed to grow them into considerably more complex leadership positions.

The focus for learning and development in 2020 was on 'future-proofing' our workforce and enhancing managerial capability. As the world adapted to a remote working model in 2020, we re-designed our learning modules to virtual classrooms. With this is mind, we further leveraged on our online learning platform, Degreed - a platform that acts as a one-stop-shop for employees to access learning content and opportunities. Degreed allows employees to discover, share and track a broad and deep array of learning resources in the form of courses, videos, articles and more, while providing a social media like functionality that provides employees relevant and personalised recommendations from their peers. The fundamental philosophy behind Degreed is to enable employees to take charge of what and how they learn, at work and on the go.

Valuing Our People

Adopting one consistent approach to strengthening local leadership benches and country talent pipelines, the ASEAN Talent Development Program was introduced in 2020. This 10-month development program focuses on developing emerging and diverse country talent pool, building desired attributes and skills e.g. Executive Presence, Personal Branding, Strategic Networking, Digital Innovation and Client Centricity amongst others. Participants also received coaching by executive coaches and tailored individual career development throughout their journey on this program. 12 talents from Malaysia were selected to this pilot program.

We re-designed Citi's leadership programmes for delivery in a virtual classroom format with a focus on new managers, equipping them with the necessary leadership skills as they transition into people manager roles.

We also continued the process of supporting the Bank Negara Malaysia mandate to professionalise the Banking Industry via the Chartered Banker qualification, a globally recognised designation jointly conferred by the Asian Institute of Chartered Bankers and the Chartered Banker Institute in the United Kingdom. To-date, six Citibankers have successfully attained Chartered Banker certifications.

Relevant employees commenced specialist certifications in critical job functions such as Credit, Compliance, Risk Management, Audit, Anti Money Laundering and Counter Financing of Terrorism. 11 employees from across specialist functions completed their certifications since commencement in 2018, ensuring we maintain the momentum for us to achieve 100% completion of specialist certifications by end 2023.

Early investment in talent development is vital and Citi Malaysia is fully committed, more so now than ever, given the 'future of work' has been accelerated by the pandemic. Although 2020 was a year full of challenges and different expectations, Citi Malaysia continued to bring in fresh talent through our Summer Analyst and Full Time Graduate Programmes. The year saw us maximizing our technology capabilities whilst strengthening business/function in-specific programmes in Treasury & Trade Solutions, Markets & Securities Services, Global Consumer Banking & Consumer Operations with a combined total of 16 Analysts undergoing training to be ready as the next generation leaders. Citi Malaysia also hosted 11 Summer Analysts from various universities on a five-week internship, run virtually for the first time, to build pipeline for our Analyst programmes. We enhanced our university interaction model and virtually engaged with multiple local and foreign universities. We participated in the annual Graduan career fair in its first ever virtual format. Finally, we continued our commitment to upskill local talent, by engaging students from University of Malaya in a comprehensive curriculum-integrated case study competition.

As part of our commitment to gender diversity and recognising that a diverse workforce enhances our competitiveness as an organisation, Citi Malaysia nominated 14 of our female talent in the 2020 EDGE programme. This is a six-month programme designed to develop high performing female employees at Assistant Vice President level by building their leadership capabilities.

Five Malaysian participants were also selected for a six-month regional Asia Inspiring Women Leaders Programme, bringing together a select group of high performing Vice President level women employees, to be inspired and confidently lean into career growth and development.

Citi Malaysia's Women Network, the Diversity Advocates, hosted two health talks for employees in conjunction with Movember - men's cancer awareness month. The first was by Ms. Katyana Azman, Resident Child Psychologist who spoke on Mental Health and the second was by Dr. Ambikai Balan, Consultant Urologist, of Pantai Hospital Kuala Lumpur who gave a presentation on prostate health.

Citi Malaysia Generations Network hosted a 3-week virtual fitness challenge named "Mission It's Possible Challenge 2020" to encourage a healthy lifestyle amidst the pandemic lockdowns and further broadcasted an article on how different generations are dealing with COVID-19 to help our colleagues understand how the pandemic affects different generations. To enhance network members' knowledge on how to strengthen their immune system, a session on "Strengthening Your Immune System" hosted by Dr. Rajbans Singh was organized. In addition, the network also collaborated with Financial Industry Collective Outreach (FINCO) Malaysia to deliver a virtual Life Aspiration Workshop to high school students as part of FINCO's Mentoring program to provide youths from disadvantaged communities with the right motivation, network, and resources to achieve their life aspirations.

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Financial Statements

Directors' Report
for the year ended 31 December 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Bank for the financial year ended 31 December 2020.

Principal activities

The Bank is principally engaged in banking and related financial services that also include Islamic Banking business whilst the principal activities of the subsidiaries are stated in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Immediate and ultimate holding companies

The Bank's immediate holding company and ultimate holding company as regarded by the Directors during the financial year and until the date of this report are Citigroup Holding (Singapore) Pte. Ltd. and Citigroup Inc. respectively. Both are incorporated in Singapore and the United States of America respectively.

Subsidiaries

The details of the Bank's subsidiaries are disclosed in Note 11 to the financial statements.

Results

	Group and Bank RM'000
Profit before taxation	677,499
Tax expense	(148,298)
Profit for the year	529,201

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 394.4 sen per ordinary share totalling RM480,000,000 in respect of the financial year ended 31 December 2019 on 29 June 2020.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 31 December 2020 is 434.9 sen per ordinary share totalling RM529,200,616.

Bad and doubtful debts and financing

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of provisions for impaired debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for impaired debts and financing.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts and financing, or the amount of the provision for impaired debts and financing, in the financial statements of the Group and the Bank inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business, as shown in the accounting records of the Group and the Bank, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and the Bank misleading or inappropriate.

Contingent and other liabilities

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

(a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or

(b) any contingent liabilities in respect of the Group or the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

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

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, in the opinion of the Directors, likely to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting.

Directors of the Bank

Directors who served during the financial year until the date of this report are:

- Terence Kent Cuddyre
- Usman Ahmed (Appointed on 1 February 2021)
- Datuk Ali bin Abdul Kadir
- Philip Tan Puay Koon
- Datuk Bazlan bin Osman
- Mark Fordyce Hart (Appointed on 28 February 2020)
- Lee Lung Nien (Resigned on 31 August 2020)

Directors' interests in shares

The interests in the ordinary shares and options over shares of the Bank and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of USD1 each			
	At 1.1.2020	**Bought/ Vested**	**Sold**	**At 31.12.2020**
Shares in Citigroup Inc.				
Direct interests				
Terence Kent Cuddyre	1,791	-	-	1,791
Philip Tan Puay Koon	916	-	-	916
Mark Fordyce Hart	22,199*	-	-	22,199

	Number of ordinary shares of USD1 each			
	At 1.1.2020	**Granted**	**Vested**	**At 31.12.2020**
Capital Accumulation Programme/ Supplementary CAP/SEA in Citigroup Inc.				
Mark Fordyce Hart	4,150*	-	(3,020)	1,130

* on date of appointment on 28 February 2020

None of the other Directors holding office at 31 December 2020 had any interest in the ordinary shares and options over ordinary shares of the Bank and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate except for certain Directors who have participated in a discretionary incentive and retention award programme that provides the Directors (in their capacity as employees of Citigroup subsidiaries) with shares of Citigroup Inc.'s common stock in the form of restricted stock awards.

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 debentures issued 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.

Indemnity and insurance costs

During the financial year, the total amount of insurance cost effected for Directors and officers of the Bank is RM24,814.

There is no indemnity and insurance cost effected for auditors of the Bank.

Subsequent event

The event subsequent to the financial year end is disclosed in Note 11 and Note 35 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

Usman Ahmed
Director

Datuk Bazlan bin Osman
Director

Kuala Lumpur

Date: 28 May 2021

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 53 to 146 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

Usman Ahmed
Director

Datuk Bazlan bin Osman
Director

Kuala Lumpur

Date: 28 May 2021

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tang Wan Chee**, the officer primarily responsible for the financial management of Citibank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Tang Wan Chee, NRIC: 640901-10-7346, MIA CA12894, at Kuala Lumpur in the Federal Territory on 28 May 2021.

Tang Wan Chee

Before me:

Commissioner for Oaths

Shariah Committee's Report

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

We, members of Citibank Berhad's Shariah Committee hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by Citibank Berhad's Islamic Banking division during the financial year ended 31 December 2020.

We have also conducted our review to form an opinion as to whether Citibank Berhad's Islamic Banking division has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah resolutions decided by us.

The management of Citibank Berhad's Islamic Banking division is responsible for ensuring that the Citibank Berhad's Islamic Banking division conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Citibank Berhad's Islamic Banking division, and to report to you.

We have assessed the work carried out by Shariah Control Officer and internal Shariah audit which included, but not limited to, examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Citibank Berhad's Islamic Banking division.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Citibank Berhad's Islamic Banking division has not violated the Shariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by the Citibank Berhad's Islamic Banking division during the year ended 31 December 2020 that we have reviewed are in compliance with the Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles; and

3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes.

We, the members of Citibank Berhad's Shariah Committee, do hereby confirm that we have no personal interest in any dealings or transactions approved by Citbank Berhad and the operations of the Citibank Berhad's Islamic Banking division for the year ended 31 December 2020 have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to grant us success and lead us on the right path.

Wassalamu Alaikum Wa Rahmatullahi Wa Barakatuh.

Dr. Mat Noor Mat Zain
Chairman of the Shariah Committee

Prof. Dr. Abdul Ghafar Ismail
Member of the Shariah Committee

Kuala Lumpur

Date: 28 May 2021

Independent Auditors' Report

to the members of Citibank Berhad
and its subsidiaries

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Citibank Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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 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.

Our opinion on the financial statements of the Group and of the Bank does not cover the annual report 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 annual report and, in doing so, consider whether the annual report 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, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements
The Directors of the Bank are responsible for the preparation of 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 ability of the Group and of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a

high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 internal control of the Group and of the Bank.

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foo Siak Chung
Approval Number: 03184/02/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 28 May 2021

Statements of Financial Position

as at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Assets					
Cash and short term funds	3	10,623,810	6,240,224	10,623,790	6,240,204
Deposits and placements with banks and other financial institutions	4	210,519	658,761	210,519	658,761
Securities purchased under resale agreements		256,391	447,460	256,391	447,460
Investment securities	5	8,131,303	4,949,285	8,131,303	4,949,285
Loans, advances and financing	6	19,235,721	23,203,971	19,235,721	23,203,971
Other assets	8	1,841,429	1,206,850	1,841,429	1,206,850
Statutory deposits with Bank Negara Malaysia	9	84,153	300,043	84,153	300,043
Deferred tax assets	10	98,498	69,730	98,498	69,730
Investments in subsidiaries	11	-	-	20	20
Plant and equipment	12	141,126	150,278	141,126	150,278
Total assets		40,622,950	37,226,602	40,622,950	37,226,602
Liabilities					
Deposits from customers	13	26,397,880	25,269,350	26,397,880	25,269,350
Deposits and placements of banks and other financial institutions	14	6,478,458	4,944,413	6,478,458	4,944,413
Other liabilities	15	2,571,412	1,901,889	2,571,412	1,901,889
Provision for taxation		8,796	241	8,796	241
Total liabilities		35,456,546	32,115,893	35,456,546	32,115,893
Equity					
Share capital	16	502,000	502,000	502,000	502,000
Reserves	17	4,664,404	4,608,709	4,664,404	4,608,709
Total equity attributable to owner of the Bank		5,166,404	5,110,709	5,166,404	5,110,709
Total liabilities and equity		40,622,950	37,226,602	40,622,950	37,226,602
Commitments and contingencies	34	214,097,057	224,446,875	214,097,057	224,446,875

The notes on pages 58 to 146 are an integral part of these financial statements.

Statements of Profit or Loss

and other comprehensive income
as at 31 December 2020

	Note	Group and Bank 2020 RM'000	2019 RM'000
Revenue	2(b)	2,172,888	2,601,496
Interest income	19	1,350,834	1,663,638
Interest expense	20	(314,882)	(512,418)
Net interest income		1,035,952	1,151,220
Net income from Islamic Banking operations	36(n)	70,513	124,339
Other operating income	21	751,541	813,519
Total net income		1,858,006	2,089,078
Other operating expenses	22	(878,213)	(926,340)
Operating profit		979,793	1,162,738
Allowance for loans, advances and financing	23	(295,624)	(57,710)
Allowance for other assets		(6,670)	(7,062)
Profit before taxation		677,499	1,097,966
Tax expense	24	(148,298)	(296,654)
Profit for the year		529,201	801,312
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Investment securities			
- Net change in fair value		6,429	30,654
- Net transfer to profit or loss		65	179
Total other comprehensive income for the year		6,494	30,833
Total comprehensive income for the year		535,695	832,145
Profit for the year attributable to:			
Owner of the Bank		529,201	801,312
Total comprehensive income attributable to:			
Owner of the Bank		535,695	832,145
Earnings per share - basic (sen)	25	434.9	658.4

The notes on pages 58 to 146 are an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended
31 December 2020

Group and Bank	Note	Share capital RM'000	Other reserve RM'000	Retained profits RM'000	Total reserves RM'000	Total RM'000
		← Attributable to owner of the Bank →				
		Non-distributable		*Distributable*		
At 1 January 2019		502,000	(23,029)	4,587,247	4,564,218	5,066,218
Fair value reserve on investment securities:						
- Net change in fair value		-	30,654	-	30,654	30,654
- Net change transferred to profit or loss		-	179	-	179	179
Total other comprehensive income for the year		-	30,833	-	30,833	30,833
Profit for the year		-	-	801,312	801,312	801,312
Total comprehensive income for the year		-	30,833	801,312	832,145	832,145
Dividends to owner of the Bank	26	-	-	(787,654)	(787,654)	(787,654)
Total contribution to owner		-	-	(787,654)	(787,654)	(787,654)
At 31 December 2019		502,000	7,804	4,600,905	4,608,709	5,110,709
		Note 16			Note 17	

Group and Bank	Note	Share capital RM'000	Other reserve RM'000	Retained profits RM'000	Total reserves RM'000	Total RM'000
		← Attributable to owner of the Bank →				
		Non-distributable		*Distributable*		
At 1 January 2020		502,000	7,804	4,600,905	4,608,709	5,110,709
Fair value reserve on investment securities:						
- Net change in fair value		-	6,429	-	6,429	6,429
- Net change transferred to profit or loss		-	65	-	65	65
Total other comprehensive income for the year		-	6,494	-	6,494	6,494
Profit for the year		-	-	529,201	529,201	529,201
Total comprehensive income for the year		-	6,494	529,201	535,695	535,695
Dividends to owner of the Bank	26	-	-	(480,000)	(480,000)	(480,000)
Total contribution to owner		-	-	(480,000)	(480,000)	(480,000)
At 31 December 2020		502,000	14,298	4,650,106	4,664,404	5,166,404
		Note 16			Note 17	

The notes on pages 58 to 146 are an integral part of these financial statements.

Statements of Cash Flows

for the financial 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 before taxation	677,499	1,097,966	677,499	1,097,966
Adjustments for:				
Amortisation of premium less accretion of discount of investment securities	67,801	74,378	67,801	74,378
Allowance for loans, advances and financing	295,624	57,710	295,624	57,710
Allowance for other assets	6,670	7,062	6,670	7,062
Depreciation of plant and equipment	14,751	18,401	14,751	18,401
Depreciation of right-of-use assets	14,279	21,883	14,279	21,883
Unrealised gain from revaluation of investment securities at FVTPL – debt instruments	(6)	(1,097)	(6)	(1,097)
Gross dividends from investment securities	(228)	(2)	(228)	(2)
Gain from sales of investment securities at FVOCI	(83,299)	(29,222)	(83,299)	(29,222)
Loss on revaluation of investment securities at FVTPL – equity instruments	3,108	2,234	3,108	2,234
Loss/(Gain) on revaluation of loans, advances and financing at FVTPL	37,152	(5,289)	37,152	(5,289)
Plant and equipment written off	326	669	326	669
Share-based compensation	375	368	375	368
Operating profit before working capital changes	1,034,052	1,245,061	1,034,052	1,245,061
Changes in working capital:				
Deposits and placements with banks and other financial institutions	448,242	337,475	448,242	337,475
Securities purchased under resale agreements	191,069	(325,021)	191,069	(325,021)
Investment securities at FVTPL	(739,489)	1,542,195	(739,489)	1,542,195
Loans, advances and financing	3,635,474	675,702	3,635,474	675,702
Other assets	(599,348)	(168,285)	(599,348)	(168,285)
Statutory deposits with Bank Negara Malaysia	215,890	100,481	215,890	100,481
Deposits from customers	1,128,530	(1,138,974)	1,128,530	(1,138,974)
Deposits and placements of banks and other financial institutions	1,534,045	(373,446)	1,534,045	(373,446)
Other liabilities	678,121	132,471	678,121	132,471
Cash generated from operating activities	7,526,586	2,027,659	7,526,586	2,027,659
Income taxes paid	(169,596)	(345,474)	(169,596)	(345,474)
Net cash generated from operating activities	7,356,990	1,682,185	7,356,990	1,682,185

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from investing activities				
Dividend from investment securities at FVOCI	228	2	228	2
Purchase of plant and equipment	(20,204)	(63,349)	(20,204)	(63,349)
Purchase of investment securities at FVOCI	(17,698,730)	(14,592,166)	(17,698,730)	(14,592,166)
Redemption of investment securities at FVOCI	3,494,496	534,011	3,494,496	534,011
Proceeds from disposal of investment securities at FVOCI	11,746,592	16,502,323	11,746,592	16,502,323
Net cash (used in)/generated from investing activities	(2,477,618)	2,380,821	(2,477,618)	2,380,821
Cash flows from financing activities				
Dividends paid to owner	(480,000)	(787,654)	(480,000)	(787,654)
Payment of lease liabilities	(15,786)	(22,509)	(15,786)	(22,509)
Net cash used in financing activities	(495,786)	(810,163)	(495,786)	(810,163)
Net increase in cash and short term funds	4,383,586	3,252,843	4,383,586	3,252,843
Cash and short term funds at 1 January	6,240,224	2,987,381	6,240,204	2,987,361
Cash and short term funds at 31 December (Note 3)	10,623,810	6,240,224	10,623,790	6,240,204
Cash outflows for leases as a lessee				
Included in net cash from operating activities:				
Interest paid in relation to lease liabilities	(2,583)	(882)	(2,583)	(882)
Included in net cash from financing activities:				
Payment of lease liabilities	(15,786)	(22,509)	(15,786)	(22,509)
Total cash outflows for leases	(18,369)	(23,391)	(18,369)	(23,391)

The notes on pages 58 to 146 are an integral part of these financial statements.

Notes to the Financial Statements

Citibank Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office are as follows:

Principal place of business
45th Floor, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

Registered office
44th Floor, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Bank as at and for the year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Bank is principally engaged in banking and related financial services that also include Islamic Banking business whilst the principal activities of the subsidiaries are as stated in Note 11 to the financial statements.

The immediate holding company is Citigroup Holding (Singapore) Pte. Ltd., a company incorporated in Singapore and the ultimate holding company is Citigroup Inc., a company incorporated in the United States of America.

The financial statements were authorised for issue by the Board of Directors on 28 May 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements also incorporate those activities relating to Islamic Banking which have been undertaken by the Bank. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, Leases – *Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021;
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and,
- from the annual period beginning on 1 January 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023.

The Group and the Bank does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2023 as this is not applicable to the Group and the Bank.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impact to the current period and prior period financial statements to the Group and the Bank.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than those disclosed in Note 2.

(c) Functional and presentation of currencies

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Bank's functional currencies. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(f)(vi) - Fair value estimation for financial assets and liabilities

  The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy in Note 2(f)(vi).
- Note 2(g)(i) - Impairment of financial assets
- Note 12 - Extension options and incremental borrowing rate in relation to leases.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group and the Bank.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees, including unincorporated entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Bank also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Revenue

Revenue comprises of gross interest income, other income derived from banking operations and net income from Islamic Banking operations.

(c) Interest and financing income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs include incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statements of profit or loss and other comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis; and

- Interest on investment securities on an effective interest rate basis.

(d) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see Note 2(c)).

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period. When it is probable that a loan commitment will result in a specific lending arrangement, commitment fees are included in the measurement of the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Group's and the Bank's financial statements may be partially in the scope of MFRS 9 and partially in the scope of MFRS 15. If this is the case, then the Group and the Bank first apply MFRS 9 to separate and measure the part of the contract that is in the scope of MFRS 9 and then apply MFRS 15 to the residual.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

2. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(i) Recognition and initial measurement (continued)

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

Financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income ("FVOCI") - debt investment; FVOCI - equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group or the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest.

These assets are subsequently measured at amortised cost using effective interest rate method. These assets are stated net of unearned income and any impairment loss.

(b) Financial assets measured at FVOCI

FVOCI – debt investments

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss.

On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

FVOCI – equity investments

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for dividends that are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss.

2. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(c) Financial assets measured at FVTPL

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Bank have a legal right to set off the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting

2. Significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(v) Offsetting (continued)

standards, or for gains and losses arising from a group of similar transactions such as in the Group's and the Bank's trading activity.

(vi) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use that asset in its highest and best use.

The determination of fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotation, for financial instruments traded in active markets without any deduction for transaction cost. The Group and the Bank also use widely recognised valuation models for determining the fair value of common and simpler financial instruments such as options, interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

The Group and the Bank use valuation techniques to determine the fair value of financial assets and liabilities where quoted prices in an active market are not available. The valuation techniques used for different financial instruments are selected to reflect how the market would be expected to price the instruments, using inputs that reasonably reflect risk-return factors inherent in the instruments. Depending upon the characteristics of the financial instruments, observable market factors are available for use in most valuations, while other valuations may involve a greater degree of judgement and estimation.

The value produced by a model or other valuation techniques is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statements of financial position.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Bank can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(g) Impairment

(i) Financial assets

Impairment of financial assets

The Group and the Bank recognise loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost, contract assets and debt investments measured at FVOCI, but not to investments in equity instruments.

Under MFRS 9, credit loss allowances will be measured on each reporting date according to a three-stage expected credit loss impairment model under which each financial asset is classified in one of the stages below. The internal credit risk grading system ("ORR") and external risk rating are used to assess deterioration in credit quality of a financial asset. There is an established Credit Rating mapping framework that enables accurate risk rating reporting across portfolio reports used by credit risk management. The assessment of whether credit risk has increased/decreased significantly since initial recognition is

2. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group and the Bank assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due.

(i) Stage 1: 12-months ECL

From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults expected over the next 12 months. These are obligors which have not shown a significant deterioration in their ORR. Generally, performing financial assets (<30 days past due) are classified in this stage.

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

Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognised equal to the full credit losses expected over the remaining life of the asset. These are obligors rated ORR 7 and those where there is a significant deterioration in ORR. Generally, underperforming financial assets (30-89 days past due and credit quality deteriorated with significant increase in credit risk compared to Stage 1) are classified under this stage.

(iii) Stage 3: Lifetime ECL – credit-impaired

When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognised. These are generally obligors rated ORR 9 or 10. Generally, non-performing financial assets (>90 days past due) are considered to be credit-impaired account.

Measurement of ECL

The concept and estimation of ECL is based on the likelihood and severity of credit events and their impact on cash shortfalls, which comprises the Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD"), and discount rate using Effective Interest Rate ("EIR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contractual cash flows and the cash flows that the Group and the Bank expect to receive. As expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. For a financial asset in Stage 1, the Group and the Bank will utilise a 12-months PD, whereas a financial asset within Stage 2 and Stage 3 will utilise a lifetime PD in order to estimate an impairment allowance.

The Group and the Bank measured the ECL measurement for retail products under Stage 1 by estimating the 12-months forward looking loss rate. For financial assets within Stage 2 and Stage 3, the Group and the Bank measure the impairment allowance after taking into consideration of recoveries.

Credit-impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost and debt securities measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or past due event;
- the restructuring of a loan or advance by the Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Under the revised policy issued by BNM on Financial Reporting, if the repayment conduct of the loan is past due for more than 90 days or 3 months of either principal, interest or both, the loan shall be classified as impaired. The Group and the Bank apply this policy in addition to the above when determining if a loan is impaired.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets (continued)

Presentation of allowance for ECL in the statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, no loss allowance is recognised in the statements of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in profit or loss.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

For wholesale, loans are written-off after all legal avenues for recovery have been fully exhausted, i.e. litigation completed against both the borrower and guarantor/s if any (foreclosure, winding-up, liquidation and/or bankruptcy as the case may be).

For secured loans, they are generally written-off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisation value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

For credit cards, the balances and related allowance for credit losses are generally written-off when payment is 180 days past due. Personal loans are generally written-off at 120 days past due.

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets and assets arising from employee benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the unit (or a group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Repurchase and resale agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the

2. Significant accounting policies (continued)

(h) Repurchase and resale agreements (continued)

Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities in its entirety are reflected as a liability on the statements of financial position. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the statements of financial position.

(i) Cash and short term funds

Cash and short term funds consist of cash and bank balances and short term funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, with original maturity within one month.

Cash and short term funds are measured at amortised cost in the statements of financial position in accordance to the accounting policy stated in Note 2(f)(ii)(a).

(j) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The cost of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

• building improvements	8 years - 14 years
• furniture and equipment	2 years - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(k) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined,

2. Significant accounting policies (continued)

(k) Leases (continued)

(i) Definition of a lease (continued)

the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank are a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Group and the Bank recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Bank are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Bank are reasonably certain not to terminate early.

The Group and the Bank exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities from short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Bank change their assessment of whether they will exercise purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset, has been reduced to zero.

2. Significant accounting policies (continued)

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

(m) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Group and the Bank at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated into the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

(n) Income tax
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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 employee and the obligation can be estimated reliably.

The Group and the Bank contribute to the Employees' Provident Fund ("EPF") for eligible employees on a monthly basis. Obligations for contributions to EPF are recognised as an expense in profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

(ii) Share-based compensation
The Group and the Bank participate in equity-settled and cash-settled share-based compensation plan for the employees that is offered by the ultimate holding company, Citigroup Inc.. The fair value of the services received in exchange for the grant of the options is recognised as an expense in profit or loss over the vesting periods of the grant.

2. Significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) Share-based compensation (continued)

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group and the Bank revise their estimates of the number of options that are expected to vest and recognise the impact of the revision of original estimates, if any, in profit or loss.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group and the Bank have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) Deposits from customers and deposits and placements of banks and financial institutions

Deposits from customers are stated at placement values and adjusted for accrued interest. Deposits and placements of banks and financial institutions are stated at placement values.

3. Cash and short term funds

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	41,796	43,962	41,776	43,942
Money at call and deposit placements maturing within one month	10,582,014	6,196,262	10,582,014	6,196,262
	10,623,810	6,240,224	10,623,790	6,240,204

4. Deposits and placements with banks and other financial institutions

	Group and Bank	
	2020 RM'000	2019 RM'000
Licensed banks	210,519	658,761

5. Investment securities

(i) By measurement

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Investment securities measured at FVTPL		
- Debt instruments	1,330,710	591,215
- Equity instruments	7,691	10,799
Investment securities measured at FVOCI		
- Debt instruments	6,792,902	4,347,271
	8,131,303	4,949,285

(ii) By type

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Malaysian Government Treasury Bills	690,369	55,721
Malaysian Government Securities	2,496,830	1,678,342
Malaysian Government Investment Issues	4,375,891	3,041,445
U.S. Treasury Notes	560,522	162,978
Unquoted securities	7,691	10,799
	8,131,303	4,949,285

6. Loans, advances and financing

(i) By measurement

		Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Loans, advances and financing measured at amortised cost		19,851,685	23,429,373
Loans, advances and financing measured at FVTPL		-	174,932
Gross loans, advances and financing		19,851,685	23,604,305
Less: Loss allowance	Note (7)(iv)	(615,964)	(400,334)
Net loans, advances and financing		19,235,721	23,203,971

6. Loans, advances and financing (continued)

(ii) By type

		Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Overdrafts		365,653	419,646
Term loans/financing			
- Housing loans/financing		8,819,824	9,403,647
- Other term loans/financing		1,969,722	2,496,935
Bills receivable		762,599	824,128
Trust receipts		133,756	224,977
Claims on customers under acceptance credits		342,705	517,015
Staff loans		28,514	32,298
Share margin financing		-	82,026
Credit cards receivables		5,332,754	6,318,029
Revolving credit		2,103,662	3,296,506
		19,859,189	23,615,207
Unearned interest and income		(7,504)	(10,902)
Gross loans, advances and financing		19,851,685	23,604,305
Less: Loss allowance	Note (7)(iv)	(615,964)	(400,334)
Net loans, advances and financing		19,235,721	23,203,971

(iii) By type of customer

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Domestic non-bank financial institutions		
- Others	642,333	606,569
Domestic business enterprises		
- Small and medium enterprises	250,306	321,573
- Other	3,087,709	5,393,939
Individuals	14,773,623	16,264,933
Foreign entities	1,097,714	1,017,291
	19,851,685	23,604,305

6. Loans, advances and financing (continued)

(iv) By interest/profit rate sensitivity

	Group and Bank	
	2020 RM'000	2019 RM'000
Fixed rate		
- Housing loans/financing	383,740	381,669
- Other fixed rate loans/financing	9,342,112	11,387,870
Variable rate		
- Base rate/Base Lending Rate plus	8,776,961	9,528,781
- Cost plus	1,348,872	2,305,985
	19,851,685	23,604,305

(v) By sector

	Group and Bank	
	2020 RM'000	2019 RM'000
Primary agriculture	2,536	2,754
Mining and quarrying	37,892	42,012
Manufacturing (including agriculture based)	2,151,190	2,757,235
Electricity, gas and water	405	596
Construction	13,758	104,689
Wholesale, retail trade, restaurants and hotels	610,652	1,021,505
Transport, storage and communication	136,239	577,551
Finance, insurance, real estate and business services	1,283,128	1,735,468
Social and community services	10,730	13,578
Household		
- Consumption credit	6,517,190	7,349,347
- Residential	8,173,550	8,744,192
- Purchase of securities	-	82,025
- Others	82,883	89,369
Other sectors	831,532	1,083,984
	19,851,685	23,604,305

6. Loans, advances and financing (continued)

(vi) Residual contractual maturity

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Maturing within one year	9,407,000	12,594,330
One to five years	1,318,810	1,279,616
Over five years	9,125,875	9,730,359
	19,851,685	23,604,305

(vii) By geographical distribution

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Within Malaysia	19,851,685	23,604,305

7. Impaired loans, advances and financing

(i) Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	2020 RM'000	2019 RM'000
At 1 January	212,013	220,517
Classified as impaired during the year	367,651	517,960
Reclassified as performing during the year	(210,605)	(296,359)
Amount recovered	(25,336)	(38,265)
Amount written off	(113,434)	(144,796)
Others	(30,324)	(47,044)
At 31 December	199,965	212,013
Lifetime ECL credit impairment	(89,428)	(47,190)
Net impaired loans, advances and financing	110,537	164,823
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less lifetime ECL credit impairment	0.56%	0.70%

(ii) Impaired loans, advances and financing by sector

	Group and Bank	
	2020 RM'000	2019 RM'000
Manufacturing (including agriculture based)	7,760	9,342
Construction	-	469
Wholesale, retail trade, restaurants and hotels	7,340	11,711
Transport, storage and communication	12	276
Finance, insurance, real estate and business services	158	1,685
Household		
- Consumption credit	45,253	46,603
- Residential	137,811	133,456
Other sectors	1,631	8,471
	199,965	212,013

7. Impaired loans, advances and financing (continued)

(iii) Impaired loans, advances and financing by geographical distribution

	Group and Bank 2020 RM'000	2019 RM'000
Within Malaysia	199,965	212,013

(iv) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Group and Bank	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020				
At 1 January	71,850	281,294	47,190	400,334
Transfer to 12-months ECL	642,249	(612,443)	(29,806)	-
Transfer to lifetime ECL not credit impaired	(14,657)	32,185	(17,528)	-
Transfer to lifetime ECL credit impaired	(7)	(131,869)	131,876	-
Less: Loans/financing derecognised during the year (other than write-offs)	(22,959)	(25,871)	(16,194)	(65,024)
New loans/financing originated or purchased	28,552	25,244	14,911	68,707
Net remeasurement of loss allowance	(630,162)	711,060	45	80,943
Modifications to contractual cash flows of financial assets	-	91,933	5,047	96,980
Less: Write-offs	49	(1,637)	(75,274)	(76,862)
Others	(1,462)	83,187	29,161	110,886
At 31 December	73,453	453,083	89,428	615,964

7. Impaired loans, advances and financing (continued)

(iv) Loss allowance (continued)

Group and Bank	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2019				
At 1 January	80,774	298,677	48,650	428,101
Transfer to 12-months ECL	887,412	(840,478)	(46,934)	-
Transfer to lifetime ECL not credit impaired	(10,530)	28,936	(18,406)	-
Transfer to lifetime ECL credit impaired	(19)	(143,352)	143,371	-
Less: Loans/financing derecognised during the year (other than write-offs)	(9,529)	(1,309)	(3,376)	(14,214)
New loans/financing originated or purchased	16,089	4,331	4,295	24,715
Net remeasurement of loss allowance	(876,195)	906,911	8,022	38,738
Modifications to contractual cash flows of financial assets	-	79,055	13,278	92,333
Changes in models/risk parameters	-	(49,834)	(30,625)	(80,459)
Less: Write-offs	(57)	(2,406)	(93,791)	(96,254)
Others	(16,095)	763	22,706	7,374
At 31 December	71,850	281,294	47,190	400,334

8. Other assets

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Interest/Profit receivable	96,349	78,495
Other debtors, deposits and prepayments	886,617	473,292
Derivative assets (Note 29)	859,558	655,870
	1,842,524	1,207,657
Less: Loss allowance	(1,095)	(807)
	1,841,429	1,206,850

9. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") to satisfy the Statutory Reserve Requirement ("SRR") as per Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of which is determined as a set percentage of total eligible liabilities.

Effective 20 March 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021. Subsequently, BNM had made an announcement on 20 January 2021 that the flexibility is extended until 31 December 2022. As at 31 December 2020, RM140 million of MGS has been recognised as part of SRR compliance.

10. Deferred tax assets

Recognised deferred tax assets/(liabilities) are attributable to the following:

Group and Bank	Plant and equipment-Capital allowances RM'000	Right-of-use assets RM'000	Provisions RM'000	Reserves-Investment securities RM'000	Lease liabilities RM'000	Loss allowance RM'000	Total RM'000
At 1 January 2019	(2,370)	19,887	78,726	7,650	(19,887)	55,227	139,233
Recognised in profit or loss (Note 24)	4,599	6,591	(13,867)	(815)	(6,651)	(3,915)	(14,058)
Recognised in other comprehensive income	-	-	-	(9,464)	-	-	(9,464)
Reclassification to other assets	-	-	(45,981)	-	-	-	(45,981)
At 31 December 2019/1 January 2020	2,229	26,478	18,878	(2,629)	(26,538)	51,312	69,730
Recognised in profit or loss (Note 24)	(3,668)	(50,230)	10,392	-	50,607	22,751	29,852
Recognised in other comprehensive income	-	-	-	(1,084)	-	-	(1,084)
At 31 December 2020	(1,439)	(23,752)	29,270	(3,713)	24,069	74,063	98,498

Deferred tax assets and liabilities are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities.

11. Investments in subsidiaries

	Bank 2020 RM'000	Bank 2019 RM'000
Unquoted shares at cost – in Malaysia	20	20

Details of the wholly owned subsidiaries are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest 2020 %	Effective ownership interest 2019 %
Citigroup Nominee (Malaysia) Sdn. Bhd.	Nominee company	Malaysia	100	100
Citigroup Nominees (Tempatan) Sdn. Bhd.*	Nominee company	Malaysia	100	100
Citigroup Nominees (Asing) Sdn. Bhd.*	Nominee company	Malaysia	100	100

* Wholly owned by Citigroup Nominee (Malaysia) Sdn. Bhd.

All income and expenditure arising from the activities of the subsidiaries have been recognised in the Bank's statement of profit or loss and other comprehensive income.

The subsidiaries are audited by KPMG PLT.

Subsequent to the financial year end, on 2 February 2021, the Bank, being the holding company of Citigroup Nominee (Malaysia) Sdn. Bhd. ("the Company") had resolved that the Company be wound up by way of Members' Voluntary Winding-Up, pursuant to Section 432(2)(a) of the Companies Act, 2016.

The Bank will enter into an agreement to receive the surplus assets of the Company, the entire shareholding in its two wholly-owned subsidiaries, namely Citigroup Nominees (Tempatan) Sdn. Bhd. and Citigroup Nominees (Asing) Sdn. Bhd, and the Bank will become the immediate holding company of these two subsidiaries upon the completion of the agreement.

12. Plant and equipment

Group and Bank	Building improvements RM'000	Right-of-use assets RM'000	Furniture and equipment RM'000	Total RM'000
Cost				
At 1 January 2019	105,412	82,863	216,552	404,827
Additions	412	49,346	13,591	63,349
Write-offs	(3,214)	-	(7,415)	(10,629)
At 31 December 2019/1 January 2020	102,610	132,209	222,728	457,547
Additions	7,409	2,918	9,877	20,204
Write-offs	(981)	-	(63,532)	(64,513)
At 31 December 2020	109,038	135,127	169,073	413,238
Accumulated depreciation				
At 1 January 2019	95,890	-	181,055	276,945
Charge for the year	3,774	21,883	14,627	40,284
Write-offs	(2,978)	-	(6,982)	(9,960)
At 31 December 2019/1 January 2020	96,686	21,883	188,700	307,269
Charge for the year	2,591	14,279	12,160	29,030
Write-offs	(764)	-	(63,423)	(64,187)
At 31 December 2020	98,513	36,162	137,437	272,112
Carrying amounts				
At 1 January 2019	9,522	82,863	35,497	127,882
At 31 December 2019/1 January 2020	5,924	110,326	34,028	150,278
At 31 December 2020	10,525	98,965	31,636	141,126

12. Plant and equipment (continued)

Right-of-use assets

The carrying amounts of the right-of-use assets comprise office buildings of RM98.9 million (2019: RM109.9 million) and vehicles of RM0.1 million (2019: RM0.4 million).

Extension options

Some leases of office premises contain extension options exercisable by the Group and the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Group and the Bank seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and the Bank and not by the lessors. The Group and the Bank assess at lease commencement date whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Significant judgements and assumptions in relation to leases

The Group and the Bank assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Bank also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

13. Deposits from customers

(i) By type of deposits

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Demand deposits	18,495,649	16,578,473
Saving deposits	1,788,483	1,470,784
Fixed deposits	6,113,748	7,219,762
Others - cash collateral	-	331
	26,397,880	25,269,350

(ii) Maturity structure of fixed deposits are as follows:

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Due within six months	5,132,968	5,725,475
Six months to one year	977,011	1,493,917
One year to five years	3,769	370
	6,113,748	7,219,762

(iii) By type of customer

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Government and statutory bodies	1,493,651	1,136,157
Business enterprises	14,711,776	13,953,049
Individuals	10,149,470	10,145,245
Others	42,983	34,899
	26,397,880	25,269,350

14. Deposits and placements of banks and other financial institutions

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Bank Negara Malaysia	23,772	47,900
Licensed banks	4,086,040	2,544,380
Licensed financial institutions	2,368,646	2,352,133
	6,478,458	4,944,413

15. Other liabilities

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Interest/Profit payable	26,407	40,250
Other creditors and accruals	1,444,952	1,032,413
Structured products	73,743	54,729
Provision for commitments and contingencies	16,215	9,468
Derivative liabilities (Note 29)	909,805	654,454
Lease liabilities	100,290	110,575
	2,571,412	1,901,889

16. Share capital

	Group and Bank			
	Amount 2020 RM'000	Number of shares 2020 '000	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	502,000	121,697	502,000	121,697

17. Reserves

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Retained profits	4,650,106	4,600,905
Other reserve		
- Fair value reserve	14,298	7,804
Total reserves	4,664,404	4,608,709

The fair value reserve is in respect of unrealised fair value gains and losses on investment securities at fair value through other comprehensive income.

18. Employee benefits

Share capital accumulation plan (CAP)

The Group and the Bank have a number of capital accumulation programmes for the officers and employees. The Core CAP is a discretionary award of restricted shares. The number of CAP shares in a Core CAP award is calculated using a 25% discount from the market price of Citigroup common stock. Supplemental CAP is a discretionary retention award programme composed of an award of CAP shares. The difference between Supplemental CAP award and a Core CAP award is that generally, a Supplementary CAP is given in addition to the discretionary award package and the number of shares awarded will not be based on a discount from the market price of Citigroup common stock. CAP granted in 2020 typically vest 25% each year for four years, with the first vesting date occurring 12 months after the grant date. Shares acquired upon exercise of a CAP option generally may not be sold for two years following the exercise date.

	Group and Bank	
	2020	**2019**
	'000	**'000**
Outstanding at 1 January	29,982	42,854
Granted	7,088	8,988
Vested	(15,117)	(22,914)
Net transferred out	624	1,054
Outstanding at 31 December	22,577	29,982

Details of CAP granted during the year:

	Group and Bank	
	2020	**2019**
Expiry dates	Feb 12,2024	Feb 13,2023
Average grant price per ordinary share (RM)	317.07	255.52
Aggregated proceeds if shares are issued (RM'000)	2,247	2,297
Details of CAP vested during the year:		
Average exercise price per ordinary share (RM)	330.67	268.10
Aggregated issue proceeds (RM'000)	2,221	2,440
Fair value at date of vesting (RM'000)	3,294	3,043

18. Employee benefits (continued)

Share capital accumulation plan (CAP) (continued)

Terms of the CAP outstanding at 31 December:

		Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Year of expiry	**Grant price**		
Feb 2019	RM204.95	-	1,811
Feb 2020	RM151.65	-	6,289
Feb 2021	RM240.81	-	6,235
Feb 2021	RM236.40	4,046	-
Feb 2022	RM304.68	-	6,659
Feb 2022	RM299.10	4,637	-
Feb 2023	RM255.52	-	8,988
Feb 2023	RM250.84	6,805	-
Feb 2024	RM317.07	7,089	-
		22,577	29,982

19. Interest income

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Loans and advances		
- Interest income other than recoveries from impaired loans	991,400	1,213,354
- Recoveries from impaired loans	52,653	57,615
Money at call and deposit placements with financial institutions	136,695	162,158
Investment securities	211,493	232,575
Securities purchased under resale agreements	9,783	9,820
	1,402,024	1,675,522
Amortisation of premium	(51,190)	(11,884)
Total interest income	1,350,834	1,663,638

20. Interest expense

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Deposits and placements of banks and other financial institutions	37,863	111,881
Deposits from customers	270,639	391,519
Others	6,380	9,018
	314,882	512,418

21. Other operating income

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Fee income:		
- Commission	87,314	63,808
- Service charges and fees	58,399	53,211
- Guarantee fees	7,429	6,882
- Bankcard fees	139,347	280,811
- Insurance premium and referral	42,162	51,413
- Other fee income	47,159	34,839
	381,810	490,964
Trading income:		
- Unrealised gain from revaluation of investment securities at FVTPL - debt instruments	6	1,097
- Gross dividends from investments securities	228	2
- Net gain from sales of investment securities at FVTPL - debt instruments	52,977	31,850
- Net gain from sales of investment securities at FVOCI	71,325	29,222
	124,536	62,171
Other income:		
- Foreign exchange gain, net	345,154	341,412
- Loss from derivatives	(73,408)	(74,072)
- Net loss on revaluation of investment securities at FVTPL equity instruments	(3,108)	(2,234)
- Net (loss)/gain on revaluation of loans, advances and financing at FVTPL	(18,692)	5,289
- Others	(4,751)	(10,011)
	245,195	260,384
	751,541	813,519

22. Other operating expenses

	Group and Bank 2020 RM'000	2019 RM'000
Personnel costs:		
- Salaries, allowances and bonuses	298,539	297,300
- Contributions to Employees' Provident Fund	44,187	44,908
- Staff benefits and other compensations	33,701	35,596
- Others	2,160	3,221
	378,587	381,025
Establishment costs:		
- Depreciation of plant and equipment	14,751	18,401
- Depreciation of right-of-use assets	14,279	21,883
- Interest expense on lease liabilities	2,583	882
- Hire of equipments	475	513
- Utilities	4,465	3,713
- Repairs and maintenance	7,872	8,774
- Plant and equipment written off	326	669
- Others	13,130	5,430
	57,881	60,265
Marketing expenses:		
- Advertisement and promotional expenses	29,259	25,846
- Others	126	818
	29,385	26,664
Administrative and general expenses:		
- Processing cost	327,741	327,510
- Auditors' remuneration:		
- Statutory audit - Bank	488	488
- Statutory audit - subsidiaries	4	4
- Other services	57	297
- Stationeries and supplies	4,028	3,661
- Communication expenses	7,909	5,408
- Others	72,133	121,018
	412,360	458,386
Total other operating expenses	878,213	926,340

22. Other operating expenses (continued)

(i) CEO and Directors' remuneration

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Executive Director (including CEO)		
Salary and other remuneration, including meeting allowances	4,746	4,877
Bonuses	2,266	2,782
Benefits-in-kind	120	183
Non-executive Directors		
Fees	871	698
	8,003	8,540

(ii) Other key management personnel

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Short-term employee salary and benefits	2,865	2,801

	Salary and other remuneration RM'000	Fees RM'000	Bonuses RM'000	Benefits -in-kind RM'000	Total RM'000
Executive Director and CEO					
Lee Lung Nien	4,746	-	2,266	120	7,132
Non-executive Directors					
Terence Kent Cuddyre	-	180	-	-	180
Datuk Ali bin Abdul Kadir	-	180	-	-	180
Philip Tan Puay Koon	-	180	-	-	180
Datuk Bazlan bin Osman	-	180	-	-	180
Mark Fordyce Hart	-	151	-	-	151
	4,746	871	2,266	120	8,003

23. Allowance for loans, advances and financing

	Group and Bank	
	2020	2019
	RM'000	RM'000
12-months ECL	1,603	(8,924)
Lifetime ECL not credit impaired	171,789	(17,383)
Lifetime ECL credit impaired	42,238	(1,460)
Impaired loans, advances and financing:		
- Written off	161,881	182,579
- Recovered	(81,887)	(97,102)
	295,624	57,710

24. Tax expense

Recognised in profit or loss

	Group and Bank	
	2020	2019
	RM'000	RM'000
Malaysian income tax		
- current year	197,250	275,646
- prior year (over)/under provision	(19,100)	6,950
	178,150	282,596
Deferred tax expense		
- origination and reversal of temporary differences	(29,478)	6,098
- prior year (over)/under provision	(374)	7,960
	(29,852)	14,058
	148,298	296,654

Reconciliation of tax expense

	Group and Bank	
	2020	2019
	RM'000	RM'000
Profit before taxation	677,499	1,097,966
Income tax using Malaysian tax rate of 24% (2019: 24%)	162,600	263,512
Non-deductible expenses	814	6,707
Others	4,358	11,525
	167,772	281,744
(Over)/Under provision in prior year	(19,474)	14,910
	148,298	296,654

25. Earnings per share

The earnings per ordinary share has been calculated based on the profit for the year of RM529,200,616 (2019: RM801,311,686) divided by 121,696,972 (2019: 121,696,972) units of ordinary shares issued during the financial year under review.

26. Dividends

Dividends recognised by the Bank are:

	Sen per share	Total amount RM'000	Date of payment
2020			
Final 2019 ordinary	394.4	480,000	29 June 2020
2019			
Final 2018 ordinary	647.2	787,654	28 June 2019

After the reporting date, the Directors proposed final dividend of 434.9 sen per ordinary share totalling RM529,200,616 in respect of the financial year ended 31 December 2020. This dividend will be recognised in subsequent financial period upon approval by the equity holder of the Bank.

27. Significant related party transactions and balances

For the purpose of these financial statements, parties are considered to be related to the Group or the Bank if the Group or the Bank has the ability, directly or indirectly, to control or jointly 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. Related parties may be individuals or other entities.

The related parties of the Group and the Bank are:

(i) Parent companies

Parent companies of the Group and the Bank are Citigroup Holding (Singapore) Pte. Ltd. and Citigroup Inc..

(ii) Other related companies

Entities which are related by virtue of having Citigroup Holding (Singapore) Pte. Ltd. as the holding company or having Citigroup Inc. as the ultimate holding company.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Bank either directly or indirectly. The key management personnel of the Group or the Bank include all the Directors and certain members of senior management of the Group or the Bank. Key management personnel compensation is disclosed in Note 22(i) and (ii).

27. Significant related party transactions and balances (continued)

(i) Transactions and balances with parent companies and other related companies

	Group and Bank			
	Parent companies 2020 RM'000	Other related companies 2020 RM'000	Parent companies 2019 RM'000	Other related companies 2019 RM'000
Income				
Interest on interest bearing deposits	666	5,071	2,824	9,435
Other income	71,291	118,822	106,781	116,559
	71,957	123,893	109,605	125,994
Expenditure				
Interest on interest bearing deposits	766	10,858	7,016	78,069
Other expenses	79,425	248,316	79,184	248,326
	80,191	259,174	86,200	326,395
Amount due from				
Interest bearing deposits	-	283,966	-	335,458
Current account balances	17,344	1,017,510	4,093	912,729
Other balances	108,502	100,067	62,953	50,698
	125,846	1,401,543	67,046	1,298,885
Amount due to				
Interest bearing deposits	-	2,003,801	818,600	1,067,855
Current account balances	1,195,764	506,978	339,548	263,010
Other balances	116,918	270,729	32,125	118,806
	1,312,682	2,781,508	1,190,273	1,449,671

All related party transactions are conducted at arm's length basis and on normal commercial terms which are not more favourable than those generally available to public.

27. Significant related party transactions and balances (continued)

(ii) Intercompany charges with a breakdown by type of services received and geographical distribution

	Group and Bank				
	Asia Pacific RM'000	North America RM'000	Europe, the Middle East and Africa RM'000	Latin America RM'000	Total RM'000
2020					
System & technology	109,890	13,034	979	6	123,909
Operation & technology support	54,452	13,945	865	-	69,262
Global functions	(4,282)	32,817	-	-	28,535
Data center	51,045	13,269	227	-	64,541
Global/Regional Business	29,052	11,895	232	-	41,179
Others	(44)	359	-	-	315
	240,113	85,319	2,303	6	327,741
2019					
System & technology	102,532	17,481	626	1	120,640
Operation & technology support	50,114	12,567	922	-	63,603
Global functions	(257)	32,381	-	-	32,124
Data center	47,514	11,015	806	-	59,335
Global/Regional Business	33,374	17,714	223	-	51,311
Others	(180)	677	-	-	497
	233,097	91,835	2,577	1	327,510

28. Credit transactions and exposures with connected parties

	Group and Bank 2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	864,269	757,170
Total credit exposure which is non-performing or in default	-	-
Total credit exposures	46,843,931	44,223,417
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	1.84%	1.71%
- as a proportion of capital base	16.27%	14.24%
- which is non-performing or in default	0.00%	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above are presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive Officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. They also include holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

29. Derivative financial instruments

	Contract amount RM'000	Positive fair value RM'000	Negative fair value RM'000
2020			
Foreign exchange related contracts:			
- Forwards	66,412,022	323,308	491,212
- Cross currency interest rate swaps	3,672,216	53,186	21,576
- Options	1,657,864	3,884	6,700
Interest/Profit rate contracts:			
- Swaps	101,469,071	177,944	76,942
- Options	1,515,570	711	-
Equity related	51,871	-	11
Others	4,290,499	300,525	313,364
	179,069,113	859,558	909,805
		Note 8	Note 15
2019			
Foreign exchange related contracts:			
- Forwards	73,854,972	259,998	347,449
- Cross currency interest rate swaps	3,839,081	24,623	29,975
- Options	1,040,413	1,102	2,038
Interest/Profit rate contracts:			
- Swaps	107,861,644	279,247	171,126
- Options	90,000	-	156
Equity related	127,166	11	22
Others	3,289,876	90,889	103,688
	190,103,152	655,870	654,454
		Note 8	Note 15

30. Financial risk management

The Group's and the Bank's risk management framework are designed to monitor, evaluate and manage the principal risk they assume in conducting their activities. These risks include the following:

- Credit risk
- Market risk
- Operational risk

(1) Credit Risk

Credit risk is the risk of financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and the Bank's loans and advances to customers and other banks, and investment in debt securities and when the Group or the Bank acts as an intermediary on behalf of its clients and other third parties.

The credit risk management process of the Group and the Bank relies on corporate-wide standards to ensure consistency and integrity, with business-specific policies and practices to ensure applicability and ownership. While business managers and independent risk management are jointly responsible for managing risk/return trade-offs as well as establishing limits and risk management practices, the origination and approval roles are clearly defined and segregated. In addition to conforming to established corporate standards, independent credit risk management is responsible for establishing policies that comply with local regulations and any other relevant legal requirements.

Independent credit risk management is also responsible for implementing portfolio limits, including obligor limits through risk rating, maturity and business segments limits to ensure diversification of portfolios, monitoring business risk management performance, providing on-going assessment of portfolio credit risk and approving new products.

Continuous monitoring of credit behaviour aided by sophisticated scoring modules, plus portfolio delinquency performance allows independent credit risk management to constantly assess the health of the credit portfolio.

The Group and the Bank secure various forms of collateral to mitigate credit risk exposures. The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- for residential mortgages - charges over residential properties
- for commercial property loans - charges over the properties being financed
- for share margin financing - pledges over quoted securities
- for other loans - charges over business assets such as premises, inventories, trade receivables or deposits

Risk Concentration

(i) Wholesale

Credit concentration risk refers to the risk of material loss due to large exposures to individual counterparties or groups of counterparties whose likelihood of default is driven by common underlying factors. The Group and the Bank have processes in place to identify and measure credit concentration risk.

- Obligor concentration - Obligors are aggregated to relationship groups on the basis of ownership and/or management control. The resulting total exposure within each relationship group is required to remain within the Total Credit Facilities approved for that obligor, as well as the applicable Obligor Limit under the risk policy ("policy OL"). The policy OL is driven by the Obligor Limit Rating of the relationship group, based on an aggregate notional exposure limit, tenor notional limits and credit and cross-border risk capital limits. Total exposure used for the purposes of measuring against obligor limits contains the aggregate of direct, contingent and market sensitive exposure outstanding's across all tenor buckets. Risk capital includes the Credit Risk Capital and Cross Border Risk Capital associated with all facilities to an entity.

30. Financial risk management (continued)

(1) Credit Risk (continued)

Risk Concentration (continued)

(i) Wholesale (continued)

- Industry concentration - Industry limits are managed on an overall global basis under an industry limit framework/model which incorporates historical risk, return and concentration metrics. The goal of industry limit setting is to establish a framework for managing industry risk to improve the overall return on the Group's and the Bank's capital by doing the following:

  - Reduce industry concentration risk, particularly to those industries with fat tail risk.
  - Allocate capital to those industries that have historically had higher returns on capital.
  - Reduce concentrations in industries based on capital intensity, total size, and portfolio dispersion.

Concentration risk is assessed on a quarterly basis through review of exposure class by single counterparty and industry. These concentrations are presented and discussed regularly at Board and Risk Management Committee meetings.

- Counterparty concentration - The Group and the Bank assess large exposures to single counterparty groups of connected obligors, either through common ownership or control, or through financial and economic interdependencies, in compliance with the Single Counterparty Exposure Limit ("SCEL") policy. Risk concentration to a single counterparty may arise through direct exposures to the counterparty and indirectly through exposures to guarantors and protection providers. In order to manage and contain large exposure to single counterparties, there are a series of checks and balances, as defined in the SCEL policy, to ensure that exposure to a single counterparty does not exceed 25% of the Group's and the Bank's qualifying capital.

- Industry concentration - Concentration risk is assessed using the Herfindahl-Hirschman Index ("HHI"). HHI is used as an overarching tool to measure and quantify the extent of portfolio wide concentration by industry sector. HHI of more than 25% indicates high concentration. Methodology is applied on total wholesale's exposures on an extending unit basis and using the Obligor Risk Management Industry. The Industry Concentration is reviewed on a bi-monthly basis and presented quarterly to the Country Coordinating Committee ("CCC"). In the event that industry concentration exceeds 25% of gross outstanding and unused commitment ("OSUC"), the Country Risk Manager will present an exposure management plan that includes a timeframe to contain the said exposure in that specific industry and/or address the excess by highlighting mitigants to the concentration issue.

(ii) Retail

Credit concentration risk is the subset of credit risk, further defined as the potential loss arising from large exposures to specific names or highly correlated names, sectors, or countries. Sources of credit concentration risk include the following:

- Large exposures to specific names or highly correlated names;
- Concentration of risk to sectors or countries;
- Concentration of risk to certain banking products; and
- Concentration of risk to specific market factors.

Retail concentration risk is associated with the build-up of exposures in high risk segments that entail to disproportionate risk during cyclical downturns. As consumer risk manages volumes, the concentration risk is not material on single name, sector, etc. Concentration risk in retail products are monitored via new bookings quality, segments distribution in portfolio or high losses from specific segment. As the various portfolios, higher risk segments are strictly mitigated with capping of the portfolio exposure and/or allowable only on selective credit worthy customers with higher or better profile and lower margin of finance, concentration risk is not material for retail products.

30. Financial risk management (continued)

(1) Credit Risk (continued)

Risk Mitigation

(i) Wholesale

Hedging and mitigating credit risk are performed through eligible collateral, personal and/or corporate guarantees, targeted exposure reduction, loan sales and derivatives. Hedges and risk mitigation are subject to applicable credit policies. To the extent permissible by local law, cross-product netting and cross-product margining can be achieved through a qualifying master netting agreement that provides for termination, cross-default, and close-out netting across multiple types of financial transactions documented under multiple agreements. Close-out netting occurs when termination values of all transactions documented under a single agreement are calculated and netted to determine a single lump sum close-out amount that is either due to, or by, a counterparty. Determination on whether a margin can function as a legally recognisable risk mitigant against exposure and thereby decrease the Group's and the Bank's exposure is made on a counterparty by counterparty, agreement by agreement basis, giving consideration to such factors as the place of organisation of the counterparty, the insolvency laws applicable, the location of the margin, and the relevant documentation. Margining must be covered by an International Swaps and Derivative Association ("ISDA"), Credit Support Agreement (where appropriate) or equivalent Master Agreements if required by local law.

Collateral and other secured assets should have perfected first priority security interest. This includes physical collateral (evaluated by an approved external appraiser) as well as cash and financial collateral. All qualifying collateral that is pledged to support direct and contingent risk exposures must be legally enforceable and documented with insurance coverage as applicable. An approved technology system for collateral data collection and aggregation is used to track current collateral values for regulatory capital treatment. Collateral is reviewed annually or more often as deemed appropriate. The Group and the Bank accept physical collateral such as equipment, inventory, and real estate in addition to cash and financial collateral. Acceptable guarantees are personal, third-party, and corporate guarantees. Risk from collateral is mitigated by accepting only approved assets. Guarantees are primarily from qualified parties that are related to obligors or acceptable third parties in the form of standby letter of credit.

(ii) Retail

Retail risk management processes are governed by a series of standards and policies that include:

- Retail credit risk management monitors its lending activities with clear and comprehensive credit policies that weigh long term viability of products with risk and rewards balance objectives as against short term gains. Policies and credit programme features are maintained by Credit Risk Management in a comprehensive manual. This serves as the single repository of the Group's and the Bank's credit policies.
- Risk Appetite Framework that is built on a clear risk appetite statement that dovetails into a detailed document based on acceptable financials, benchmarks related to the financials, guardrails, triggers and governance processes to ensure that these are tracked and measured consistently.
- Credit performance and through the door credit concentration key indicators are benchmark to ensure balance of risk and rewards to long term business strategy. Portfolio classifications policies that monitor portfolio health with established indicators such as credit loss rates, return on assets, risk appetite ratios and etc. Well established loan loss reserves and provisioning policies to ensure appropriate and timely losses recognition.
- Product programme, credit transaction approvals, credit authority and credit delegation are implemented to guide and govern credit underwriting process.
- Credit policies are executed through automated processes through system and scores models to mitigate and minimise judgemental decisions and improve decision turnaround time.
- Constant reviews are performed to ensure that credit performance is within acceptable standards. Policy changes are implemented based on MIS and data analytics.
- Monthly business reviews are conducted across the various functions to ensure that the risk and business aspects of each product are reviewed jointly and decisions taken accordingly to make changes on product or risk profile.

30. Financial risk management (continued)

(1) Credit Risk (continued)

Risk Mitigation (continued)

(ii) Retail (continued)

Credit authority levels, delegation processes, approval processes for portfolios, product approvals, and other types of required approval are defined in the Global Consumer Credit and Fraud Risk Policies ("GCCFRP"). The GCCFRP establishes a consistent set of standards for the appointment of Credit Officers and Senior Credit Officers, streamlines the approval process, creates auditable policies, and ensures the accountability and responsibility of retail risk management staff. Risk Management ascertains the standard quality of the delegated credit officers in-country while ensuring adequacy of training, credit understanding and exposure. Interviews and discussions are performed regularly to ensure credit staff are in sync to the policies requirements /changes.

Score performances of new booking and portfolio are closely monitored and reviewed to ensure the portfolio performance continue to remain as per target segments, score performances would act as indicators of the booking quality.

Risk Assessment

(i) Wholesale

Credit risk is the risk that financial obligations to the Group and the Bank will not be paid on time and in full as expected or contracted, resulting in a financial loss. Credit risk can be divided into two broad categories namely, Lending Risk (which consists of Direct & Contingent lending risks) and Counterparty Risk (Pre-settlement & Settlement Risks).

- Direct lending risk is the risk that actual customer obligations (loans and overdrafts) cannot be settled on time while Contingent lending risk is the potential claims against customer or potential customer obligations (letter of credit, guarantees) that will become actual obligations when not be settled on time.
- Pre-settlement risk is the risk that a counterparty may default on a contractual obligation to the back before the settlement date (current mark-to-market + maximum likely increase in value) while Settlement Risk occurs on the maturity date when the bank has delivered its side of the transaction, but do not receive simultaneous delivery (due to time zone difference etc).

The Credit Approval process covers credit reviews and approvals. Credit lines are proposed or recommended for renewal by the Business Sponsor and approved by Independent Risk according to the credit policy standards.

Credit Risk Assessment (credit evaluation) of an obligor covers eight key areas namely Business Risk, Financial Risk, Capital Structure, Management Assessment, Credit Structure, Risk Rating, Industry Assessment and Documentation. The credit limits and product offering by relationship to clients are based on the end-to-end credit assessment, including relationship strategy and risk-returns assessment.

The Risk Rating process is a vital component of risk management measures and a key variable in the returns calculations. The Wholesale Global Risk Management develops Risk Rating models, including Debt Rating Models (which takes into account an obligors key financials) and Scorecard Models that determine an obligor's one year probability of default. In addition, ratings issued by approved external rating agencies may also be used.

The credit approval sign-off is provided at various levels depending on the size and type of facility and may even include specific industry and cross border approvals as the case may be. The approval levels are governed by a credit approval grid which is based on Risk Appetite (facility limit based) and Concentration Risk (exposure based).

Pro-active Problem Recognition is an inherent and critical tool of the wholesale risk management process. Repayment capacity and financial strength are two key components in determining the classification of an obligor.

30. Financial risk management (continued)

(1) Credit Risk (continued)

Risk Assessment (continued)

(i) Wholesale (continued)

All facilities are accorded classification grades as follows:

- Pass - indicating no evident weakness.
- Pass Watch-list - indicating potential weakness but mitigated by the current and projected financial and operating strength of the obligor.
- Special Mention - indicating potential weaknesses that deserve management's close attention.
- Sub-standard - facilities that are inadequately protected by the current sound worth and paying capacity of the obligor indicating well-defined weakness, or weaknesses, that jeopardise the liquidation of the debt.
- Doubtful - facilities with weakness in credit making collection or liquidation in full highly questionable.

Classifications in addition to Risk Ratings are used to evaluate the overall portfolio quality of the business.

(ii) Retail

Credit risk has an established set of measurement to monitor the performance of the portfolios. This is performed through the monthly Portfolio Quality Review ("PQR") which covers the following key areas:

- Leading indicators that include macroeconomic indicators, industry credit performance, receivables growth, new bookings approval rates, deviation rates and exception approval performance, etc.
- Risk appetite dashboard that tracks performance against key triggers and shares this with senior management at country, regional and global level.
- Portfolio performance indicators such as delinquencies, net flows, and credit losses on coincident basis and vintage level and where applicable, is compared against historical performance, plans, and/or benchmarks.
- Test programmes and significant credit changes are tracked and reviewed consistently.
- Portfolios classification as New, Mature & Stable, Performance Exception or Liquidating to clearly define the portfolio status, product profitability and RAR ("Risk Acceptable Return").
- Monitoring of limits stipulated in approved programmes and concentration limits and/or caps for high-risk segments.
- Collections performance which includes call effectiveness and efficiency, Average Collector per account ("ACR") and cost of calls in delinquency and pre-delinquent buckets.

On a quarterly basis, Country Risk Manager is required to submit an attestation on the Business Monitor ("BM") Validation of the overall status of the country's risk factors. This is done through a qualitative assessment of:

- Fundamental risk factors: risk staffing, organisational and training adequacy, infrastructure at the front end (initiation, fraud detection), back-end (collections, fraud), data and analytics (integrity, adequacy, availability) and its respective quality and compliance.
- Strategic evaluation: growth and risk appetite, sustainability and adequacy of return of each product (pricing, cost of funds) and portfolio stability (profitability, growth).

The credit risk and control frameworks are fully integrated into the retail business where management oversight is executed on business and products level through the governance of the Group's and the Bank's internal and Bank Negara Malaysia ("BNM") policies. The Business Managers have ownership of portfolios and are accountable in managing the risk/return trade-offs. Regional Independent Risk will further provide regular and independent oversight on all portfolios, while working closely with the country risk and business teams.

30. Financial risk management (continued)

(A) Credit risk exposures and credit risk concentration

The following tables present the Group's maximum exposure to credit risk of its on and off balance sheet financial instruments at each reporting date, by industry and geographical analysis, before taking into account collateral held or other credit enhancements.

(i) By industry analysis

Group 2020	Government and Central banks RM'000	House-hold loans RM'000	Financial services, insurance, real estate & business services RM'000	Primary agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water supply RM'000	Construction RM'000	Wholesale & retail trade restaurants & hotels RM'000	Transport, storage & communication RM'000	Social & community services RM'000	Other sectors RM'000	Total RM'000
On-Balance Sheet													
Cash and short term funds	9,434,625	-	1,189,185	-	-	-	-	-	-	-	-	-	10,623,810
Deposits and placements with banks and other financial institutions	-	-	210,519	-	-	-	-	-	-	-	-	-	210,519
Securities purchased under resale agreements	256,391	-	-	-	-	-	-	-	-	-	-	-	256,391
Investment securities	8,123,613	-	7,367	-	-	-	-	-	-	-	-	323	8,131,303
Loans, advances and financing	-	14,183,318	1,278,116	2,505	37,880	2,140,486	404	13,639	601,856	135,347	10,638	831,532	19,235,721
Other assets	-	-	1,061,251	-	176	6,093	187,726	52	19,353	131,938	69,828	365,012	1,841,429
Statutory deposits with Bank Negara Malaysia	84,153	-	-	-	-	-	-	-	-	-	-	-	84,153
	17,898,782	14,183,318	3,746,438	2,505	38,056	2,146,579	188,130	13,691	621,209	267,285	80,466	1,196,867	40,383,326
Contingent liabilities (Note 34)	-	-	419,391	5,844	365,937	772,075	112,748	25,262	380,019	97,087	1,064	71,190	2,250,617
Commitments^ (Note 34)	-	18,388,642	2,612,742	128,576	395,353	6,356,093	790,762	105,118	3,037,237	942,330	2,286	18,188	32,777,327
Total Credit Exposures	17,898,782	32,571,960	6,778,571	136,925	799,346	9,274,747	1,091,640	144,071	4,038,465	1,306,702	83,816	1,286,245	75,411,270

^ Commitments excluding derivatives

30. Financial risk management (continued)

(A) Credit risk exposures and credit risk concentration (continued)

(i) By industry analysis (continued)

Group 2019	Government and Central banks RM'000	House-hold loans RM'000	Financial services, insurance, real estate & business services RM'000	Primary agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water supply RM'000	Construction RM'000	Wholesale & retail trade restaurants & hotels RM'000	Transport, storage & communication RM'000	Social & community services RM'000	Other sectors RM'000	Total RM'000
On-Balance Sheet													
Cash and short term funds	4,679,000	-	1,561,224	-	-	-	-	-	-	-	-	-	6,240,224
Deposits and placements with banks and other financial institutions	-	-	658,761	-	-	-	-	-	-	-	-	-	658,761
Securities purchased under resale agreements	447,460	-	-	-	-	-	-	-	-	-	-	-	447,460
Investment securities	4,938,486	-	-	-	-	-	-	-	-	-	-	10,799	4,949,285
Loans, advances and financing	-	15,886,848	1,734,477	2,705	41,978	2,744,479	594	104,574	1,013,788	577,023	13,524	1,083,981	23,203,971
Other assets	-	-	770,466	-	2,807	6,299	42	24	15,588	1,635	46,344	363,645	1,206,850
Statutory deposits with Bank Negara Malaysia	300,043	-	-	-	-	-	-	-	-	-	-	-	300,043
	10,364,989	15,886,848	4,724,928	2,705	44,785	2,750,778	636	104,598	1,029,376	578,658	59,868	1,458,425	37,006,594
Contingent liabilities (Note 34)	-	-	449,150	5,696	406,341	836,098	273,973	9,738	156,712	118,620	133	59,020	2,315,481
Commitments^ (Note 34)	-	18,564,571	1,799,634	54,533	893,034	6,501,600	235,358	13,649	2,548,510	678,423	1,717	737,213	32,028,242
Total Credit Exposures	10,364,989	34,451,419	6,973,712	62,934	1,344,160	10,088,476	509,967	127,985	3,734,598	1,375,701	61,718	2,254,658	71,350,317

^ Commitments excluding derivatives

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents deposited by the subsidiaries which were eliminated in the above tables.

30. Financial risk management (continued)

(A) Credit risk exposures and credit risk concentration (continued)

(ii) By geographical analysis

Group 2020	Malaysia RM'000	Singapore RM'000	Hong Kong & China PRC RM'000	Japan RM'000	Australasia RM'000	North America RM'000	United Kingdom RM'000	Other countries RM'000	Total RM'000
On-Balance Sheet									
Cash and short term funds	9,478,219	114,460	1,557	3,029	865,300	38,090	40,255	82,900	10,623,810
Deposits and placements with banks and other financial institutions	200,900	9,619	-	-	-	-	-	-	210,519
Securities purchased under resale agreements	256,391	-	-	-	-	-	-	-	256,391
Investment securities	7,969,666	-	-	-	-	161,637	-	-	8,131,303
Loans, advances and financing	19,235,721	-	-	-	-	-	-	-	19,235,721
Other assets	835,818	29,173	1,655	10	7,879	585,068	92,694	289,132	1,841,429
Statutory deposits with Bank Negara Malaysia	84,153	-	-	-	-	-	-	-	84,153
	38,060,868	153,252	3,212	3,039	873,179	784,795	132,949	372,032	40,383,326
Contingent liabilities (Note 34)	2,046,435	21,921	1,190	-	4,225	94,555	15,106	67,185	2,250,617
Commitments^ (Note 34)	32,777,327	-	-	-	-	-	-	-	32,777,327
Total Credit Exposures	72,884,630	175,173	4,402	3,039	877,404	879,350	148,055	439,217	75,411,270

^ Commitments excluding derivatives

30. Financial risk management (continued)

(A) Credit risk exposures and credit risk concentration (continued)

(ii) By geographical analysis (continued)

Group 2019	Malaysia RM'000	Singapore RM'000	Hong Kong & China PRC RM'000	Japan RM'000	Australasia RM'000	North America RM'000	United Kingdom RM'000	Other countries RM'000	Total RM'000
On-Balance Sheet									
Cash and short term funds	5,227,484	115,255	73,551	44,740	10,616	101,917	362,349	304,312	6,240,224
Deposits and placements with banks and other financial institutions	647,725	11,036	-	-	-	-	-	-	658,761
Securities purchased under resale agreements	447,460	-	-	-	-	-	-	-	447,460
Investment securities	4,786,307	-	-	-	-	162,978	-	-	4,949,285
Loans, advances and financing	23,203,971	-	-	-	-	-	-	-	23,203,971
Other assets	453,078	23,709	484	-	209,135	407,609	14,232	98,603	1,206,850
Statutory deposits with Bank Negara Malaysia	300,043	-	-	-	-	-	-	-	300,043
	35,066,068	150,000	74,035	44,740	219,751	672,504	376,581	402,915	37,006,594
Contingent liabilities (Note 34)	2,043,444	16,382	426	-	2,591	91,543	21,236	139,859	2,315,481
Commitments^ (Note 34)	32,028,242	-	-	-	-	-	-	-	32,028,242
Total Credit Exposures	69,137,754	166,382	74,461	44,740	222,342	764,047	397,817	542,774	71,350,317

^ Commitments excluding derivatives

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents deposited by the subsidiaries which were eliminated in the above tables.

30. Financial risk management (continued)

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

(i) Deposits and placements with banks and other financial institutions analysis by credit rating

	Group and Bank	
	2020 RM'000	2019 RM'000
A+	9,435	11,036
BBB+	-	400,000
Unrated	201,084	247,725
	210,519	658,761

(ii) Deposits and placements with banks and other financial institutions analysis by geographical location where the credit risk of issuers reside, regardless of where the assets are booked, is as follows:

	Group and Bank	
	2020 RM'000	2019 RM'000
Malaysia	200,900	647,725
Other	9,619	11,036
	210,519	658,761

(C) Other securities

	Group and Bank	
	2020 RM'000	2019 RM'000
Investment securities	8,131,303	4,949,285

30. Financial risk management (continued)

(C) Other securities (continued)

(i) Other securities analysis by credit rating

At the reporting date, the credit quality of investment in other securities by designation of an external credit assessment institution is as follows:

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
AAA	161,637	162,978
A+ to A-	6,871,758	4,775,508
BBB+	1,090,217	-
Unrated	7,691	10,799
	8,131,303	4,949,285

(ii) Other securities analysis by geographical location where the credit risk of issuers reside, regardless of where the assets are booked, is as follows:

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Malaysia	7,969,666	4,786,307
North America	161,637	162,978
	8,131,303	4,949,285

30. Financial risk management (continued)

(D) Credit quality of loans, advances and financing

Neither past due nor impaired

Included in the total loans, advances and financing of neither past due nor impaired are renegotiated loans. The analysis below represents the carrying amount of loans that would otherwise be past due or impaired if their terms had not been renegotiated. These renegotiated loans are considered neither past due nor impaired after they have been monitored as impaired loans until a minimum number of payments have been received under the new terms.

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Renegotiated loans	444,504	396,064

Impaired

Loans, advances and financing are classified as impaired when they meet one of the following criteria:

(i) principal or interest or both are past due for 90 days or more;

(ii) significant financial difficulty;

(iii) enter bankruptcy or other financial reorganisation;

(iv) adverse changes in the payment status;

(v) national or economic conditions that correlate with defaults on the assets; and

(vi) disappearance of an active market for a security.

Estimated value of collaterals against past due but not impaired and impaired loans are RM406.6 million (2019: RM461.5 million).

		Group and Bank	
		2020	**2019**
		RM'000	**RM'000**
Loans, advances and financing			
0 – 29 dpd		18,749,012	22,320,985
30 – 89 dpd		902,708	1,071,307
> 90 dpd		199,965	212,013
Gross amount		19,851,685	23,604,305
Less: Loss allowance	Note (7)(iv)	(615,964)	(400,334)
Carrying amount		19,235,721	23,203,971

30. Financial risk management (continued)

(E) Exposures to COVID-19 impacted sectors

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Loans, advances and financing – Non-retail		
On-balance sheet (net of impairment):		
Retail and wholesale/trading, accommodation, travel agencies/tourism, airline/aviation	621,916	1,013,756

(F) COVID-19 customer relief and support measures

Group and Bank

	Retail Customers				Non-retail Customers	
	Mortgages RM'000	Credit card RM'000	Personal Financing RM'000	Total RM'000	Total RM'000	Grand Total RM'000
2020						
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	8,701,856	336,217	1,053,028	10,091,101	65,958	10,157,059
Of which:						
Resumed repayments	7,898,951	17,977	853,218	8,770,146	65,958	8,836,104
Extended and repaying as per revised schedules	413,304	235,882	80,848	730,034	-	730,034
Missed payments	389,601	82,358	118,962	590,921	-	590,921
As a percentage of total:						
Resumed repayments	91%	5%	81%	87%	100%	87%
Extended and repaying as per revised schedules	5%	70%	8%	7%	-	7%
Missed payments	4%	25%	11%	6%	-	6%
	100%	100%	100%	100%	100%	100%

30. Financial risk management (continued)

(2) Market Risk

Market risk is the potential loss resulting from a change in the current economic value of a position, due to changes in the associated underlying market risk factors. Market risk encompasses price risk and liquidity risk, both arising in the normal course of business operations in a global financial intermediary. Market risk in the Group and the Bank is managed through corporate-wide standards, business policies and procedures with the help of responsible personnel and committees delegated by the Board of Directors (for example, the Asset and Liability Committee, Country Coordinating Committee and Market Risk Management).

Market risk is measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. The business is required to establish, with approval from independent market risk management, a market risk limit framework for identified risk factors, clearly defining approved risk profiles within the parameters of the Bank's overall risk appetite. The result of every risk assessment and review exercise is then presented to the Board of Directors for feedback and recommended action (if necessary).

In terms of internal controls, Market Risk Management, an independent group, oversees market and liquidity risks and ensures that the approved risk profile is consistent with Group and the Bank's overall risk appetite. Price risk limits are approved by Market Risk Management and monitored on a daily basis. Limit excesses are highlighted to the Asset and Liability Committee, Country Coordinating Committee and the Risk Management Committee.

Price Risk

Price risk is the risk associated to earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices, credit spread and in their implied volatilities. Price risk arises in trading portfolios as well as non-trading portfolios.

Price risk in trading portfolios is measured through a complementary set of tools such as factor sensitivities, value-at-risk, loss trigger and stress testing.

It is the responsibility of the independent Market Risk Management to ensure that factor sensitivities are calculated, monitored and in most cases limited, for all relevant risks taken in a trading portfolio. In addition, stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements.

Interest rate risk in non-trading portfolios is inherent in many client-related activities, primarily lending and deposit taking from both individuals and corporations. Interest rate risk arises due to factors including the timing of rate resetting and maturity period between assets and liabilities, change in the profile of assets and liabilities whereby the maturity period differs in response to alterations in market interest rates, changes in the form of the yield curve and modifications in the spread between various market rate indices. It is also related to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed rate loans and liabilities.

Interest rate risk in non-trading portfolios is monitored on a daily basis within the approved limits framework set by Market Risk Management. Additionally, interest rate risk is also measured using simulated cash flow and is monitored on a monthly basis within approved limits, in compliance with the Treasury Risk Appetite Framework. Interest Rate Exposure (income metrics) is used as a tool to monitor such interest rate risk and is calculated as the pre-tax impact on net interest revenue for banking book positions, due to defined shifts in interest rates over a specified reporting period. Economic Value of Equity / Economic Value Sensitivity (valuation metric) measure the impact of interest rate changes on the Bank's capital. This impact can be measured using stress test, EVS and/or DV01 risk metrics to capture the impact of interest rate changes on the economic value of assets and liabilities.

30. Financial risk management (continued)

(2) Market Risk (continued)

Trading portfolio

As of 31 December 2020, the capital charge for the Trading portfolio by risk factors is as follows:-

Capital Charge Requirement	Standardised Approach RM'000
Interest Rate Risk	77,123
Foreign Exchange Risk	26,670
Options	737
Total	104,530

Interest Rate Risk in the Banking Book

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's Banking Book positions.

Potential interest rate risk in the Banking Book is monitored, among others, through interest rate exposure at 100 basis points parallel move in interest rates.

Interest rate exposures at each major currency level for the Banking Book are as follows:

	Impact on Positions as at 31 December 2020 ± 100 bps (Parallel Shift)		Impact on Positions as at 31 December 2019 ± 100 bps (Parallel Shift)	
	Increase / (Decline) in Earnings RM'000	Increase / (Decline) in Economic Value RM'000	Increase / (Decline) in Earnings RM'000	Increase / (Decline) in Economic Value RM'000
Currency				
MYR	(100,726)	(80,218)	(79,259)	(116,209)
USD	24,969	44,036	4,749	47,025
Others	(3,566)	11,778	(7,212)	11,119

30. Financial risk management (continued)

(2) Market Risk (continued)

Liquidity Risk

Liquidity is the ability of a financial institution to fund increases in assets and meet obligations as they come due at a reasonable cost. Liquidity risk represents the potential loss arising from the inability to access liquidity to meet all obligations as and when due without adversely affecting daily operations or the financial condition of the firm.

The Bank complies with both Citi's liquidity and funding policy as well as BNM's liquidity requirements, in the management, monitoring and measurement of liquidity risk within a high effective process. The Bank has established a robust control framework which ensures that liquidity risk is effectively managed within predefined and agreed risk tolerances. The control framework is being integrated into the overall Citi liquidity and funding process, and the liquidity monitoring framework where under the Liquidity Risk Management Policy, there is a single set of standards for the measurement, reporting and management of liquidity risk in order to ensure consistency across businesses, stability in methodologies, and transparency of risk and the establishment of appropriate risk appetite. The control framework consists of a Horizontal Liquidity Review Process (LRP) which incorporates the following annual review requirements:

- Balance Sheet Funding and Liquidity Metrics Forecasting
- Limits and Triggers
- Contingency Funding Plan
- Policy and Standard Exceptions
- FX Swap Capacity
- Securities Monetization Stress Assumptions
- HQLA Securities Monetization Impact Analysis
- Local Liquidity Requirements
- Higher Risk Assessment Questionnaire (HRAQ)
- Intraday Monitoring, Management and Reserving Document (IMMRD)
- Central Bank Facility Inventory

30. Financial risk management (continued)

The following table indicates the effective interest/profit rate at the reporting dates and periods in which the financial instruments reprice or mature, whichever is earlier.

(i) Interest/profit rate risk

Group 2020	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Financial assets									
Cash and short term funds	9,505,107	-	-	-	-	1,118,703	-	10,623,810	1.57
Deposits and placements with banks and other financial institutions	-	6,187	3,432	200,900	-	-	-	210,519	1.98
Securities purchased under resale agreements	256,391	-	-	-	-	-	-	256,391	2.43
Investment securities	-	656,454	1,387,209	4,749,238	-	-	1,338,402	8,131,303	2.35
Loans, advances and financing									
- performing	8,320,870	1,109,698	847,516	676,496	8,697,140	(526,536)	-	19,125,184	5.05
- impaired	-	-	-	-	-	110,537	-	110,537	-
Other assets	-	-	-	-	-	981,576	859,853	1,841,429	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	84,153	-	84,153	-
Total financial assets	18,082,368	1,772,339	2,238,157	5,626,634	8,697,140	1,768,433	2,198,255	40,383,326	
Financial liabilities									
Deposits from customers	23,195,121	1,421,225	1,778,139	3,395	-	-	-	26,397,880	0.99
Deposits and placements with banks and other financial institutions	6,470,863	5,463	2,132	-	-	-	-	6,478,458	0.59
Other liabilities	-	-	-	-	-	1,645,392	909,805	2,555,197	-
Total financial liabilities	29,665,984	1,426,688	1,780,271	3,395	-	1,645,392	909,805	35,431,535	-
On-balance sheet interest sensitivity gap	(11,583,616)	345,651	457,886	5,623,239	8,697,140	123,041	1,288,450		
Off-balance sheet interest sensitivity gap	3,882,509	2,010,596	746,149	(8,643,034)	673,913	-	-		
	(7,701,107)	2,356,247	1,204,035	(3,019,795)	9,371,053	123,041	1,288,450		

30. Financial risk management (continued)

(i) Interest/profit rate risk (continued)

Group 2019	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Financial assets									
Cash and short term funds	5,255,353	-	-	-	-	984,871	-	6,240,224	3.80
Deposits and placements with banks and other financial institutions	-	409,065	3,692	246,004	-	-	-	658,761	2.81
Securities purchased under resale agreements	447,460	-	-	-	-	-	-	447,460	3.24
Investment securities	-	-	991,465	3,055,671	300,134	10,799	591,216	4,949,285	2.89
Loans, advances and financing									
- performing	10,224,010	2,029,214	643,686	998,621	9,496,761	(353,144)	-	23,039,148	5.29
- impaired	-	-	-	-	-	164,823	-	164,823	-
Other assets	-	-	-	-	-	267,347	939,503	1,206,850	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	300,043	-	300,043	-
Total financial assets	15,926,823	2,438,279	1,638,843	4,300,296	9,796,895	1,374,739	1,530,719	37,006,594	
Financial liabilities									
Deposits from customers	21,564,751	1,338,367	2,357,357	8,875	-	-	-	25,269,350	1.68
Deposits and placements with banks and other financial institutions	3,271,650	1,645,344	25,580	1,839	-	-	-	4,944,413	2.12
Other liabilities	-	-	-	-	-	1,237,967	654,454	1,892,421	-
Total financial liabilities	24,836,401	2,983,711	2,382,937	10,714	-	1,237,967	654,454	32,106,184	
On-balance sheet interest sensitivity gap	(8,909,578)	(545,432)	(744,094)	4,289,581	9,796,895	136,772	876,265		
Off-balance sheet interest sensitivity gap	9,247,374	(891,832)	(542,307)	(7,743,840)	925,239	-	-		
	337,796	(1,437,264)	(1,286,401)	(3,454,259)	10,722,134	136,772	876,265		

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents deposited by the subsidiaries which were eliminated in the above tables.

30. Financial risk management (continued)

(ii) Foreign currency risk

Foreign currency risk results in the Group's exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The tables below summarise the RM equivalent amount of the Group's and the Bank's exposure to foreign currency risk as at the reporting date:

Group 2020	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial assets					
Cash and short term funds	9,551,323	13,664	3,029	1,055,794	10,623,810
Deposits and placements with banks and other financial institutions	9,619	200,900	-	-	210,519
Securities purchased under resale agreements	256,391	-	-	-	256,391
Investment securities	7,570,781	560,522	-	-	8,131,303
Loans, advances and financing	17,017,880	1,983,926	223,635	10,280	19,235,721
Other assets	1,006,882	752,674	14,066	67,807	1,841,429
Statutory deposits with Bank Negara Malaysia	84,153	-	-	-	84,153
Total financial assets	35,497,029	3,511,686	240,730	1,133,881	40,383,326
Financial liabilities					
Deposits from customers	20,138,917	5,130,356	95,900	1,032,707	26,397,880
Deposits and placements of banks and other financial institutions	2,654,499	3,154,200	8,802	660,957	6,478,458
Other liabilities	2,004,287	450,212	9,355	91,343	2,555,197
Total financial liabilities	24,797,703	8,734,768	114,057	1,785,007	35,431,535

30. Financial risk management (continued)

(ii) Foreign currency risk (continued)

Group 2019	MYR RM'000	USD RM'000	JPY RM'000	Others RM'000	Total RM'000
Financial assets					
Cash and short term funds	5,303,837	89,372	44,740	802,275	6,240,224
Deposits and placements with banks and other financial institutions	411,036	204,650	-	43,075	658,761
Securities purchased under resale agreements	447,460	-	-	-	447,460
Investment securities	4,786,307	162,978	-	-	4,949,285
Loans, advances and financing	19,717,445	3,045,061	242,005	199,460	23,203,971
Other assets	750,086	223,196	174	233,394	1,206,850
Statutory deposits with Bank Negara Malaysia	300,043	-	-	-	300,043
Total financial assets	31,716,214	3,725,257	286,919	1,278,204	37,006,594
Financial liabilities					
Deposits from customers	18,689,925	5,375,544	89,242	1,114,639	25,269,350
Deposits and placements of banks and other financial institutions	2,776,757	1,953,568	32,264	181,824	4,944,413
Other liabilities	1,706,545	162,019	332	23,525	1,892,421
Total financial liabilities	23,173,227	7,491,131	121,838	1,319,988	32,106,184

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents being deposited by the subsidiaries were eliminated in the above tables.

30. Financial risk management (continued)

(iii) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period to the contractual maturity at the reporting date.

Group 2020	Less than 7 days RM'000	7 days to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Financial assets										
Cash and short term funds	5,461,999	4,043,107	-	-	-	-	-	-	1,118,704	10,623,810
Deposits and placements with banks and other financial institutions	-	-	6,187	1,768	1,664	200,900	-	-	-	210,519
Securities purchased under resale agreements	256,391	-	-	-	-	-	-	-	-	256,391
Investment securities	7,691	-	845,991	1,078,809	701,974	4,523,231	803,786	169,821	-	8,131,303
Loans, advances and financing	6,275,205	1,447,867	1,122,175	514,246	444,886	523,799	202,148	8,705,395	-	19,235,721
Other assets	399,140	123,850	192,832	226,587	236,441	347,714	169,956	144,909	-	1,841,429
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	84,153	84,153
Total financial assets	12,400,426	5,614,824	2,167,185	1,821,410	1,384,965	5,595,644	1,175,890	9,020,125	1,202,857	40,383,326

Group 2020	Less than 7 days RM'000	7 days to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial liabilities									
Deposits from customers	20,840,390	2,354,731	1,421,225	800,754	977,385	3,218	177	-	26,397,880
Deposits and placements of banks and other financial institutions	6,457,774	13,089	5,463	-	2,132	-	-	-	6,478,458
Other liabilities	329,752	165,826	254,942	278,839	254,925	623,427	540,049	107,437	2,555,197
Total financial liabilities	27,627,916	2,533,646	1,681,630	1,079,593	1,234,442	626,645	540,226	107,437	35,431,535

30. Financial risk management (continued)

(iii) Analysis of assets and liabilities by remaining maturity (continued)

Group 2019	Less than 7 days RM'000	7 days to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Financial assets										
Cash and short term funds	5,078,999	176,353	-	-	-	-	-	-	984,872	6,240,224
Deposits and placements with banks and other financial institutions	-	-	409,064	2,039	1,654	246,004	-	-	-	658,761
Securities purchased under resale agreements	447,460	-	-	-	-	-	-	-	-	447,460
Investment securities	10,799	-	-	983,855	150,368	1,371,093	1,944,655	488,515	-	4,949,285
Loans, advances and financing	8,150,711	1,692,889	2,043,570	528,962	255,281	774,036	252,372	9,506,150	-	23,203,971
Other assets	265,308	102,499	117,306	45,033	62,561	337,925	206,348	69,870	-	1,206,850
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	300,043	300,043
Total financial assets	13,953,277	1,971,741	2,569,940	1,559,889	469,864	2,729,058	2,403,375	10,064,535	1,284,915	37,006,594
Financial liabilities										
Deposits from customers	19,001,594	2,563,157	1,338,367	871,945	1,485,412	8,810	65	-	-	25,269,350
Deposits and placements of banks and other financial institutions	3,265,693	5,957	1,645,344	-	25,580	1,839	-	-	-	4,944,413
Other liabilities	644,694	81,307	166,156	128,547	79,623	268,045	148,912	39,790	335,347	1,892,421
Total financial liabilities	22,911,981	2,650,421	3,149,867	1,000,492	1,590,615	278,694	148,977	39,790	335,347	32,106,184

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents being deposited by the subsidiaries were eliminated in the above tables.

30. Financial risk management (continued)

(iv) Analysis of financial liabilities by contractual undiscounted cash flows

The table below details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on current rates at the reporting date) and the earliest date the Group can be required to pay.

Group 2020	Carrying Amount RM'000	Total contractual undiscounted cash flows RM'000	1 month or less RM'000	Over 1 month to 3 months RM'000	Over 3 months to 1 year RM'000	Over 1 year to 5 years RM'000	Over 5 years RM'000
Financial liabilities							
Deposits from customers	26,397,880	26,424,111	23,202,862	1,431,856	1,785,977	3,416	-
Deposits and placements of banks and other financial institutions	6,478,458	6,478,721	6,471,076	5,475	2,170	-	-
Other liabilities	2,555,197	2,555,197	495,578	254,942	533,764	1,163,476	107,437
Total financial liabilities	35,431,535	35,458,029	30,169,516	1,692,273	2,321,911	1,166,892	107,437
2019							
Financial liabilities							
Deposits from customers	25,269,350	25,308,359	21,576,234	1,349,609	2,373,604	8,912	-
Deposits and placements of banks and other financial institutions	4,944,413	4,950,580	3,271,932	1,650,523	26,244	1,881	-
Other liabilities	1,892,421	1,892,421	1,061,349	166,156	208,170	416,957	39,789
Total financial liabilities	32,106,184	32,151,360	25,909,515	3,166,288	2,608,018	427,750	39,789

The disclosures represented the Bank's exposures except for RM20,000 cash and cash equivalents being deposited by the subsidiaries were eliminated in the above tables.

30. Financial risk management (continued)

(3) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes reputation and franchise risk associated with business practices or market conduct that the Group and the Bank may undertake and includes the risk of failing to comply with applicable laws, regulations and Citigroup policies.

Operational risk is inherent in the Group's and the Bank's business activities and is managed through an overall framework with checks and balances that include recognised ownership of the risk by businesses and independent risk management oversight. The Group and the Bank mitigate their operational risk by setting up its key controls and assessments according to Citigroup's and Regulators' standards. They are also evaluated, monitored, and managed by its sound governance structure.

The Group's and the Bank's Operational Risk Management clearly defines the Group's and the Bank's approach to operational risk management. The objective of the policy is to establish a consistent approach to assessing relevant risks and the overall control environment across the Group and the Bank, to facilitate adherence to regulatory requirements and other corporate initiatives.

31. Financial assets and liabilities

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost;
(b) Fair value through profit or loss ("FVTPL"); and
(c) Fair value through other comprehensive income ("FVOCI")

31. Financial assets and liabilities (continued)

31.1 Categories of financial instruments (continued)

Group 2020	Carrying amount RM'000	Amortised cost RM'000	FVTPL RM'000	FVOCI RM'000
Financial assets				
Cash and short term funds	10,623,810	10,623,810	-	-
Deposits and placements with banks and other financial institutions	210,519	210,519	-	-
Securities purchased under resale agreements	256,391	256,391	-	-
Investment securities	8,131,303	-	1,338,401	6,792,902
Loans, advances and financing	19,235,721	19,235,721	-	-
Statutory deposits with Bank Negara Malaysia	84,153	84,153	-	-
Derivative financial assets	859,558	-	859,558	-
Other debtors and deposits	824,504	824,504	-	-
Interest/Profit receivable	96,349	96,349	-	-
Total financial assets	40,322,308	31,331,447	2,197,959	6,792,902
Financial liabilities				
Deposits from customers	26,397,880	26,397,880	-	-
Deposits and placements of banks and other financial institutions	6,478,458	6,478,458	-	-
Derivative financial liabilities	909,805	-	909,805	-
Other creditors and accruals	1,444,952	1,444,952	-	-
Interest/Profit payable	26,407	26,407	-	-
Structured products	73,743	73,743	-	-
Total financial liabilities	35,331,245	34,421,440	909,805	-

31. Financial assets and liabilities (continued)

31.1 Categories of financial instruments (continued)

Group 2019	Carrying amount RM'000	Amortised cost RM'000	FVTPL RM'000	FVOCI RM'000
Financial assets				
Cash and short term funds	6,240,224	6,240,224	-	-
Deposits and placements with banks and other financial institutions	658,761	658,761	-	-
Securities purchased under resale agreements	447,460	447,460	-	-
Investment securities	4,949,285	-	602,014	4,347,271
Loans, advances and financing	23,203,971	23,029,039	174,932	-
Statutory deposits with Bank Negara Malaysia	300,043	300,043	-	-
Derivative financial assets	655,870	-	655,870	-
Other debtors and deposits	71,461	71,461	-	-
Interest/Profit receivable	78,495	78,495	-	-
Total financial assets	36,605,570	30,825,483	1,432,816	4,347,271
Financial liabilities				
Deposits from customers	25,269,350	25,269,350	-	-
Deposits and placements of banks and other financial institutions	4,944,413	4,944,413	-	-
Derivative financial liabilities	654,454	-	654,454	-
Other creditors and accruals	1,032,413	1,032,413	-	-
Interest/Profit payable	40,250	40,250	-	-
Structured products	110,575	110,575	-	-
Total financial liabilities	32,051,455	31,397,001	654,454	-

31. Financial assets and liabilities (continued)

31.2 Determination of fair value and fair value hierarchy

MFRS 13, *Fair Value Measurement* requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable as discussed in Note 2(f)(vi).

31.2.1 Financial instruments carried at fair value

Group and Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
Investment securities	8,123,612	-	7,691	8,131,303
Derivative financial assets	-	790,133	69,425	859,558
	8,123,612	790,133	77,116	8,990,861
Financial liabilities				
Derivative financial liabilities	-	840,380	69,425	909,805
2019				
Financial assets				
Loans, advances and financing	-	-	174,932	174,932
Investment securities	4,938,486	-	10,799	4,949,285
Derivative financial assets	-	604,824	51,046	655,870
	4,938,486	604,824	236,777	5,780,087
Financial liabilities				
Derivative financial liabilities	-	599,535	54,919	654,454

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

31. Financial assets and liabilities (continued)

31.2 Determination of fair value and fair value hierarchy (continued)

31.2.1 Financial instruments carried at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Financial assets		
Balance at 1 January	236,777	309,020
Settled	(31,859)	(122,199)
Total gains recognised in profit or loss:		
Attributable to gains relating to assets that have not been realised	11,976	50,581
Transfer out	(139,778)	(625)
Balance at 31 December	77,116	236,777
Financial liabilities		
Balance at 1 January	54,919	11,448
Settled	(32,053)	(5,321)
Total gains recognised in profit or loss:		
Attributable to gains relating to liabilities that have not been realised	46,559	49,428
Transfer out	-	(636)
Balance at 31 December	69,425	54,919

The following shows the valuation techniques used in the determination of fair values within Level 3.

(a) Loans, advances and financing

The fair value of loans with intention to sell is determined where possible using quoted secondary-market prices. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan. Fair value for the other real estate owned is based on appraisals. For loans whose carrying amount is based on the fair value of the underlying collateral, the fair values depend on the type of collateral. Fair value of the collateral is typically estimated based on quoted market prices if available, appraisals or other internal valuation techniques. Where the fair value of the related collateral is based on an unadjusted appraised value, the loan is generally classified as Level 2. Where significant adjustments are made to the appraised value, the loan is classified as Level 3.

31. Financial assets and liabilities (continued)

31.2 Determination of fair value and fair value hierarchy (continued)

31.2.1 Financial instruments carried at fair value (continued)

(a) Loans, advances and financing (continued)

Additionally, for corporate loans, appraisals of the collateral are often based on sales of similar assets however, because the prices of similar assets require significant adjustments to reflect the unique features of the underlying collateral, these fair value measurements are generally classified as Level 3, where enterprise valuation is adopted with consideration of significant unobservable inputs, including but not limited to, nature of the exposure (security, tenure, pricing), profitability and outlook of the underlying company and discount rates applied to the firm's cash flows.

The estimated fair value would increase (decrease) if expected macroeconomic environment and industry dynamics would improve (worsen) expected profitability and cash flows of the borrower and if weighted average capital cost decrease (increase).

(b) Investment securities

The fair value of non-marketable equity securities under the measurement alternative is based on observed transaction prices for identical or similar investments of the same issuer, or an internal valuation technique in the case of an impairment. Where significant adjustments are made to the observed transaction price or when an internal valuation technique is used, the security is classified as Level 3. Fair value may differ from the observed transaction price due to a number of factors, including the book value of the underlying investment and marketability adjustments when the observed transaction is not for the identical investment held by the Bank.

(c) Derivative financial assets and liabilities

Fair values of financial instruments classified at Level 3 are determined using appropriate valuation technique which includes the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable.

31. Financial assets and liabilities (continued)

31.2 Determination of fair value and fair value hierarchy (continued)

31.2.2 Financial instruments not carried at fair value

In respect of cash and short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other assets (excluding derivatives), bills and acceptances payable, and other liabilities (excluding derivatives), the carrying amounts in the statements of financial position approximate their fair values due to the relatively short term/on demand nature of these financial instruments.

The fair values of other financial assets, together with the carrying amounts shown in the statements of financial position, are as follows:

Group and Bank 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Loans, advances and financing	-	-	19,043,407	19,043,407	19,235,721
Financial liabilities					
Deposits from customers	-	-	26,424,111	26,424,111	26,397,880
Deposits and placements of banks and other financial institutions	-	-	6,478,721	6,478,721	6,478,458
2019					
Financial assets					
Loans, advances and financing	-	-	22,827,121	22,827,121	23,029,039
Financial liabilities					
Deposits from customers	-	-	25,308,360	25,308,360	25,269,350
Deposits and placements of banks and other financial institutions	-	-	4,950,581	4,950,581	4,944,413

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values at statements of financial position date. The fair value for loans, advances and financing, deposits from customers and deposits and placements of banks and other financial institutions are estimated with similar methodology as discussed in Note 31.2.1(a) and (b).

31. Financial assets and liabilities (continued)

31.3 Offsetting of financial assets and liabilities

The Group and the Bank enter into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding agreements are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statements of financial position. This is because the Group and the Bank currently do not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default by the counterparty.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Group and Bank	Gross amount recognised/ Amount presented in the statements of financial position	Related financial instruments that are not offset but subject to netting agreement	Net amount
2020	**RM'000**	**RM'000**	**RM'000**
Derivative financial assets			
Foreign exchange related contracts	380,378	(123,126)	257,252
Interest rate contracts	178,655	(63,470)	115,185
Equity related contracts	-	-	-
Other contracts	300,525	(186,043)	114,482
	859,558	(372,639)	486,919
Derivative financial liabilities			
Foreign exchange related contracts	(519,488)	123,126	(396,362)
Interest rate contracts	(76,942)	63,470	(13,472)
Equity related contracts	(11)	-	(11)
Other contracts	(313,364)	186,043	(127,321)
	(909,805)	372,639	(537,166)

31. Financial assets and liabilities (continued)

31.3 Offsetting of financial assets and liabilities (continued)

Group and Bank 2019	Gross amount recognised/ Amount presented in the statements of financial position RM'000	Related financial instruments that are not offset but subject to netting agreement RM'000	Net amount RM'000
Derivative financial assets			
Foreign exchange related contracts	285,723	(82,997)	202,726
Interest rate contracts	279,247	(159,347)	119,900
Equity related contracts	11	-	11
Other contracts	90,889	(10,639)	80,250
	655,870	(252,983)	402,887
Derivative financial liabilities			
Foreign exchange related contracts	(379,462)	82,997	(296,465)
Interest rate contracts	(171,282)	159,347	(11,935)
Equity related contracts	(22)	-	(22)
Other contracts	(103,688)	10,639	(93,049)
	(654,454)	252,983	(401,471)

32. Capital commitments

	Group and Bank 2020 RM'000	 2019 RM'000
Contracted but not provided for	6,535	5,830

33. Capital adequacy

(a) The capital adequacy ratios are as follows:

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Computation of Total Risk-Weighted Assets ("RWA")		
Total credit RWA	20,154,063	22,305,617
Total market RWA	1,306,624	1,647,515
Total operational RWA	3,673,752	3,879,543
Total Risk Weighted Assets	25,134,439	27,832,675
Computation of Capital Ratios		
Common Equity Tier (1) ("CET 1") Capital	5,060,041	5,036,687
Tier 1 Capital	5,060,041	5,036,687
Total Capital	5,311,967	5,315,507

	Group and Bank 2020	Group and Bank 2019
Before deducting proposed dividends:		
CET 1 Capital ratio	20.132%	18.096%
Total Tier 1 Capital ratio	20.132%	18.096%
Total Capital ratio	21.134%	19.098%
After deducting proposed dividends:		
CET 1 Capital ratio	18.026%	16.372%
Total Tier 1 Capital ratio	18.026%	16.372%
Total Capital ratio	19.029%	17.374%

Detailed information on the risk exposures above are disclosed in the Pillar 3 disclosures of the annual report as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosures requirements (Pillar 3).

33. Capital adequacy (continued)

(a) The capital adequacy ratios are as follows (continued):

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II – Risk-Weighted Assets) dated 9 December 2020 and 3 May 2019 respectively. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 4.5%, 6.0% and 8.0% respectively for year 2020 before including capital conservation buffer and countercyclical capital buffer ("CCyB").

Banking institutions are required to maintain a capital conservation buffer of 2.5% and CCyB above the minimum regulatory capital adequacy ratios above.

(b) The components of CET 1, Tier 1 and Tier 2 Capital are as follows:

	Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Paid up ordinary share capital	502,000	502,000
Retained profits	4,650,106	4,600,905
Other reserves	14,298	7,804
Less: Deferred tax assets	(98,498)	(69,730)
55% of cumulative gains of financial assets measured at FVOCI	(7,865)	(4,292)
Total CET 1 Capital/Tier 1 Capital	5,060,041	5,036,687
Tier 2 Capital		
Loss allowance and regulatory reserves*	251,926	278,820
Total Tier 2 Capital	251,926	278,820
Total Eligible Tier 2 Capital	251,926	278,820
Total Capital	5,311,967	5,315,507

* Excludes loss allowance restricted from Tier 2 Capital by BNM of RM275.7 million (2019: RM75.1 million).

34. Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

Group and Bank 2020	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Nature of item			
Direct credit substitutes	1,397,423	1,397,423	1,296,533
Transaction related contingent items	517,353	258,677	248,603
Short term self-liquidating trade related contingencies	237,731	47,546	43,402
Forward asset purchases	98,110	98,110	91,934
Foreign exchange related contracts:			
One year or less	69,681,843	751,471	469,432
Over one year to five years	2,060,259	85,258	60,246
Interest/Profit rate related contracts:			
One year or less	38,851,570	40,655	15,949
Over one year to five years	61,813,071	745,600	272,028
Over five years	2,320,000	123,764	48,022
Equity related contracts:			
One year or less	51,871	1,557	778
Debt security contracts and other commodity contracts:			
One year or less	3,554,664	421,743	371,320
Over one year to five years	735,835	101,642	88,877
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	405,377	202,688	200,244
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	13,840,569	-	-
Unutilised credit card lines	18,531,381	3,706,276	2,799,205
Total	214,097,057	7,982,410	6,006,573

34. Commitments and contingencies (continued)

Group and Bank 2019	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Nature of item			
Direct credit substitutes	1,402,756	1,402,756	1,132,758
Transaction related contingent items	556,191	278,095	252,122
Short term self-liquidating trade related contingencies	203,732	40,746	38,737
Forward asset purchases	152,802	152,802	52,365
Foreign exchange related contracts:			
One year or less	75,533,268	709,770	434,901
Over one year to five years	3,201,197	122,886	84,879
Interest/Profit rate related contracts:			
One year or less	24,376,364	32,669	10,896
Over one year to five years	79,543,121	1,035,979	352,439
Over five years	4,032,160	178,321	57,354
Equity related contracts:			
One year or less	127,166	3,826	1,913
Debt security contracts and other commodity contracts:			
One year or less	1,289,759	147,271	88,858
Over one year to five years	2,000,117	132,298	123,458
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	353,178	176,589	157,968
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	13,972,624	-	-
Unutilised credit card lines	17,702,440	3,540,488	2,671,725
Total	224,446,875	7,954,496	5,460,373

35. Subsequent event

On April 15 2021, Citigroup Inc announced strategic actions in Global Consumer Banking - as part of an ongoing strategic review - which will allow Citi to direct investments and resources to the businesses where it has the greatest scale and growth potential. Citi will focus its Global Consumer Bank presence in Asia and EMEA on four wealth centers - Singapore, Hong Kong, the UAE and London. As a result, Citi intends to pursue exits from its consumer franchises in thirteen markets across the two regions.

The affected businesses include the consumer franchises in Australia, Bahrain, China, India, Indonesia, Korea, Malaysia, the Philippines, Poland, Russia, Taiwan, Thailand and Vietnam. Citigroup's Institutional Clients Group will continue to serve clients in these markets, which remain important to Citi's global network.

The global strategic re-positioning decision follows the principles Citigroup CEO Jane Fraser outlined previously on a strategy refresh and transformation. It will allow Citi to focus our investments and resources on businesses that can drive stronger growth, deliver scale and enhance returns over the long run. Short-term, there will be no immediate change to the operations of Citibank Berhad and no impact to employees as a result of the announcement by Citigroup Inc to pursue an exit from the Consumer Bank business in Malaysia. The exit structure once finalised is subject to the prior approval of the Board of Directors, Citibank Berhad and Bank Negara Malaysia.

This is a non-adjusting event and an estimate of the financial effect cannot be made at the point in time as the exit structure is yet to be finalised.

36. The operations of Islamic Banking

Statement of financial position as at 31 December 2020

		Bank	
	Note	**2020 RM'000**	**2019 RM'000**
Assets			
Cash and short term funds	(a)	1,352,441	1,647,828
Investment securities	(b)	1,967,379	840,518
Financing, advances and others	(c)	122,649	301,332
Other assets	(e)	123,046	7,478
Total assets		3,565,515	2,797,156
Liabilities			
Deposits and funds from customers	(f)	1,256,187	550,822
Deposits and placements of banks and other financial institutions	(g)	1,685,714	1,693,160
Deferred tax liabilities		1,301	768
Other liabilities	(h)	6,165	8,566
Provision for taxation		16,863	-
Total liabilities		2,966,230	2,253,316
Islamic Banking funds	(i)	599,285	543,840
Total liabilities and Islamic Banking funds		3,565,515	2,797,156

The notes on pages 134 to 146 are an integral part of these financial statements.

36. The operations of Islamic Banking (continued

Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2020

	Note	Bank 2020 RM'000	Bank 2019 RM'000
Income derived from investment of depositors' funds and others	(j)	92,816	78,900
(Allowance)/Write back for financing, advances and others	(k)	(3,789)	89
Write back of allowance for other assets		90	87
Total attributable income		89,117	79,076
Income attributable to depositors and others	(l)	(15,300)	(9,789)
Total attributable to the Bank		73,817	69,287
(Loss)/Income derived from investment of Islamic Banking funds	(m)	(7,003)	55,228
Total net income		66,814	124,515
Other operating expenses	(o)	(1,034)	(1,022)
Profit before taxation		65,780	123,493
Tax expense	(p)	(15,701)	(32,927)
Profit for the year		50,079	90,566
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Investment securities			
- Net change in fair value		5,366	853
Total other comprehensive income for the year		5,366	853
Total comprehensive income for the year		55,445	91,419
Profit for the year attributable to:			
Owner of the Bank		50,079	90,566
Total comprehensive income attributable to:			
Owner of the Bank		55,445	91,419

The notes on pages 134 to 146 are an integral part of these financial statements.

36. The operations of Islamic Banking (continued)

Statement of changes in Islamic Banking funds for the financial year ended 31 December 2020

	Capital funds RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2019	20,000	1,078	431,343	452,421
Fair value reserve on investment securities:				
- Net change in fair value	-	853	-	853
Profit for the year	-	-	90,566	90,566
Total comprehensive income for the year	-	853	90,566	91,419
At 31 December 2019/1 January 2020	20,000	1,931	521,909	543,840
Fair value reserve on investment securities:				
- Net change in fair value	-	5,366	-	5,366
Profit for the year	-	-	50,079	50,079
Total comprehensive income for the year	-	5,366	50,079	55,445
At 31 December 2020	20,000	7,297	571,988	599,285
				Note 36(i)

The notes on pages 134 to 146 are an integral part of these financial statements.

36. The operations of Islamic Banking (continued)

Statement of cash flows for the financial year ended 31 December 2020

	Bank	
	2020 RM'000	**2019 RM'000**
Cash flows from operating activities		
Profit before taxation	65,780	123,493
Adjustments for:		
Amortisation of premium less accretion of discount of investment securities	27,118	(2,708)
Allowance/(Write back) for financing, advances and others	3,789	(89)
Write back of allowance other assets	(90)	(87)
Gain from sale of investment securities at FVOCI	(11,974)	(7,799)
Operating profit before working capital changes	84,623	112,810
Changes in working capital:		
Investment securities	75,840	-
Financing, advances and others	174,894	145,173
Other assets	(115,478)	(3,849)
Deposits and funds from customers	705,365	(361,941)
Deposits and placements of banks and other financial institutions	(7,446)	(34,458)
Other liabilities	(706)	3,019
Cash generated from/(used in) operating activities	917,092	(139,246)
Income taxes	-	(32,990)
Net cash generated from/(used in) operating activities	917,092	(172,236)
Cash flows from investing activities		
Purchase of investment securities	(2,978,640)	(4,095,537)
Proceeds from disposal of investment securities	1,766,161	4,235,067
Net cash (used in)/generated from investing activities	(1,212,479)	139,530
Net decrease in cash and short term funds	(295,387)	(32,706)
Cash and short term funds at 1 January	1,647,828	1,680,534
Cash and short term funds at 31 December (Note 36(a))	1,352,441	1,647,828

The notes on pages 134 to 146 are an integral part of these financial statements.

36. The operations of Islamic Banking (continued)

(a) Cash and short term funds

	Bank 2020 RM'000	Bank 2019 RM'000
Cash and balances with banks and other financial institutions	2,115	2,439
Money at call and deposit placements maturing within one month	1,350,326	1,645,389
	1,352,441	1,647,828

(b) Investment securities

(i) By measurement

	Bank 2020 RM'000	Bank 2019 RM'000
Investment securities measured at FVOCI	1,967,379	840,518

(ii) By type

	Bank 2020 RM'000	Bank 2019 RM'000
Malaysian Government Investment Issues	1,967,379	840,518

(c) Financing, advances and others

(i) By measurement

		Bank 2020 RM'000	Bank 2019 RM'000
Financing, advances and others measured at amortised cost		127,084	215,068
Financing, advances and others measured at FVTPL		-	86,930
Gross financing, advances and others		127,084	301,998
Less: Loss allowance	Note (36)(d)(iii)	(4,435)	(666)
Total net financing, advances and others		122,649	301,332

36. The operations of Islamic Banking (continued)

(c) Financing, advances and others (continued)

(ii) By type

		Bank 2020 RM'000	2019 RM'000
Term financing			
- Housing financing		130,240	145,469
- Other term financing		20	160,737
		130,260	306,206
Unearned income		(3,176)	(4,208)
Gross financing, advances and others		127,084	301,998
Less: Loss allowance	Note (36)(d)(iii)	(4,435)	(666)
Total net financing, advances and others		122,649	301,332

(iii) By contract

	Bank 2020 RM'000	2019 RM'000
Bai' Bithaman Ajil	8,418	9,295
Diminishing Musharakah	118,650	131,975
Murabahah	16	160,728
	127,084	301,998

(iv) By type of customer

	Bank 2020 RM'000	2019 RM'000
Domestic business enterprises		
- Small and medium enterprises	-	8
- Others	16	161,111
Individuals	127,068	140,879
	127,084	301,998

(v) By profit rate sensitivity

	Bank 2020 RM'000	2019 RM'000
Fixed rate		
- Housing financing	8,418	9,295
Variable rate		
- Base rate/Base Financing Rate	118,650	131,975
- Cost plus	16	160,728
	127,084	301,998

36. The operations of Islamic Banking (continued)

(c) Financing, advances and others (continued)

(vi) By sector

	Bank 2020 RM'000	Bank 2019 RM'000
Manufacturing (including agriculture based)	-	73,658
Finance, insurance, real estate and business services	16	87,070
Household - residential	127,068	140,879
Other sectors	-	391
	127,084	301,998

(d) Impaired financing, advances and others

(i) (i)Movements in impaired financing, advances and others are as follows:

	Bank 2020 RM'000	Bank 2019 RM'000
At 1 January	2,900	4,161
Classified as impaired during the year	6,020	5,922
Reclassified as performing during the year	(4,245)	(6,514)
Amount recovered	(664)	(340)
Others	(146)	(329)
At 31 December	3,865	2,900
Lifetime ECL credit impaired	(1,037)	(18)
Net impaired financing, advances and others	2,828	2,882
Ratio of net impaired financing, advances and others to total gross financing, advances and others less lifetime ECL credit impaired	2.24%	0.95%

(ii) Impaired financing, advances and others by sector

	Bank 2020 RM'000	Bank 2019 RM'000
Household - residential	3,865	2,900

36. The operations of Islamic Banking (continued)

(d) Impaired financing, advances and others (continued)

(iii) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Bank	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020				
At 1 January	594	54	18	666
Transfer to 12-months ECL	1,537	(1,440)	(97)	-
Transfer to lifetime ECL not credit impaired	(79)	245	(166)	-
Transfer to lifetime ECL credit impaired	-	(894)	894	-
Less: Financing derecognised during the period (other than write-offs)	(206)	(105)	(95)	(406)
Net remeasurement of loss allowance	(1,472)	2,436	6	970
Others	127	2,601	477	3,205
At 31 December	501	2,897	1,037	4,435

Bank	12-months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2019				
At 1 January	657	53	23	733
Transfer to 12-months ECL	256	(228)	(28)	-
Transfer to lifetime ECL not credit impaired	(105)	160	(55)	-
Transfer to lifetime ECL credit impaired	-	(43)	43	-
Less: Financing derecognised during the period (other than write-offs)	(31)	(3)	(6)	(40)
Net remeasurement of loss allowance	(159)	832	47	720
Changes in models/risk parameters	-	(1,924)	(655)	(2,579)
Others	(24)	1,207	649	1,832
At 31 December	594	54	18	666

36. The operations of Islamic Banking (continued)

(e) Other assets

	Bank 2020 RM'000	Bank 2019 RM'000
Profit receivables	22,191	5,679
Other debtors, deposits and prepayments	100,895	1,929
	123,086	7,608
Less: Loss allowance	(40)	(130)
	123,046	7,478

(f) Deposits and funds from customers

(i) By type of deposits and funds

	Bank 2020 RM'000	Bank 2019 RM'000
Non-Mudarabah Fund		
Demand deposits	1,209,400	506,727
Saving deposits	46,787	44,095
	1,256,187	550,822

(ii) By type of customer

	Bank 2020 RM'000	Bank 2019 RM'000
Government and statutory bodies	1,081,910	377,775
Business enterprises	119,081	121,013
Individuals	55,196	52,034
	1,256,187	550,822

36. The operations of Islamic Banking (continued)

(g) Deposits and placements of banks and other financial institutions

	Bank 2020 RM'000	Bank 2019 RM'000
Bank Negara Malaysia	1,413,312	1,366,258
Licensed banks	114,141	205,915
Licensed financial institutions	158,261	120,987
	1,685,714	1,693,160

(h) Other liabilities

	Bank 2020 RM'000	Bank 2019 RM'000
Other creditors and accruals	6,165	8,566

(i) Islamic Banking funds

	Bank 2020 RM'000	Bank 2019 RM'000
Capital funds	20,000	20,000
Fair value reserve	7,297	1,931
Retained profits	571,988	521,909
	599,285	543,840

(j) Income derived from investment of depositors' funds and others

		Bank 2020 RM'000	Bank 2019 RM'000
Income derived from investment of:			
General investment funds	(i)	92,816	78,900

36. The operations of Islamic Banking (continued)

(j) Income derived from investment of depositors' funds and others (continued)

(i) Income derived from investment of general investment funds

	Bank 2020 RM'000	Bank 2019 RM'000
Finance income and hibah		
Financing, advances and others	5,475	7,587
Money at call and placements with financial institutions	32,550	28,630
Investment securities at FVOCI	53,897	42,268
Investment securities at FVTPL	1,105	-
	93,027	78,485
Accretion of discount less amortisation of premium	(352)	369
Total finance income and hibah	92,675	78,854
Other operating income		
Fee income	141	46
Income from general investment funds	92,816	78,900

(k) Allowance/(Write back) for financing, advances and others

	Bank 2020 RM'000	Bank 2019 RM'000
12-months ECL	(93)	(63)
Lifetime ECL not credit impaired	2,843	1
Lifetime ECL credit impaired	1,019	(5)
Impaired financing, advances and others:		
- written off	42	22
- recovered	(22)	(44)
	3,789	(89)

(l) Income attributable to depositors and others

	Bank 2020 RM'000	Bank 20189 RM'000
Deposits and funds from customers		
- Non-Mudarabah Fund	15,274	9,734
Others	26	55
	15,300	9,789

36. The operations of Islamic Banking (continued)

(m) (Loss)/Income derived from investment of Islamic Banking funds

	Bank 2020 RM'000	Bank 2019 RM'000
Financing, advances and others	757	1,418
Money at call and placements with financial institutions	4,500	5,351
Investment securities at FVOCI	7,450	7,900
Investment securities at FVTPL	153	-
	12,860	14,669
Accretion of discount less amortisation of premium	(21,788)	(4,440)
Total finance (loss)/income and hibah	(8,928)	10,229
Other operating income		
Gain from investment securities at FVOCI	11,974	7,799
Gain from investment securities at FVTPL	63	4
Fee income	906	225
Gain from trading activities	7,442	4,714
Net (loss)/gain on revaluation of financing and advances at FVTPL	(18,460)	5,225
Net gain on repayment of financing and advances at FVTPL	-	27,032
	1,925	44,999
	(7,003)	55,228

(n) Net income from Islamic Banking operations

For consolidation with the conventional operations, income from Islamic Banking operations comprises the following:

	Note	Bank 2020 RM'000	Bank 2019 RM'000
Income derived from investment of depositors' funds and others	(j)	92,816	78,900
Income attributable to depositors and others	(l)	(15,300)	(9,789)
(Loss)/Income derived from investment of Islamic Banking funds	(m)	(7,003)	55,228
		70,513	124,339

36. The operations of Islamic Banking (continued)

(o) Other operating expenses

	Bank 2020 RM'000	2019 RM'000
Personnel costs		
- Staff allowances and benefits	18	-
Establishment costs		
- Rental	10	14
Administrative and general expenses		
- Others	1,006	1,008
	1,034	1,022

Included in other operating expenses is the Shariah Committee's remuneration. The total remuneration of the Shariah committee members are as follows:

	Bank 2020 RM'000	2019 RM'000
Dr. Mat Noor Mat Zain	60	58
Prof. Dr. Abdul Ghafar Ismail	48	46
Dr. Hakimah Hj Yaacob	8	46
Dr. Nik Abdul Rahim bin Nik Abdul Ghani	28	46
	144	196

(p) Taxation

	Bank 2020 RM'000	2019 RM'000
Malaysian income tax		
- Current tax expense	16,862	32,990
- Prior year over provision	-	(82)
Deferred tax (income)/expense	(1,161)	19
	15,701	32,927

36. The operations of Islamic Banking (continued)

(q) Zakat

Zakat is compulsory for business activities. According to the principles of Shariah, Muslim shareholders of the Bank are obliged to make payment. Thus, the Bank is not obliged for the collection or payment of zakat on behalf of its Muslim depositors and shareholders as resolved by its Shariah Committee.

As of 31 December 2020, the shareholding of Citibank Berhad is 100% owned by Citigroup Holding (Singapore) Pte. Ltd., hence no assessment was made on zakat payable.

(r) Capital adequacy

(i) The capital adequacy ratios are as follows

	Bank	
	2020 RM'000	**2019 RM'000**
Computation of Total Risk-Weighted Assets ("RWA")		
Total credit RWA	124,986	137,915
Total market RWA	-	-
Total operational RWA	144,828	151,163
Total Risk-Weighted Assets	269,814	289,078
Computation of Capital Ratios		
Common Equity Tier (1) ("CET 1") Capital	595,271	542,778
Tier 1 Capital	595,271	542,778
Total Capital	596,833	543,557
CET 1 Capital Ratio	220.622%	187.762%
Total Tier 1 Capital Ratio	220.622%	187.762%
Total Capital Ratio	221.201%	188.031%

The total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II – Risk-Weighted Assets) dated 9 December 2020 and 3 May 2019 respectively. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components), the minimum capital adequacy requirement for Common Equity Tier 1 Capital Ratio and Tier 1 Capital Ratio are 4.0% and 5.5% respectively for year 2020. The minimum regulatory capital adequacy requirement remains at 8.0% (2019: 8.0%) for Total Capital Ratio.

36. The operations of Islamic Banking (continued)

(r) Capital adequacy (continued)

(ii) (ii)The components of CET 1, Tier 1 and Tier 2 Capital are as follows:

	Bank	
	2020 RM'000	2019 RM'000
Capital funds	20,000	20,000
Retained profits	571,988	521,909
Other reserves	7,297	1,931
55% of cumulative gains of financial assets measured at FVOCI	(4,014)	(1,062)
Total CET 1 Capital/Tier 1 Capital	595,271	542,778
Tier 2 Capital		
Loss allowance and regulatory reserve*	1,562	779
Total Tier 2 Capital	1,562	779
Total Capital	596,833	543,557

* Excludes loss allowance restricted from Tier 2 Capital by BNM of RM0.2 million (2019: Nil).

36. The operations of Islamic Banking (continued)

(s) Profit rate risk

Bank 2020	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Financial assets									
Cash and short term funds	1,350,326	-	-	-	-	2,115	-	1,352,441	2.24
Investment securities	-	203,788	424,908	1,338,683	-	-	-	1,967,379	-
Financing, advances and others									
- performing	142	57	178	7,223	115,619	(3,398)	-	119,821	2.97
- impaired	-	-	-	-	-	2,828	-	2,828	-
Others assets	-	-	-	-	-	123,046	-	123,046	-
Total financial assets	1,350,468	203,845	425,086	1,345,906	115,619	124,591	-	3,565,515	
Financial liabilities									
Deposits and funds from customers	1,256,187	-	-	-	-	-	-	1,256,187	0.49
Deposits and placements of banks and other financial institutions	1,685,714	-	-	-	-	-	-	1,685,714	0.50
Deferred tax liabilities	-	-	-	-	-	1,301	-	1,301	-
Other liabilities	-	-	-	-	-	6,165	-	6,165	-
Total financial liabilities	2,941,901	-	-	-	-	7,466	-	2,949,367	
On-balance sheet profit sensitivity gap	(1,591,433)	203,845	425,086	1,345,906	115,619	117,125	-		

36. The operations of Islamic Banking (continued)

(s) Profit rate risk (continued)

Bank 2019	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Financial assets									
Cash and short term funds	1,645,389	-	-	-	-	2,439	-	1,647,828	2.12
Investment securities	-	-	265,176	575,342	-	-	-	840,518	-
Financing, advances and others									
- performing	11	-	87,429	79,948	131,848	(786)	-	298,450	4.49
- impaired	-	-	-	-	-	2,882	-	2,882	-
Others assets	-	-	-	-	-	7,478	-	7,478	-
Total financial assets	1,645,400	-	352,605	655,290	131,848	12,013	-	2,797,156	
Financial liabilities									
Deposits and funds from customers	550,822	-	-	-	-	-	-	550,822	2.99
Deposits and placements of banks and other financial institutions	1,509,993	-	101,195	81,972	-	-	-	1,693,160	0.01
Deferred tax liabilities	-	-	-	-	-	768	-	768	-
Other liabilities	-	-	-	-	-	8,566	-	8,566	-
Total financial liabilities	2,060,815	-	101,195	81,972	-	9,334	-	2,253,316	
On-balance sheet profit sensitivity gap	(415,415)	-	251,410	573,318	131,848	2,679	-		

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