

Our Finances

- 127 Statement of Financial Position
as at 31 December 2020
- 128 Income Statement for the Year
Ended 31 December 2020
- 129 Notes to the Financial Statements for the
Year Ended 31 December 2020

Our Finances



Our Finances

The Bank manages its finances with the objective of ensuring that it has the resources to discharge its mandates to promote monetary and financial stability conducive to the sustainable growth of the Malaysian economy. In keeping with these mandates, we are committed to being responsible, prudent and disciplined in managing our resources.

Although we are a statutory body, we do not rely on public funds from the Government to support our day-to-day operations. Instead, our operations are funded by income generated from our investments of the country's international reserves. In 2020, we generated total income of RM13,492 million (2019: RM11,129 million), net of costs associated with managing the international reserves portfolio and conducting monetary operations.

Against this, we incur expenses to manage and administer our day-to-day operations ("recurring expenditure") and also expenses to finance developmental and long term projects in line with our principal objects and functions ("development expenditure"). This includes expenditures incurred for our currency operations and to maintain the country's payment infrastructure. In 2020,

these expenditures amounted to RM3,219 million (2019: RM2,161 million).

In 2020, we generated RM10,235 million in net profit after tax (2019: RM8,926 million). Of this, RM6,235 million will be transferred into the General Reserve Fund (2019: RM26 million). The remaining RM4,000 million (2019: RM3,500 million) in net profit will be paid as dividend to the Government.

Our assets, as at 31 December 2020, totalled RM488,044 million (2019: RM458,967 million), with the RM432,373 million (2019: RM431,457 million) of international reserves portfolio constituting the bulk (89%) of our assets.

Our liabilities arise mainly from deposits by financial institutions (RM146,028 million) and currency in circulation (RM130,424 million).



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK NEGARA MALAYSIA
FOR THE YEAR ENDED 31 DECEMBER 2020**

Certificate on the Audit of the Financial Statements

Opinion

I have audited the Financial Statements of Bank Negara Malaysia, which comprise the Statement of Financial Position as at 31 December 2020 and Income Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 127 to 140.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank Negara Malaysia as at 31 December 2020, and of its financial performance for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and Central Bank of Malaysia Act 2009 to the extent that it is, in the opinion of the Directors, appropriate to do so, having regard to the objects and functions of the Bank.

Basis for Opinion

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Bank Negara Malaysia and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of the Bank Negara Malaysia is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Bank Negara Malaysia does not cover other information than the Financial Statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Board for the Financial Statements

The Board is responsible for the preparation of Financial Statements of the Bank Negara Malaysia that give a true and fair view in accordance with Malaysian Financial Reporting Standards (MFRS) and Central Bank of Malaysia Act 2009 to the extent that it is, in the opinion of the Directors, appropriate to do so, having regard to the objects and functions of the Bank. The Board is also responsible for such internal control as it is necessary to enable the preparation of the Financial Statements of the Bank Negara Malaysia that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Bank Negara Malaysia, the Board is responsible for assessing the Bank Negara Malaysia's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements of Bank Negara Malaysia as a whole are free from material misstatement, whether due to fraud or error, and to issue Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions 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.

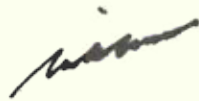
As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. Identify and assess the risks of material misstatement of the Financial Statements of the Bank Negara Malaysia, 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 my 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.
- b. 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 Bank Negara Malaysia's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- d. Conclude on the appropriateness of the Board 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 of the Bank Negara Malaysia's ability to continue as a going concern. If I conclude that a material uncertainty exists, I have to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Bank Negara Malaysia or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate.
- e. Evaluate the overall presentation of the Financial Statements of Bank Negara Malaysia, including the disclosures, and whether the Financial Statements of Bank Negara Malaysia represents the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters

This certificate is made solely to the Board in accordance with Central Bank of Malaysia Act 2009 and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.



(DATUK NIK AZMAN NIK ABDUL MAJID)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
16 MARCH 2021



BANK NEGARA MALAYSIA

**STATEMENT BY CHAIRMAN
AND ONE OF THE DIRECTORS**

We, Nor Shamsiah Yunus and Chin Suit Fang, being the Chairman and one of the Directors of Bank Negara Malaysia, do hereby state that in the opinion of the Directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of Bank Negara Malaysia as at 31 December 2020 and of the results of operations for the year ended on that date, in accordance with the Central Bank of Malaysia Act 2009 and the applicable Malaysian Financial Reporting Standards (MFRS) to the extent that it is, in the opinion of the Directors, appropriate to do so, having regard to the objects and functions of the Bank.

On behalf of the Board,



NOR SHAMSIAH YUNUS
CHAIRMAN

26 FEBRUARY 2021
KUALA LUMPUR

On behalf of the Board,



CHIN SUIT FANG
DIRECTOR

26 FEBRUARY 2021
KUALA LUMPUR

BANK NEGARA MALAYSIA

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF BANK NEGARA MALAYSIA

I, Affendi Rashdi, being the officer primarily responsible for the financial management of Bank Negara Malaysia, do solemnly and sincerely declare that the financial statements for the year ended 31 December 2020, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Kuala Lumpur)
this 26 February 2021.)



Before me,



NO. 58A, JALAN BUKIT RAJA
TAMAN SEPUTEH, 58000 KUALA LUMPUR

BANK NEGARA MALAYSIA

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		2020 RM million	2019 RM million
ASSETS			
Gold and Foreign Exchange	3	421,775	422,211
International Monetary Fund Reserve Position	4	5,829	4,584
Holdings of Special Drawing Rights	4	4,769	4,662
Malaysian Government Papers	5	11,145	1,978
Deposits with Financial Institutions	6	2,996	2,630
Loans and Advances	7	17,520	7,112
Land and Buildings	8	4,164	4,162
Other Assets	9	19,846	11,628
Total Assets		<u>488,044</u>	<u>458,967</u>
LIABILITIES AND CAPITAL			
Currency in Circulation		130,424	114,097
Deposits from: Financial Institutions		146,028	163,714
Federal Government		3,648	3,568
Others	10	15,056	543
Bank Negara Papers	11	9,614	15,834
Allocation of Special Drawing Rights	4	7,788	7,619
Other Liabilities	12	4,810	2,959
Total Liabilities		<u>317,368</u>	<u>308,334</u>
Capital	13	100	100
General Reserve Fund	14	14,857	14,831
Risk Reserve	15	144,746	131,436
Land Revaluation Reserve	16	738	740
Unappropriated Profits	17	10,235	3,526
Total Capital		<u>170,676</u>	<u>150,633</u>
Total Liabilities and Capital		<u>488,044</u>	<u>458,967</u>

Notes on the following pages form part of these financial statements.

BANK NEGARA MALAYSIA

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

		2020 RM million	2019 RM million
	Note		
Total Income	18	13,492	11,129
Less:			
Recurring Expenditure	19	(1,251)	(1,325)
Development Expenditure	20	(1,968)	(836)
Total Expenditure		(3,219)	(2,161)
Net Profit Before Tax		10,273	8,968
Less: Taxation	21	(38)	(42)
Net Profit After Tax		10,235	8,926
Less: Transfer to Risk Reserve	15	-	(5,400)
Unappropriated Profits of the Year	17	10,235	3,526

Notes on the following pages form part of these financial statements.

BANK NEGARA MALAYSIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General Information

Bank Negara Malaysia (the Bank) is a statutory body established under the Central Bank of Malaysia Act 1958 which has been repealed by the Central Bank of Malaysia Act 2009. The principal place of business is located at Bank Negara Malaysia, Jalan Dato' Onn, 50480 Kuala Lumpur.

The principal objects of the Bank are to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. In this regard, the Bank's primary functions are as follows:

- (a) to formulate and conduct monetary policy in Malaysia;
- (b) to issue currency in Malaysia;
- (c) to regulate and supervise financial institutions which are subject to the laws enforced by the Bank;
- (d) to provide oversight over money and foreign exchange markets;
- (e) to exercise oversight over payment systems;
- (f) to promote a sound, progressive and inclusive financial system;
- (g) to hold and manage the foreign reserves of Malaysia;
- (h) to promote an exchange rate regime consistent with the fundamentals of the economy; and
- (i) to act as financial adviser, banker and financial agent of the Government.

The Board of Directors approved the annual financial statements on 26 February 2021.

2. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies are consistently applied to both of the financial years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

- (a) These financial statements have been prepared in accordance with the Central Bank of Malaysia Act 2009 and the applicable Malaysian Financial Reporting Standards (MFRS). Section 10 of the Central Bank of Malaysia Act 2009 provides that the Bank, in preparing its financial statements, shall comply with the applicable accounting standards to the extent that it is, in the opinion of the Directors, appropriate to do so, having regard to the objects and functions of the Bank. The Directors, having considered the Bank's responsibilities for the formulation and conduct of effective monetary policy and for promoting financial stability, are of the opinion that, it is appropriate to differ, in certain aspects, from the applicable accounting standards.

BANK NEGARA MALAYSIA

- (b) The preparation of the financial statements on the basis stated in 2.1 (a) requires the management to make judgements, estimates and assumptions based on available information that may affect the application of accounting policies and the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, the actual results could differ from those estimates.

2.2 Measurement Base and Accounting Basis

The financial statements have been prepared on an accrual basis, using the historical cost convention, except as otherwise disclosed.

2.3 Foreign Currency Translation

- (a) The financial statements have been prepared using Ringgit Malaysia, the currency of the primary economic environment in which the Bank operates.
- (b) Assets and liabilities in foreign currencies are translated into Ringgit Malaysia using the exchange rate prevailing as at the end of the financial year. Transactions in foreign currencies during the year are translated into Ringgit Malaysia using the exchange rate prevailing at the transaction dates.
- (c) All foreign exchange gains or losses arising from the translation of foreign currency assets and liabilities are recognised in the Risk Reserve while realised gains or losses upon settlement on Other Assets and Other Liabilities are recognised in the Income Statement.

2.4 Gold

Gold is carried at fair value. Unrealised gains and losses from changes in the fair value on gold are recognised in the Risk Reserve. Realised gains or losses from the sale of gold are recognised in the Income Statement.

2.5 Foreign Securities

Foreign securities comprising fixed income securities and equities are stated at fair value. Fair value changes are recognised in the Risk Reserve or in the Income Statement. Upon derecognition, realised gains or losses are recognised in the Income Statement.

2.6 Net Profit

The net profit of the Bank is appropriated in accordance with section 7 of the Central Bank of Malaysia Act 2009 and only realised gains are available for distribution to the Bank's shareholder.

2.7 Repurchase and Reverse Repurchase Agreements

The amount under repurchase agreements is reported under Other Liabilities and the difference between the sale and repurchase price is recognised as interest expense in the Income Statement. Conversely, the amount under reverse repurchase agreements is reported under Other Assets and the difference between purchase and resale price is recognised as interest income in the Income Statement.

BANK NEGARA MALAYSIA

2.8 Land and Buildings

- (a) The Bank capitalises all its land while buildings are maintained at nominal cost of RM10 each.
- (b) The amount of land capitalised at initial recognition is the purchase price along with any further costs incurred in bringing the land to its present condition.
- (c) After initial recognition, land is stated at revalued amount. Professional valuations of the Bank's land will be carried out once every 10 years with any surplus arising on revaluation to be recognised directly in the Land Revaluation Reserve.
- (d) Freehold land is not depreciated while leasehold land is amortised over its remaining life. Land (freehold and leasehold) is revalued once in 10 years and fair value is determined from market based evidence undertaken by professionally qualified valuer. Buildings are not depreciated but revalued to a nominal value in the year of acquisition.
- (e) Any gain or loss arising from the disposal of land is determined as the difference between the net disposal proceeds and the carrying amount of the land. Upon disposal of land, any surplus previously recorded in the Land Revaluation Reserve is transferred to Unappropriated Profit.

2.9 Other Fixed Assets

All other fixed assets are completely written-off in the year of acquisition.

2.10 Impairment of Assets

All assets are periodically assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, an impairment review is performed to assess whether the carrying amount of the asset is fully recoverable.

3. Gold and Foreign Exchange

	2020 RM million	2019 RM million
Gold	9,463	7,723
Foreign Securities	382,279	383,051
Foreign Deposits	5,409	8,929
Balances with Other Central Banks	12,842	13,116
Others	11,782	9,392
	421,775	422,211

4. International Monetary Fund (IMF) Reserve Position, Holdings of Special Drawing Rights (SDR) and Allocation of Special Drawing Rights (SDR)

The IMF objectives are to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth and reduce poverty around the world. The IMF also provides advice and temporary funding to member countries in the event of balance of payments difficulties.

BANK NEGARA MALAYSIA

IMF Reserve Position

This consists of the reserve tranche position of Malaysia's quota, lending under the Financial Transaction Plan (FTP) and New Arrangements to Borrow (NAB). The IMF quota determines a member country's voting strength, the financial contributions to the IMF, the amount of financing the member can access in the event of balance of payment difficulties and the amount of SDRs allocated to the member. Both FTP and NAB programmes are used to provide loans to members.

Holdings of Special Drawing Rights (SDR)

Holdings of Special Drawing Rights (SDR) are an international reserve asset created by the IMF. SDR is periodically allocated to IMF member countries on the basis of the size of member countries' quota. A member may use SDR to obtain foreign exchange reserves from other members and to make international payments, including to the IMF.

Allocation of Special Drawing Rights (SDR)

This liability to the IMF represents an equivalent amount of SDR received since its inception.

	2020 RM million	2019 RM million
IMF Reserve Position	5,829	4,584
Holdings of Special Drawing Rights (SDR)	4,769	4,662
Allocation of Special Drawing Rights (SDR)	(7,788)	(7,619)
Net position with IMF	<u>2,810</u>	<u>1,627</u>

5. Malaysian Government Papers

Malaysian Government Papers refer to holdings of Government debt instruments that are among the instruments that can be used in the Bank's monetary policy operations.

	2020 RM million	2019 RM million
Malaysian Government Securities	9,939	1,819
Malaysian Government Investment Certificates	1,206	159
	<u>11,145</u>	<u>1,978</u>

6. Deposits with Financial Institutions

Deposits with financial institutions comprise deposits placed by the Bank with financial institutions under section 75(i) and section 100 of the Central Bank of Malaysia Act 2009.

7. Loans and Advances

Loans and advances comprise mainly advances extended by the Bank to participating institutions under various schemes aimed at providing relief and to support the recovery of small and medium-sized enterprises affected by COVID-19 pandemic as well as to help home buyers from the lower income group to finance the purchase of their first homes. The extensions of these advances are provided under section 48, section 49 and section 100 of the Central Bank of Malaysia Act 2009.

BANK NEGARA MALAYSIA

	2020 RM million	2019 RM million
Funds for Small and Medium Industries	16,210	5,766
Fund for Affordable Homes	1,000	1,000
Others	310	346
	<u>17,520</u>	<u>7,112</u>

8. Land and Buildings

	2020 RM million	2019 RM million
Land, at cost		
Freehold	3,318	3,314
Land, at revaluation		
Freehold	694	694
Leasehold	152	154
	<u>4,164</u>	<u>4,162</u>

	2020 RM million	2019 RM million
Leasehold land		
As at 1 January	154	167
Less: Accumulated Amortisation	(2)	(13)
As at 31 December	<u>152</u>	<u>154</u>

	2020 RM	2019 RM
Buildings, at nominal value		
Freehold	2,240	2,230
Leasehold	1,370	1,380
	<u>3,610</u>	<u>3,610</u>

Freehold and leasehold land, at revaluation, were revalued by an independent valuer on 1 August 2014.

9. Other Assets

Included in Other Assets are securities purchased under reverse repurchase agreements and investments in shares and bonds acquired under section 48(1) and section 100 of the Central Bank of Malaysia Act 2009.

BANK NEGARA MALAYSIA

	2020 RM million	2019 RM million
Reverse Repurchase Agreements	14,833	6,490
Investments in Shares and Bonds	4,390	4,390
Others	623	748
	<u>19,846</u>	<u>11,628</u>

10. Deposits from Others

A substantial part of these deposits comprises deposits from national institutions, government agencies and public authorities.

11. Bank Negara Papers

Bank Negara Papers are papers issued by the Bank as an additional monetary policy tool to manage liquidity in the domestic money market. It also includes Bank Negara Interbank Bills (BNIB) in foreign currency and this is part of the Bank's market operations to manage foreign currency liquidity in the domestic money market.

12. Other Liabilities

Other Liabilities include securities sold under repurchase agreements of RM2,577 million (2019: RM1,643 million).

	2020 RM million	2019 RM million
Repurchase Agreements	2,577	1,643
Accruals	1,858	954
Others	375	362
	<u>4,810</u>	<u>2,959</u>

13. Capital

In accordance with section 6 of the Central Bank of Malaysia Act 2009, the capital of the Bank shall be RM100,000,000 and is owned by the Government of Malaysia.

14. General Reserve Fund

	2020 RM million	2019 RM million
As at 1 January	14,831	14,810
Amount approved and transferred to the General Reserve Fund during the year	26	21
As at 31 December	<u>14,857</u>	<u>14,831</u>

BANK NEGARA MALAYSIA

Appropriations of net profits to the General Reserve Fund and dividends to the Government are recognised upon the approval by the Board and the Minister as provided under section 7 of the Central Bank of Malaysia Act 2009.

The transfer to the General Reserve Fund for the year ended 2019 of RM26 million was approved by the Minister on 3 April 2020.

15. Risk Reserve

The Risk Reserve are financial buffers comprising cumulative transfers of net profits, unrealised gains or losses on translation of foreign currency assets and liabilities and fair value changes from securities carried at fair value.

A market risk measurement framework is used to estimate financial buffers required to cushion unexpected loss arising from unfavourable circumstances not within the control of the Bank.

	2020 RM million	2019 RM million
As at 1 January	131,436	113,477
Movements during the year	13,310	12,559
Transfer from net profits	-	5,400
As at 31 December	<u>144,746</u>	<u>131,436</u>

16. Land Revaluation Reserve

The Land Revaluation Reserve relates to unrealised surplus of land (freehold and leasehold) upon their revaluation. Upon disposal, the realised surplus relating to the realised asset is transferred to Unappropriated Profits.

17. Unappropriated Profits

	2020 RM million	2019 RM million
Balance 1 January	3,526	2,521
Less: Appropriations approved during the year		
Transfer to General Reserve Fund	(26)	(21)
Dividend paid to the Government	(3,500)	(2,500)
	<u>-</u>	<u>-</u>
Current year's unappropriated profits	10,235	3,526
Balance 31 December	<u>10,235</u>	<u>3,526</u>

In accordance with section 7 of the Central Bank of Malaysia Act 2009, appropriations to the General Reserve Fund and the declaration of dividends to the Government are subject to the approval by the Board and the Minister, and if approved will be recognised in the next financial year ending 31 December 2021.

BANK NEGARA MALAYSIA

The dividend paid to the Government for the year ended 2019 amounted to RM3.5 billion was approved by the Minister on 3 April 2020.

For the year ended 31 December 2020, the Board of Directors recommends a transfer to the General Reserve Fund of RM6.235 billion and dividend payable of RM4.0 billion to the Government.

18. **Total Income**

Total income comprises revenue from foreign reserves management which includes interest and dividends, non-treasury income, realised capital gains or losses, and is stated at net of amortisation/accretion of premiums/discounts and monetary policy cost.

19. **Recurring Expenditure**

Recurring expenditure are expenses incurred in the management and administration of day-to-day operations of the Bank.

20. **Development Expenditure**

Development expenditure are expenses incurred mainly to finance developmental and long term projects undertaken by the Bank that are in line with its principal objects and functions.

21. **Taxation**

The Bank is exempted from payment of income tax and supplementary income tax as set out in the Income Tax (Exemption) (No. 7) Order 1989. Tax expenses relates to unclaimable withholding taxes on income from foreign dividend and interest and capital gains taxes on sale of foreign investments.

22. **Contingencies and Commitments**

22.1 **Contingent Assets**

Total contingent assets as at 31 December 2020 amounted to RM1,840 million. These comprise the Bank's total funding to the International Centre for Leadership in Finance (ICLIF) Trust Fund of RM1,000 million and International Centre for Education in Islamic Finance (INCEIF) Trust Fund of RM840 million to finance activities related to training, research and development of human resource in banking and financial services managed by Asia School of Business (ASB) and INCEIF, respectively. It is provided in the Trust Deeds that the total funding will be returned to the Bank when these Centres become self-sufficient in the future.

BANK NEGARA MALAYSIA

22.2 Commitments

Total commitments as at 31 December 2020 comprise the following:

	Note	2020 RM million	2019 RM million
Total Commitments			
International Monetary Fund (IMF)	(a)		
Unpaid Quota	(i)	15,417	16,371
New Arrangement to Borrow (NAB)	(ii)	1,883	1,823
Bilateral Contribution	(iii)	4,017	4,093
Investment with Bank for International Settlements (BIS)	(b)	70	68
Swap Arrangements	(c)		
ASEAN Swap Arrangement	(i)	1,205	1,228
Bilateral Currency Swap Arrangement with			
People's Bank of China (PBOC)	(ii)(a)	105,706	110,000
Bank of Korea (BOK)	(ii)(b)	15,000	15,000
Bank of Indonesia (BI)	(ii)(c)	8,000	8,000
Bank of Japan (BOJ)	(ii)(d)	12,051	-
Chiang Mai Initiative Multilateralisation	(iii)	36,571	37,263
Repurchase Agreement with EMEAP Members	(iv)	20,085	20,465
		<u>220,005</u>	<u>214,311</u>

(a) Membership with IMF

- (i) The Bank has an obligation to pay to IMF SDR2,665 million, equivalent to RM15,417 million (2019: SDR2,892 million, equivalent to RM16,371 million) or in other convertible currencies which represents the unpaid portion of Malaysia's quota in the IMF under the Articles of Agreement.
- (ii) The Bank has participated in the New Arrangements to Borrow (NAB), a set of credit arrangements between the IMF and its member countries to provide a supplementary source of financing to IMF for the purpose of safeguarding the stability of the international monetary system. As at 31 December 2020, the amount of undrawn credit under the NAB is SDR325 million, equivalent to RM1,883 million (2019: SDR322 million, equivalent to RM1,823 million).
- (iii) On 23 July 2012, the Bank has pledged a USD1,000 million, equivalent to RM4,017 million (2019: USD1,000 million, equivalent to RM4,093 million) bilateral contribution to the IMF for precautionary and financial crisis resolution purposes.

BANK NEGARA MALAYSIA

(b) **Investment with the Bank for International Settlements (BIS)**

The Bank has a commitment of SDR12 million, equivalent to RM70 million (2019: SDR12 million, equivalent to RM68 million) which refers to the uncalled portion of the 3,220 units of shares held by the Bank in the BIS based on the nominal value of SDR5,000 each using the SDR rate at the date of the Statement of Financial Position.

(c) **Swap Arrangements**

(i) **ASEAN Swap Arrangement**

The Bank has participated in the multilateral ASEAN Swap Arrangement (ASA) together with other ASEAN central banks and monetary authorities to provide short-term foreign currency liquidity support to member countries with balance of payments difficulties. As at 31 December 2020, the Bank's total commitment amounted to USD300 million, equivalent to RM1,205 million (2019: USD300 million, equivalent to RM1,228 million) and there was no request for liquidity support under ASA from any member country during the financial year.

(ii) **Bilateral Currency Swap Arrangement**

(a) On 20 August 2018, the Bank renewed the Bilateral Currency Swap Arrangement (BCSA) agreement with the People's Bank of China (PBOC) with the objective of promoting and facilitating trade settlement in the local currency between the two countries. As at 31 December 2020, the Bank's total outstanding commitment under the BCSA is RM105.7 billion (2019: RM110 billion).

(b) On 25 January 2017, the Bank renewed the Bilateral Currency Swap Arrangement (BCSA) agreement with the Bank of Korea (BOK) with the objective of promoting bilateral trade and facilitating trade settlement in local currency between the two countries. As at 31 December 2020, the Bank's total commitment under the BCSA is RM15 billion (2019: RM15 billion) and there has been no request to activate the BCSA during the financial year.

(c) On 27 September 2019, the Bank has signed Local Currency Bilateral Swap Arrangement (LCBSA) agreement with the Bank of Indonesia (BI) with the objective of promoting bilateral trade and facilitating trade settlement in local currency between the two countries. As at 31 December 2020, the Bank's total commitment under the LCBSA is RM8 billion (2019: RM8 billion) and there has been no request to activate the LCBSA during the financial year.

(d) On 18 September 2020, the Bank signed a Bilateral Swap Arrangement (BSA) agreement with the Bank of Japan (BOJ). This BSA enables both authorities to swap their local currencies for US Dollar and the arrangement will provide up to USD3 billion for both countries. As at 31 December 2020, the Bank's total commitment under the BSA is RM12.1 billion and there has not been any request to activate the BSA during the financial year.

BANK NEGARA MALAYSIA

(iii) **Chiang Mai Initiative Multilateralisation Arrangement**

The Bank has participated in the Chiang Mai Initiative Multilateralisation (CMIM) arrangement to provide financial support to ASEAN+3 member countries facing balance of payments and short-term liquidity difficulties. The effective date of the CMIM Agreement is 24 March 2010. Under the CMIM arrangement, member countries facing balance of payments and short-term liquidity constraints can obtain financial support in US dollar through swap arrangements against their respective local currencies. As at 31 December 2020, the Bank's total commitment is USD9.1 billion, equivalent to RM36.6 billion (2019: USD9.1 billion, equivalent to RM37.3 billion) and there was no request for liquidity support from any member country.

(iv) **Repurchase Agreement with Central Banks and Monetary Authorities**

The Bank has entered into repurchase agreements totalling USD5 billion, equivalent to RM20.1 billion (2019: USD5 billion, equivalent to RM20.5 billion) with various central banks and monetary authorities under the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) to provide liquidity assistance in times of emergency. As at 31 December 2020, there was no request for liquidity assistance from any counterpart.

23. **Financial Risk Management**

The Reserve Management Committee oversees the assessment, measurement and the control of the investment risks in the management of reserves to be within acceptable levels to ensure that the objectives of capital preservation, liquidity and reasonable returns are met. In undertaking this function, the major risks of the investments fall into the following areas:

(a) **Market Risk**

Market risk is the exposure of the Bank's investments to adverse movements in market prices related to foreign exchange rates, interest rates and prices of bonds and equities. Market risk is assessed and monitored on a daily basis. A benchmark policy approved by the Board of Directors reflects the long-term objectives and acceptable risk-return profile of the investments. Investments may be made in instruments that are different from those in the benchmark. This deviation in investment is controlled through a set of risk management limits, governance arrangements and investment guidelines that are also approved by the Board of Directors. Sensitivity analysis and stress testing are undertaken to assess emerging risks and potential marked-to-market losses from adverse movements and volatility in the market, as well as liquidity conditions.

(b) **Credit Risk**

Credit risk is the risk of default of the issuer of the debt or failure of the counterparty to perform its contractual obligation to the Bank resulting in the Bank not receiving its principal and/or interest that has fallen due in a timely manner. A comprehensive credit risk framework governs the permissible investments and the risk appetite of the Bank, thus ensuring investments in issuers and with counterparties of good credit standing. The framework, which is approved by the Board, also incorporates market-based credit indicators such as ratings implied from financial market prices, and internal credit assessment. This enhances the credit risk framework by providing a more dynamic and forward-looking credit assessment.

BANK NEGARA MALAYSIA

(c) Operational Risk

Operational risk is the risk of financial losses due to failed internal processes, inadequate controls and procedures, or any other internal or external events that impede operations. Operational risk is mitigated through a risk governance framework and effective implementation of risk controls and limits. A comprehensive operational risk surveillance mechanism is in place to support the identification of emerging risks in the Bank's operations to allow for action to be taken in managing gaps and in mitigating financial losses.

24. Bank Negara Malaysia Staff Welfare Account (SWA) and Bank Negara Malaysia Staff Welfare Account (Medical Fund) (termed as the 'Medical Fund Account')

The SWA was established on 1 March 1991 under section 15 (5) and (6) of the Central Bank of Malaysia Act 1958 while the Medical Fund Account was established on 21 June 2006 under section 15 (6) of the Central Bank of Malaysia Act 1958. Both the SWA and the Medical Fund continue to exist under section 83 (4) and (5) of the Central Bank of Malaysia Act 2009.

The SWA is governed under the Bank Negara Malaysia Staff Welfare Account Trust Directions 1991. As stipulated in the Trust Directions 1991, the SWA shall be administered by a committee authorised by the Board (Authorised Committee of the Board). The accounts of the SWA are to be maintained separately from the other accounts of the Bank and shall be audited in the same manner as the Bank's account. The objective of the SWA is to provide loans to the staff for certain allowable activities, finance the activities of the staff associations and give education excellence awards to the children of staff. The SWA also manages the insurance compensation of the deceased staff received by beneficiaries who have yet to attain the legal age.

The Medical Fund Account is governed under the Bank Negara Malaysia Staff Welfare Account (Medical Fund) Trust Directions 2006 and Supplementary Trust Directions 2017. The objective is to assist the Bank to meet the medical expenses of eligible retirees and their dependents. As stipulated in the Staff Welfare Account (Medical Fund) Trust Directions 2006, the Medical Fund shall be administered by a Medical Fund Committee. The Medical Fund Account is to be maintained separately under the Staff Welfare Account and shall be audited in the same manner as the Staff Welfare Account.

25. Comparative Figures

Certain comparative figures have been restated to conform with the changes in the accounting policy in the current year. In previous years, the Bank recorded foreign securities at amortised cost. With effect from 2020, the Bank changed its accounting policy to measure foreign securities at fair value. The change in the accounting policy requires an adjustment to the carrying value of foreign securities and risk reserve respectively. The effect of this change on the comparative figures are as follows:

	As previously stated RM million	Fair value adjustment RM million	As restated RM million
<u>Statement of Financial Position</u>			
Gold and Foreign Exchange (Note 3)	414,844	7,367	422,211
Risk Reserve (Note 15)	124,069	7,367	131,436