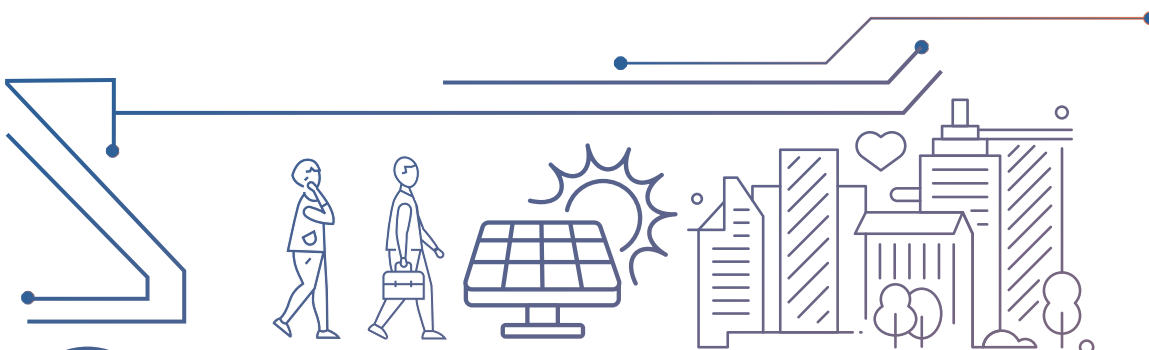
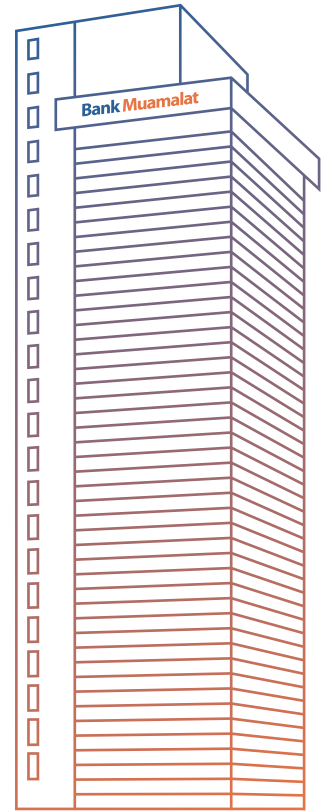


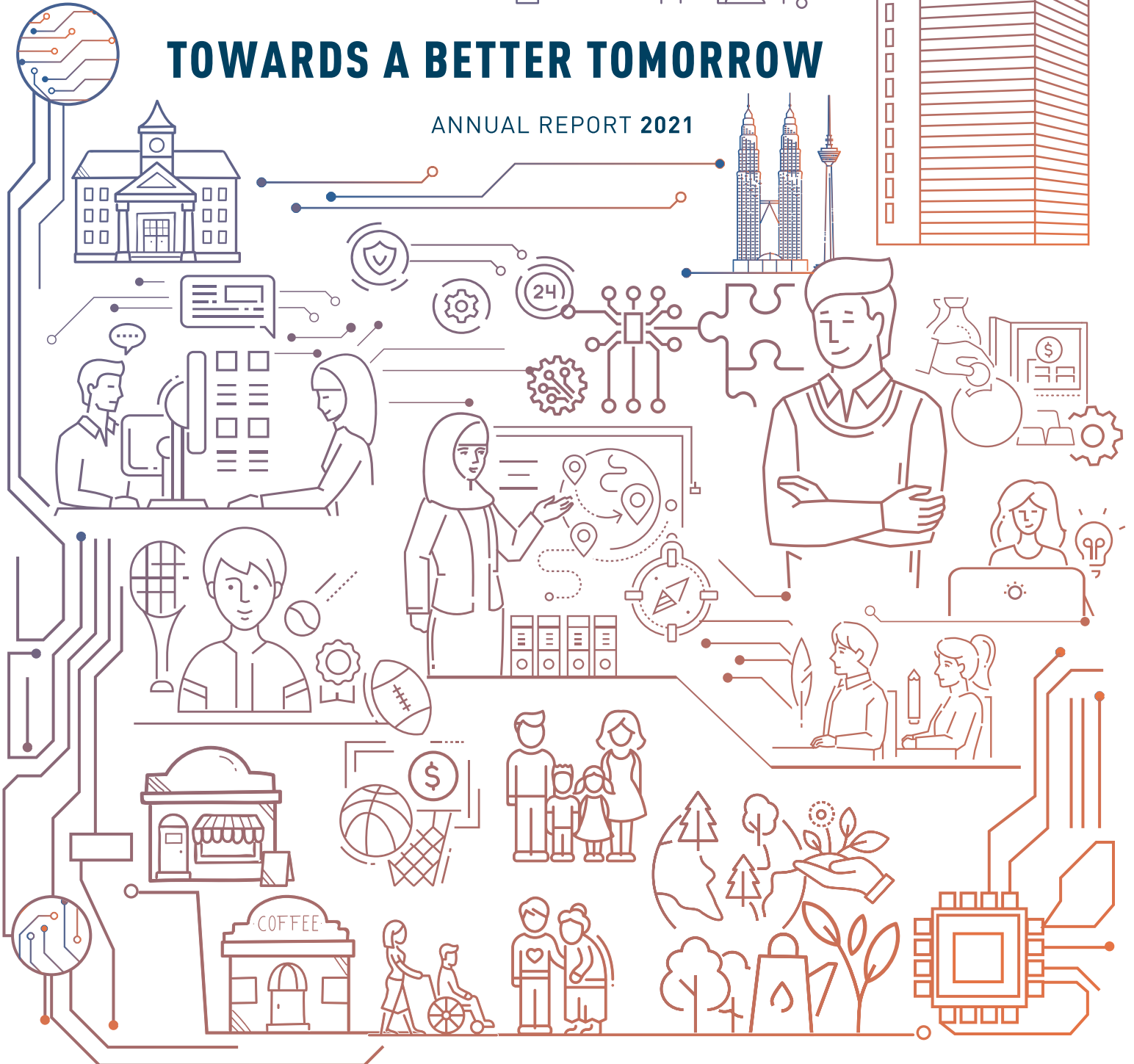


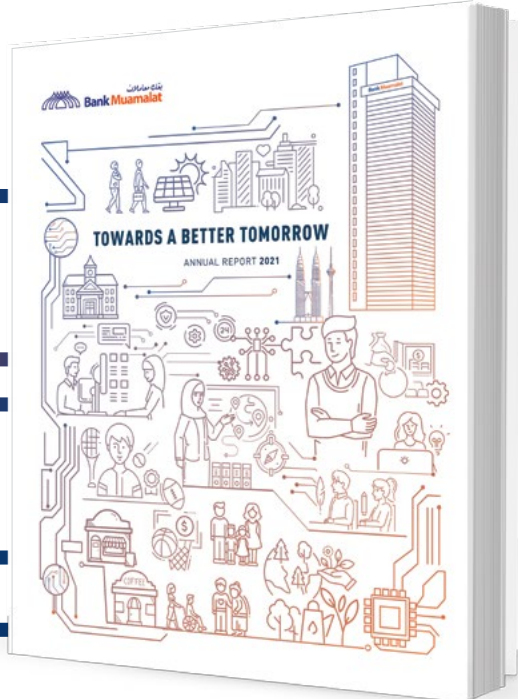
بنك معاملات
Bank Muamalat



TOWARDS A BETTER TOMORROW

ANNUAL REPORT 2021





TOWARDS A BETTER TOMORROW

In 2021, Bank Muamalat Malaysia Berhad successfully implemented the refined strategies of its concluding RISE24 strategic plan, centred on fortifying resilience within our operations, and increasing support for our stakeholders through continuous proactive engagements with the government, frontliners and the community. This has ensured significant growth during a challenging year and seamless continuity in delivering supportive and progressive financial solutions for Malaysians. The groundwork has been laid for a new 5-Year strategic plan that will place greater emphasis on strengthening the business by intensifying digitalisation effort, continuous expansion of customer base, service efficiency and sustainable growth through the continuous adoption of Value-Based Intermediation (“VBI”) initiatives in building stakeholders’ confidence and value.

This year’s dynamic graphic linework cover design reflects on the message of continuous advancements and readiness for tomorrow’s challenges. The seamless continuity of the line that connects VBI elements of economic, social, governance and environmental concerns to depict the holistic focus of the Bank in advancing a more sustainable future.

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- 7 At a Glance
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ABOUT THIS REPORT



REPORTING FRAMEWORKS

This Annual Report 2021 ("AR2021") covers the period from 1 January 2021 to 31 December 2021, in alignment with the reporting period of our parent company, DRB-HICOM Berhad. This report is provided annually.

We have developed this AR2021 with an aim to provide a balanced and comprehensive reporting of the Bank's financial and non-financial performance, benchmarked against our strategy and our delivery of long-term value. This report also includes our outlook for the short, medium and long-term to ensure our stakeholders receive a holistic view of our performance to assist in their decision-making.



SCOPE AND BOUNDARY

This report discloses the performance of Bank Muamalat and its subsidiaries, located in Malaysia. In developing this report, we have adhered to the requirements of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and Sustainability Reporting Guide (Second Edition), the Malaysian Code on Corporate Governance, Bank Negara Malaysia's Policy Documents and Guidelines, the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Companies Act 2016, the International Integrated Reporting Council's ("IIRC") Integrated Reporting Framework ("the Framework") and the Global Reporting Initiative's ("GRI") Sustainability Reporting Standards.

Unless otherwise stated, information disclosed in this report is as at 31 December 2021.

Navigation Icons

In line with the Framework, we have reported on our value creation activities in relation to the Six Capitals. For ease of reference, the following navigation icons are used to represent each capital and will appear throughout this report as the capitals are discussed:



Financial Capital



Manufactured Capital



Human Capital



Intellectual Capital



Social Capital



Natural Capital



Selamat Datang!
Kaunter Pertanyaan
Bantuan Bayaran
Pasca Moratorium



بنك ماملان

Bank Muamalat

ABOUT BANK MUAMALAT

Bank Muamalat is one of three independent full-fledged Islamic financial institutions in Malaysia. The Bank's origins date back to 1 October 1999 when the Islamic banking assets and liabilities of three local banks, namely Bank Bumiputra Malaysia, Bank of Commerce (Malaysia) and BBMB Kewangan, were merged. The Bank has two shareholders, DRB-HICOM and Khazanah Nasional Berhad, each holding 70% and 30% equity respectively.

Bank Muamalat's network spans across 67 branches and 2 sales centres nationwide through which the Bank provides a wide range of Islamic banking products and services to Malaysians and foreigners, offering wholesale and retail banking services, foreign currency deposits, investment accounts, foreign exchange trading, working capital financing, trade financing, project and contract financing, venture capital and Islamic capital market services. As a pioneering Islamic bank in the country, Bank Muamalat is supported by highly qualified Shariah scholars with extensive experience in Islamic jurisprudence. This group provides counsel on issues pertaining to Shariah products and services, including activities to raise Islamic capital.

The Bank is a member of the Global Alliance for Banking on Values ("GABV"), an independent network of banks and banking cooperatives worldwide that operate under the Principles of Sustainable Banking. GABV focuses on returns to the real economy and acts as a financial intermediary to support social and environmental impacts. Bank Muamalat is the first Islamic bank to be accepted as a member of the alliance.

Bank Muamalat is also a member and the co-chair of the Sustainability Working Group of General Council for Islamic Banks and Financial Institutions ("CIBAFI"), an international non-profit organisation founded in 2001 by the Islamic Development Bank ("IsDB") and a number of leading Islamic financial institutions. CIBAFI is affiliated with the Organisation of Islamic Cooperation ("OIC").

WHAT DIFFERENTIATES BANK MUAMALAT?

01

A financial institution that is committed to deliver sustainable growth

More details available in our Business Performance from page 55 to 79



02

Continuously striving to improve client satisfaction and deliver superior customer experience, especially via the digital platform

More details available in our Sustainability Statement from pages 91 to 100



03

Knowledgeable and highly experienced Board Members and Management team

Read our Board Members and Management profiles on pages 108 to 125



04

A value-driven financial institution that aspires to deliver positive impact to the community and to be an ethical Islamic bank

More details available in our Sustainability Statement from pages 88 to 100



05

Holistic and sound risk management

Please refer to Principal Risks and Uncertainties on page 48 and our Statement of Risk Management on page 146



06

Good governance and effective leadership

More details in our Statement of Governance from page 126 to 145





VISION

To become the preferred Islamic financial provider



MISSION

To ethically deliver the best value to stakeholders, society and environment



OUR VALUES



CARE



RESPECT



INTEGRITY



INNOVATIVE



SERVICE
ORIENTED

AT A GLANCE



Profit Before Zakat and Taxation
RM256.6 Million
(FY2020: RM174.8 million)



Total Assets
RM27.6 Billion
(FY2020: RM25.7 billion)



Gross Impaired
Financing Ratio
0.83%
(FY2020: 1.07%)



Return on Equity
9.50%
(FY2020: 6.83%)



Launched iTEKAD Mawaddah

An equity based investment that incorporates the Shariah innovation of two-tier Mudarabah



Launched Online Deposit Account ("ODA") application

An online deposit account platform that allows customers to submit their information prior to their visits to branches



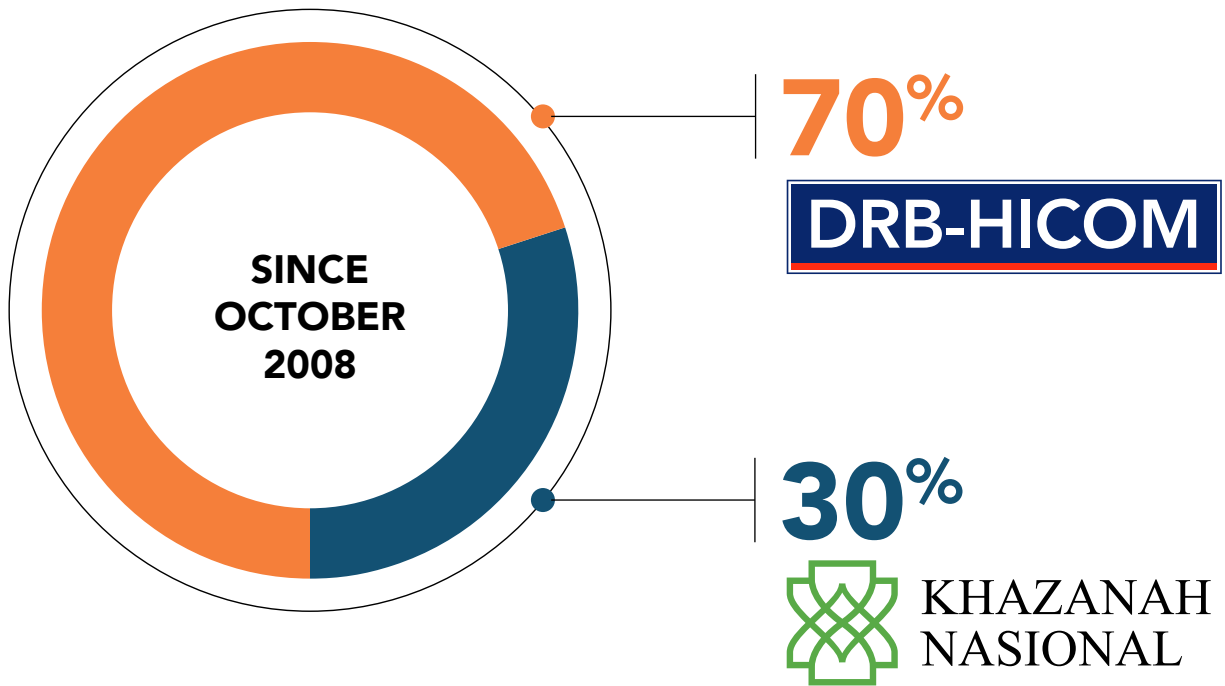
Enhancement of the Muamalat Application Platform ("MAP")

Enhanced online documentation and e-application platform for all Consumer Financing

CORPORATE STRUCTURE



SHAREHOLDING STRUCTURE



GROUP CORPORATE STRUCTURE**100% OWNED BY BANK MUAMALAT****Muamalat Invest Sdn Bhd ("MISB")**

Muamalat Invest Sdn Bhd ("MISB") - *operating at Bank Muamalat Head Office*

- Licensed Fund Management company, since 2006.
- Accorded Islamic Fund Management licence in September 2010.
- Offers wholesale funds for sophisticated investors and management of discretionary mandates.
- Obtained Capital Market Services Licence ("CMSL") in March 2019 for dealing in securities (restricted to unit trust), enabling to manufacture, sell and manage retail unit trust funds.

Muamalat Venture Sdn Bhd ("MVSb")

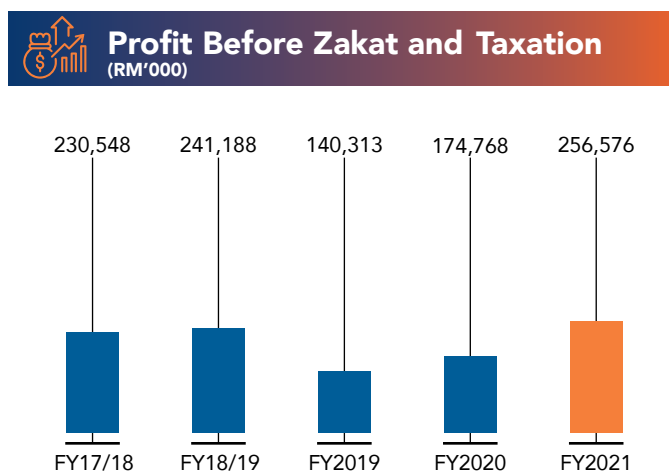
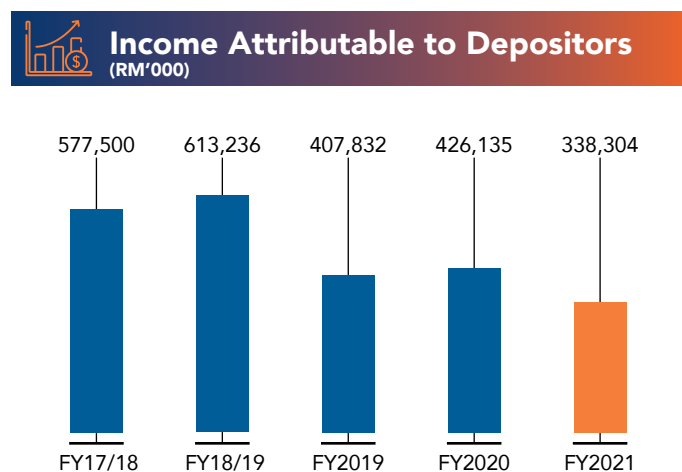
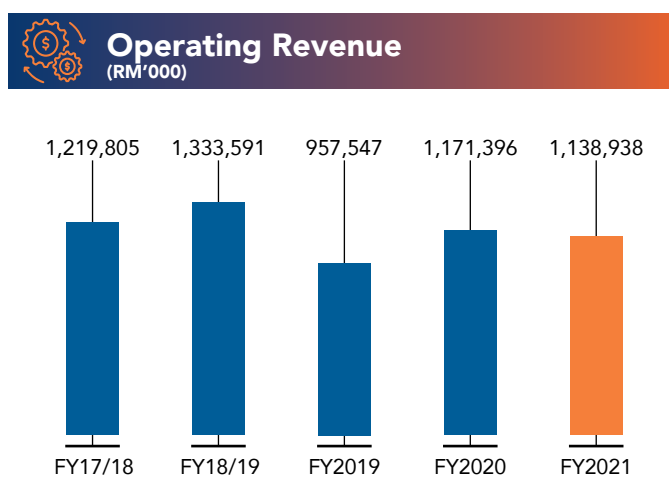
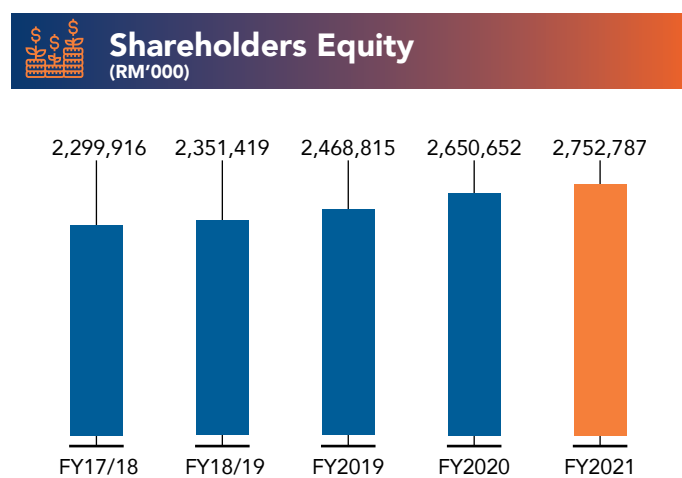
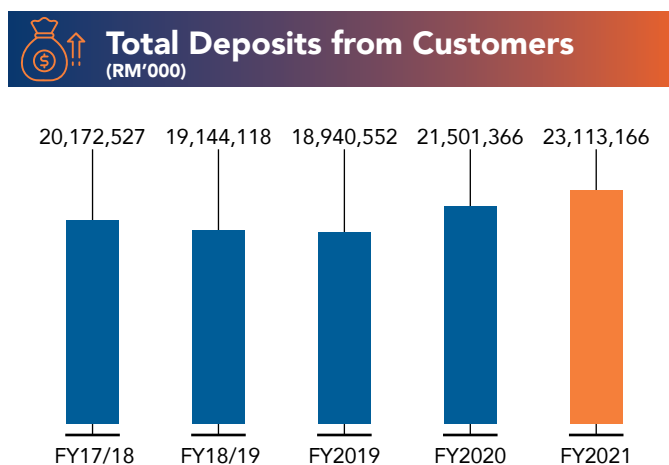
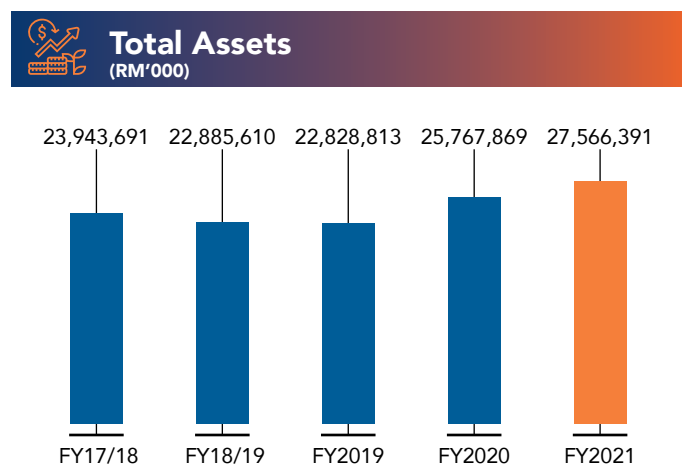
Muamalat Venture Sdn Bhd ("MVSb") - *operating at Bank Muamalat Head Office*

- Engaged in private equity and venture capital activities.
- Investments in "alternative" asset class, offering diversification and absolute return.
- Focused on medium to long-term funding to companies, i.e. equity and mezzanine facilities for growth, mid and late-stage opportunities.

Muamalat Nominees (TEMPATAN) Sdn Bhd (Dormant)**Muamalat Nominees (ASING) Sdn Bhd (Dormant)**



5-YEAR FINANCIAL HIGHLIGHTS





5 YEARS FINANCIAL HIGHLIGHTS (2018-2021) - GROUP

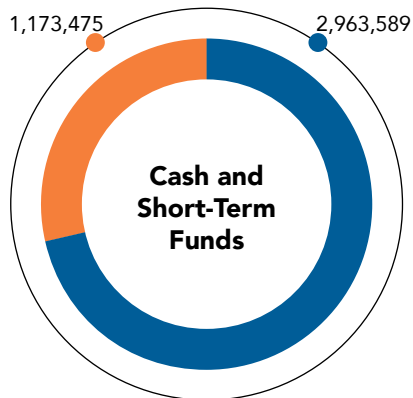
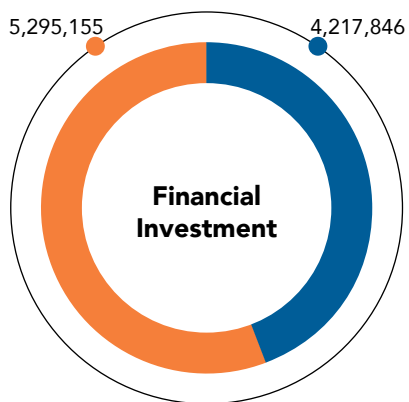
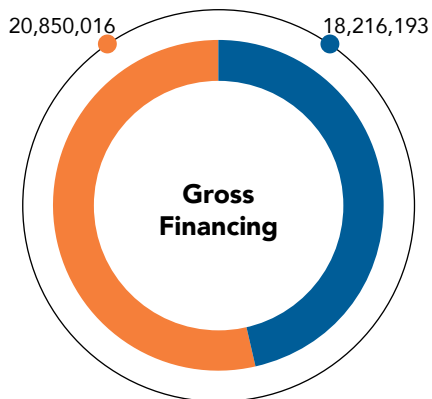
	Mar 2018 FY17/18	Mar 2019 FY18/19	Dec 2019 FY2019	Dec 2020 FY2020	Dec 2021 FY2021
Operating Result (RM'000)					
Operating Revenue	1,219,805	1,333,591	957,547	1,171,396	1,138,938
Income attributable to depositors	577,500	613,236	407,832	426,135	338,304
Income attributable to investment account holders	-	-	-	-	22
Profit before Zakat and Taxation	230,548	241,188	140,313	174,768	256,576
Profit after Zakat and Taxation	181,625	179,494	98,806	172,857	159,059
Key Statements of Financial Position (RM'000)					
Total Assets	23,943,691	22,885,610	22,828,813	25,767,869	27,566,391
Financial Investments	6,624,563	5,700,141	5,016,779	4,217,846	5,295,155
Total Financing of Customers	14,687,846	15,330,895	15,861,238	18,115,817	20,671,306
<i>of which: Gross Impaired Financing</i>	285,416	221,216	209,166	194,711	172,073
Total Deposits from Customers	20,172,527	19,144,118	18,940,552	21,501,366	23,113,166
<i>of which: CASA</i>	5,006,151	5,343,192	5,895,877	7,756,200	8,152,108
Shareholders Equity	2,299,916	2,351,419	2,468,815	2,650,652	2,752,787
<i>of which: Share Capital</i>	1,195,000	1,195,000	1,195,000	1,195,000	1,195,000
Financial Ratios (%)					
Return on Equity - Before Zakat and Taxation	10.39%	10.37%	7.76%	6.83%	9.50%
Return on Equity - After Zakat and Taxation	8.18%	7.72%	5.47%	6.75%	5.89%
Return on Assets - Before Zakat and Taxation	0.97%	1.03%	0.82%	0.72%	0.96%
Return on Assets - After Zakat and Taxation	0.77%	0.77%	0.58%	0.71%	0.60%
Cost Income Ratio	61.4%	56.5%	59.8%	55.8%	51.6%
Capital Ratio	18.4%	18.6%	18.7%	18.0%	17.3%
Gross Impaired Financing Ratio	1.92%	1.43%	1.31%	1.07%	0.83%
CASA Composition to Total Deposits	24.8%	27.9%	31.1%	36.1%	35.3%



ASSETS PERFORMANCE

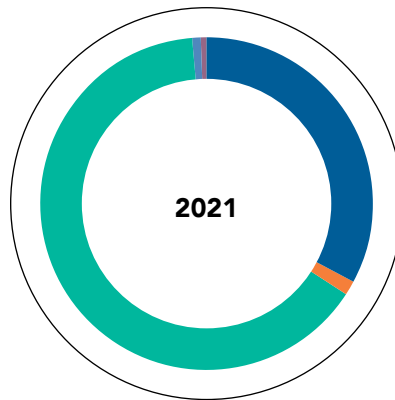
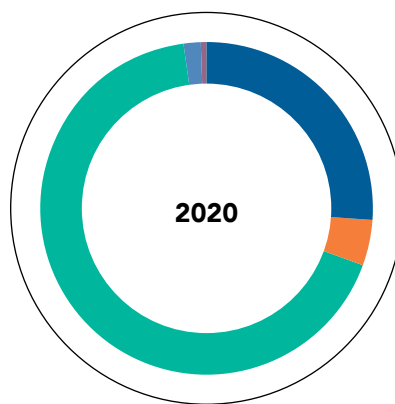


Assets Portfolio (RM'000)



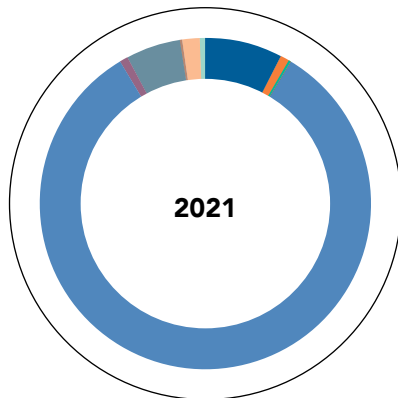
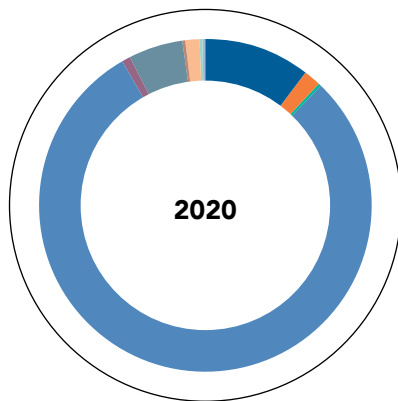
● 2020 ● 2021

Financing by Business Segment



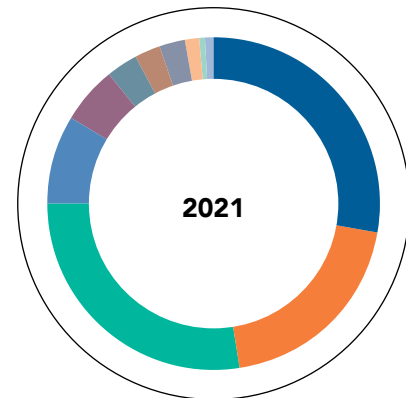
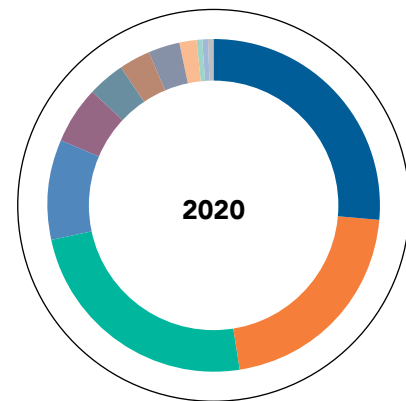
	2020	2021
● Consumer	64.48%	67.34%
● Corporate	32.85%	26.36%
● Commercial	1.43%	4.29%
● SME	0.90%	1.68%
● Treasury & Investment	0.34%	0.33%

Financing by Islamic Contract



	2020	2021
● Tawarruq	79.46%	82.58%
● Bai' Bithaman Ajil	10.48%	7.77%
● Murabahah	5.20%	5.37%
● Ijarah Thumma Al-Bai'	1.73%	1.06%
● Murabahah to the Purchase Orderer	1.31%	1.74%
● Bai' Al-Dayn	1.01%	0.94%
● Shirkah Mutanaqisah	0.42%	0.38%
● Istisna'	0.27%	0.15%
● Inah	0.02%	0.01%
● Rahn	0.10%	0.00%
● Qard	0.00%	0.00%

Financing by Product



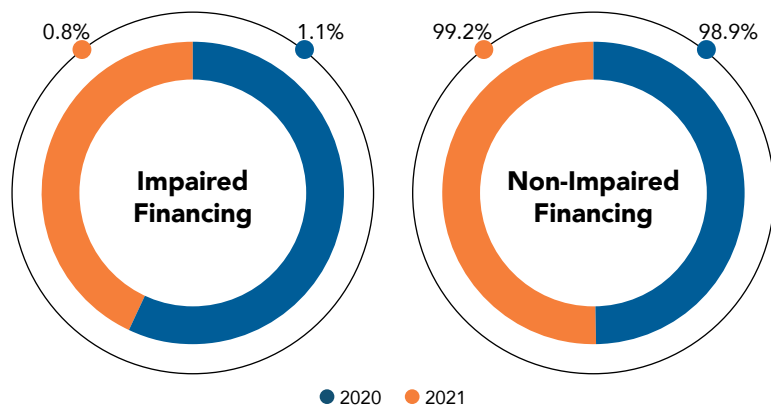
	2020	2021
● Home Financing	26.58%	27.81%
● Personal Financing	24.00%	27.40%
● Other Term Financing	21.12%	19.79%
● Revolving Financing	9.80%	8.61%
● Claims on Customers Under Acceptance Credits	5.70%	5.55%
● Hire Purchase Receivables	3.48%	3.12%
● Syndicated Financing	3.01%	2.69%
● Cash Line	3.11%	2.51%
● Ar-Rahn	1.66%	1.31%
● Trust Receipts	0.51%	0.76%
● Staff Financing	0.53%	0.45%
● Others	0.50%	0.00%



ASSETS PERFORMANCE

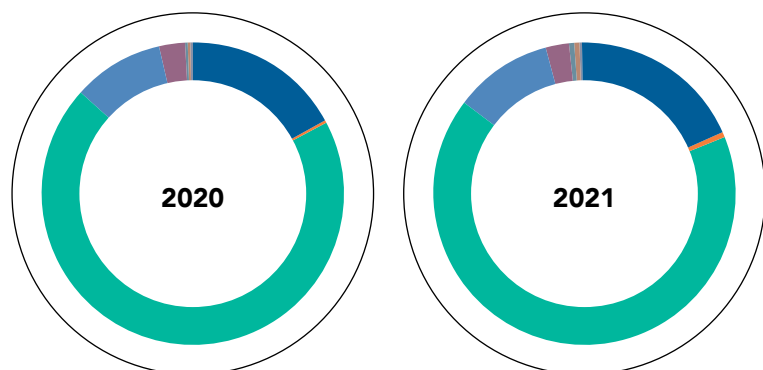


Assets Quality (RM'000)



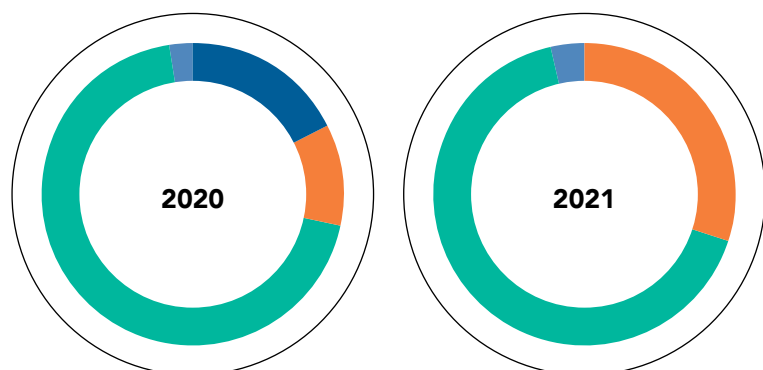
	2020	2021
Gross Impaired Financing (RM Million)	194.7	172.1
Gross Impaired Financing Ratio	1.07%	0.83%
Financing Loss Reserve Ratio	101.30%	135.40%
Collective Assessment Ratio	0.90%	1.00%

Impaired Financing by Sector



	2020	2021
Household	69.25%	66.36%
Manufacturing	17.04%	18.40%
Real Estate	9.77%	10.44%
Wholesale and Retail and Restaurant	2.91%	2.52%
Construction	0.43%	0.69%
Transport, Storage and Communication	0.30%	0.60%
Community, Social and Personal Service	0.09%	0.51%
Finance, Takaful and Business Services	0.21%	0.48%

Impaired Financing by Business Segment



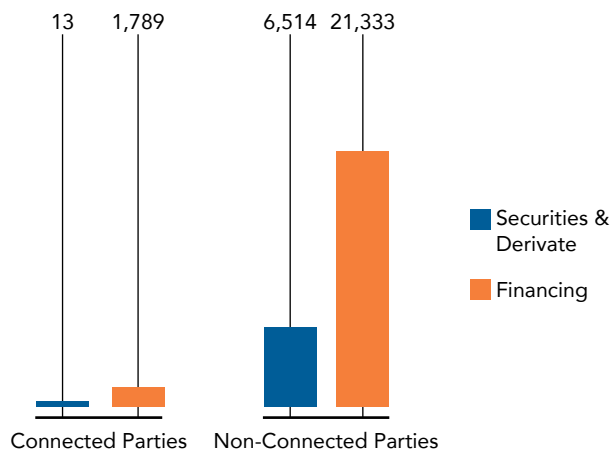
	2020	2021
Consumer	69.23%	66.36%
Commercial	10.79%	30.27%
SME	2.31%	3.37%
Corporate	17.67%	0.00%
Treasury & Investment	0.00%	0.00%



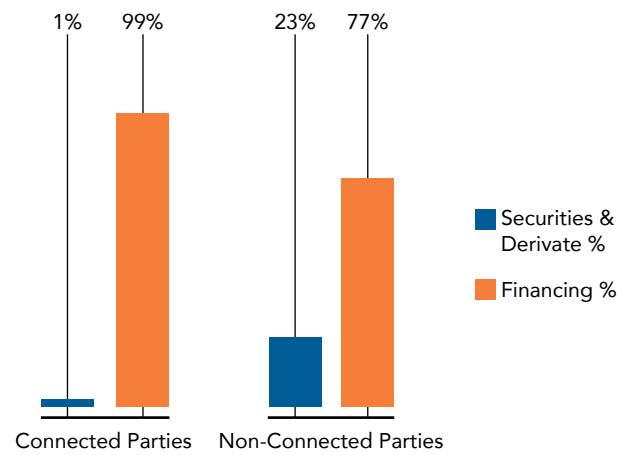
CONNECTED PARTIES

As at end of FY2021, connected parties exposures accounted for 6.3% (RM1.80 billion) of the total credit exposures of RM28.8 billion. The amount stood at 55.7% against the Bank Muamalat's capital base of RM3.24 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

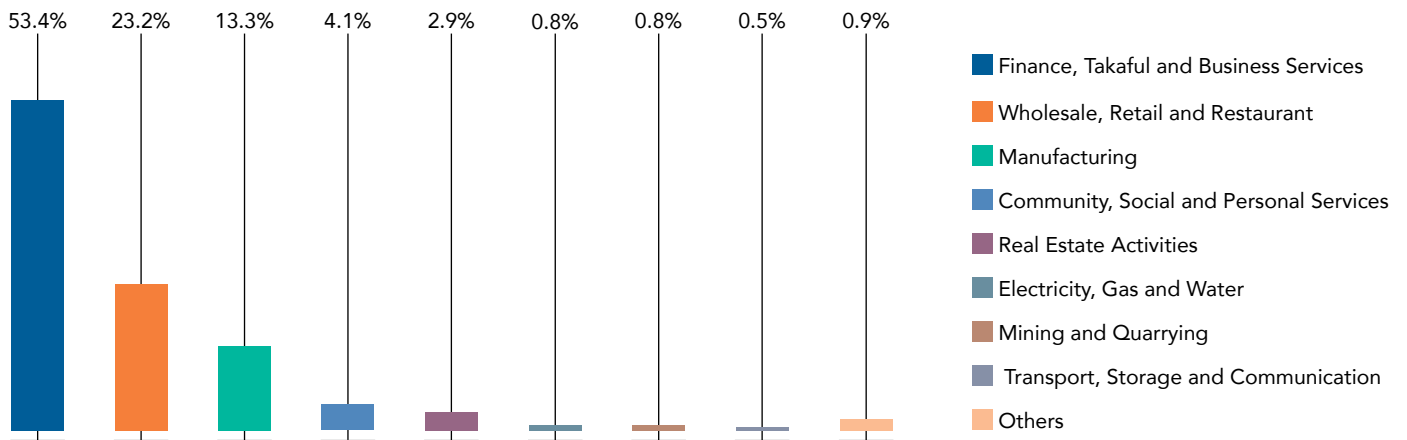
Connected Parties Exposure by Financial Instrument as at December 2021 (RM Mil)



Connected Parties VS Non Connected Parties Exposure as at December 2021



Connected Parties Exposure by Sector as at December 2021





ACHIEVING READINESS FOR A DIGITAL TOMORROW

Our digital channels paved our way forward in providing accessibility and connectivity. Our upgraded retail internet banking and mobile apps have welcomed a significant increase in engagements. We continue to advance our digital journey and cyber resilience, with ongoing initiatives to strengthen data privacy and cyber security.



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

السلام عليكم ورحمة الله وبركاته

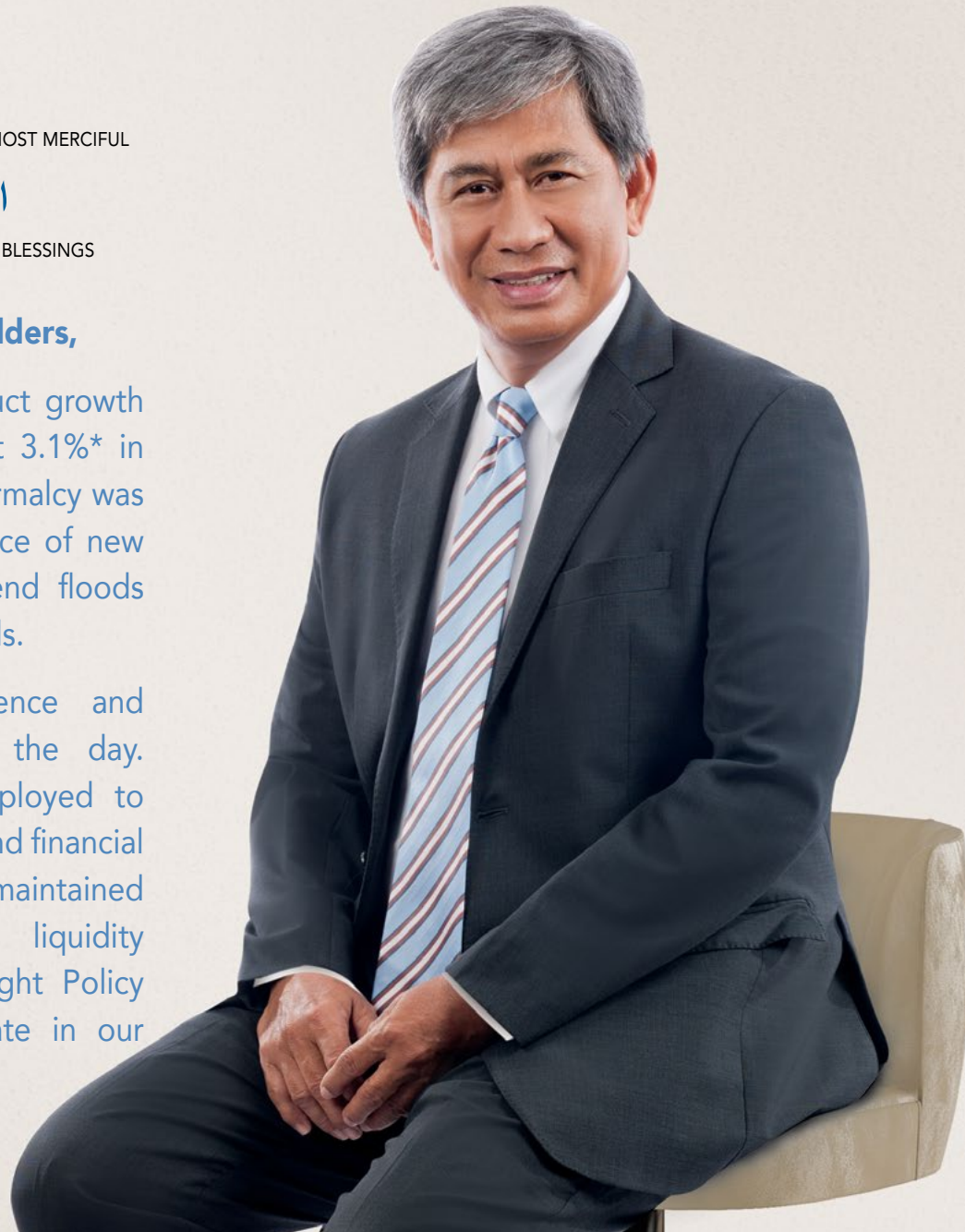
PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

Dear Shareholders and Stakeholders,

Malaysia's gross domestic product growth remained below expectations at 3.1%* in 2021 as hopes for a return to normalcy was further delayed by the emergence of new COVID variants, and the year-end floods that impacted lives and livelihoods.

Against this backdrop, resilience and recovery were the order of the day. Financial tools were swiftly deployed to cushion shocks to the economy and financial system. The banking sector maintained accommodative monetary and liquidity conditions, keeping the Overnight Policy Rate ("OPR") at the lowest rate in our history.

Tan Sri Tajuddin Atan
Chairman



CHAIRMAN'S STATEMENT

As disclosed in the Ministry of Finance's 2022 Economic Outlook report, the government implemented assistance and economic stimulus packages totalling RM225 billion during the year to benefit over 20 million people and 2.4 million businesses.

For Bank Muamalat Malaysia Berhad ("Bank Muamalat" or "the Bank"), our role was to support the nation's transition through, and out of, the economic crisis, by stepping up response to the government's call for banks to support and assist customers in their time of need. The Bank supported various deferment and assisted payment schemes such as Pakej Perlindungan Rakyat Dan Pemulihan Ekonomi ("PEMULIH"), Targeted Payment Assistance,

and the Financial Management and Resilience Programme ("URUS"), as well as extended a six-month moratorium on financing facilities for our retail customers and to boost the business resilience of small and medium enterprises ("SMEs").

Staying responsive to the needs and requests of our customers, the Bank also improved service delivery, nurtured people potential and strengthened operational capabilities. At the same time, the Bank's strategic plan for the future was reviewed in light of the broader forces of change shaping the economic and financial landscape ahead.

*Source: Department of Statistics, Malaysia



PBZT

RM256.6 million

(FY2020: RM174.8 million)



Total assets

RM27.6 billion

(FY2020: RM25.8 billion)



Total gross financing

RM20.9 billion

(FY2020: RM18.2 billion)



CHAIRMAN'S STATEMENT

The Bank supported various deferment and assisted payment schemes such as PEMULIH, Targeted Payment Assistance, and URUS, as well as extended a six-month moratorium on financing facilities to boost the business resilience of small and medium enterprises ("SMEs").



Common Equity

Tier-1 Ratio : **13.7%**
(FY2020: 15.5%)

Total Capital Ratio: **17.4%**
(FY2020: 18.0%)

Gross Impaired Financing Ratio: **0.83%**
(FY2020: 1.1%)

The going was tough in 2021 with continued tightening of COVID-19 lockdowns, but Alhamdulillah, it has also made us tougher. The Bank has made strong strides on several fronts during the year under review.

Across all operations, there is a heightened focus on digitalisation and technology as we work to uplift the banking experience to meet the needs of a new generation.

Amplifying efforts to ensure operational continuity, we are undertaking a comprehensive approach to risk mitigation and compliance practices, ensuring that the right framework and controls are in place to protect the business and boost sustainable returns.

Last but not least, our commitment to uplift the community continues to grow as the Jariah Fund, the Bank's social crowdfunding platform for charitable projects, was further expanded in 2021, benefitting more than 100 beneficiaries in the areas of education, health and economic empowerment.

Financial Review

I am proud to report that our performance for the year was underscored by a record 46.8% y-o-y increase in profit before zakat and taxation ("PBZT").

The stellar performance was largely driven by increased total income, strong financing growth and improved asset quality, which were achieved through steadfast commitment to the Bank's RISE24 strategic plan. The five-year plan focuses on positioning the Bank for a new era of banking by accelerating digitalisation, expanding our customer base, and improving service efficiency. The Bank Muamalat Application Platform ("MAP") was a key initiative of these strategic drivers and has recorded growing popularity since its introduction in October 2020, allowing customers to apply for financing online and track their financial journey at their own convenience. A total of 10,117 financing applications were submitted through MAP in 2021, with a total ticket size of RM1.28 billion.

As a result, together with intensive sales efforts, the Bank's total assets grew 7.0% to RM27.6 billion, as compared to RM25.8 billion in the previous financial year. This was largely contributed by the 14.5% growth or RM2.6 billion increase in total gross financing to customers, from RM18.2 billion to RM20.9 billion, as of 31 December 2021, mainly from the retail banking segment.



Muamalat Application Platform:

Total of **10,117** financing applications
Total ticket size of

RM1.28 billion



Good management of the balance sheet was also evident. The stable Common Equity Tier-1 Ratio and Total Capital Ratio, which closed well above regulatory requirements at 13.7% and 17.4%, respectively, reflected financial resilience. Gross Impaired Financing Ratio also improved to 0.83% in FY2021 from 1.1% in FY2020, the lowest since the Bank's establishment, on the back of stronger asset quality and a prudent risk and compliance culture.

Expanding Business Growth

A two-pronged approach has been established to catalyse business growth. This entails transforming the existing core business of Retail Banking and Corporate Banking whilst diversifying the Bank's income portfolio through the new growth engines of Transaction Banking and Commercial & SME Banking.

For all retail customers the Bank will continue to enhance product and service offerings. Various collaborations with government agencies, cooperatives and associations have been implemented and the Bank is enhancing fee income by targeting high income and affluent customers through the expansion of wealth management services. For Corporate Banking, rebalancing of portfolio is undertaken with more innovative long-term financing based product and solutions. For both segments, sharp shifts in consumer preference to do banking online are accelerating the Bank's digitalisation journey.

Transaction Banking together with Commercial and SME Banking are the new engines of growth and are being nurtured through strategic collaborations and engagements with governmental and industry-based agencies. For Transaction Banking, our focus is to grow our corporate clients by providing working capital, trade and supply chain solutions. A broader customer base is being developed as we explore new preference sectors by actively exploring more sectors for commercial and SME businesses.

Evolution of Islamic Products and Services

Business growth will be supported by more innovative products and solutions that cater to meeting customers' numerous needs. In terms of Islamic product development, the Bank's portfolio of Shariah contract and product offerings is set to grow beyond the current focus on Tawarruq. The goal is to elevate basic products into holistic financial solutions that result in wealth creation for retail and corporate clients.

This will be coupled with enhanced service delivery to increase outreach and create better customer accessibility through digital touchpoints.

Investing in Digital Innovation

Digital disruption is the new normal and is redefining the future of banking. While pursuing near-term growth, the Bank is equally committed to drive medium- to long-term growth by nurturing digital capabilities in line with the nation's development agenda as espoused in the National 4IR policy, and MyDIGITAL blueprint.

The importance of digital innovation and process automation are anchored in the Bank's strategy and various initiatives continue to be implemented to ensure the ease of access, usage and seamless banking experience as well as to further digitalise our customers' financial journey, especially in terms of mobile application and internet banking usage.

Making continuous progress on this front, we have fortified the Bank's MAP online services with the launch of an Online Deposit Account Application ("ODA") to enhance customers' safety, ease and convenience in submitting their application digitally before they visit branches.

Automated processes and workflows have also been adopted within our banking operations to drive efficiencies and streamline the human capital management process. In addition, the establishment of a cloud based integrated human capital management system now allows efficient access to data and information, remotely and instantly.

Moving forward, more innovation is in the pipeline. Bank Muamalat is charting a digital journey through partnerships to synergise and expand our digital offerings.

Towards becoming a High Performing Organisation

Fuelling the Bank's ambitions requires continued commitment to transform into a high-performing organisation. The Bank is investing in empowering employees to adopt a transformative culture that involves enhancing digital skills, sparking innovative mindsets, growing risk consciousness, and delivering positive impacts. Various trainings combined with upskilling and reskilling programmes have been implemented for the year to enhance productivity and capabilities, develop leadership qualities, promote career progressions and grow the Bank's talent pool.



CHAIRMAN'S STATEMENT

A significant step up has been the implementation of the Integrity and Governance Unit as a dedicated function to oversee the Bank's overall anti-corruption efforts and enhance integrity as well as promoting good workplace conduct.



2021 New Launches:

Online Deposit Account Application ("ODA")

iTEKAD Mawaddah

a Shariah innovation which is an equity based investment and the first of its kind in Malaysia

Committing to Sustainability

Besides the expansion into the digital arena, the Bank is building stakeholders' confidence and sustainable value through continued commitment to the adoption of Value-Based Intermediation ("VBI") initiatives which has led to a growing focus on green financing and social finance.

A total of RM11,045 million or 53% of the Bank's total outstanding financing in FY2021 was recognised as having a direct impact on the economy, society and the environment.

With the current changing landscape that focuses further on climate change, we are also looking at the adoption of Climate Change and Principle-based Taxonomy ("CCPT") as part of the Bank's role to manage customers' transition towards more sustainable practices in their business operations.

Another innovative breakthrough on the social finance front was the launch of iTEKAD Mawaddah – an equity based investment that incorporates the Shariah innovation of two-tier Mudarabah, the first of its kind in Malaysia. Through iTEKAD Mawaddah, the Bank will source funds from investors to invest in businesses owned by B40 (bottom 40% of the Malaysian household income category) individuals and micro-entrepreneurs. Targeted industries for this investment include food and beverage ("F&B"), agriculture and the gig economy.

Upholding Governance, Integrity and Risk Management

At the Board of Directors' level, we continue to uphold strong corporate governance policies and practices to promote corporate integrity, accountability and transparency. Our efforts are guided by Islamic Financial Services Act 2013, Companies Act 2016 and Policy Document on Shariah Governance.

The Board's commitment to good governance is reflected in the diversity of age and experience of our members as we strive to bring on board directors with the right experience and fit with the Board's needs. We uphold women representation at Board level and, in line with Bank Negara Malaysia's guidelines, a majority of five out of eight of our board members are independent.

In 2021, the Board continued to closely monitor our risks, by conducting risk assessment on a more continuous basis and adjusting risk appetite, changing controls and strategising plans to address vulnerabilities in markets such as impacts of technological disruption, changes in customer sentiments and evolving regulatory requirements. We reviewed the risk assessment processes and risk appetite considerations in addressing the shifting market and regulatory developments. Enhancements to the Enterprise Risk Management ("ERM") Framework and product development processes related to outsourcing and other relevant regulatory requirement were also implemented during the year.

We also noted the new update in the Malaysian Code of Corporate Governance ("MCCG") that highlighted the integration of sustainability considerations into strategies were prudently aligned with our commitment to strengthen our sustainability.

A significant step up has been the implementation of the Integrity and Governance Unit as a dedicated function to oversee the Bank's overall anti-corruption efforts and enhance integrity as well as promote good workplace conduct.

The Journey Ahead

After weathering the pandemic on a strong footing, Bank Muamalat anticipates a better performance for 2022, arising from the positive momentum in 2021 and coupled with enhanced digital and technology capabilities. However, the past year has underscored the importance of being ready to respond swiftly and effectively to emerging risks.

In tandem with the new market developments and trends, revisions to the Bank's 5-Year Strategic Plan has been made to stay relevant and competitive in the industry. Building on the foundation of RISE24, the RISE26+ strategy plan has been formulated and will be executed from year 2022 until 2026.

Through RISE26+ the way forward will continue to encompass a commitment to deliver sustainable shareholder's return; enhance customer experience; ensure adequate risk, compliance and governance practices; future proof the business; cultivate high performance; and drive sustainability.

Aligned to these strategic objectives, the Board's priorities for FY2022 are centered on business growth and transformation. While risk, compliance and governance issues will continue to be a priority to enhance the Bank's overall operating condition, we will be driving business profit by raising the bar for better performance to improve the Bank's bottom line and top line numbers.

Stepping out of our comfort zone, we seek to drive performance and push the boundaries through innovation to meet the current needs

of all stakeholders. We intend to embed a transformative culture by aligning and optimising our resources in people, processes and technology to strengthen service delivery gaps and step up operational excellence.

At the core of this transformation journey are our employees. To become a high performing organisation, talent management and leadership development initiatives will continue to be implemented to enhance workforce productivity and capability in this new banking landscape.

GRATITUDE & APPRECIATION

The commendable growth we achieved amidst a challenging year was made possible by the efforts and commitment from the Board members, the management and the staff. Working towards a better tomorrow, they displayed sterling teamwork in the face of prolonged hardship and tough competition. It is a testament that we are indeed one team with one direction, with the capability to drive positive change in the Islamic banking industry landscape.

On behalf of the Board, I would like to thank the government and Bank Negara Malaysia ("BNM") for their continued commitment and collaborative efforts in instilling sustainable, value-based drivers within the industry. Our appreciation also extends to our stakeholders, customers, associates and partners, with whom we have forged a resilient ecosystem through mutual gains.

There were several changes in our Board's composition during the year. En Ghazali Haji Darman, who has served the Board since January 2017, retired. We have since welcomed two new members, En Mohd Razlan Mohamed and Puan Roshidah Abdullah who joined as new independent non-executive directors on 1 September 2021. They bring vast expertise and fresh perspectives for progressive growth.

Finally, my appreciation goes out to members of the Board for their invaluable support and counsel, as well as to the PCEO, Senior Management and staff of Bank Muamalat, for their exemplary hard work and team spirit in ensuring sustainable growth for all our stakeholders.

Thank you.

Tan Sri Tajuddin Atan
Chairman



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

السلام عليكم ورحمة الله وبركاته

PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

Bank Muamalat made dynamic strides in 2021 amidst a challenging environment of stiff competition and low profit rates. Nevertheless, the Group recorded its highest profit before zakat and taxation ("PBZT") since its establishment, coupled with lowest gross impaired financing ratio and improved cost income ratio.

All these point to solid business fundamentals that continue to anchor the Bank whilst we intensify our focus towards building future-ready capabilities and furthering the betterment of society.

Khairul Kamarudin

President & Chief Executive Officer



PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

Our mission to deliver value to our stakeholders drove our performance for the year. For our shareholders, we delivered sterling 48.6% PBZT growth that enabled higher Return on Equity ("ROE") of 9.5% compared to 6.8% in FY2020.

It has been a dynamic year of strategic gains. Beyond fulfilling the Bank's mandate and supporting national interests, several significant achievements that solidified Bank Muamalat's reputation were garnered in FY2021. A key highlight was the launch of iTEKAD Mawaddah in August 2021. This was a testament of the Bank's continuous efforts to offer initial capital and structured training to micro enterprises impacted by the pandemic. Following this, Bank Muamalat's SJKP SMART Mortgage scheme, introduced to help eligible groups own their first home, attained a Special Award for Promoting the Housing Credit Guarantee Scheme 2020-2021 by Syarikat Jaminan Kredit Perumahan ("SJKP") Berhad.

The Bank also achieved the "Best Bank Sukuk" award under the "Best Deals by Country" category at the Asset Triple A Islamic Finance Award 2021 in recognition for its role as the joint lead manager for Malaysia's landmark Sukuk deal issued by the largest local Development Financial Institution. On top of that, MARC Ratings upgrade of the Bank's financial institution ratings to A+/MARC-1 and the Bank's Islamic Senior Notes Programme (Senior Sukuk) of up to RM2.0 billion to A+IS reflect growing confidence in Bank Muamalat. These improved credit metrics were achieved on the back of healthy capitalisation levels, reflecting continued improvement in the Bank's financial performance, with asset quality and profitability metrics in line with peers in the same rating band.

DELIVERING VALUE TO OUR STAKEHOLDERS

Our mission to deliver value to our stakeholders drove our performance for the year. For our **Shareholders**, we delivered sterling PBZT growth that enabled higher Return on Equity ("ROE") of 9.5% compared to 6.8% in FY2020.

More information in Analysis of Financial Performance on page 27



9.5%

Return on Equity ("ROE")
(FY2020: 6.8%)



A+/MARC-1

Financial Institution MARC Rating



"Best Bank Sukuk"

award Asset Triple A Islamic Finance
Award 2021



PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



➤ **RM256.6 million**

Pre-tax profit



➤ **0.83%**

Gross impaired financing ratio



➤ **7.5%**

Annual increase of total deposits



To assist **Customers** during the pandemic, the Bank offered a six-month payment moratorium in FY2021 to small and medium enterprises ("SMEs"), in line with national efforts to buoy the domestic economy.

Catalysed by the need to prioritise safety and convenience during the pandemic, the Bank also introduced more online services and focused on improving the existing internet banking platform and mobile apps services. In November 2021, the Online Deposits Account ("ODA") application was introduced through the Muamalat Application Platform ("MAP") to enable customers to open accounts without being physically present at the Bank's branches.

For our **Employees**, Bank Muamalat prioritised their safety and health during the pandemic through the provision of free vaccines and booster shots for those who had not completed their vaccination. To support flexible work arrangements during the year, a new cloud-based human resources system called MyHR was established to provide a user friendly platform that allows all employees to access and manage their training progression as well as other details like payroll information, benefits and leave entitlements. This gives employees greater

autonomy over workplace commitments from remote locations. Skills and capabilities training sessions have also been offered through e-learning and e-training that can be assessed from any location at anytime. In addition, employees now benefit from a structured career development plan framework and various apprenticeship programmes introduced in 2021.

More information in the **SOCIAL** section of our Sustainability Statement from pages 95 to 98



To ensure ongoing compliance to requirements set by **Regulators**, the Bank continuously reviews and enhances compliance and risk management practices. These include monitoring tools, systems and processes towards effective compliance delivery, risk management and governance.

Value-based intermediation and sustainability elements have also been integrated in the Bank's credit scorecard and business strategy, as part of our commitment to Bank Negara Malaysia's ("BNM") value-based intermediation principles. As at 31 December 2021, 31% of the Bank's new disbursement for retail financing for the year is classified under value-based financing.

More information in **Responsible Financing** on page 86 and **Ethics and Integrity** on page 88



As an Islamic financial institution, giving back to the **Community** is an intrinsic role of the Bank. During the year, the Bank collaborated and engaged with various state religious councils and government agencies. Our investment in the community has grown through the expansion of the Jariah Fund, a welfare crowdfunding platform that has launched 16 programmes under the pillars of education, economic empowerment and healthcare. Through our Wakaf Muamalat,

a collaboration between Bank Muamalat and State Islamic Religious Councils, we have collected more than RM32 million in wakaf funds of which RM18.6 million has been disbursed to fund a variety of wakaf projects. Under the Muamalat Prihatin programme, contributions worth RM20,000 have been channelled to households most affected by the pandemic. The contributions comprised food packs and necessities to 100 affected families all over Malaysia. In response to the plight of flood victims, Bank Muamalat has also donated RM10,000 to the Pahang state government to assist in rebuilding livelihoods of affected businesses, families and individuals.

More information in Community Development on page 99



ANALYSIS OF FINANCIAL PERFORMANCE

Bank Muamalat's record breaking 46.8% improvement in PBZT and 7.0% y-o-y growth in total assets were largely driven by increased total income, strong financing growth and improved asset quality. With the higher profitability recorded for the year, return on equity ("ROE") was 9.5% compared to 6.8% in FY2020, and return on asset was 0.96% compared to 0.72% in FY2020. Cost-to-income ratio has also improved to 50.1% from 54.4% in the last financial year, as a result of lower overhead expenses.

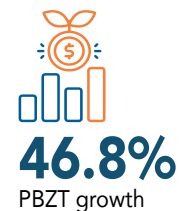
The higher pre-tax profit of RM256.6 million (FY2020: RM174.8 million) was attributed to a larger financing base and higher net financing income. The Bank's financing base grew by 14.5% year-on-year ("Y-o-Y") to RM20.9 billion, anchored by personal

financing which registered a 27.2% Y-o-Y increase to RM6.3 billion. The household sector brought in 67.3% of the total financing by the Bank, while the remaining was contributed by financing non-retail customers.

Meanwhile, asset growth benefitted from a 14.5% Y-o-Y increase in total gross financing to customers, which rose to RM20.9 billion in FY2021 from RM18.2 billion in FY2020, mainly from the consumer banking segment. Quality of assets was robust with gross impaired financing ratio standing at 0.83% in 2021, lower than the industry average of 1.25%.

Total deposits increased by 7.5% which translated to around RM1.6 billion growth in FY2021. Retail deposit franchise remained modest with individual deposits accounting for 11.1% of total funding while the proportion of current and savings account deposits declined marginally to 35.3% from 36.1% in FY2020.

Liquidity coverage ratio and net stable funding ratio stood at 133.2% and 109.3%, well above the required minimum regulatory levels, while Common Equity Tier 1 ratio and total capital ratio remained stable at 13.7% and 17.4% respectively, providing a buffer against any potential weakening of asset quality once the extended relief assistance ceases.





PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

The Bank's RISE24 strategic direction was recalibrated to ensure that performance resilience and sustainable growth can be achieved on all relevant fronts, and that priorities were refined to suit the needs of our customers.

SURMOUNTING THE YEAR'S CHALLENGES

The significant improvements in financial performance were attained amidst a challenging operating environment.

The re-introduction of restrictions and containment measures on most economic sectors meant that financial institutions had to face the impact of economic slowdown on customers. In responding to these challenges, the Bank focused on more stable and critical industries as well as tapped into government programmes established to ease the financial burdens of customers.

Net profit margin was further compressed following three occasions of overnight policy rate ("OPR") reductions. By the end of 2021, the OPR had reduced to 1.75% from 2.75% in Jan 2020. Although the reduction intended to provide a more accommodative environment, it affected the yield curve. In response to this challenge, the banking sector focused on the growth of both non-fund based income activities and better rated customers for retail and business segments.

Competitiveness in the industry brought about the urgent need for cyber resilience and robust online engagement channels. Ease, speed and accessibility of communication have become increasingly important, and today's digital solutions need to be supported by robust data privacy and cyber security practices.

In meeting the challenges of the day, the Bank's RISE24 strategic direction was recalibrated to ensure that performance resilience and sustainable growth can be achieved on all relevant fronts, and that priorities were refined to suit the needs of our customers.

The main objectives for the year were to transform the Bank's retail and business banking, achieve operational excellence and process improvements, as well as to institutionalise risk and compliance practices. These were achieved through the implementation of the seven strategic focus areas of RISE24.



109.3%

Net stable funding ratio





50.1%

Cost-to-income ratio






EXECUTING RISE24 AND ACHIEVEMENTS




	Objective	What We Did	Achievements
Resetting Target Market 	<p>Identify new business areas, increase non-fund income, and expand our coverage as a whole to target wider and better-rated customer segments.</p>	<ul style="list-style-type: none"> • Targeted better rated customers from high income brackets and high income professionals. • Drove growth in Islamic wealth management. • Catalysed collaborations with government agencies, cooperatives and associations. • Realigned customer segments with suitable product packaging and embarked on vigorous promotions and several campaigns. 	<ul style="list-style-type: none"> • Focused on better rated customers, especially on the high income and affluent customer segment. About 39% of the Bank's total new customers come from this segment. • Increased financing guaranteed by the Syarikat Jaminan Kredit Perumahan ("SJKP") and Skim Rumah Pertamaku ("SRP") programmes to provide home financing to low income earners, self-employed individuals and operators of small business entities. Through SJKP, RM125.1 million has been disbursed while under SRP, RM190.2 million was disbursed. • Increased wealth management income from Bancatakaful, unit trusts and investment in gold through intensive marketing efforts. These generated 41.0% growth in fee-based income compared to the previous year.
Disciplined Balance Sheet Management 	<p>Implement intensive recovery effort to improve asset quality and optimise balance sheet composition to balance between meeting liquidity requirements and managing profitability.</p>	<ul style="list-style-type: none"> • Focused on retail deposits growth as the source of low cost deposits. • Continuously assessed availability of liquidity throughout the crisis by monitoring market sentiments, to determine demand and supply. • Implemented an aggressive recovery plan especially for accounts in arrears. 	<ul style="list-style-type: none"> • The Bank's current and savings account ("CASA") contributed to 35.3% of total deposits, amounting to RM8.2 billion. This is a 7.5% growth from FY2020. • Gross impaired financing ("GIF") improved from 1.07% in FY2020 to 0.83% in FY2021.



PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

	Objective	What We Did	Achievements
Digital Transformation 	<p>Create a digital economy through various collaborations and automate internal processes towards operational excellence and process improvements.</p>	<ul style="list-style-type: none"> Upgraded our retail internet banking and mobile apps. Introduced digital platform and online services to ensure ease of banking transactions for customers. Began to expand Robotic Process Automation ("RPA") as part of the commitment to continuously improve and automate the Bank's operational service, especially in processing tasks that are repetitive and time consuming in nature. 	<ul style="list-style-type: none"> Good progress was made on digital on-boarding via the Muamalat Application Platform ("MAP"). There was overwhelming response with more than 10,000 applications received via MAP as at December 2021. Introduced Online Deposit Account ("ODA") application to reduce waiting time. When opening deposit accounts using ODA, customers' info are pre-filled ahead of their visit to the branch for faster account opening. Collaborated with Amanah Warisan Berhad ("AWARIS") to introduce Digital Will Writing service. The various legacy planning services offered include Islamic will writing, declaration of Hibah, unit trusts and estate administration.
Data Monetisation 	<p>Optimise data analytics to generate income and ensure cost efficiency.</p>	<ul style="list-style-type: none"> Continuously implemented the 3-year Data Management Roadmap plan towards developing an effective data management platform. Updated and enhanced policies on data governance and data quality. 	<ul style="list-style-type: none"> Commission of Big Data Analytics platform - Data Lake, Data Warehouse. Establishment of Data Governance Framework. Established CISO office to enhance regulatory and cybersecurity compliance via Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF").
Infrastructure 	<p>Enhance infrastructure for efficient service delivery and deliverables.</p>	<ul style="list-style-type: none"> Enhancement of IT infrastructure. 	<ul style="list-style-type: none"> Established operations helpdesk for effective communication with branches.



	Objective	What We Did	Achievements
Continuous Process Improvement and Shariah Innovation 	<p>Improve our processes and products to provide more competitive advantage.</p>	<ul style="list-style-type: none"> Enhanced the Bank's risk appetite statement ("RAS") by further formulating and reviewing it to be in tandem with the strategic, capital and business planning. This is aimed at aligning risk appetite with the Bank's strategies and financial resources. Strengthened compliance measures for AML/CFT as well as embedded a strong compliance culture. Expanded the Robotic Process Automation ("RPA") pilot that was implemented in the preceding year as part of the commitment to continuously improve and automate operational services, especially in processing tasks that are repetitive and time consuming in nature. 	<ul style="list-style-type: none"> Improved end-to-end consumer product processes for home financing and personal financing products. This has reduced the turnaround time to process the applications.
Talent Management 	<p>Develop leaders and talent that support the growth of the Bank.</p>	<ul style="list-style-type: none"> Strengthened employees' performance and change in behaviour towards driving high performance culture in the Bank. Ensured ample training programmes for upskilling and reskilling employees. 	<ul style="list-style-type: none"> Launched a remotely accessible HR system that allows employees to manage their training and access their details like payroll information, benefits and leave entitlement. Employees participated in a total of 153,367 training hours during the year as compared to 135,843 training hours in FY2020.
Value-Based Financing (overarching the SFAs) 	<p>Expand financing that is considered to be value-based.</p>	<ul style="list-style-type: none"> Increased penetration on the Government initiatives, especially on the B50 segment. Accelerated financing programmes on education, debt restructuring and the health sector. Explored financing on environment preservation like financing of the hybrid cars. 	<ul style="list-style-type: none"> Disbursement linked to VBI objectives made up 31% of new disbursement for retail financing for the year.



PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



RISE26+ elucidates five aspirations in transforming Bank Muamalat to be the Islamic bank for all in the future.

ADVANCING WITH RISE26+

Underpinned by RISE24, Bank Muamalat's outlook for the future has been curated via a new 5-Year Strategic Business Plan called RISE26+, which is to be implemented from 2022 to 2026, and developed based on the latest government policies, regulatory requirements, market intelligence and burgeoning business opportunities.

RISE26+ elucidates five aspirations in transforming Bank Muamalat to be the Islamic bank for all in the future. Through this plan, Bank Muamalat commits to deliver sustainable shareholders' returns directed by a clear set of targets in the next five years. The Bank also aims to be an Islamic bank for all by further diversifying the customer base via new market growth, penetrating niche segments and broadening geographical reach. Further, the Bank intends to realise next generation capabilities and agile banking by accelerating digitalisation across all businesses and operations. In transforming the Bank into a high performing organisation, we empower our employees by adopting a new desired culture that involves enhanced digital skills, prudent risk consciousness and values-driven decision making. A greater emphasis on broadening and deepening our sustainability efforts will underscore all these efforts as the Bank aspires to continue to promote VBI and sustainability by institutionalising and contributing to social finance and community empowerment.

After weathering the pandemic on a strong footing and with positive momentum, we are confident of progressing on these aspirations. This will be achieved via eight strategic thrusts, namely: Accelerate Business Growth, Enable Islamic Banking For All, Drive Sustainability, Customer Centricity, Innovation, Operational Efficiency, Strengthening our Foundation, and High Performing Organisation.



In accelerating business growth, the Bank's portfolio of financial solutions has been further diversified under Retail, Corporate Banking, Treasury & Capital Market, Transaction Banking, Commercial and SME. In every category, the Bank will continue to focus on better-rated customers with products catering to targeted demographic profiles. At the same time growth will be anchored on low cost fund deposits in the form of CASA. Better financial solutions within the Bank's retail, commercial and SME banking products and services will be the way forward in enabling Islamic banking for all by attracting a more diverse customer base with product customisation, excellent services and reasonable pricing. Through enhanced access, quality, efficiency and customisability of our products and services, there will be continued focus to reach out and cater to unserved and the underserved markets.

Digitalisation and simplification of processes that elevate customers' experience, spearhead the thrust on customer centricity.

The Bank's standing in the digital economy will be reinforced through strategic collaborations. Enhanced innovation is also being explored by introducing Artificial Intelligence capabilities, enhancing data analytics and providing effective digital solutions that meet BNM's regulatory requirements. Improvements in operational efficiency will be achieved by leveraging on technology for more efficient service delivery via enhancement of the Bank's customer touchpoints. Improvements in productivity are being targeted through simplified and centralised documentation, as well as process automation. By leveraging on technology to do more with less, improvements in cost and turnaround time can also be reaped.

The above strategic initiatives will be accompanied by fortified capital and balance sheet management, as well as improved liquidity, in strengthening the Bank's financial foundation. Robust enforcement of regulatory requirements as well as managing legal and reputational risk will continue to be supported by effective compliance and risk management programmes.

Finally, workforce optimisation and talent development will be a core priority as we focus on reassigning manpower to revenue generating functions providing comprehensive training and on the job-learning, as well as retaining performing employees by motivating them via monetary and non-monetary incentives. The overall workforce strategy will be aligned with the high performing organisation aspirations of RISE26+.

CLOSING REMARKS

Looking ahead, I am optimistic that Malaysia's high COVID-19 vaccination rate and the speedy roll-out of booster doses have paved the way for the return to normalcy in fiscal year 2022.

Our onward journey is clear. We are committed to new and ongoing support solutions to nurture and develop a more sustainable future for the Bank and our stakeholders. In order to elevate the Bank's performance levels, we will continue to work closely with our customers to further understand their needs.

I would like to acknowledge the sound guidance of the Chairman and the Board, the clear directions and support set out by the government and regulators, and the strength and dedication of our management team and employees. These are the drivers of our journey ahead.

Together, Bank Muamalat's continued commitment to grow value for all stakeholders will chart new milestones as we work towards the vision to become the preferred Islamic financial services provider in Malaysia.

Thank you.

Khairul Kamarudin

President & Chief Executive Officer
Bank Muamalat Malaysia Berhad

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

السلام عليكم ورحمة الله وبركاته

PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

ALHAMDULILLAH,
ALL PRAISE IS DUE TO ALLAH SWT, THE SALUTATIONS AND GREETINGS TO OUR
PROPHET MUHAMMAD SAW AND HIS ENTIRE FAMILY AND COMPANIONS.



In the last decade, we have seen Islamic finance become increasingly mainstreamed within the global financial system and become a viable alternative to conventional financial services as a source for funding that is equity-based and asset-backed. Beyond that, it has helped elevate and build a more sustainable financial sector through its alignment with ethical, sustainable, environmentally and socially responsible finance. By adhering to Islamic principles, it promotes risk sharing, connects the financial sector with the real economy, and emphasises financial inclusion and social welfare.



Hj. Azizi Che Seman

Chairman, Shariah Committee



SHARIAH COMMITTEE CHAIRMAN'S STATEMENT

The Shariah Committee (SC) of Bank Muamalat strives to uphold the tenets of Shariah principles and guidelines in all of the Bank's aims, operations, business and commercial activities. Every product and service offered by the Bank must be endorsed by the SC prior to its offer to a customer. In this context, the SC takes strict precautions to prevent Shariah

non-compliance events and any illegitimate income. We aspire to strengthen the Shariah governance and integrate it into the Bank's core strength so that all stakeholders can be assured that all income received by the Bank is legal (halal); and benefit from high impact Shariah research that leads to greater Shariah innovation in the Bank's products and services.

Allah SWT says, meaning: "...Help one another in acts of piety and righteousness. And do not assist each other in acts of sinfulness and transgression, and be aware of Allah. Verily, Allah is severe in punishment"

(Surah al-Maidah: 2)

THE YEAR IN FOCUS

In FY2021, the SC's role and responsibilities has been further enhanced through a review and update of the Shariah Committee Charter in order to enhance roles and responsibilities of the SC and expand our involvement in governance and innovation. The Charter has been refined to include Shariah Committee development and succession plan. With the development plan in place, the SC is expected to have a better understanding of the business and operations of the Bank and to keep abreast with relevant market and regulatory developments. Due to new requirements on nine years' of service by each SC for the same Islamic Financial Institution, the Bank has developed a succession plan to ensure that the appointment and reappointment of SC is a smooth transition process that is completed within the stipulated period.

The enhanced role of the SC has also led to dynamic explorations of a variety of product offerings through varied contracts available such as Mudarabah, and paved the way forward for the development of the Bank's iTEKAD Mawaddah social support product through two-tier Mudarabah contract, and optimised the zakat fund for training and halal certification. We also supported research from the Shariah Department in proposing alternative contracts and products other than tawarruq.

During the year, the SC also continued to provide approval on new products initiated by the Bank as well as on payment assistance programmes rendered to customers affected by pandemic.

The following new products and services were approved by the SC in FY2021:

iTEKAD Mawaddah
EasiGold
Muamalat Excess Payment
Collateralised Commodity Murabahah
Dana Sukuk Muamalat Invest 1, 2
Wakaf Prihatin Hibah product

Rasulullah SAW says, meaning: "The upper hand is better than the lower hand, the upper hand being the one that gives and the lower being the one that receives"

(Sahih Muslim 1033)

ADVANCING THE BANK'S VALUE DRIVEN JOURNEY

The quote above inspires and guides the SC in our day to day decision making and our support of the Bank's VBI agenda. As we continue to expand the impact of Islamic finance, we actively advise the Bank on introducing products based on financial support and inclusion that aim to sustainable economic impact specifically for B40 and asnaf (Zakat eligible) communities. While fulfilling our role to ensure every activity of the Bank complies with Shariah requirements, the SC will play a stronger part in building inclusivity by offering new products and initiatives to meet more diverse customer preferences and demands. Customer satisfaction and fairness in services or charges will be another area looked into as the SC continuously provides awareness to the public on Islamic banking and finance to increase the number of Islamic banking customers.

Towards this end, we have extended our scope to include system enhancements to improve online communication platforms reach and accessibility, reduce human intervention and error, and continue to ensure the Bank maintains robust processes and policies on Shariah compliance.

Another core commitment of the SC is to increase Shariah awareness and understanding among the Bank's employees in order to raise the quality of information and service imparted to customers. To this end, 16 Shariah training programmes, conducted internally by the Shariah Department, were organised in 2021. A total of 700 participants, mostly newly recruited and sale staff, benefitted from these programmes. A Shariah e-learning module was also launched with nearly all of the Bank's employees participating. Further, the Shariah Department conducted three Shariah e-Tests.

Rasulullah SAW says, meaning: "How wonderful is the case of believer, there is good for him in everything and this applies only to a believer. If prosperity attends him, he expresses gratitude to Allah and that is good for him; and if adversity befalls him, he endures it patiently and that is better for him."

(Sahih Muslim 2999)

APPRECIATION & ACKNOWLEDGEMENTS

The SC's strength is made up of the integrity, competency and commitment of our members. I am thankful to lead a team of true professionals who are dedicated to the cause of uplifting Shariah governance and innovation for the benefit of all.

I would like to take this opportunity to express the SC's gratitude to Dr. Wan Marhaini Wan Ahmad and Prof. Madya Dr. Mohamad Sabri Haron for their excellent contribution and commitment up until the end of their term of service on 31 March. In their place we bid a warm welcome to Dr. Ahmad Zakirullah Mohamed Shaarani and Dr. Muhamad Azhari Wahid who joined us on 1 April 2021.

Insya-Allah, may our sincere intentions and positive action build a future of sustainability and shared progress for all stakeholders.

Thank you and regards,

Hj. Azizi Che Seman
Chairman, Shariah Committee



PROVIDING STAKEHOLDERS RESPONSIVE SUPPORT TO BUILD RESILIENCE TILL TOMORROW

An extension of financing moratorium for selective customers who were especially affected was introduced during the prolonged movement restrictions. These included customers who lost their jobs and those from lower income groups. Assistance in payment of financing and programmes have been rendered to these customers to ensure a more structured payment path without further burdening them.





MARKET AND INDUSTRY OVERVIEW

2021 - Resolve & Resilience

With the challenges of COVID-19 pandemic prolonging into 2021, it proved to be another tough year globally as economies fought to recover. The year began with a crisis when the Delta variant of COVID-19 spread across various countries and regions. The virus spread quickly, and at its worst, the variant hit India hard before causing a crisis in Southeast Asian countries, including Malaysia, Singapore, Indonesia, and Thailand. The unprecedented situation severely affected the global economy.

In the second half of the year, inflation has become a major threat due to rising energy prices and supply disruptions. Most notably, the US inflation is at the highest level in 40 years, and UK inflation is at a 30-year high. Elevated inflation is expected to persist for long after a war between Russia and Ukraine added further woes to the ongoing supply chain disruptions and high energy prices in 2022.

Global gross domestic product ("GDP") was 5.5%, unable to meet the initial projected forecast of 6.1% due to supply disruptions, worsening pandemic dynamics in developing nations, and the spread of new coronavirus variants.

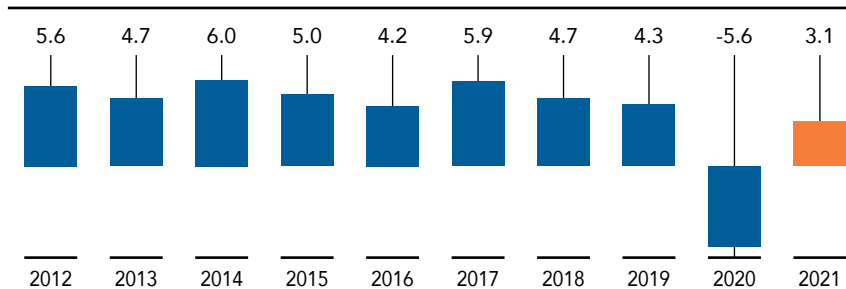
Sources:

- World Economic Outlook, October 2021: Recovery During A Pandemic
- World Economic Outlook, April 2022: War Sets Back The Global Recovery



Back in Malaysia, the country posted 3.1% GDP economic growth in 2021, improving upon the -5.6% fallout in 2020.

Malaysia's Gross Domestic Product (GDP) Growth (%)



Source of original chart: BNM: Malaysia's 4Q21 GDP grew 3.6% Y-o-Y, full-year expansion at 3.1% | The Edge Markets



Despite the encouraging figures, the local economic performance in 2021 remains well below its pre-pandemic level in 2019. Unemployment rate in Malaysia rose marginally to 4.6% from 4.5% in 2020, which is directly caused by the reopening of the nation's economy. Due to the easing of COVID-19 restriction measures and accelerated COVID-19 vaccine booster distribution, a brighter projection is expected for the year ahead, as the government projects the country's unemployment rate to fall to 4% for 2022.

The inflation of currency increased by 3.2% year-on-year in December 2021, mainly due to the rise in food and fuel prices. Despite the transitory supply-chain challenges though, Malaysia's inflation is expected to stabilise at 2.5% soon.

Source: Malaysia's central bank trims 2022 GDP forecast, sees supply chain disruption - CNA

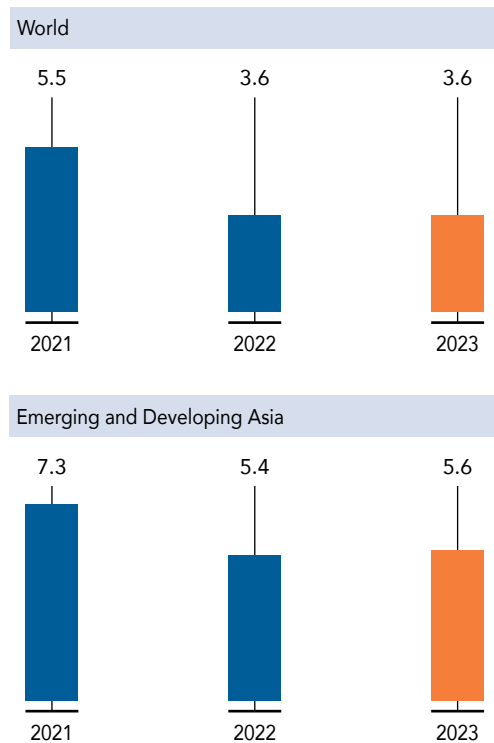


Meanwhile, the Malaysian banking sector managed to close out the year on a strong note despite facing initial challenges earlier in the year, with total financing/loan accelerating further to 3.3% from 2.9% Y-o-Y in September. Household and business segments recorded growth rates of 3.7% and 2.9%, respectively. The household segment was kept buoyed by stronger home, auto and credit card financing/loan, while the business segment's working capital financing has supported its growth. In general, Malaysian banks rebounded strongly in 2021 in terms of profits, which is a result of lower provisioning expenses, broader net interest margins ("NIMs") and significantly smaller modification charges.

2022 - Getting Back on Track

The Russian and Ukraine war has put a severe dent in the recoveries of many nations globally, with the war contributing to worldwide inflation and the rapid increase of food and fuel prices. As a result of this ongoing war, global growth is projected to slow from an 5.5% in 2021 to 3.6% in 2022.

World Economic Outlook April 2022/Growth Projections



Source: World Economic Outlook, April 2022: War Sets Back The Global Recovery



Despite the global situation however, the Malaysian economy has stayed resilient and grew by 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). This positive growth is attributed to a variety of positive factors, including the relaxation of containment measures, recovery in the job market, expansion in external demand and continued policy support, with the unemployment rate declining further to 4.1% (4Q 2021: 4.3%).

Source: Russia-Ukraine war may have 'direct muted impact' on M'sian economy, says think tank | The Star



Having one of the faster vaccination programmes in the region, 81.9% of Malaysia's total population has been fully vaccinated, while 68.2% of the adult population has taken a booster dose as of 5th May 2022. In addition, 43.3% of the children population aged 5 to 12 have completed at least one dose, with 25% completing two doses.

Source: CORONAVIRUS – The situation in Malaysia | Flanders Trade



As society slowly returns to normalcy amidst this endemic phase and the relaxation of COVID-19 regulations, the improvements in current economic conditions saw the coincident index accelerating to 5.5% year-on-year - the fastest growth rate since May 2021, when the economy also temporarily reopened before another lockdown.

Source: MIDF Research: Malaysia's economy to benefit from border reopening | Malay Mail



In 2022, the domestic economy is expected to remain on its recovery path supported by the continued expansion in global demand and higher private sector expenditure, improving labour market conditions and ongoing policy support. With Malaysia transitioning into the endemic phase since 1 April 2022, continuation of significant investment projects in both private and public sectors are expected to also support growth.

The economic growth moving forward will also be supported by the Malaysian Budget 2022 and the 12th Malaysian Plan (12MP). The Malaysian budget 2022 tabled end of October 2021 with its theme 'Keluarga Malaysia, Makmur Sejahtera' (A Prosperous Malaysian Family) will focus on speeding up the economic recovery, rebuilding up national resilience and catalysing reform as well as driving socio-economic recovery activities and the national development agenda. These initiatives are consistent with the strategic direction outlined earlier in the 12MP which aims to achieve a Prosperous, Inclusive and Sustainable Malaysia.

With the announcement of Budget 2022, the Government expected the GDP growth to be between 5.5% and 6.5% in 2022, higher than 4.5%-5.5% forecasted previously in September 2021, following reopening of more economic and social sectors.



MARKET AND INDUSTRY OVERVIEW

The Financial Sector Blueprint 2022-2026 which was released earlier this year could further supplement the current banking infrastructure and was critical to for the financial sector to navigate the oncoming challenge and opportunities and in turn, complement the 12MP. The 5-year blueprint that outlines the vision and strategies for the development of the nation's financial sector focuses on the key expected outcomes including advancing digitalisation of the financial sector, providing diverse choices and access for consumers, vibrant and dynamic funding ecosystem to address Malaysia's economic needs, wider adoption of VBI and smooth transition of green financing.

Source: Economic Planning Unit - 12th Malaysian Plan 2021-2025, Ministry of Finance - Economic Outlook 2022



However, 2022 will also be a year of high input costs and demand, with headline inflation projected to average between 2.2% and 3.2%. Underlying inflation is expected to average between 2.0 to 3.0%, trending higher.

The existing price control measures and the continued spare capacity in the economy are expected to be key factors that contain upward pressure on prices. Nevertheless, the inflation outlook remains subject to commodity price developments that may arise from the military conflict in Ukraine as well as ongoing supply chain disruptions. It is also contingent on domestic policy measures on administered prices.

In line with the endemic phase and the further easing of restrictions, investment activity and prospects have also improved, underpinned by the realisation of multi-year projects and a positive growth outlook. Despite these positive signs, there are still potential risks that may hinder growth, with some of the prominent threats including a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, and the unpredictable development of COVID-19.

Source: 2022 Monetary Policy Statement - Bank Negara Malaysia



Another factor that would impact local businesses and the economy is the Prime Minister's recent announcement regarding the minimum wage for employees being raised from RM1,200 to RM1,500 a month, with effect from May 1, 2022. A higher wage structure will result in an increase in disposable income for the B50 group, as well as boost the economy, due to the increase in wages resulting in higher consumer spending.

The performance of Malaysia's banking sector is expected to improve due to the reopening of the economical sectors, with experts strongly believing that banks will chart an estimated financing/loan growth of 5% this year (2021: +4.5%). The banking system's gross impaired financing/loan (GIF/GIL) ratio could rise to 2.5% by end-2022 (end-2021: 1.4%), while the funding and liquidity profiles of banks are expected to remain supportive of new lending/financing.

Banks' underlying asset quality will unfold when the bulk of relief under the PEMULIH stimulus programme expires in 1H 2022, while capital buffers will stay robust. The uplift from transitional arrangements will taper off this year.

Additionally, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to increase the Overnight Policy Rate (OPR) by 25 basis points to 2.00% on 11 May, which will increase monthly instalment rates. At the same time, the ceiling and floor rates of the corridor of the OPR are correspondingly increased to 2.25% and 1.75% respectively.

Source: 2022 Monetary Policy Statement - Bank Negara Malaysia





Outlook For Islamic Financing

According to recent findings from RAM Ratings, Islamic financing growth will stay healthy at 10% in 2022 (2021: +8.2%) as a result of improved economic conditions. The industry's gross impaired financing ratio is projected to reach 2% by end-2022 (end-December 2021: 1.2%). However, there's a chance of flat profitability this year for the segment, as a result of the sharp rebound that was experienced in 2021. The Islamic banks' net financing margin should stay stable, while provisioning is expected to moderate but remain higher than pre-pandemic levels. Capitalisation is anticipated to remain sturdy, providing sufficient buffers for loss absorption.

Additionally, Islamic banks continued to lead the financing growth of the banking system, with a credit expansion of 8.2% in 2021 (2020: +8.1%) outpacing the increase in conventional loans (2021: +2.5%). As a result, Islamic financing (including that of development financial institutions) now constitutes 41% of total banking sector financings.

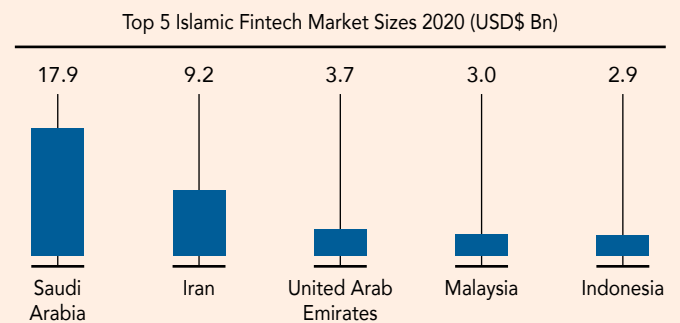
It should be noted that delinquencies could creep up in the months ahead when financing relief measures eventually expire in the first half of 2022 (1H22), and that the one-off Cukai Makmur (prosperity tax) will be a factor that weighs on Islamic banks' net earnings for 2022.

Source: RAM Ratings: Malaysia's Islamic banking industry to stay resilient | The Edge Markets



Being another emerging trend that is influencing the direction of the modern Islamic Finance sphere, Islamic Fintech has significantly increased in importance despite it being in its early years of development especially due to the rapid digitalisation rates caused by COVID-19.

According to the 'Global Islamic Fintech Report' (produced by DinarStandard and Elipses), Malaysia is among the top 4 leading countries in terms of Islamic FinTech transaction volumes measured per billion USD within the Organisation of Islamic Cooperation (OIC) countries:









Source: The global Islamic fintech banking market: trends and outlook



To experts and analysts, Islamic Fintech represents a unique growth opportunity for Islamic banks and other financial institutions, with the Islamic market within OIC countries projected to grow by 21% Compound Annual Growth Rate (CAGR) to \$128 billion by 2025, compared to a CAGR of 15% for the current conventional FinTech sector.



STAKEHOLDER ENGAGEMENT

Stakeholder Group	Engagement Platform	Stakeholders Expectations
Shareholders & Investors 	<ul style="list-style-type: none"> Annual reports Sustainability statements Quarterly financial announcements Online communications (e-mail, corporate website, social media) Meetings/discussions (upon request) 	<ul style="list-style-type: none"> Sustainable and long term business strategy that resulted to sustainable financial returns with prudent cost management Proactive management of asset quality and credit risks from exposure to sector affected by the pandemic Sound balance sheet management Integration of VBI elements in business operations Ethical and responsible business conduct Strong and experienced management Transparent reporting and disclosure Initiatives to mitigate effects of the pandemic
Customers 	<ul style="list-style-type: none"> Branch representatives Digital touchpoints: internet banking, digital apps Online communications (e-mails, corporate website, social media) Customer service centres Call centres Customer networking events Printed materials Customers' survey 	<ul style="list-style-type: none"> Innovative financial solutions in products and services offered Convenient, continuous and safe access to banking services during the pandemic Value-for-banking products and services that is both competitive and transparent Secured and safe environment to conduct banking activities especially through digital channels with strict customers data protection Excellent customer service Financial assistance that can ease their financial burden
Business Partners 	<ul style="list-style-type: none"> Online communications (e-mail, corporate website, social media) Formal & informal engagements e-Procurement system 	<ul style="list-style-type: none"> Fair and equal evaluation of vendors and their proposals Communicate fair conditions that satisfies both suppliers and the Bank's needs Communicate new policies, guidelines or strategy to ensure optimal performance Transparent reporting and disclosure to ensure smooth collaboration with potential partners
Regulatory Agencies & Statutory Bodies 	<ul style="list-style-type: none"> Regular updates and reporting to regulators Actively participation in regulatory forums, briefings, meetings, conferences and consultation papers 	<ul style="list-style-type: none"> Compliance with all legal and regulatory requirements Good corporate governance Transparent reporting and disclosures Participation and contribution to industry and regulatory working group
Local Community 	<ul style="list-style-type: none"> Community engagement activities Online communications (e-mails, corporate website, social media) Digital touchpoints (mobile apps, internet banking, SMS blasts) Printed materials 	<ul style="list-style-type: none"> Financial and VBI literacy awareness BMMB efforts in tackling on common social, economic and environmental issues Providing feasible and convenient access to advisory on suitable financial solutions BMMB role in building resilient and thriving community
Employees 	<ul style="list-style-type: none"> Internal portal and emails Employee dialogue sessions with CEO Annual engagement survey Social and recreational activities Regular employee engagement events and programmes Meetings and roadshows 	<ul style="list-style-type: none"> Fair remuneration, recognition and effective performance management Balanced work-life environment Various opportunities for career development and advancement An empowering environment that embraces diversity and enables employees to deliver quality work output A safe, healthy and conducive workplace supported by flexible work practices

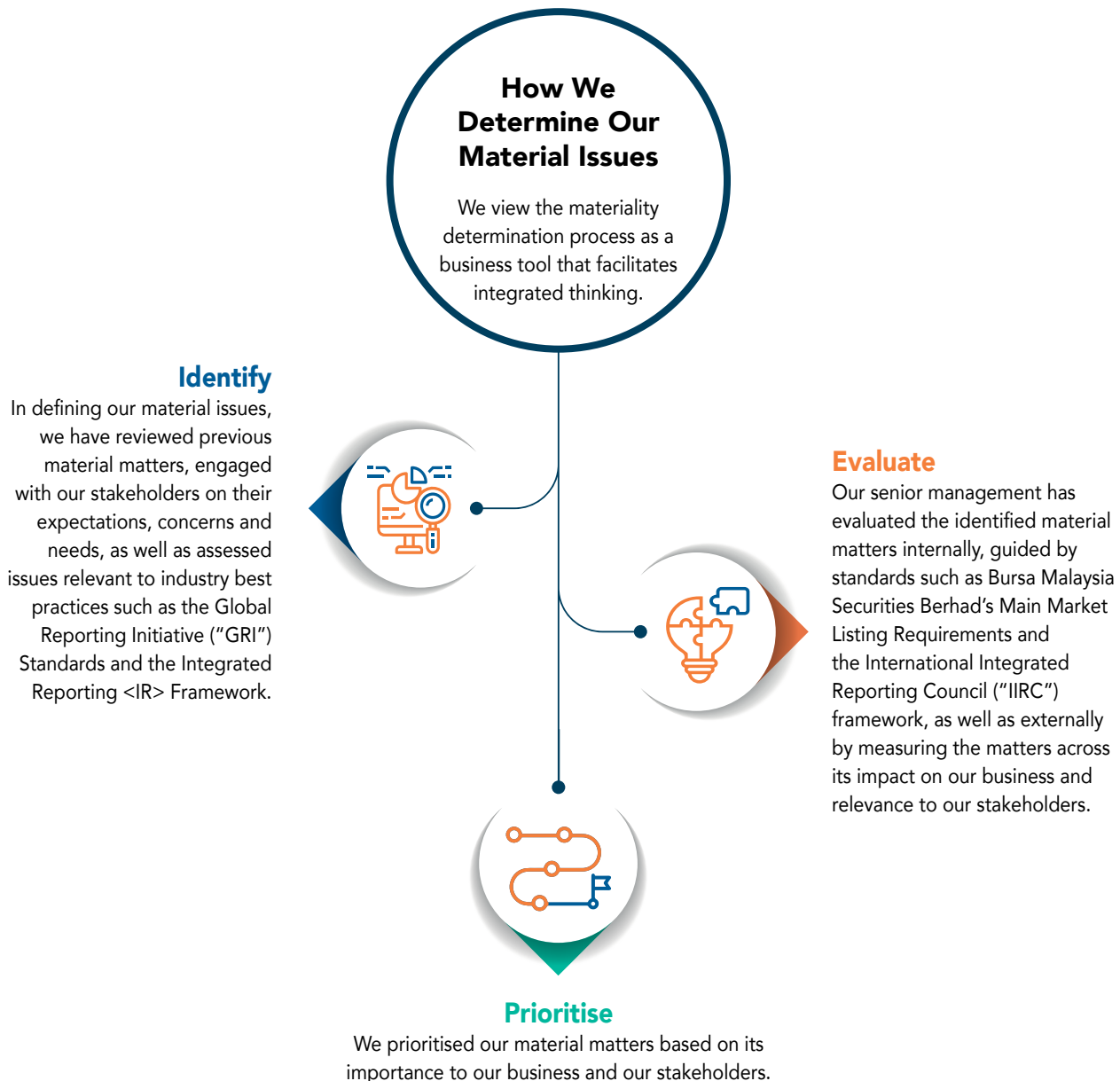


Response To These Expectations	Relevant Material Matters
<ul style="list-style-type: none"> • Implement 5-year business strategic plan for long term sustainable growth • Re-prioritise strategies to adapt to the vulnerable market landscape due to the pandemic • Appointed Board and senior management with vast experiences and knowledge • Continuous integration of VBI practices in products and services • Transparency in corporate reporting and disclosure through multiple platforms • Realign risk appetite and financing strategies to curb impact to the Bank due to pandemic 	<ul style="list-style-type: none"> • Economic Performance • Responsible Financing • Digital Banking • Energy Consumption and Environmental Impact • Ethics and Integrity
<ul style="list-style-type: none"> • Innovate offerings to address customers' financial needs • Enhance touch points, physical or digital, to maximise customers' satisfaction • Improve processes to deliver operational excellence • Drive service excellence via skilful and trained customer services personnel • Enhance end-to-end cyber response and simulation plan to ensure cyber resilience and continuously enhance IT security • Continuous awareness via online communication and digital touchpoints to educate customers and employees on awareness of potential fraud, scam etc • Implement strict SOPs to ensure customers' safety at branches • Extend assistance (financial reliefs, moratorium, etc) to ease impact of the pandemic on the customers 	<ul style="list-style-type: none"> • Economic Performance • Digital Banking • Ethics and Integrity • Entrepreneur Development • Responsible Financing • Financial Inclusion • Customer Experience
<ul style="list-style-type: none"> • Support local vendors • Provide convenient access to procurement systems • Conduct engagement sessions to ensure vendors' understanding on the procedure, processes, guidelines, expectations of deliverables and its quality • Conduct engagement sessions to ensure fair practices and vendor outsourcing is transparently done • Establish dedicated tender committee to ensure the engagement achieved its objective fairly 	<ul style="list-style-type: none"> • Procurement Practices • Economic Performance • Digital Banking • Ethics and Integrity
<ul style="list-style-type: none"> • Continuous update on our system and processes to meet current compliance and risk requirements • Effective compliance delivery, risk management and governance to meet regulatory requirements • Integrate VBI elements into risk management practices • Timely and transparent reporting to regulatory agencies and statutory bodies • Active participation in VBI working group – producing sectoral guide 	<ul style="list-style-type: none"> • Economic Performance • Responsible Financing • Ethics and Integrity • Energy Consumption and Environmental Impact
<ul style="list-style-type: none"> • Collaboration with various state religious councils and continuous engagement with government agencies to address the needs of the local communities • Engage with communities by conducting community programmes catered to their level of needs • Promote access to advisory on suitable financial solutions via digitalisation • Extend financial relief assistance • Continuous corporate social responsibility initiatives 	<ul style="list-style-type: none"> • Community Development • Energy Consumption and Environmental Impact
<ul style="list-style-type: none"> • Enhance delegation of tasks and address the need to improve employees' performance • Constant employee remuneration • Strengthen our learning and career development programmes to equip the employees with essential skills for them to be at par with other peers in the industry • Conduct employee engagement and employee satisfaction surveys • Develop a career development plan framework and apprenticeship programme 	<ul style="list-style-type: none"> • Employment • Diversity and Equal Opportunity • Training and Education • Ethics and Integrity







OUR MATERIAL MATTERS

We have established our material matters by identifying, evaluating and prioritising relevant themes which impact our delivery of value over the short, medium and long term. These continue to be relevant in 2021.





The following provides information on our material matters, how we have responded to the matters, the relevant stakeholders impacted and the sections in this Report which disclose our response to the matters:

	How We Define Them	Relevant Topics
Ethics and Integrity 	<ul style="list-style-type: none"> • Compliance with all applicable laws and regulations by BNM, CCM and other relevant local authorities; IFSA, AMLA, PDPA etc • Compliance with the capital adequacy and liquidity guidelines as stipulated by Basel III • Commitment of ethical conduct and behaviour enshrined throughout the organisation, from directors to officers 	<ul style="list-style-type: none"> • Procurement Practices • Ethics and Integrity
Economic Performance 	<ul style="list-style-type: none"> • Bank's strategic direction, operational activities and business and how they create direct economic value to the society, as well as aligning to Malaysia's Economic Plan 	<ul style="list-style-type: none"> • Responsible Financing • Entrepreneur Development • Economic Performance
Entrepreneur Development and Responsible Financing 	<ul style="list-style-type: none"> • Strategies, initiatives and efforts help the underserved segments that drive the economy (i.e SMEs, MSMEs, Entrepreneur) • Financing disbursed that satisfies the ESG criteria • Financing that do not support unethical activity 	<ul style="list-style-type: none"> • Responsible Financing • Entrepreneur Development • Economic Performance
Procurement Practices 	<ul style="list-style-type: none"> • Covers the practice of buying goods and services. This will include processing of a demand, receipt and payment approval • This involves in ensuring Bank's stable, fair and sustained supply chain through its SOP, initiatives, evaluation criteria and its vendor onboarding process • This also discusses on the Bank's effort to adopt social procurement to ensure future vendors/ bank's supply chain will not abuse local and international human rights 	<ul style="list-style-type: none"> • Ethics and Integrity • Procurement Practices



OUR MATERIAL MATTERS

	How We Define Them	Relevant Topics
Digital Banking 	<ul style="list-style-type: none"> • Exploring digital transformation and building internal capability for greater customer experience, accessibility and efficiency • Technological development and digitisation of financial services to assist customers in their banking needs and to also expand our customer base, from various medium of communication 	<ul style="list-style-type: none"> • Digital Banking • Customer Experience • Financial Inclusion
Energy Consumption and Environmental Impact 	<ul style="list-style-type: none"> • Energy consumed in various forms (such as fuel, electricity, water etc) for Bank's operations • This is to see if the Bank efficiently manages its natural resources and if the Bank has conducted any activity (for the community and the Bank) to help improve the environment 	<ul style="list-style-type: none"> • Energy Consumption and Environmental Impact
Community Development 	<ul style="list-style-type: none"> • Empowering communities through development programmes that create positive impact 	<ul style="list-style-type: none"> • Community Development • Responsible Financing • Procurement Practices
Customer Experience 	<ul style="list-style-type: none"> • Customer service performance and initiatives taken by the organisation to improve service delivery whilst maintaining compliance with existing laws and regulations regarding customer confidentiality • Enjoyable, reliable and memorable customer journey whilst managing the right balance between digital and traditional approaches 	<ul style="list-style-type: none"> • Digital Banking • Customer Experience • Financial Inclusion

	How We Define Them	Relevant Topics
Diversity and Equal Opportunity 	<ul style="list-style-type: none"> • The level of diversity within an organisation provides significant benefits for both organisation and employees. Organisation will gain access to a larger pool of potential candidates and these benefits can create equality and social stability which subsequently support economic development • This describes the act to ensure employees are treated equally and given fair treatment based on individual merit. Discrimination can occur on the grounds of race, colour, sex, religion and political opinion. It also includes harassment defined as comments or actions that are unwelcomed to the recipient 	<ul style="list-style-type: none"> • Employment • Diversity and Equal Opportunity
Training and Education 	<ul style="list-style-type: none"> • An organised activity aimed at disseminating information to educate and enhance the recipient's ability to perform by attaining a required level of knowledge or skill. Through training and education, human capital can be improved as it will help expand the knowledge base of employees which leads to enhanced organisational development 	<ul style="list-style-type: none"> • Employment • Training and Education
Employment 	<ul style="list-style-type: none"> • This include organisations' approach to hiring, recruitment, retention and related practices. Also, it cover matters in relation to wellbeing of employees, and rewards & recognition based on merit and contribution to the organisation which can then influence its ability to attract and retain talent 	<ul style="list-style-type: none"> • Employment • Training and Education • Diversity and Equal Opportunity
Financial Inclusion 	<ul style="list-style-type: none"> • Touchpoints where the Bank can communicate with customers, potential customers and businesses have access to useful and affordable products 	<ul style="list-style-type: none"> • Financial Inclusion • Community Development








PRINCIPAL RISKS AND UNCERTAINTIES

At Bank Muamalat, risk identification, analysis and mitigation have been continuously practiced as key components in building and executing our business and sustainability strategy.

We strive to enhance our risk analysis and response by understanding issues that are material to the business and our stakeholders. Here, we outline the principal risks within our operating environment and define the ways in which they could affect Bank Muamalat and how we manage these risks.

Type of Risk	Description and Impact of the risk on the Bank	How We Manage or Mitigate the Risk	Link to Material Matter and/or Strategy
Credit Risk 	<p>The risk of financial loss if a customer or counterparty fails to meet its obligations. It is the primary source of risk to the Bank.</p> <p><i>This risk may impact the Bank's profitability, asset quality, liquidity and reputation.</i></p>	<ul style="list-style-type: none"> Enhance key risk indicators to monitor emerging credit risk and provide early warning signals Ongoing review, enhancements and monitoring of risk appetite Enhance and tighten risk acceptance criteria Ongoing monitoring on collaterals, guarantees and risk limits Conduct periodic stress testing and scenario analysis Diversify into new market segments Streamline and enhance credit risk policies 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Entrepreneur Development and Responsible Financing Customer Experience Financial Inclusion Digital Banking
Market Risk 	<p>The risk of losses in on- and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity and commodity prices, which may adversely impact earnings and capital positions.</p> <p><i>The risk may present an impact on the Bank's profitability, liquidity and capital.</i></p>	<ul style="list-style-type: none"> Develop hedging strategies against adverse price movements Enhance monitoring in market risk limits Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Ongoing review, enhancements and monitoring of risk appetite Diversification in pricing strategy Conduct periodic stress testing and scenario analysis Streamline and enhance market risk policies 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Financial Inclusion Digital Banking
Rate of Return Risk 	<p>The risk of variability of assets and liabilities arising from volatility of market benchmark rates, impacting portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value.</p> <p><i>The Bank's capital, liquidity and profitability may be impacted by the risk.</i></p>	<ul style="list-style-type: none"> Develop hedging strategies against adverse price movements Enhance monitoring in market risk limits Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Ongoing review, enhancements and monitoring of risk appetite Diversification in pricing strategy Conduct periodic stress testing and scenario analysis Enhance risk strategies and monitoring in Asset and Liabilities Management Streamline and enhance Rate of Return Risk policies 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Financial Inclusion
Liquidity Risk 	<p>The risk of inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from depositors. This ability has a serious implication on reputation and continued existence.</p> <p><i>The risk could impact the Bank's capital, liquidity, profitability and reputation.</i></p>	<ul style="list-style-type: none"> Enhance liquidity limits and strategy to manage and optimise liquidity position Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Enhance Liquidity Contingency Funding Plan to manage liquidity crisis Ongoing monitoring of liquidity crisis early warning signals Ongoing review, enhancements and monitoring of risk appetite Diversification in pricing strategy Conduct periodic stress testing and scenario analysis Streamline and enhance liquidity risk policies 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Financial Inclusion Digital Banking

Type of Risk	Description and Impact of the risk on the Bank	How We Manage or Mitigate the Risk	Link to Material Matter and/or Strategy
Operational Risk 	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems or from various external events. The effect may extend beyond financial losses and may result in legal and reputational risk impacts.</p> <p><i>This risk could also create an impact on the Bank's profitability and ability to meet regulatory requirements as well as disrupt the Bank's business.</i></p>	<ul style="list-style-type: none"> Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Ongoing review and validation of operational risk tools, i.e. Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Incident Management & Data Collection (IMDC) Ongoing management of bank-wide operational risks and monitoring of risk ratings Ongoing management of business continuity strategy and plan Ongoing management and monitoring of outsourcing arrangements and mitigation strategy Ongoing review, enhancements and monitoring of risk appetite Conduct periodic stress testing and scenario analysis Streamline and enhance operational risk management policies and procedures 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Procurement Practices Training and Education Customer Experience Financial Inclusion Digital Banking
Shariah Non-Compliance Risk 	<p>The risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee (SC) of the Bank and relevant Shariah regulatory councils or committees.</p> <p><i>This risk creates regulatory, profitability and reputation impacts.</i></p>	<ul style="list-style-type: none"> On-going Shariah review Continuous monitoring & reporting of Shariah non-compliances Enhance monitoring and tracking of Shariah non-compliance risk exposures via risk tools i.e. Key Risk Indicators, Risk Control Self-Assessment and Incident Management and Data Collection Ongoing review, enhancements and monitoring of risk appetite Conduct periodic stress testing and scenario analysis Streamline and enhance Shariah risk management policies and procedures 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Customer Experience Financial Inclusion
Technology and cybersecurity risk 	<p>Risk arising from Technologies vulnerabilities which could result in financial loss, disruptions to infrastructure, operations and/or reputational harm. Cybersecurity risk is the probability of loss of customer information and banking records due to cyber threat or attack.</p> <p><i>This risk creates regulatory, profitability and reputation impacts as well as disrupt the Bank's business.</i></p>	<ul style="list-style-type: none"> Establish and operationalize new Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF) Develop and implement IT & Cybersecurity Strategic Plan in alignment with business requirements and adherence to BNM's Risk Management in Technology (RMIT) policy Foresight by gathering FI threat intelligence through identifying, managing and addressing relevant technological and cyber risks Strengthen cyber resilience level and monitor sustainability of technology and cybersecurity controls Ongoing review, enhancements and monitoring of risk appetite 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Financial Inclusion Customer Experience Digital Banking
Strategic Risk 	<p>The risk of unexpected adverse developments in the Bank's performance stemming from fundamental strategic and business decisions and their execution.</p> <p><i>The risk may present impacts to the Bank's profitability, capital and reputation.</i></p>	<ul style="list-style-type: none"> Ongoing review, enhancement and monitoring of the business strategies, risk appetite and capital planning process Conduct periodic stress testing and scenario analysis Ongoing review, enhancements and monitoring of risk appetite and business performance Perform competitive analysis on industry and market benchmark 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Customer Experience Financial Inclusion Digital Banking
Reputational Risk 	<p>The risk of loss arising from negative perception of the Bank's image by conduct or business practice which adversely impact profitability, operations or shareholder value.</p> <p><i>The Bank's reputation, liquidity, capital and profitability may be impacted by this risk.</i></p>	<ul style="list-style-type: none"> Ongoing monitoring of Bank's risk rating Build and protect goodwill Institutionalize and monitor risk and compliance culture 	<ul style="list-style-type: none"> Ethics and Integrity Economic Performance Customer Experience Financial Inclusion Community Development Employment Training and Education Diversity and Equal Opportunity Procurement Practices Digital Banking

OUR VALUE CREATION MODEL

Through the use of our robust capitals, prudent strategy and resource allocation, the management of risk and strong corporate governance - our value creation model continued to deliver values for our stakeholders.

OUR CAPITAL

INPUT



Financial Capital

- Total Assets: RM27.57 billion
- Shareholders' equity: RM2.75 billion
- Deposits and Investment Accounts: RM23.33 billion



Manufacturing Capital

- Dedicated 67 branches and 2 Sales centres
- 236 self service terminals nationwide
- Vast digital outreach which are i-muamalat mobile apps, retail and corporate internet banking, QR Payment for merchant
- Digital application platform that is friendly user: Muamalat Application Platform (MAP) and Online Deposit Account Application (ODA)
- Ar-Rahnu Online Auction



Human Capital

- A diverse workforce of 2,139 employees
- A differentiated culture that is customers and service centred values with strong governance, risk and compliance culture
- We spent more than RM2.3 million on training and skills development programmes



Intellectual Capital

- An established Islamic bank with more than 20 years of sustainable growth as the 3rd full-fledged Islamic institutions
- Strategic partnership with organisations, institutions and agencies
- Continuous effort in growing ESG-compliant products and services



Social & Relationship Capital

- More than 600,000 customers
- Embracing value-based financing to meet the VBIs as well as EES practices



Natural Capital

- Our natural resource consumption in supporting our businesses
- Our continuous commitment towards climate change
- Our initiatives that promotes positive environmental impact

HOW WE CREATE VALUE

Our Businesses

Retail Banking

Corporate Banking

Commercial Banking

RISE24 Strategic Focus Areas

Overarched by Value Based Principles and Supported by Risk and Compliance Culture

01
Resetting
Target Market

02
Disciplined Balance
Sheet Management

03
Digital
Transformation

04
Data
Monetisation

05
Enhance
Infrastructure

06
Continuous Process
Improvement & Shariah
Innovation

07
Develop Talent Management

The value creation process is driven by EES practices and anchored by the Bank's governance, risk & compliance



Care



Respect

STRONG GOVERNANCE OVERSIGHT

▶ Bank Muamalat is committed to the highest standards of governance, ethics and integrity

▶ Our diverse and knowledgeable Board of Directors ensures best practices are adopted while providing oversight to the Management Committee in creating long-term shareholder and stakeholder value

▶ We ensure established and comprehensive internal and external risk management processes, policies and frameworks are in place to continuously deliver and sustain the Bank's value propositions



VISION

To become the preferred Islamic financial provider



MISSION

To ethically deliver best value to stakeholders, society and environment

OUTCOMES FOR OUR STAKEHOLDERS

Transaction & Digital Banking

Treasury & Capital Markets

Through Our Business Activities, We:

- ▶ Deliver products and financial solutions that cut across critical areas as well as penetrating new untapped markets by harnessing digital technologies
- ▶ Expand products and diversifying customer base in order to be the preferred provider of investment solutions
- ▶ Maintain, optimise and invest in our operations including technology, marketing and infrastructure
- ▶ Deliver exceptional customer services to optimise customer experience at all times
- ▶ Empower local communities we serve in building more resilient and thriving communities
- ▶ Strengthen our base by complying with all regulatory requirements and ensure high commitment for risk and compliance
- ▶ Identify ideal approaches to sustainability, innovation and leadership in order to be recognised as a socially responsible bank



Integrity



Innovative



Service Oriented



Customers

- RM338 millions in profits paid to depositors and investment account holders
- Disbursed up to RM3.9 billion of disbursement to household sector with RM2.2 billion in new personal financing and more than RM150 million for purchase of vehicle financing
- Launched iTEKAD Mawaddah
- Financial assistance packages included Enhanced Targeted Relief Payment, Enhanced Financing Payment Assistance, Financial Management & Resilience Programme (URUS) and Financial Resilience Support Scheme (FIRST)
- Launched Online Deposit Account (ODA) application through MAP
- Enhancement of Muamalat Application Platform (MAP) and continuous improvement in mobile apps, Retail Internet Banking (RIB) and Corporate Internet Banking (CIB)



Shareholders

- Steadfast performance aligned to strategy, which recorded:
 - 9.5% Return on Equity
 - 0.96% Return on Assets
 - 17.31% total capital ratio
 - 0.83% of gross financing impaired ratio



Regulatory Agencies & Statutory Bodies

- Compliance with regulatory requirements
- Relentless commitment in driving VBI
- Assist in producing the sectoral guide for the Construction and Infrastructure Sector
- Continuous support of BNM's initiatives including financial assistance and micro financing
- Contribute to domestic banking and economic growth



Business Partners

- Introduced digital procurement system for easier tracking and better transparency
- Awarded tenders to vendors that align their businesses with VBI values



Local Community

- Disbursed RM18.6 million under wakaf projects for healthcare, education and the investment sector
- Expansion of our Jariah Fund which launched 16 programmes
- Flood relief assistance
- RM93,000 funds disbursed as training fee for entrepreneurs for the iTEKAD Mawaddah programme



Employees

- Distributed RM240 million in remuneration for employees
- Launched a new HR system for easier access to manage training progression, payroll information, benefits, and leave entitlements
- Provided free vaccines/booster for those who have not completed their doses yet
- Provided career development plan framework and apprenticeship programmes

▶ Our shared values of Care, Respect, Integrity, Innovative and Service-Oriented have become our trademark in serving our stakeholders

▶ Our employees are essential assets, and we seek to create a work environment that is inspiring, healthy and welcoming to allow our employees to develop professionally and empower them to work effectively in line with our mission



OUR STRATEGIC DIRECTION

The Bank established the RISE24 5-year strategic business plan in FY2020 and this continues to guide the strategic direction of the Bank.

For the year 2021, the prolonged pandemic environment resulted in delayed economic recovery. Coupled with the temporary closure of non-essential businesses due to the Movement Control Order (“MCO”) and the resulting delay in contract awards and delay in new projects implementation, especially due to disruption in global supply chain causing delays in delivering of IT hardware and equipments, several targeted goals had to be reviewed.

The low interest rate environment following the cut in OPR led to tighter profit margins. This has exacerbated the sector’s competitiveness as banks competed for low cost deposits and higher financing yield.

Progressing on RISE24 in FY2021

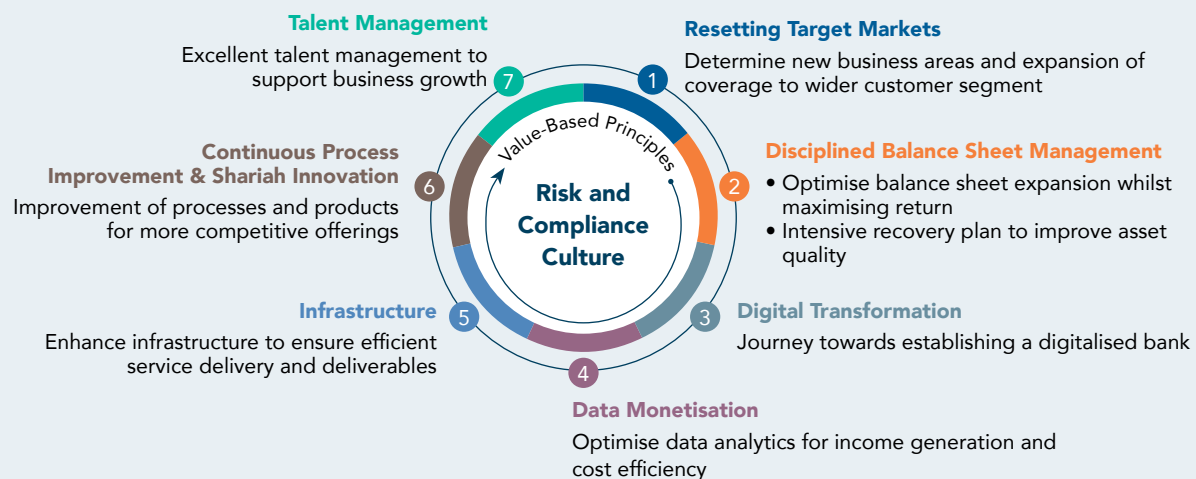
In FY2021, following the revision of RISE24 due to COVID-19, efforts have subsequently been made to enhance the implementation part of the plan as to ensure its success.

The Bank’s response to the refined RISE24 includes a new governance structure which enables the facilitation of information and decisions being executed more efficiently within individual business units and governed through the Transformation Steering Committee (“TSC”) and Transformation Management Office (“TMO”).

Among the plan for these two functions is to integrate efforts and initiatives towards the anticipated aspirations as the Bank intends to break the ‘silo’ mindset and elevate a sense of shared purpose. Initiatives will be made highly implementable with defined goals and objectives, determined dependency and are aligned to capability and capacity of resources.

RISE24 Transformation Plan - Refinement of strategic initiatives towards transformational growth

Summary of Bank Muamalat’s Strategic Business Plan 2020-2024 #RISE24



RISE24 strategies were re-assessed and prioritised to focus on Accelerating Business Growth, Operational Excellence and Process Improvement.



STRATEGIC DIRECTION

ACCELERATING BUSINESS GROWTH

This entails acquiring new customer segments, the rollout of new and enhanced products and channels. Continuous enhancement and business expansion is ongoing for both Retail and Business Banking.

Expansion of Retail Banking

More information in *Our Performance - Retail Banking*, pages 55 to 61



Given the need to balance opportunities with strong asset quality, business expansion on this front is directed towards widening our scope in the Affordable Home Financing Programme, while targeting better rated customer segments for Personal Financing. A special financing solution for the top 20% income bracket ("T20") has been introduced to anchor the personal financing business with high quality assets. The Bank is also focused on driving growth in Islamic wealth management products by leveraging on digital platforms and tools to boost customer onboarding. Retail deposit growth is being driven by the launch of the Bank's new SURIA investment product.

Growing Business Banking

More information in *Our Performance - Commercial, Transaction, Corporate Banking*; pages 62, 66, 68 respectively



On the Business Banking front, introduction of new products and solutions make up the Bank's growth strategy. During the year, Commercial Property-i, Transferable Letter of Credit ("LC") and Fast Track Bank Guarantee ("BG") have been added to our range of solutions to fulfill the needs of our non-retail customers. More opportunities in Supply Chain Financing are being identified to expand the Bank's provision of financing across the business supply chain covering the entire ecosystem of anchor companies.

Expansion strategy is also directed towards targeting high impact sectors that have been highlighted to benefit under the Malaysia Budget 2022. The Bank is also collaborating with Government's agencies e.g. TERAJU for financing programme for Bumiputera SMEs in the halal healthcare sector, as well as Malaysia Automotive Robotics and the IoT Institute ("MARIi") for automotive vendor financing programme.

OPERATIONAL EXCELLENCE & PROCESS IMPROVEMENT

This entails evolving into a more nimble and low cost business model through technology and human capital transformation, to improve efficiency, increase business opportunities and deliver superior customer experience.

Business Process Re-engineering initiatives focused on consumer and business banking process improvements to shorten service delivery turnaround time. This is accompanied by a more intensified focus on Human Capital Transformation through structured programmes that ensure talents are equipped with the right skills and receive upskilling programmes that enable them to perform effectively in their roles and adopt future ready capabilities to enable digital ready workforce.

On the Technology front, a 3-year IT Strategic Plan has been established to fix current operational issues and embark on new innovative initiatives covering the areas of Digitalisation & Automation; Enhanced Regulatory & Cybersecurity Compliance; and Technology Enhancement.

Our Journey Ahead

The fast changing and volatile business environment as well as significant evolution of digital acceptance, required Bank Muamalat to recalibrate its RISE24 plan to stay relevant and competitive in the industry. Thus, RISE24 has since been revised and now enables the foundation for new strategic plan RISE26+ that reflects new emerging trends, threats and opportunities for the Bank.

The development of the 5-Year Strategic Plan 2022-2026 ("RISE26+") incorporates various factors and addresses the trends and developments impacting the industry in the near term. These include recent market developments in Malaysia's government and regulatory policies that intensify focus on digitalisation and sustainability. New market intelligence on competitors' analysis and increasing consumer demands are also taken into account, as are potential business opportunities emerging from market development and identified gaps. The Bank's recent performance, offerings and capacity for expansion also form major considerations in the establishment of upcoming goals and targets.



OUR STRATEGIC DIRECTION



Moving forward with RISE26+, the Bank intends to grow and differentiate itself from other competitors through transformative initiatives supported by the continuation of RISE24 initiatives which serves as the foundation and pillars for the new plan. It aims to accelerate growth by transforming the existing core business of Retail Banking and Corporate Banking whilst diversifying its income portfolio through the new growth engines of Transaction Banking and Commercial & SME Banking.

In delivering topline growth, Retail Banking will be expanding its market based on geographical and customer segments using diverse product strategies, and aiming to deliver innovative products and services by enabling Retail Digital Banking.

For Corporate Banking, the objective is mainly to rebalance the portfolio, especially long-term financing based products, as well as provide better and more unique customer offerings. Besides focusing on growing the Transaction Banking business, focusing on working capitals solution, targeting clients from the State Government and agencies as well as depositors of non-retail segment, our Commercial & SME Banking will also play their role by focusing on market penetration based on region and preferred sectors.

Being an Islamic bank that upholds Maqasid Shariah principles, the Bank aims to become a 'complete' Islamic bank that caters for all, both Muslims and non-Muslims. The misconception that Islamic bank is only for Muslims has grown our commitment to converge the fulfillment of Islamic needs with solutions suitable for all types of customers, regardless of race, religion and age.

Being part of the Committee of Practitioners ("CoP") of Value-Based Intermediation by BNM and GABV, we continue to be committed towards our sustainability initiatives. Besides working towards integrating environment, social and governance considerations into the operations and business decisions at the Bank, we also aim to commercialise sustainability and mainstream VBI by emphasising the cascading impact of Social Finance whereby investment and profit sharing offerings can empower unserved and underserved segments.

We are also focusing on the climate risk management following the issuance of Climate Change and Principle-based Taxonomy ("CCPT") guidance by BNM. The guidance document is part of commitment of the central bank to prepare the financial sector to be more resilient and to enable an orderly transition to a greener economy.

The solid foundation of RISE24 initiatives anchor these plans. These encompass customer centricity in providing customer experience, enabling digital banking, improving operational efficiency, strengthening foundation, governance and control functions as well as evolving into a high performing organisation.

RETAIL BANKING



Contribution to Bank's Revenue
63%



Revenue
RM706.7 million



Retail Banking, previously known as Consumer Banking prior to September 2021, provides financial services to individual consumers and also deposit services to individuals and small business entities. Acquiring deposits, increasing digitalisation initiatives, improving productivity, controlling costs, managing asset quality, and expanding our client base are the highest priorities for retail banking.

RETAIL BANKING

Economic recovery in 2021 was slow globally, as the emergence of COVID-19 variants led to reimposition of restrictions in many countries, including Malaysia, throughout the year. However, despite the uncertainties and continued pandemic challenges, the Bank's Retail Banking Division ended the financial year 2021 (FY2021) with RM706.7 million in revenue, up from RM604.8 million in FY2020. Profitable growth was achieved through expansion of offerings in the Division's core businesses of mortgage financing, personal financing, auto financing, ASB financing, Ar-Rahnu financing, wealth management, and deposits.

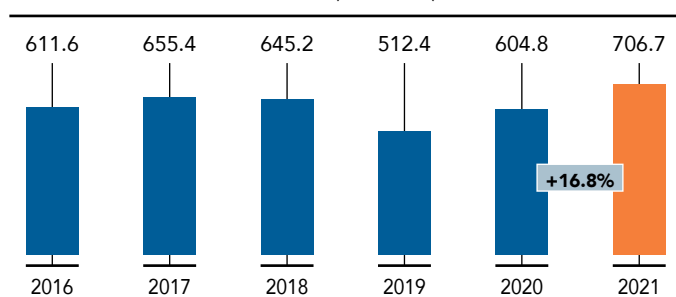
It continued to be an important year for the Bank's Muamalat Application Platform ("MAP") and other non-face-to-face ("NFTF") activities. MAP was introduced back in October 2020 in response to the evolving market conditions and customer behaviour, and to facilitate online financing submissions for customer on-boarding outside business premises. More financing applications were generated through this platform right after the enhancement of the MAP project to all retail financing products. Due to the reimplementation of the Movement Control Order ("MCO") enforced by the government in mid-2021, the NFTF transactions resulted in fee and commission income rebounding by 24% or RM8.3 million. A total of 10,117 financing applications were submitted through MAP in 2021, with a total ticket size of RM1.28 billion.

Good progress was also made on Value-Based Intermediation ("VBI"), which is promoted by BNM to match Islamic finance business models with Shariah's goal of generating beneficial and long-term impact on the economy, community, and environment. VBI principles are the anchors of the Bank's value-creating approach and product creation process. Through products and services that are relevant to our customer segments' needs for inclusive growth, Bank Muamalat aspires to contribute to the real economy while also meeting societal demands and benefitting the environment through a growing focus on green financing and social finance.

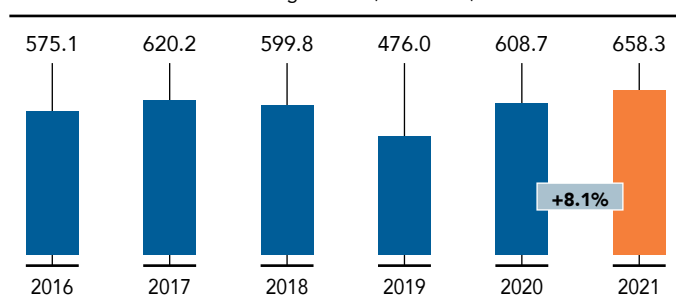


RETAIL BANKING

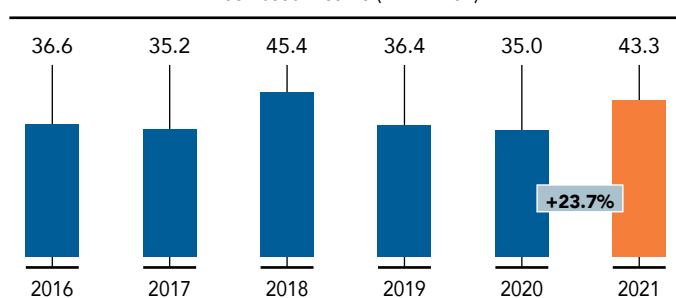
Revenue (RM Million)



Financing Income (RM Million)



Fee Based Income (RM Million)



Market Review

Though BNM's decrease of the Overnight Policy Rate ("OPR") during the pandemic led to an environment of reduced profit rates for the banking industry, it has boosted borrowing/financing behaviour by indirectly helping clients pay less for their borrowing/financing.

Double-digit financing growth was maintained for the year. As of December 2021, total retail financing outstanding increased by 18.9%, or RM2,236.9 million, to RM14.04 billion. Financing income increased by 7% to RM658.3 million, and accounted for 72% of the Bank's overall financing income in FY2021. In addition, the continued focus on higher-rated

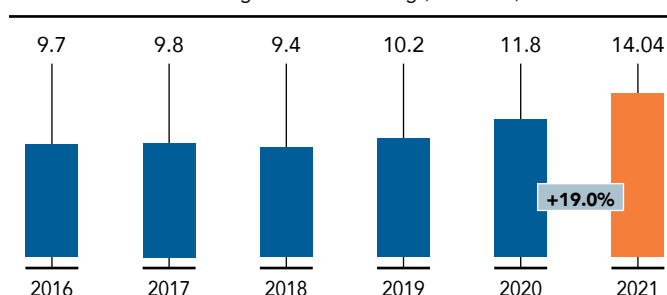
customer segments, enhanced payment monitoring process, as well as improved collection initiatives paid off. Asset quality grew more robust with impaired financing ratio reducing from 1.14% to 0.81%. As a result, Retail Banking remains the major contributor to the Bank's asset portfolios with total assets of RM14.04 billion.

This spells well moving forward as there were concerns that the introduction of another six-month moratorium to financing customers in July 2021, in line with the Government's Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH"), could result in a lack of cash for the core responsibilities of financing and investing.

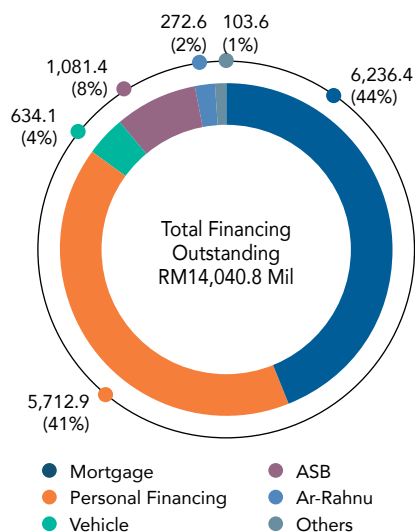
0.81%

Retail Banking's impaired financing ratio for FY2021 (FY2020: 1.14%)

Financing Asset Outstanding (RM Billion)



Financing Outstanding by Product (RM Million)



Retail Banking's Financing segment manages the following financing portfolios:

- 01 Mortgage Financing
- 02 Personal Financing
- 03 Vehicle Financing
- 04 Ar-Rahnu Financing
- 05 ASB Financing



Mortgage Financing

44%

Mortgage Financing's representation of Retail Banking Division's Total Financing Assets.

Performance Review

The property market remains the key contributor to the Retail Banking's total asset, making up 44% or RM6.24 billion. Total new approval grew by more than 46%, and the Bank's mortgage financing assets grew by 18% Y-o-Y.

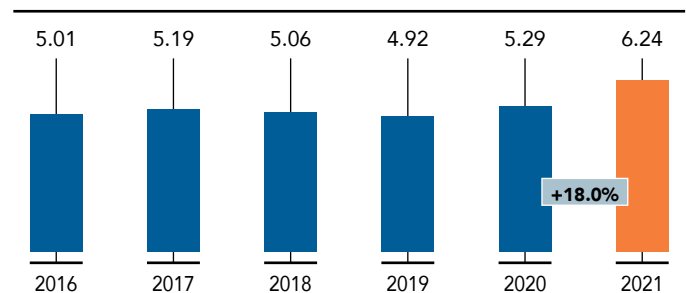
Government property incentives such as stamp duty exemptions and 100% financing margins for first-time purchasers through initiatives such as the Home Ownership Campaign ("HOC"), customers' willingness to buy a home has improved leading to robust growth in mortgage financing. During the year, landed properties dominated 80% of the property type followed by flats or apartments at 12%.

Retail Banking vigilantly focused on better rated and quality customers (T20 & M40) through the Bank's SMART Mortgage Solution and SMART Mortgage Standard. These provide financial solutions and debt consolidation and have successfully penetrated the secondary real estate sector with a total growth of 14% or RM357.9 million. At the same time, collaborations with selected leading developers in all states have contributed to positive growth in the primary real estate sector at 11% or RM264.3 million.

The year also recorded overwhelming public response to government introduced affordable home schemes for the B40 segment, such as Skim Rumah Pertamaku ("SRP") and Skim Jaminan Kredit Perumahan ("SJKP"), which boosted new approvals for overall mortgage financing by RM2.55 billion in FY2021.

The outlook for mortgage financing for 2022 is expected to remain stable as demand for housing, especially in the affordable property segment and smaller units for specialised luxury projects in good locations at RM500,000 and below remain high. The secondary property sector accounts for 70% to 80% of total real estate transactions in the country, and will continue to dominate the real estate market. Going forward in the property financing business, the Division will continue to concentrate its efforts on the residential property financing sector, focusing on the mass-market segment as well as affordable housing, with competitive pricing and flexible financing product packages under the SJKP and SRP packages.

Mortgage Outstanding (RM Billion)



RETAIL BANKING



Personal Financing

41%

Personal Financing's representation of Retail Banking Division's Total Financing Assets.

Performance Review

Total outstanding Personal Financing was RM5.71 billion, up 30.0% from FY2020. The correct selection of niche targets, aggressive promotion through social media, and compelling product features supplied under the relatively new product line: Cash-i Muamalat. This product line comprises Cash-i Muamalat (Government and Panel Employer), Cash-i Muamalat Pro (Professional Programme), Cash-i Muamalat Prestige (Mass Affluent) and Collateralised Cash-i Muamalat (secured financing). Each differs by eligibility criteria such as monthly income and professions. As a result, total new disbursement of Personal Financing-i grew to RM2.2 billion, with total assets increasing by 30.0% in 2021.

Since almost all the Bank's branches across the country were affected by the MCO in the early part of the year, new marketing strategies were implemented to penetrate new better-rated customer segments with salaries of RM7,000 and above. These included more competitive enhancements to product features such as financing limits up to RM400,000 (for Personal Financing Cash-i product), standardised DSR and NDI, offering promotional rates, and providing the best investment platform.

MAP was leveraged on to support Personal financing business and this was coupled with intensified online sales rapport and engagement with the existing target markets, namely government employees, statutory bodies, government-linked corporations ("GLCs"), pensioners, and large corporations. In addition, the Division actively conducted financial conversations and collaborations with selected organisations in all states, to improve product packages and expand the number of market sectors for governments and experts.

The recently introduced Employer Empanelment Programme ("EEP") has also partly contributed to the growth achieved during the year. Increased applications from the better-rated customer segment targeted through 166 registered companies and 123 registered subsidiaries under the EEP, has improved asset quality as of December 2021.

Pembiayaan Tunai (Cash-i)

RM2,106.3 million/37.1% (15,316 accounts).

Pembiayaan Peribadi Pesara ("3P")

RM1,596.2 million/28.1% (29,247 accounts).

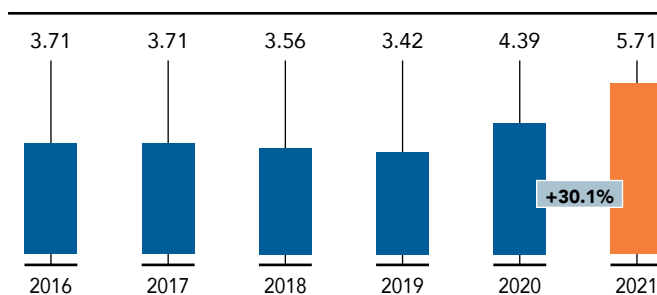
Pembiayaan Pengurusan Kewangan ("PPK")

RM1,063.9 million/18.7% (31,035 accounts).

Pembiayaan Persediaan Pesaraan ("3PS")

RM904.12 million/15.9% (11,000 accounts).

Personal Financing Outstanding (RM Billion)





Vehicle Financing

4%

Vehicle Financing's representation of Retail Banking Division's Total Financing Assets.

Performance Review

The Division's Vehicle Financing sales performance in FY2021 was lower, as forecasted, due to COVID-19 repercussions. Sales dropped by 9.8% Y-o-Y from FY2020 and total disbursement was reduced to RM156.8 million.

The implementation of MCO 2.0 affected vehicle sales performance and volumes. Consumer sentiments and business confidence was cautious in 2021, impacting the automobile industry.

This was exacerbated by fierce competition among motor vehicle financiers to put pressure on price, resulting in continued strain on profit/interest margins. Furthermore, supply chain issues, caused by disruptions in global chip supply and closure of car manufacturing factories, contributed to a prolonged inventory shortage of personal vehicles during the year. All these affected the Division's vehicle financing business in FY2021.

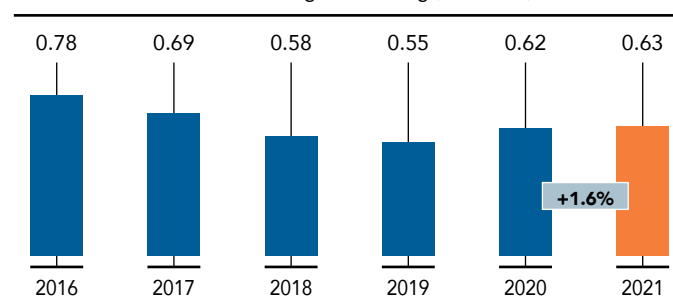
The market challenges required the Division to re-strategise its approach to sustain business opportunities within the new car segment where a further extension of the sales and service tax ("SST") exemption on the sales of completely knocked down ("CKD") and completely built up ("CBU") cars for FY2021, helped increase demand.

As national cars made up over 86% of all vehicle financing assets, the Bank has approved special financing packages for the Proton X50 and Proton X70, which include amended price rates and financing margins of up to 100%. To enhance the non-national car category, competitive rates and financing margins of up to 100% were provided for selected Honda models.

Responsive strategies will continue to be practiced going forward into 2022. Focus will be directed on improving customer profile by offering new special packages for national and non-national automobiles for chosen popular models, including new and reconditioned cars,

to better-rated customers (i.e. salaries over RM5,000, T20/M40, and high-income professionals). The Bank will also work to increase its penetration rate in high-growth areas such as new passenger vehicles, light commercial vehicles, and big-bike motorcycles. Launching of new and innovative products such as step-up financing models will also be part of the product line-up in 2022. On the VBI front, penetration into electrical and hybrid vehicles will be a key initiative in 2022.

Vehicle Financing Outstanding (RM Billion)



Ar-Rahnu Financing (Pawn Broking-i)

2%

Ar-Rahnu's representation of Retail Banking Division's Total Financing Assets.

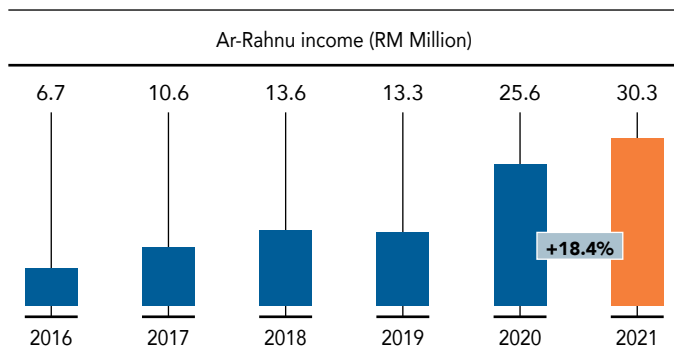
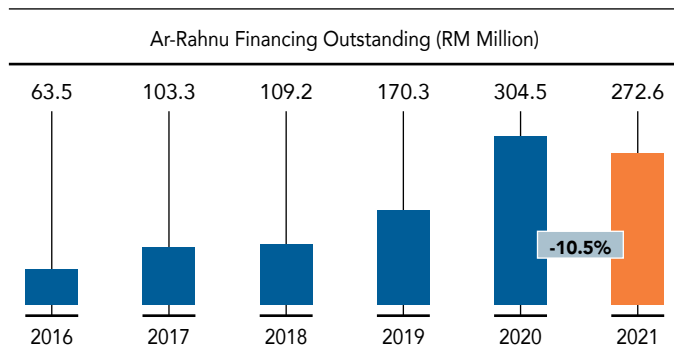
Ar-Rahnu brought in revenue of RM30.3 million supported by financing assets amounting to RM272.6 million, which represented 2% of the Bank's total assets in FY2021. Total disbursement was RM293.9 million, a drop of 49% compared to FY2020.

The Bank's Ar-Rahnu business has emerged as a viable solution for resolving short-term cash flow issues, particularly in the micro, small, and medium-sized business sectors. However, as the business is primarily operated through 67 branches across the country, the MCO-enforced branch closures significantly impacted operations in 2021 as customers were unable to conduct Ar-Rahnu financing business. The economic climate has also had an impact on consumer confidence and attitude. The volatility of gold prices in 2021 leads to cautious customer sentiments toward pawning their gold.



RETAIL BANKING

Nevertheless, the Division committed to a steady stream of online marketing efforts through a combination of social media, telesales, and digital media campaigns. These assisted in curbing a massive drop in performance for Ar-Rahnu in 2021. Most notably the Gadai Emas Menang Emas ("GEME") campaign received favourable traction from consumers. Headway was also made through digital solutions such as the Pajak Gadai-i App for smartphones which was launched and enhanced in 2021 to develop a robust Ar-Rahnu environment and platform for gold consumers.



8%

ASB's representation of Retail Banking Division's Total Financing Assets.

Amanah Saham Bumiputra ("ASB") Financing

In 2021, the business of Amanah Saham Nasional Berhad ("ASN") reduced significantly. ASB's total assets amounted to RM1.08 billion, down 0.77% Y-o-Y from the previous similar period.

This was despite continued marketing efforts through public roadshows, direct sales, corporate presentations, and referrals from branches, and the previous year's key strategy of bulk sign-up by Army personnel.

The Division anticipates a shift in consumer demand for ASN products, based on the downward trend in dividend distribution in recent years. In light of the decreased dividend declared by ASN, the Bank expects agent banks to provide consumers with competitive financing rates. The challenge would be persuading the general public that financing ASN products are still desirable. The Division is optimistic that the hurdles can be surmounted as long as the returns are higher than the deposit rates.





Moving Forward

Moving forward, we aim to make our banking services more cashless, ubiquitous and always a part of people's daily lives in the next five years. Banks will rely on a technological landscape characterised by customer-centric enablers such as APIs, data analytics, cloud and microservices enablers in the medium term. New MAP enhancements and other digital goals have been established to improve support for the use of digital self-service channels so that consumers can bank whenever and wherever they want. To gain a competitive advantage in terms of technology, digital apps and services will be used to provide faster and wider coverage. With the adoption of APIs and the trend to open banking, plans for an Integrated MAP On-The-Go service with an external business partner is being explored to evolve banking as a plug-and-play service in the long run. These spell an exciting future for Retail Banking and the Bank as a whole.

Gearing towards a more strategic and aggressive approach in 2022, the advancements in customer experience will be accompanied by enhanced efficiencies in creating diverse product offers that meet the demographic and psychographic profiles of specific target markets. These will focus on areas and sectors of strength, product customisation (including Non-Bumi Segment), product packaging, and product bundling to fulfil customer wants and expectations.

In seeking strong capital and balance sheet management and robust liquidity position, coupled with a targeted, optimised and diverse business strategy, a more ambitious approach towards 2022 is being fuelled, anchored on the encouraging sales improvements in Mortgage Financing and Personal Financing.

Focus on the high-rated client segment wage of RM5,000 and targeted segments of potential customers such as professionals form one of our main strategies in 2022. Based on this, the Bank will continue to focus on the medium and high-end property market segments in medium to high growth areas. Exposure to properties of RM300,000 and below is targeted at 15% or RM200 million of total new mortgage financing disbursement of RM1.3 billion for 2022.

Underlying the strategic drivers, the Bank will adhere to its dynamic mission to deliver more products and services through VBI through enhancements to its growing financing portfolio comprising the SMART Mortgage Solution, SJKP, SRP, Satu Anggota Satu Rumah ("SASaR"), Auto Grad Scheme, Hybrid and Electric Vehicle Financing, Pembiayaan Pengurusan Kewangan ("PPK"), and ASB financing through value-based intermediation. These are to be aligned to meet the Bank's aspiration of generating long-term value for all stakeholders.

Most customers are still looking for financial products that can provide financial planning and better debt management after the COVID-19 pandemic and amidst the challenge of rising price of essential goods. As part of its social responsibility and sustainability programme, the Bank will continue to support government initiatives to help society gain financial resilience and support in progressing towards a better tomorrow.



COMMERCIAL BANKING



Revenue

RM57.5 million

95% Increase Year-on-Year



Contribution to Bank's Revenue

5.1%

Bank Muamalat's Commercial Banking Division ("CMBD") manages the Bank's Commercial and SME financing customers, primarily non-public listed companies and small & medium-sized enterprises. The products and services offered include long and short-term financing such as working capital financing, asset financing, project financing as well as trade financing. As at 31 December 2021, CMBD managed RM1,215 million in assets of which 73% was for Commercial financing customers and 27% was for SME financing customers.



Performance Review

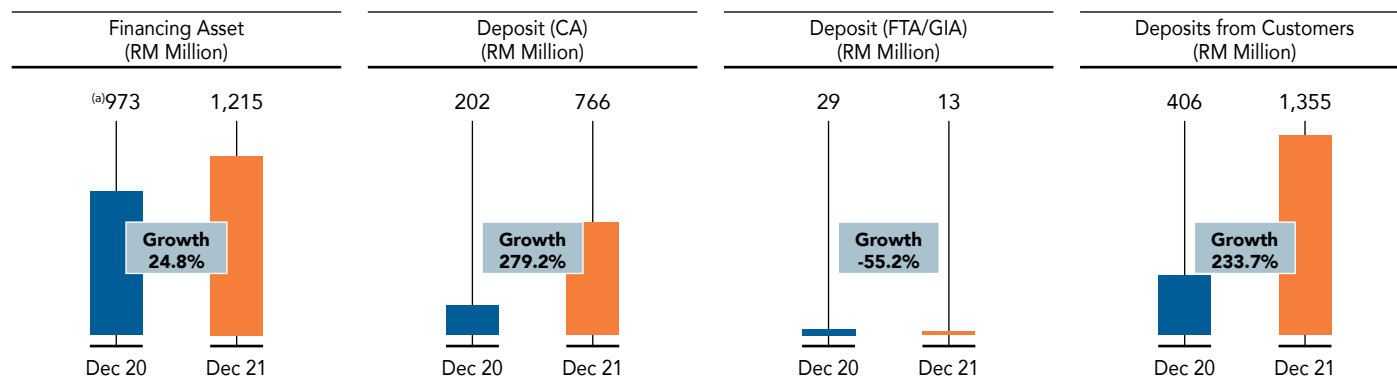
Though MCO restrictions have become a hindrance to the planned programmes during the year, CMBD managed to coordinate several initiatives under strict economic conditions during the pandemic. These included programmes with Malaysia Automotive Robotics and IoT Institute, the Bank's Vendor Financing programme and Klinik Pusrawi Rakaniaga licensing programme.

The pandemic obstacle also saw CMBD initiating new channels of engagements such as working closely with vendors to secure direct referrals, scheduling virtual roadshows and engaging with existing customers to defend the utilisation of working capital lines. Through these programmes and initiatives, CMBD sustained its normal practice of offering tailor-made solutions to customers and continued to grow its asset base.

The higher growth of revenue by 95% was relatively driven by the increase in assets. The increase in PBT was hampered by the increase in the provision for credit loss. However, CMBD managed to chalk up an impressive growth of PBT of RM19 million.

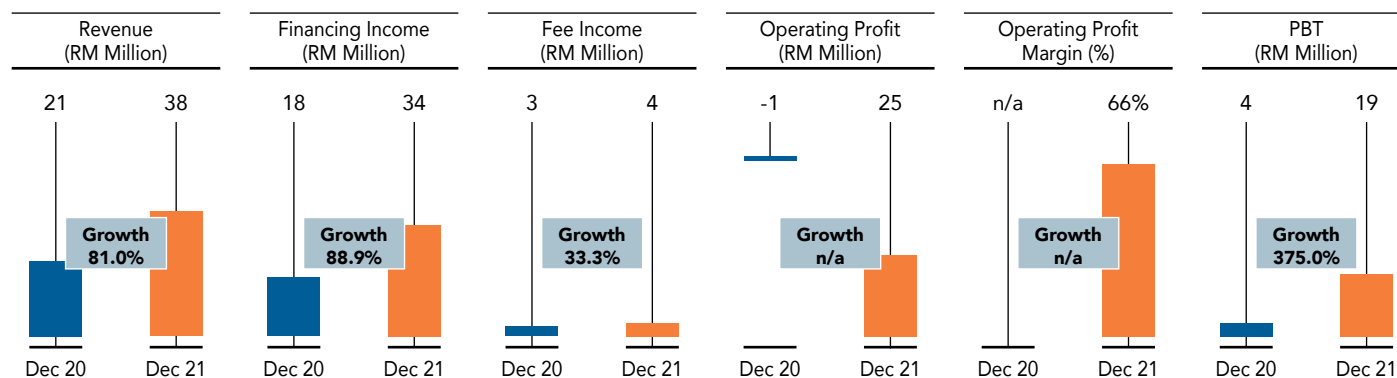
CMBD's outstanding exposure on triple bottom line sector ("TBL") activities increased by 37% to RM1,090.83 million (from RM796.17 million). Financing extended to the SME segment accounted for 53% of the total TBL and the highest growth increase by 100% was recorded for the Preserving Natural Environment category.

Revenue & Profitability

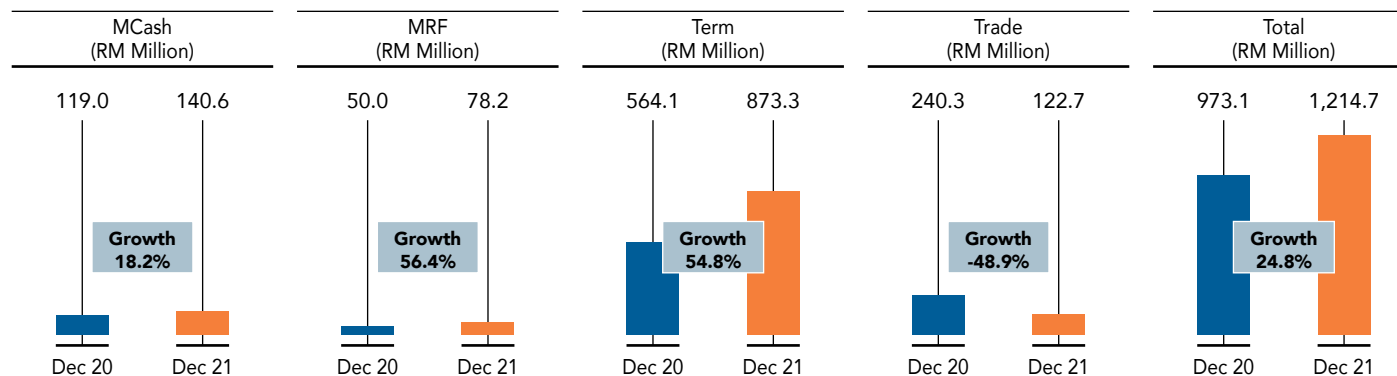


Note:

(a) After rebase due to the restructuring of Commercial Banking and SME Financing into a new division, CMBD.



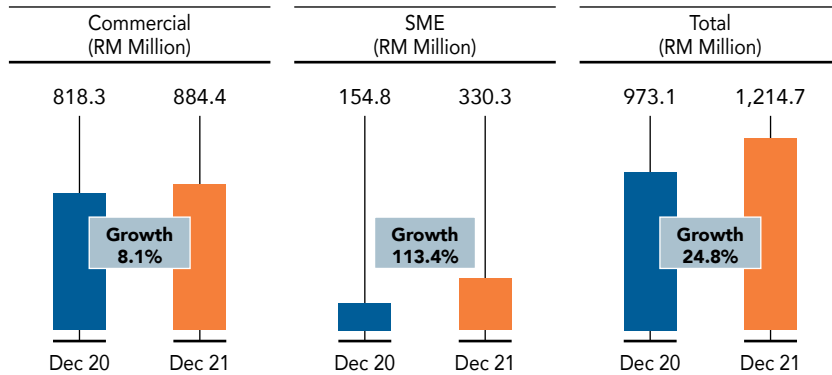
Assets by Product



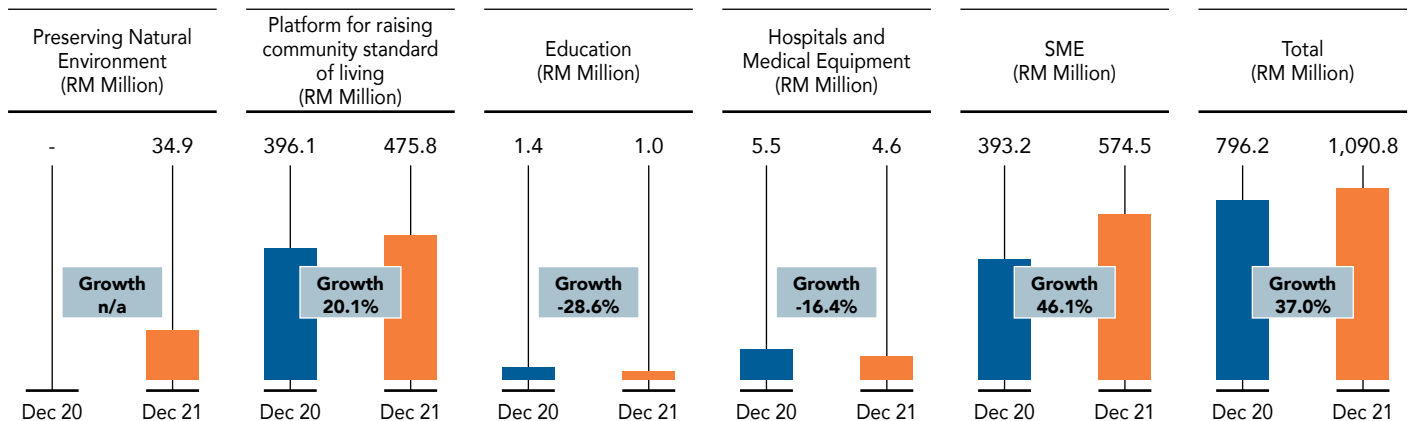


COMMERCIAL BANKING

Assets by Segment



Triple Bottom Line Sector (TBL)



For CMBD's commercial segment, priority has been placed to ensure that the sign of the deterioration of asset quality for each customer is monitored and analysed well in advance. This is due to the uncertain economic conditions that continues to prevail for certain sectors of the economy. To this end, Account Managers are tasked to conduct aggressive daily monitoring to detect early signs of threat to the asset position for them to report and to act.

As a participating bank for BNM Fund programme financings such as SRF, PTF and TRRF, the SME segment is focused on securing sufficient qualified staff with relevant knowledge, capabilities and experience to do credit processing on SME cases. To date, staff size has been expanded via internal

redeployment in order to minimise costs. The Division has also collaborated with branches that will communicate to the SME Department on customers' needs and preferences. Additionally, a learning session with the Regional Approving Center ("RAC") and Credit Assessment Department ("CAD") on business credit analysis and assessment was conducted during the year, whereby 23% of staff has attended at least one training session on credit matters and all staff have attended at least two training sessions on other related skill and knowledge-building sessions.



Moving Forward

With the gradual reopening of sectors after the pandemic, collective assessment is expected to increase for both the commercial and SME segments. Number of Accounts (NOA) is expected to rise as the Malaysian economy is set for a gradual recovery in 2022.

CMBD aspires to grow customers in Green and ESG related industries and the automotive sector through suitable products and financing packages. Strategies towards this end would include venturing into strategic collaborations and cross-selling with organisations approved by the Bank.

Furthermore, the Division intends to be the sole distribution, collection and payment agent (Fee-based income) for selected government agencies approved by the Bank. The need to expand new channel distribution capabilities has been enabled by the Bank's digital platform and new Commercial Hubs.

The initiatives crafted to grow and sustain the asset involve quick-wins action plans; including the offer of the refinancing packages to existing trade finance and non-borrowing/financing customers having term facilities with other banks, the targeting of better-rated customers, growing fee-based income via widening the target or customer base and reducing the number of unproductive ratifications and deviations by way of better communication and negotiations with customers, which leads to more productive "Sales Time".

To improve upon the current business model and offerings, CMBD has plans to increase product offerings based on "first of its kind" Musharakah and Mudarabah concepts which benefit the customers and introduce specifically structured programme financing (including pre-approved facilities) in collaboration with established organisations.

TRANSACTION BANKING



Revenue

RM45 million



Contribution to

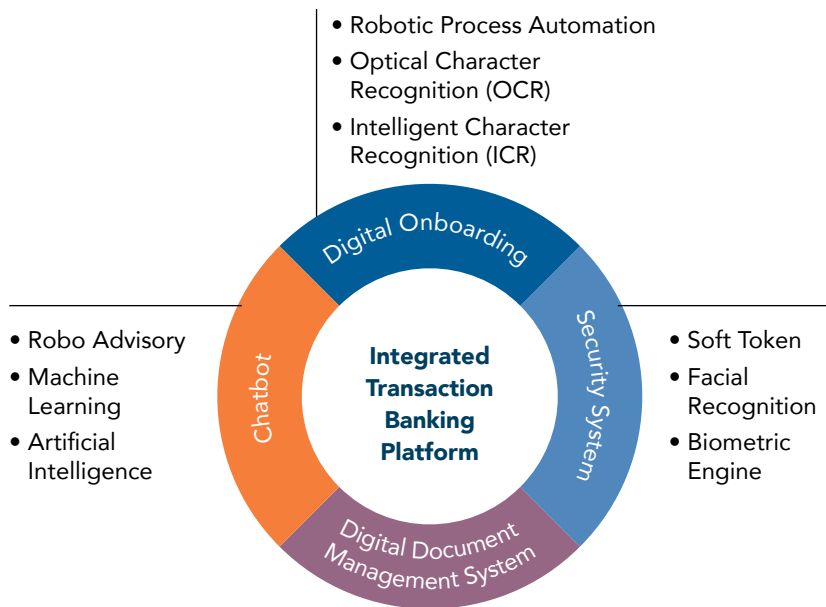
Bank's Total Funding

41.1%

As part of Bank Muamalat's RISE26+ strategy, Transaction and Digital Banking Division was formed in September 2021 to drive the digital transformation for the Bank. Strategically, Digital Banking Department provides digital support across businesses bank-wide while Transaction Banking Department drives holistic and comprehensive working capital solutions exclusively for non-retail customers.

A holistic suite of Transaction Banking services in one single platform

With new age technological capabilities, our bank offers Cash Management and Trade Finance platform for complete Payable & Receivable solution, advanced Liquidity Management, and digitised Trade Finance processing on front end platform offering 4-in-1 services with a single sign on.



The Department is structured to focus on three business streams which will help the Bank to work towards its goals and achieve its strategic aims and objectives.

- **Sales & Client Management:** Dynamically pursuing new business opportunities while managing existing customers from Corporate and Government sectors and also SMEs. It encompasses managing clients' needs from initial technical advise, client servicing during onboarding, to post-sales support.
- **Product & Channel Innovation:** Constantly identifying new opportunities and innovating strategic tools for future products plans, together with integrated channels tailored to the product group in driving the Bank's digital agenda.
- **Business Planning:** Strategy formulation and implementation for the business in supporting the Bank's vision and goals. This includes data analytics which translates raw information into actionable strategies and initiatives.



Performance Review

Transaction Banking recorded a growth despite facing a challenging market environment. As at 31 December 2021, Trade Assets recorded a growth of 16% while Current Account soared by 26% Y-o-Y. Meanwhile, Fixed Term Account-i has marked an outstanding 48% growth with a total of RM3.70 billion.

The newly-established department's priority for the year was to merge and consolidate businesses through reforming business structure and processes. Investments in the right talents were also initiated to optimise the Bank's capabilities to accelerate the digitalisation process within the Bank. With the implementation of the newly enhanced integrated digital platform, the Department designed comprehensive end-to-end Cash Management and Trade Finance solutions specifically tailored to help clients manage working capital, payments, accelerate collections and maximise their liquidity positions. In addition, the online banking platform could facilitate clients' business needs through our 24/7 internet banking service with maximise expertise, technology and deliverables seamlessly to ensure ultimate customer experience.

With COVID-19 disrupting conventional face to face transactions throughout the year, the Department's online offerings were timely as customers have turned to digital solutions for ease of banking transactions. TB competed within a highlight competitive marketplace dominated by bigger and more established banks that offered attractive rates for retail and non-retail deposits. To date, results have been promising though Trade Finance asset growth has taken a hit, hindered by stiff competition for cheaper cost funding and the weak credit environment.

In finding its niche in 2021, TB sought to cultivate growth through the expansion of customer bases via a focus on SMEs, Corporate and Government agency penetration. In addition, TB has strengthened representative offices through a change of business direction, growing new opportunities through trade windows in the Southern and Northern regions.

During the year, several process efficiency milestones were reached. The launch of the CR 2FA Token Project and Data lake Warehouse for Analytic Reporting has led to a reduction in Corporate Internet Banking (CIB) registration turnaround time from two weeks to just four days and speeds up CIB report generation faster in an analytical way.

TB has also dedicated itself to the templating and simplification of Fully Secured Bank Guarantee (FSBG) application through the FSBG-i and BG Fast Track-i initiatives, as well as the re-commercialisation of the product through Transferable LC-i. Additionally, TB has recently allowed domestic Ringgit Malaysia (MYR) currency to be financed in Foreign Currency (FCY) through their Foreign Currency Trade Financing (FCTF-i).

Moving Forward

As technology and innovations gradually evolve across the banking industry, the overall customer experience is becoming a critical factor with new innovations in business-origination/customer on-boarding and sales processes changing the playing field. Newly integrated digital platforms will need to be leveraged on to increase market penetration and accelerate digitalisation and data analytics so as to better understand and serve the Bank's customers while capturing new business opportunities. In the year ahead, the Division is committed to drive greater digital adoption amongst the Bank's customers. This approach will allow us to tap new opportunities for revenue and growth, while managing our costs to serve.

TB's initiatives on empowering Transaction Banking via transformation through internet banking system, covering our three core businesses priorities, will help to improve customer experience and strengthen customer loyalty. The department intends to accelerate in terms of technological innovation in order to compete with bigger and more established banks.

The TB model plays a vital role in helping the Bank adopt to the new banking environment by enabling holistic engagement with customers to expand share of wallet. As one of the key drivers of economic recovery and growth, providing more traction and potential to grow low-cost funds through holistic working capital solutions, TB will be the fronting sales partner to the business segment in providing integrated digital platforms for end-to-end financial solutions.



CORPORATE BANKING



Bank Muamalat's Corporate Banking Division ("CBD") manages the Bank's corporate profile customers, looking into their financing needs and monitoring the end-to-end process of providing business financing to the customers. CBD focuses on good quality assets with good payment capability in order to maintain low Non-Performing Assets while growing the division's profit.

CORPORATE BANKING

As at end of 2021, CBD managed in excess of RM5.5 billion in financing assets with 30% of the financing assets granted to the Financial and Insurance/Takaful sector; 20% to Real Estate sector; 15% to Manufacturing sectors and 13% to Wholesale & Retail Trade sector.

Performance Review

For the past four years, the Bank's Corporate Banking Division (CBD) has recorded an average growth of 4% (approximately RM190 million). The drop in CBD assets of RM415 million compared to FY2020 was mainly due to the impact of the recalibration exercise which involved the bulk of financing assets being transferred to the Commercial Banking Division. The drop in assets reflect lower trade transactions when businesses categorised under non-essential goods or services were temporarily closed during the MCO.

Another challenge encountered by Bank Muamalat during FY2021, was the procurement of optimum manpower. This was mitigated through the timely recruitment and sourcing of talents, an improved remuneration package to retain identified performing staff, and a coaching programme with module endorsed by HCD and CBD.

Faced with competition in securing working capital facilities (ie Trade, MRF and MCash facilities) utilisation from customers for year-end assets, the Division embarked on aggressive marketing on low utilisation rate customers to boost assets. Competitive pricing was offered to secure utilisation from these customers.

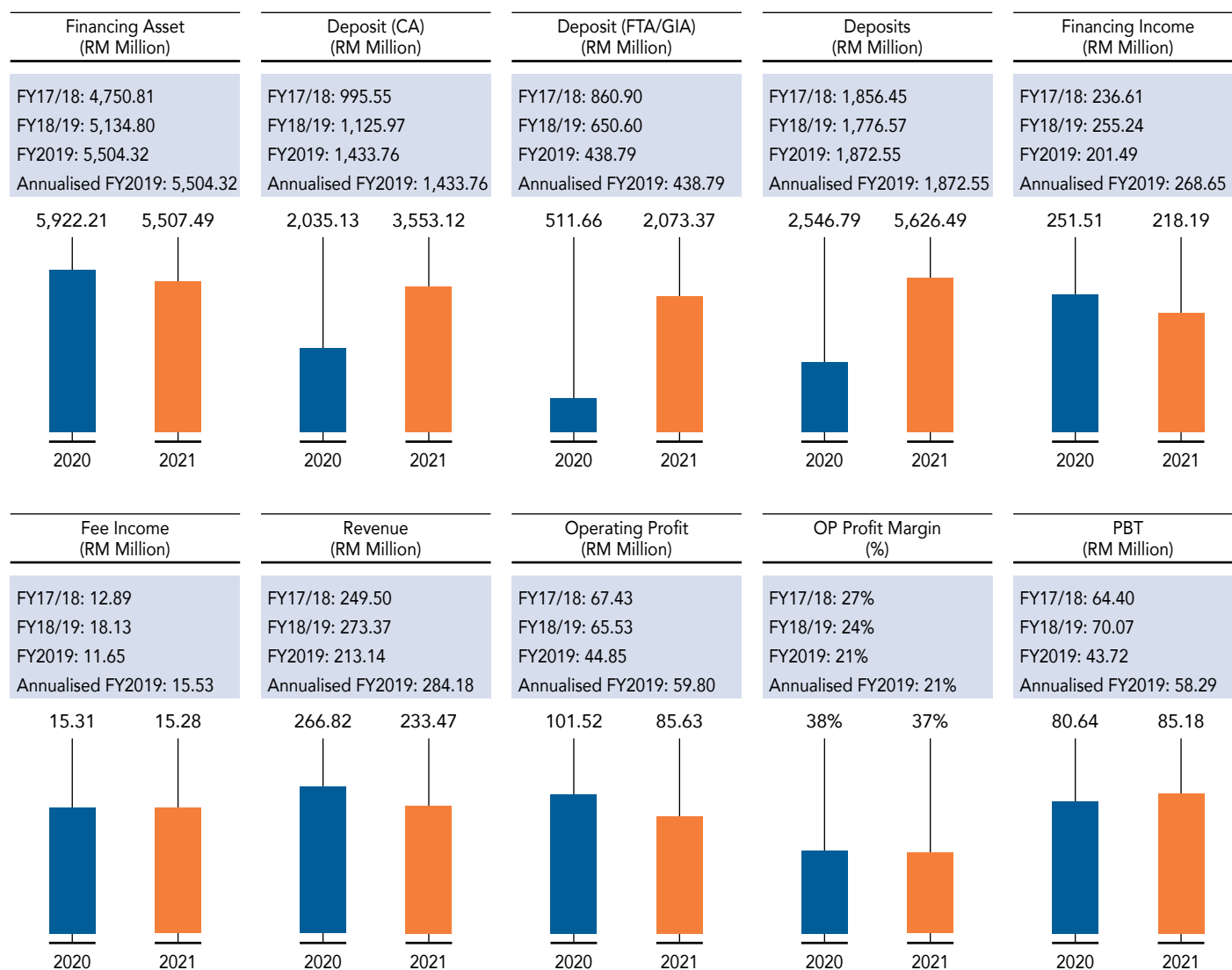
Additionally, there was also the issue of a high scheduled payment of RM403 million in FY2021, which was partly mitigated by steps such as:

- Quick response to customer's complaints and requirements to ensure a consistent relationship, thus, minimising competition from other financial institutions in terms of product offering, rates and services.
- Improved turnaround time and timely approval, especially on special packages.

Nevertheless, there was lower financing income contribution by 13.2% or RM33.3 million in 2021 as compared to RM251.5 million with fee income remaining above RM15 million. About 80.5% or RM12.3 million of the fee income was derived from trade financing facilities and services.

CBD's outstanding exposure on Triple Bottom Line (TBL) activities was increased by 2.0% to RM2,686.1 million (from RM2,633.2 million).

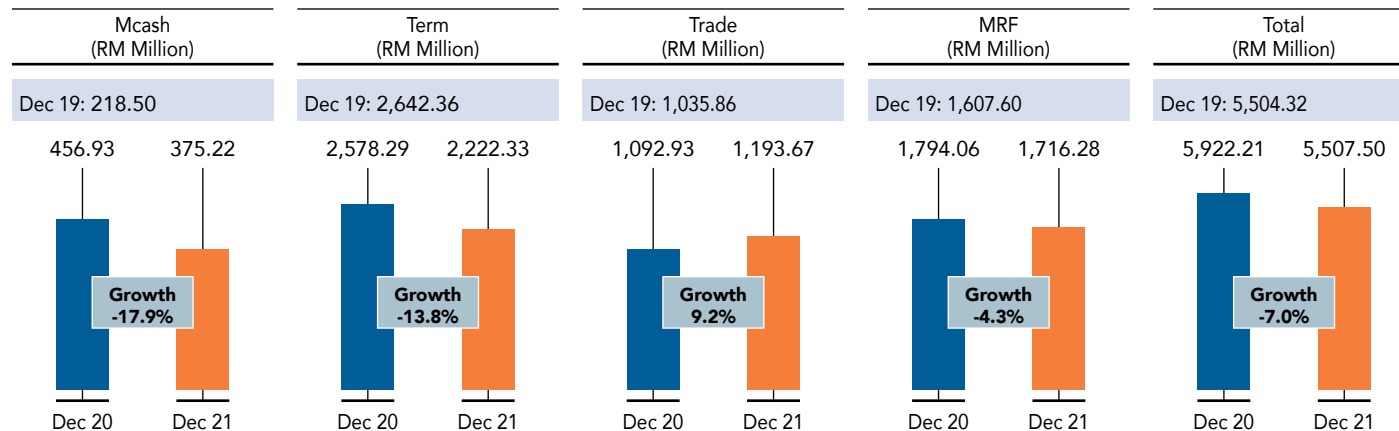
Financing extended to Medical Equipment segment accounted for the highest growth increase of 21.2% to RM496.8 million from RM409.8 million as at December 2020.



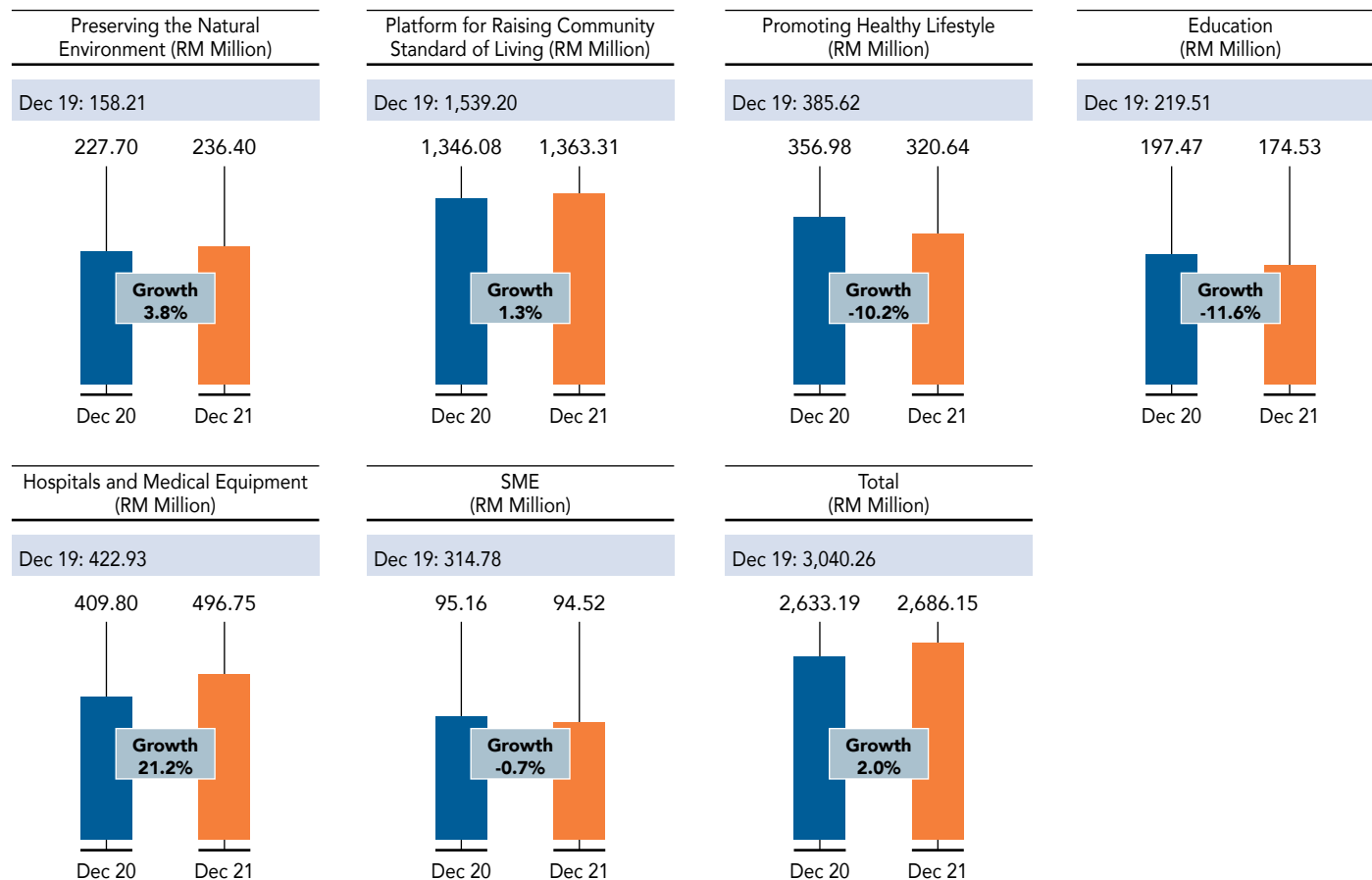


CORPORATE BANKING

Assets



Triple Bottom Line Sector (TBL)





Moving Forward

There are several anticipated challenges and uncertainties that the Division is likely to encounter in pursuit of its strategic targets for FY2022 and beyond. These include:

- Possible prolonged adverse economic conditions resulting in deferred CAPEX and operating expenses requirements of the target customers.
- Monthly unscheduled settlements
- Lengthy onboarding process resulting in customers favouring other FIs.

The potential implications identified for the Division's future performance include a rebalanced asset portfolio (from current over-dependence on working capital for growth), and an increased recurring income from existing good quality customers.

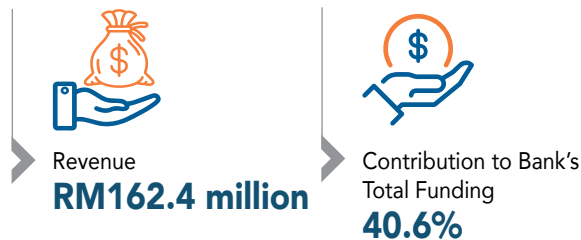
Therefore, the Division's focus will be to accelerate growth, achieved through defending short term assets by managing monthly attrition rates and acquiring new customers in high potential sectors, especially GLC, GLICs, and listed companies. Constant engagement with customers will be prioritised to ensure reutilisation by offering special pricing to well-rated customers.

Launching innovative products that will drive funded, fee income and CASA is also in the pipeline. This includes holistic products covering both financing and deposit needs. To that end, we offer Secured Term Financing to cater for customers' existing and future CAPEX Projects.

Further efficiencies in the CBD business model will also be introduced via the Client Coverage model to maximise business relationships and procure new customers, as well as improve our business processes by continued reengineering process of origination, assessment and approval. Data Management & Analytics will be leveraged on to enable more cross-selling and product bundling initiatives to increase customers' product holding.

Last but not least, a continued focus on the development of capable leaders is vital in order to build a competent and capable internal team to accelerate business growth. In line with this goal, the Division will push for retention planning, optimising of workforce and career planning action plans that can nurture future successors.

TREASURY AND CAPITAL MARKETS



Through active strategic planning and anticipation of market direction, TCM was able to optimise its HQLA and able to record a gross funded income of RM159.4 million.



TREASURY AND CAPITAL MARKETS

Performance Review

Treasury and Capital Markets (TCM) continued to manoeuvre around uncertainty market condition due to prolong pandemic and lead to slower economic activities. In addition, disruptions in the supply chain had caused inflationary pressures to spike. To curb inflation from soaring, the US Federal Reserve and major central banks signalled the possibilities of aggressive interest rate hikes, requiring TCM to monitor market movement closely to ensure competitiveness and also to accommodate and provide advisory to clients when required.

Domestic key events that impacted responses during the year included the change at the helm of the country's leadership, FTSE Russell's decision to maintain the weightage of MYR bonds in the World Government Bond Index (WGBI) and Malaysia's reaffirmed sovereign rating by Standard & Poor's and Moody's respectively.

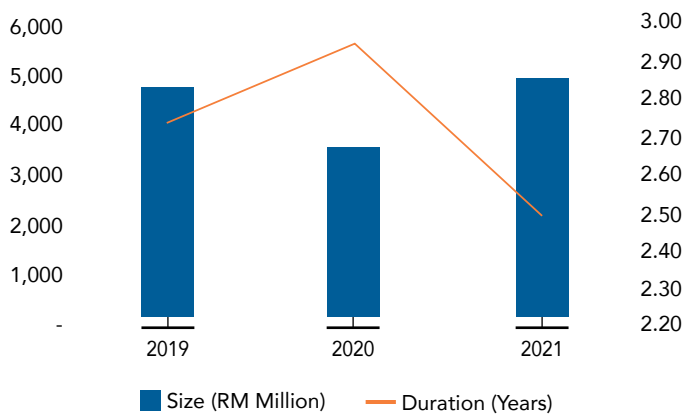
On a fixed income perspective, Treasury and Capital Markets (TCM) took a defensive portfolio approach to safeguard the Bank from any adverse market movements against the Bank's capital. TCM vigilantly managed its portfolio by maintaining minimum high-quality liquid assets (HQLA) and keeping the duration short. The portfolio was able to withstand the market's volatile movement spike in the last quarter of the year. Through active strategic planning and anticipation of market direction, TCM was able to optimise its HQLA and record a gross funded income of RM159.4 million.

The Money Market funding desk continued to proactively manage the Bank's cash flow by reclassifying depositors accordance to its liquidity ratio run-off rate. TCM leans towards corporates for optimum liquidity ratio and concurrently reduces funding cost despite significant increments in the Bank's total asset portfolio. As at end of 2021, TCM provided 40.6% of the Bank's total funding.

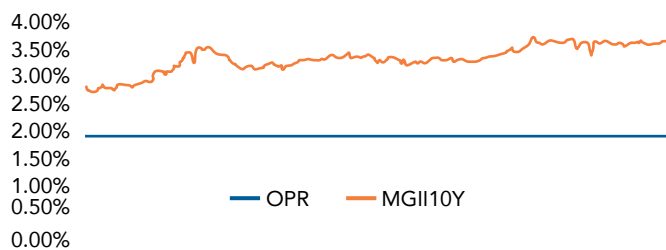
Foreign Exchange (FX) contributed to TCM's fee income through consistent engagements with clients despite the pandemic and supply chain shortcomings. The bulk of the fee was from government flows, followed by corporate and government-linked companies. This brought in a total FX volume of RM5.3 billion during the year. The implementation of the Bank's digital infrastructure would enable the desk to widen its customer reach as well as expand its cross border remittance capabilities.

The Correspondent Banking Unit (CB) represents an essential component for the global payment system, specifically to facilitate clients for international payment and trade transactions. CB has constantly engaged with global counterparties as a subsequence of the enhanced global KYC monitoring process, and to ensure fulfilment of the Service Level Agreement.

Portfolio Size vs Duration



OPR vs MGII10Y



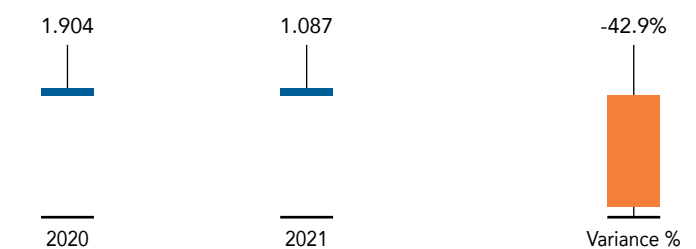
Moving forward, TCM maintains the view that growth prospects are set to improve as fiscal support has stepped up sharply, with most economies having adapted to social distancing and strong vaccination rollouts. In Malaysia, stronger GDP is forecasted in the range of 5.5% to 6.5% driven primarily by expansion propelled by Budget 2022, normalisation of economic and social activities, and resumption of projects with high multiplier effects and strong external demand.

TCM expects the HQLA portfolio to be pressured in FY2022 in line with rising yields and higher sovereign bonds supply as the budget remains expansionary with spending projected to increase. Regardless, demand for local assets will remain supported from a well-diversified base of investment institutions, interbank and foreign participants. As such, portfolios will continue to be managed by maintaining minimum HQLA and short durations. Apart from that, an improved foreign exchange infrastructure and eco-system will be expedited to help boost fee income.

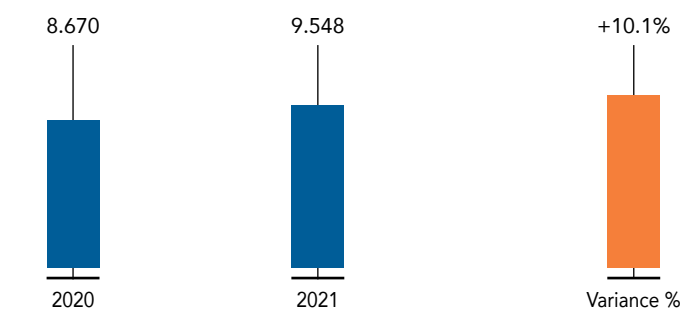
INVESTMENT BANKING

Investment Banking (IB) focuses on Islamic Capital Markets deals as well as managing the Bank’s private equity investments via our private equity arm, Muamalat Venture Sdn Bhd (MVSB).

Fee Income (RM Million)



MVSB Income (RM Million)





TREASURY AND CAPITAL MARKETS

Performance Review

During the year under review, IB registered RM1.1 million in fee income, comprising arranger fees, agency fees and management fees derived from Investment Banking activities. The fee income for FYE2021 was lower as compared to FY2020 due to limited deals in the pipeline arising from the prolonged Movement Control Order (MCO) and stiff competition with the large investment banks.

On the other hand, investment income from MVSB had contributed substantially to IB for the year. MVSB income had recorded an increase of 20.3% to RM9.8 million in FY2021 as compared to RM8.2 million in FY2020. The increase in MVSB income is attributed to a higher profit contribution from a Musharakah investment undertaken by MVSB in an Ar-Rahnu business, which benefited indirectly from the pandemic situation wherein people resorted to quick cash.

The Capital Markets landscape in 2021 remained challenging due to the COVID-19 pandemic leading to deep contractions in economies. Notwithstanding all odds in particular limited new deal flows, IB managed to turn in a commendable performance contributed significantly by the investment income from its Musharakah investment.

IB had also successfully arranged and managed the subsequent issue of the Bank's RM500.0 million Subordinated Sukuk Murabahah by tapping its existing RM1.0 billion Subordinated Sukuk Murabahah Programme, where the issuance book managed to register a final bid-to-cover of 1.40 times (pre-final price fixing) and 1.28 times (post-final price fixing) over the issue size.

Apart from the said, IB had also won an award under the Best Deal by Country at The Asset Triple A Islamic Finance Award 2021 for its role as the Joint Lead Manager for Malaysia's landmark Sukuk deal issued by the largest local development financial institution, which clinched the award under the "Best Bank Sukuk" category.

VALUE-BASED BANKING INITIATIVE

Serving the Underserved Communities: IB is committed to value-based banking, as demonstrated by our investment partnership with a state government-linked company which operates Ar-Rahnu branches that provides instant and easy cash in rural parts of Kelantan and Sabah. The venture generates sustainable returns to the Bank and allows us to promote fair and transparent products and services to underserved communities.

Moving Forward

The operating landscape in 2022 is expected to remain challenging as economic recovery is projected to be gradual and uneven amid COVID-19 containment measures. With the uncertainties in domestic and global economies, intense competition is expected due to the scarcity of Capital Market deals. All in all, the future calls for greater prudence and vigilance in maintaining income generation.

IB's focus in the coming year will be on key corporate relationships with potential issuers and other financial institutions to establish deal flows in debt capital markets. Opportunities to collaborate with other banks for larger capital market deals will also be an opportune move as these banks seek to share balance sheet exposure to minimise risk.

SUBSIDIARIES



Revenue
RM4.54 million



Assets Under Management
RM2.76 billion



MUAMALAT INVEST SDN BHD

Muamalat Invest Sdn Bhd (“MISB”) is the Bank’s Islamic Fund Management arm established in 2006. Licenced in 2010, MISB focuses on institutional and high net worth investors for its capital market products and has been providing full Shariah-compliant investment management services which include management of discretionary and non-discretionary mandates for asset classes covering equity and sukuk; and provision of wholesale and retail fund products for investments in various asset classes i.e. Islamic money market instruments, equities and sukuk.

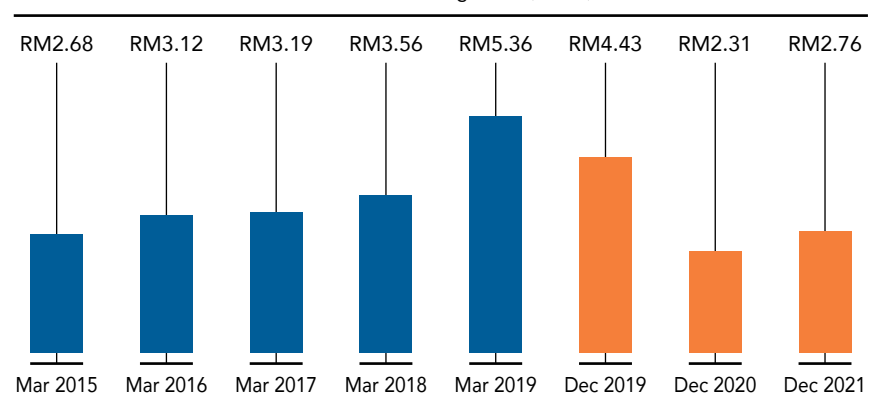
Performance Review

MISB’s business is currently contributed largely by institutional clients in retail and wholesale money market funds, wholesale sukuk and private mandates. In FY2021, MISB expanded its business into the retail space via its Muamalat Invest Islamic Equity Fund (“MIIEF”) and Muamalat Invest i-Institutional Money Market Fund (“MINTMMF”), securing a total Assets Under Management of RM2.20 billion.

MISB is also working closely with selected foreign and local fund houses to collaborate in launching unit trust funds that embed the principles of VBI into its investment strategies encompassing ESG, SRI, SDG, Wakaf, and Green investment. VBI aims to re-orient Islamic finance business models towards realising the objectives of Shariah that generate positive and sustainable impact on the economy, community and environment through practices, processes, offerings and conduct. This is part of MISB’s strategy in venturing into the retail market space.

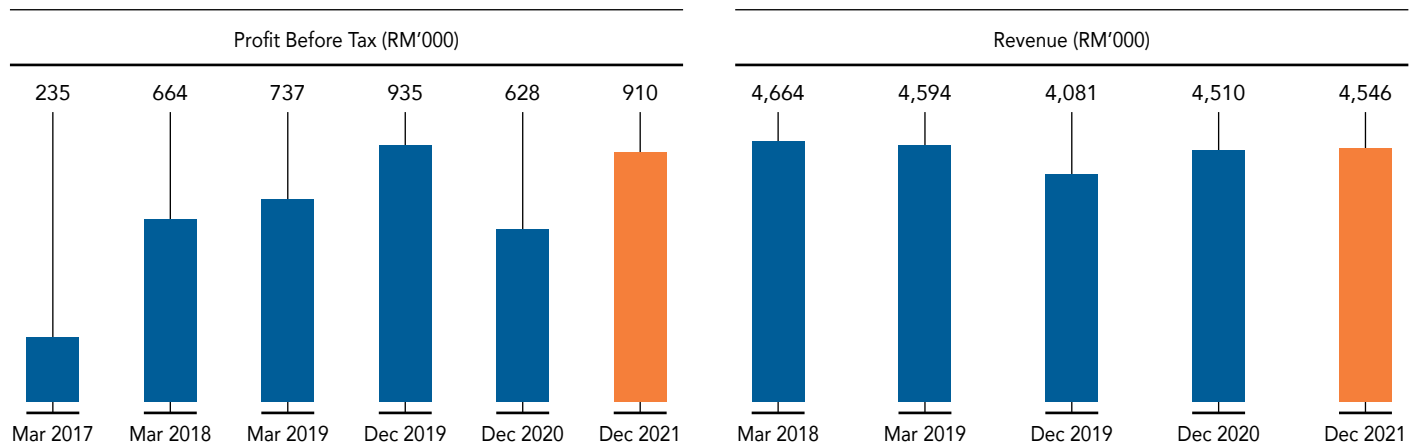
For FY2021, MISB recorded a total revenue of RM4.54 million and profit after tax of RM0.9 million. Shareholders’ funds of MISB improved by 8%, contributed by profit after tax derived for the year. MISB’s profit for the year was driven principally by higher management fees earned from its retail money market fund. As at the end of FY2021, MISB recorded RM2.76 billion in Assets Under Management (AUM).

Assets Under Management (Billion)





SUBSIDIARIES



Moving Forward

Going forward into 2022, MISB intends to leverage on the domestic economy's recovery, supported by the continued expansion in global demand and higher private sector expenditure, improving labour market conditions and ongoing policy support. The country's transition into the endemic phase from 1 April 2022 signals the continuation of significant investment projects in both private and public sectors, which will indirectly support MISB's growth.

Towards this end, MISB is paying close attention to the following key determinants of the equity market in the year 2022, and analysing the emerging threats and prospects which could impact its business.

COVID-19

The COVID-19 pandemic impact seems to be less of a risk from 2022 onwards. Many countries plan to move to the endemic phase, and international borders are now gradually opening up. No more lockdowns are expected and supply chain disruption will ease moving forward.

General Election

The 15th Malaysian general election will be held on or before July 2023 with expectations of market impact on the possibility of early polls. The previous two elections (in 2013

and 2018) were held right at the end of the five-year cycle. Malaysian politics look more polarised than ever, and thus the results could bring on a period of uncertainty for the nation.

Russian and Ukraine War

The current Russian and Ukraine war had sped up the consolidation of the market. US and NATO maintain their stance to not participate in the war other than providing weapons and sanctions to Russia. The chance of war spreading beyond the Ukrainian border seems contained for now despite impacting a highly volatile market in the near term.

Interest rate hikes

Monetary tightening in the US has begun with a 0.25% hike in March and another 0.50% hike in May which Federal Reserve has well communicated to the market. Hence, markets already expect that there will be seven interest hikes and interest rate in US to hit 2.75% by end of 2022. Therefore, any interest hikes are unlikely to cause a shock in the financial markets. Domestically, BNM raised OPR by 0.25% in May and further hike of 0.50% in 2022 on improved economic conditions and inflationary pressures.



Revenue
RM11.5 million
40.5% Increase Y-o-Y



Assets Under Management
RM70.56 million

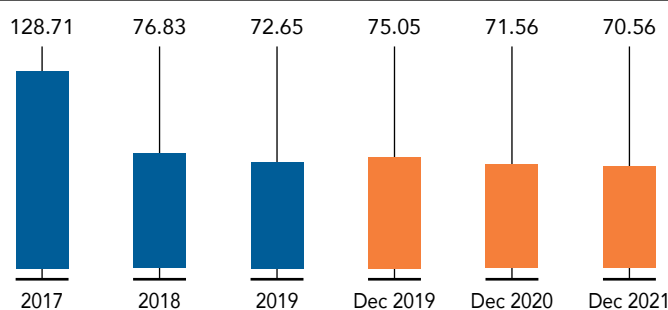
MUAMALAT VENTURE SDN BHD

Muamalat Venture Sdn Bhd ("MVSB") is an Islamic venture capital management company which invests in high-growth companies, mezzanine and pre-IPO companies.

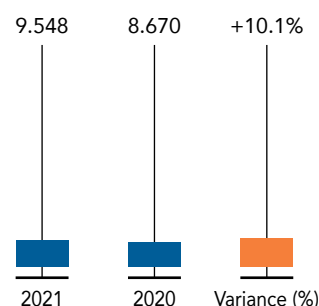
Performance Review

During the year, MVSB mainly focused on a Musharakah venture with a state government-linked company, which accounts for more than 90% of its Assets Under Management (AUM) of RM70.56 million as at 31 December 2021. The decrease in AUM was due to annual capital buyback by the joint venture partner in MVSB's Ar-Rahnu Musharakah investment.

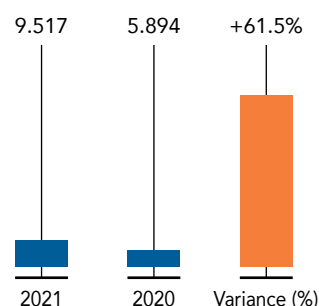
MVSB - Assets Under Management (AUM) (RM Million)



Investment Income (RM Million)



Profit Before Tax (RM Million)



In FY2021, MVSB registered a profit before tax of RM9.52 million mainly contributed by the increase in profit contribution from Musharakah investment as well as a one-off book gain of RM1.6 million arising from MFRS16 computation due to the early termination of its commercial property lease agreement by MVSB with the lessor company.

In line with the VBI concept, MVSB continues to serve underserved communities through its current investment partnership with a state government-linked company in operating Ar-Rahnu branches in Kelantan and Sabah. The venture generates sustainable returns to MVSB and allows it to promote fair and transparent products and services to underserved communities, especially during the prolonged COVID-19 pandemic challenges, and in supporting Malaysia's recovery efforts after the national flood disaster.

Moving Forward

The uncertainties in domestic and global economies due to the COVID-19 pandemic could continue to cause negative impacts on the performance of companies across various sectors. To address these risks, MVSB will focus on constant engagement with its investee companies and manage the negative impacts of an economic slowdown. Business and economic activities are expected to remain soft given continuing external headwinds, and this could lead to investment volatility requiring greater prudence and vigilance in the face of uncertainties and downside risks.

Despite the difficult environment, there are opportunities in MVSB's investments which can generate stable recurring income while mitigating the inherent risk. With recovery expected in 2022, MVSB will continue to focus on our existing portfolio, while keeping an eye out for viable, potential investments and opportunities to build a robust Islamic venture capital portfolio.



CREATING OPPORTUNITIES FOR A MORE SUSTAINABLE TOMORROW

The swift efforts to support business customers by easing their financial burdens during the period of uncertainty, helps cascade resilience to the community. By bolstering customers' financial resilience, we help safeguard employment and opportunities for their employees, families and business partners.



OUR SUSTAINABILITY APPROACH

KEY MILESTONES OF OUR SUSTAINABILITY JOURNEY

2017

- ▶ **1st Islamic bank** in the world & **1st in South East Asia** to become a member of **Global Alliance for Banking on Values (GABV)**
- ▶ One of the founding members for **Value-based Intermediation (VBI)**, an initiative under **Bank Negara Malaysia (BNM)**
- ▶ Published our **1st Sustainability Report**
- ▶ Revised **Our Mission** to embrace **Sustainability**

2018

- ▶ Established a **VBI Committee**
- ▶ Embedded **GRI Reporting** within our Sustainability Statement
- ▶ Collaborated with BNM and other **Community of Practitioners (CoP)** members to establish a **VBI Strategy Paper, Implementation Guide, VBI Financing and Investment Impact Assessment Framework (VBIAF)**, and **VBI Scorecard**

2019

- ▶ **1st VBIAF Cohort** : Took on the role of Project Manager for **'Energy Efficiency' Working Group**

2020

- ▶ Revised Shariah Framework to include **VBI – Maqasid Shariah principles**
- ▶ **Co-Chairman** of General Council of Islamic Banks and Financial Institutions (CIBAFI) Sustainability Working Group

2021/2022

- ▶ **2nd VBIAF Cohort**: Member of the 'Construction & Infrastructure' Working Group

Near Future

- ▶ Scaling up **sustainability outreach and goals**
- ▶ Improvements on **tracking** on the energy usage for **better visualisation of carbon footprint**

Banking on Shared Progress

Our mission is to ethically deliver the best value to stakeholders, society and the environment.

OUR SUSTAINABILITY APPROACH

At Bank Muamalat, we are mindful of the interdependence of finance with the real economy, social cohesion and our natural eco-system. We nurture our connection to the communities we serve and are accountable for the risks we take. Our focus on inclusion puts basic banking products in service of a greater number of people, rather than highly sophisticated products in the hands of a few. We are also highly aware of the externalities produced by our banking activities by the projects and clients we finance.

Sustainability is ingrained within our DNA through the Maqasid Shariah principles that anchor our operations as an Islamic financial institution. This upholds the preservation of order, achievement of benefit and prevention of harm or corruption, establishment of equality among people, upholding laws, as well as empowering the ummah.



The Bank's Sustainability Approach is Guided by:

- Maqasid Al Shariah
- Value-Based intermediation
- United Nations Sustainable Development Goals

As part of Bank Negara Malaysia's Value-Based Intermediation (VBI) Community of Practitioners and a member of the Global Alliance for Banking on Values (GABV), we work to develop a positive, viable alternative banking system that is a healthy and productive for societal upliftment.

The Bank recognises the need to progressively take active steps to ensure our continuous commitment to contribute to the global development under the 17 SDGs. *Through regular stakeholder engagement (see page 42), we have identified material matters (see page 44) across the pillars of Economy, Environment and Social in alignment with six prioritised United Nations Sustainable Development Goals ("SDGs"). In this Report, we refer to the respective SDGs and how we contributed to promote them in our sustainability initiatives under the respective material EES topics.*

* Global Alliance for Banking on Values (GABV) is an independent network of banks using finance to deliver sustainable economic, social and environmental development; with a focus on helping individuals fulfil their potential and build stronger communities. It comprises 66 financial institutions and 16 strategic partners operating in 44 countries. Collectively it serves more than 70 million customers, holds over \$200 billion USD of combined assets under management, and is supported by more than 77,000 co-workers.

* Value-based intermediation (VBI) aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. The VBI Community of Practitioners or "CoP" is a collaborative platform for industry players to strategically advance industry-wide implementation of VBI agenda.

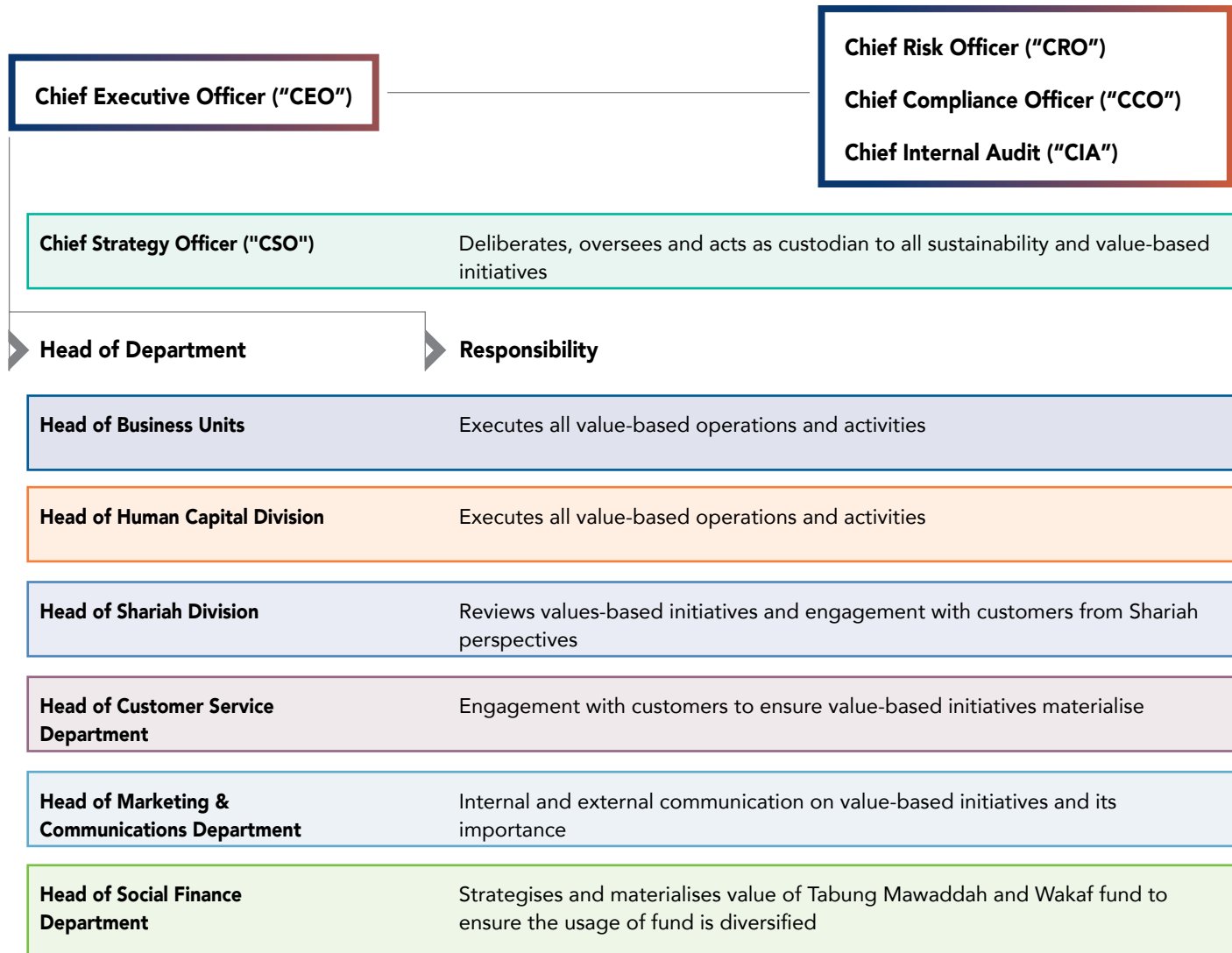


OUR SUSTAINABILITY APPROACH

SUSTAINABILITY GOVERNANCE










Our sustainability efforts are driven by our Value-Based Committee, who are accountable for ensuring the Bank adopts a sustainable business strategy. This is then crystallised through our leadership team and translated into Value-Based Initiatives, which our respective Heads of Department are responsible for implementing.

The Management Committee has oversight to ensure effective implementation and integration of sustainability across the organisation. The Management communicates relevant sustainability updates to the Board of Directors as and when deemed necessary.



OUR EES FOCUS AREAS

Our approach to sustainability is guided by our three sustainability pillars of Economic, Environmental and Social (“EES”). Aligning to our role to deliver banking solutions, we have identified the relevant UN SDGs where we can contribute to the sustainability of the EES aspects in Malaysia. The chart below provides an overview of the Sustainability Goals/GRI standards adopted in measuring our sustainability performance:

Pillar	Material Issues	Aligned To UNSDG
<p>Economic</p>  <p>We work to support the Malaysian government’s and regulators’ programmes towards enhancing national growth and development. We provide opportunities for local suppliers and adhere to corporate governance standards as well as codes of conducts aligned to Islamic values. We also pay our fair share of taxes and make economic contributions to the communities wherein we operate. We incorporate responsible financing in our financing practices, and conduct our business in a fair and responsible manner. This includes taking a proactive stance to combat bribery, corruption, protect customer data and prevent financial crime.</p>	<ul style="list-style-type: none"> • Economic Performance • Entrepreneur Development • Responsible Financing • Procurement Practices • Ethics and Integrity • Customer Experience • Digital Banking 	  <ul style="list-style-type: none"> • GRI-103 • GRI-201 • GRI-204 • GRI-205 • GRI-418
<p>Environmental</p>  <p>We consider the impact our business operations has on the environment and society and continue to improve management of utilities and fuel. In optimising our influence on the value chain, we support vendors that adopt sustainable practices, as well as companies that contribute to environment preservation activities and adhere to environmental related regulations.</p>	<ul style="list-style-type: none"> • Supporting Climate Change and Environmental Objectives • Energy Consumption and Environmental Impact 	 <ul style="list-style-type: none"> • GRI-103 • GRI-302
<p>Social</p>  <p>We advance financial inclusion for customers and contribute to the community. Understanding the greater impact we can have on the lives of our employees and their families, we seek to be a workplace of choice that prioritises welfare initiatives, develops potential and upholds fairness and integrity.</p>	<ul style="list-style-type: none"> • Employment • Diversity and Equal Opportunity • Training and Education • Community Development • Financial Inclusion 	   <ul style="list-style-type: none"> • GRI-103 • GRI-401 • GRI-404 • FS7 • FS13 • FS14

OUR SUSTAINABILITY APPROACH

SDG 8.1

Sustaining per capita economic growth in accordance with national circumstances

SDG 16.5

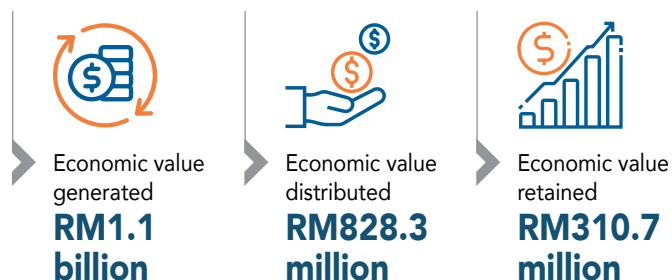
Substantially reducing corruption and bribery in all their forms

ECONOMIC

ECONOMIC PERFORMANCE

FY2021 continued to be impacted by COVID-19 lockdowns, which resulted in delayed, and slower than expected economic recovery. Within this environment, Bank Muamalat has remained resilient and adept at harnessing opportunities. The Bank achieved a record profit before zakat and taxation ("PBZT") of RM256.6 million amidst growth of 46.8 per cent and improved asset quality.

The economic values generated, retained and distributed by the Bank for the year ended 31 December 2021 are as follows:



Further details of our financial performance can be found on page 27



ENTREPRENEUR DEVELOPMENT

With the COVID-19 pandemic radically impacting demand, buying patterns and disrupted businesses, the Bank works to support the Government's agenda to boost micro, small and medium entrepreneurs ("SMEs"), with the goal of meeting the target for SMEs to contribute 50% to GDP by 2030. Continuous support of BNM's initiatives include financial assistance and micro financing.

Government Guarantee Schemes have been vastly utilised by many SMEs in all industries such as in manufacturing, services, retail and trade. To date, more than RM47 billion worth of guarantees have been provided to over 45,000 SMEs and these have helped sustain their business especially during the lockdown periods, as well as provide them with some financial reserves for working capital needs to move forward during this economic recovery phase.

Starting January 2021, Bank Muamalat participated in the Targeted Relief and Recovery Financing ("TRRF"), a government assistance financing facility under Bank Negara Malaysia Fund ("BNM Fund") that had been introduced after the Special Relief Fund ("SRF") was unveiled in 2020. Bank Muamalat is

Notes:

- Refers to the revenues and other income generated by the Bank
- Refers to operating costs, employee wages, payments to providers of capital, payments to Government and community investments
- Refers to Economic Value Generated minus Economic Value Distributed



tasked to distribute government funds to affected SMEs via this specific financing programme. Due to remarkable and outstanding response to TRRF, on 5 July 2021, BNM provided an additional allocation of RM2 billion, bringing the total to RM6 billion. TRRF was also extended to non-services sectors that had to remain closed under Phase 2 of the National Recovery Plan (NRP). In addition, eligible SMEs can now utilise up to 30% of the financing approved under TRRF to refinance any existing business financing. **As at end of December 2021, RM158 million had been approved by Bank Muamalat under the TRRF programme and RM136 million had been disbursed direct to SMEs. These have benefitted and revitalised the businesses of 546 SME companies.**

On 8 December 2021, Bank Muamalat and Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP) signed an agreement to enable Malaysian small-and-medium enterprises ("SMEs") and mid-sized companies (MSCs) to access financing under the Pemulih Assistance Package. The scheme provides financing assistance via new financing, restructuring of current financing facilities and further funding of working capital to help entrepreneurs revitalise their businesses. The agreement affirms Bank Muamalat's commitment to assist businesses to secure much-needed capital which will be essential for their long-term recovery and growth.

Apart from these, during the year, the Bank collaborated with several other strategic partners on other financial assistance programmes such as:

- SJPP Teraju Bumiputra Healthcare Supply Chain Financing Programme ("TERAJU"), a collaboration with SJPP and Teraju Bumiputra Corporation ("TERAJU");
- Klinik Pusrawi Licensing Rakaniaga Financing Programme ("PUSRAWI"), a collaboration with Pusat Rawatan Islam Sdn Bhd ("PUSRAWI"); and
- Malaysia Automotive Robotics and IoT Institute ("MARii").

All these programmes share the same objective of assisting selected SMEs and MSCs to restore their businesses after the COVID-19 pandemic. **As a result, ten new PUSRAWI clinics have been opened while RM6.5 million and RM46.2 million have been approved under TERAJU and MARii respectively. Another RM30 million have been approved under the Commercial Property Financing Programme ("CPF"),** which provides financing specifically for the purpose of assets acquisition and refinancing.

The Bank works to support the Government's agenda to boost micro, small and medium entrepreneurs (SMEs), with the goal of meeting the target for SMEs to contribute 50% to GDP by 2030. Continuous support of BNM's initiatives including financial assistance and micro financing.

In addition to new financing programmes, the Bank offered Payment Assistance ("PA") packages to SME companies who could not afford to pay their existing facilities due to business disruptions as a result of MCO restrictions. The Enhanced Targeted Relief Payment ("ETRP"), Enhanced Financing Payment Assistance (EFPA), Financial Management & Resilience Programme ("URUS") and Financial Resilience Support Scheme ("FIRST") were introduced to assist companies that have difficulties in paying their existing financing facilities. A moratorium for a period of three to six months have been granted to the eligible SMEs under the respective PA package to help them to restructure their business operations. In addition, restructuring and rescheduling of payment have also been granted to eligible SMEs whereby monthly instalment payments have been reduced by 30% to 50% for a certain period of time as part of a step-up payment programme.

The Bank approved a total of RM71 million under these various payment assistance packages in FY2021, and these have helped 190 SMEs restore their business operations.

Recognising Bank Muamalat's commitment to bolster the SME market, several SME-related organisations invited Bank Muamalat as a panel participant to their webinars to offer financial management advice to SMEs. Through these knowledge transfer sessions, win-win synergies are realised. SMEs can improve their financial knowledge and be more bankable in the future, while the Bank has the opportunity to market financing solutions to members of the related SME organisations. Due to pandemic and MCO restrictions throughout the year, these sessions have been conducted via online channels such as social media and distance learning.



ECONOMIC

The AKPK programme benefitted 1,352 accounts involving a total of RM109.5 million financing, while the Bank's Payment Assistance & Moratorium measures helped 44,033 accounts involving a total of RM4,825.5 million worth of financing.

RESPONSIBLE FINANCING

Being an Islamic Bank, we understand our role in improving the overall quality of lives of the broader community through our products, advisory services and relief measures. We are committed to providing products and services that are relevant to our customer segments' needs for inclusive growth. This reflects our value-creating company approach, which is based on the VBI principles and aspires to contribute to the real economy while also meeting societal demands. The Bank continues to focus on green financing, social finance, and benefitting the real economy through the new and existing products offered.

Relief Measures & Debt Management

In response to significant economic disruption wrecked by the COVID-19 outbreak, the Bank offered financial relief measures to alleviate customers' financial constraints. These included up to six months moratorium for the monthly instalment of financing, as well as accommodating requests by customers to restructure and reschedule their financing.

We also proactively engage customers with financial hardship under the debt management programme spearheaded by Agensi Kaunseling and Pengurusan Kredit ("AKPK"), whereby customers are given the opportunity to regain control of their finances with personalised payment plans. In special circumstances should customers encounter payment difficulties owing to natural disasters, the Bank also provides a temporary reprieve for them by granting a moratorium on financing payment.

The AKPK programme benefitted 1,352 accounts involving a total of RM109.5 million financing, while the Bank's Payment Assistance & Moratorium measures helped 44,033 accounts involving a total of RM4,825.5 million worth of financing.

Our commitment to Debt Management and Financial Planning extends towards educational initiatives in our effort to raise the level of financial literacy among society. **In 2021, the Bank organised 42 sessions of briefings on financial planning, debt management and investment planning via collaborations with government departments and associations; to highlight the importance of managing personal finances prudently. These educational sessions also inculcate good saving habits. A total of 7,560 participants comprising army personnel, government servants and pensioners, attended the sessions held during the year.**

Uplifting the Community

As a Bank with a community focus, Bank Muamalat commits to making affordable financing more accessible to the underserved, lower income groups and those who are in the vulnerable sectors. This is done by actively channelling government funds and through our own financing solutions. Efforts made towards uplifting the community through these financing solutions are detailed in our Financial Inclusion initiatives on page 99.

Responsible Financing Policy Document

During the year under review, the Bank completed the review of our Responsible Financing Policy Document which is in line with our practice of responsible financing. We frequently review our policies to ensure any policy changes from regulators are implemented in a transparent and prudent manner. We also keep our employees aware of any policy changes by issuing circulars upon release of new guidelines from regulators, and conduct training on the changes when necessary.

Enhanced Credit Assessment

In order to facilitate a more objective credit assessment, the Bank has an internal statistical-based credit scoring system which enables credit officers to better quantify the risk involved, hence helping to determine the creditworthiness of financing applicants. The Bank also conducts regular training to continually develop employees' ability to make insightful credit judgement amid the rapidly evolving credit management environment.

VBI-Driven Financing

The Bank ensures that new financing extended are within the VBI parameters towards positive EES outcomes. We intensify our focus on companies that act to enhance our environment and contribute to the wellbeing of communities.

During the year, our total disbursement of business financing aligned with VBI was RM3,775 million, accounting for 55.4% of total Non-Retail financing. Total outstanding for VBI financing in 2021 constituted about RM7,270.0 million or 51.8% of total outstanding Retail financing. All financing disbursed were in accordance to Shariah Governance and Shariah Risk Management.

The VBI-aligned portfolio consisted of the following sectors:



Preserving Natural Environment

RM271.0 million



Platform for Raising Community Standard of Living

RM1,838.0 million



Promoting Healthy Lifestyle

RM321.0 million



Education

RM176.0 million



Hospitals & Medical Provider

RM501.0 million

On the retail financing front, we are committed to providing products and services that are relevant to our customer segments' needs for inclusive growth. This reflects our value-creating company approach, which is based on the VBI principles and aspirations to contribute to the real economy while also meeting societal demands. The Bank continues to focus on green financing, social finance, and benefiting the real economy through the new and existing products offered. These financial and non-financial products are offered through expanded and enhanced distribution channels to optimise access and reach underserved communities.

Contributing to Industry Knowledge and Leadership

Bank Muamalat is also part of the CIBAFI Sustainable Working Group. Together with other members in the working group, we have launched Sustainability Guide for Islamic Financial Institutions (IFIs) the purpose of which is to guide the IFIs on integrating sustainability into their business activities. This in hope could prosper sustainability development within the IFIs. In FY2021, the Bank's active involvement in the second VBI cohort to publish the Construction & Infrastructure Sectoral Guide with other CoP members is another proof of its continuous commitment for sustainability development.

Staff Financing

Bank Muamalat offers our employees financial support through various financing and advances as part of employee benefits and to support their attainment of a comfortable, conducive and joyful family oriented life.

The Bank continues to offer Staff Sundry Financing ("SSF") and Staff Structured Personnel Financing ("SSPF"). Through the Staff House Financing and Staff Vehicle Financing, employees are able to purchase house and vehicles at special staff rates. The Bank also offers a Muamalat Car Scheme for Vice President (VP) level and above, of which 70% of the financing is subsidised by the Bank and has a retention element.

Besides that, the Bank offers a Festival Advance based on Qard before major festive celebrations which include Hari Raya, Chinese New Year, Deepavali, Christmas and Gawai. This is part of the Bank's effort to enable employees of a lower income group to prepare joyous festive celebrations for themselves and their family.

In FY2021, RM5.3 million of staff financing was approved for 108 employees and RM807,884 of Festival Advance was approved for 213 employees.



ECONOMIC

Number of proposals that went through digital procurement increased from 74% in 2019 to 78% in 2021.

PROCUREMENT PRACTICES

Fair Treatment of Vendors

The Bank's procurement practices are consistently evaluated to ensure fair dealings and transparency in the process. The Bank's Regulatory Advisory & Compliance Division ("RACD") has been maintained as a member of the tender committee (for Non-IT related only) to ensure that all regulations are being adhered to in terms of Fair Treatment of Financial Consumers ("FTFC") & Outsourcing. In 2021, we have increased the transparency of the vendor onboarding process by implementing a digital procurement system. This has the additional benefit of being more cost effective and environmentally sound, as the process uses less paper and without the need for vendors to travel, there is less carbon emission.

Number of proposals that went through digital procurement increased from 74% in 2019 to 78% in 2021.

Prioritise sustainable practices

To ensure our sustainable policies are adopted within the procurement process, employees are trained to meticulously evaluate the vendors to ensure their business practices are aligned with our values. Prior to their appointment, we undertake a thorough evaluation of prospective vendors, and prioritise vendors who are local and practice sustainability aspects. These include vendors that empower communities such as people with disabilities and single mothers, local vendors who may have operations in rural areas, and vendors who adopt environmental initiatives.

During the year the following instances demonstrated the Bank's proactive favouring of VBI aligned vendors:

1. Employed Koputra Property Care ("KPC") as our cleaning services company, whereby KPC was favoured for employing cleaners from disadvantaged backgrounds, such as single mothers and people with disabilities.
2. For Raya packets, we continued to use recycled paper and environmentally friendly ink, in this case soy ink, for printing the packets.

Annual Vendor Performance Review

When choosing vendors, a strong partnership approach is used to fully optimise achievements of goals and expectations which will lead to long-term relationship building. To achieve better synergy with suppliers, an annual Vendor Performance Evaluation is conducted to ensure the vendors will continuously deliver the subscribed services efficiently. Poor performing vendors are advised to improve on their respective performance. For FY2021, we have achieved 100% review and poor performing vendors will be advised to close their service gap by improving their performance.

ETHICS AND INTEGRITY

Ensuring a corruption-free business

Bank Muamalat is committed to the highest standards of governance, ethics and integrity. We ensure established and comprehensive internal and external risk management processes, policies and frameworks are in place to continuously deliver and sustain the Bank's value propositions.

The Bank commits to adopt a "zero tolerance" approach against all forms of bribery and corruption pursuant to the Guideline on Adequate Procedure of Section 17A Corporate Liability (Amendment 2018) MACC Act 2009. The Guidelines lay out the principles through the acronym of "T.R.U.S.T." that can be applied by the Bank to ensure that the Bank has a defence in the event an offence is committed.

"T.R.U.S.T." (T – Top Level Commitment, R – Risk Assessment, U – Undertake Control Measures, S – Systematic Review, Monitoring and Enforcement, T – Training and Communication).

For each of the principles, the Guidelines provide a list of recommended initiatives and the followings are among the initiatives executed by the Bank FY2021:



All of the updates FY2021 are in accordance with the Guideline on Adequate Procedure of Section 17A Corporate Liability (Amendment 2018) MACC Act 2009.

Enhancing Whistleblowing

To reinforce our commitment to zero tolerance of improper conduct, the Bank had established a Whistleblowing Policy that governs the whistleblowing process and disclosure of information to the appropriate parties.

The Whistleblowing Policy covers the governance and standards to promote an ethical, responsible and secure whistleblowing practice in the Bank in line with the Corporate Governance Policy issued by BNM. The Policy provides a proper and secured avenue for the employees and members of the public to report any knowledge of improper conduct in good faith, without fearing any adverse consequences.



ECONOMIC

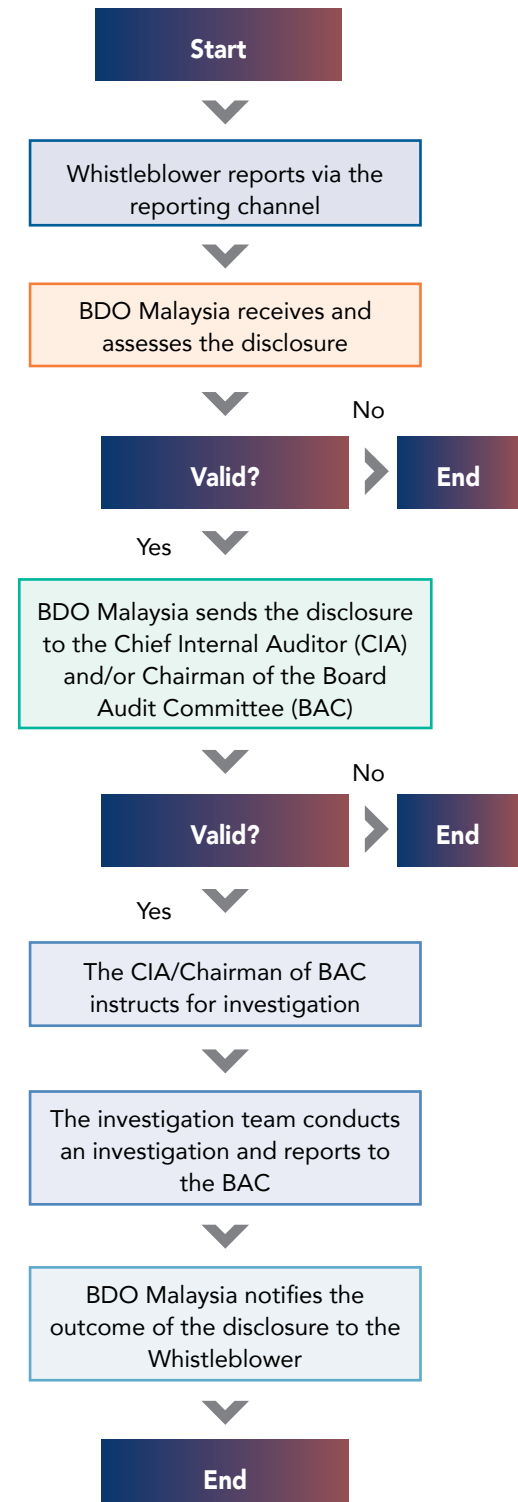
In providing further assurance, since 2010, the Bank has established a Muamalat Ethics Line - a dedicated whistleblowing channel managed by an independent third party for the whistleblower to raise any concerns related to corruption, bribery, fraud or any misconduct. Since mobility has taken over the world where almost everyone has a smartphone, the Bank has introduced a new whistleblowing option via QR Code. It makes it easy for the whistleblower to access the dedicated whistleblowing page and report the misconduct via the QR code. The other three existing options provided by the Bank for whistleblowing reporting are phone hotline, email and web. The details of the available whistleblowing reporting channel options are as follows:



A clear process has been put in place for handling whistleblowing disclosure to the Chief Internal Auditor and Chairman of the Board Audit Committee to show our continuous commitment to transparency. All whistleblowing disclosure will be investigated independently, and the outcome will be reported according to the matrix approved in the Policy.

The Bank is wholly committed to ensuring strict confidentiality and will not only protect the identity of the whistleblower but also protect the whistleblower from any harassment and victimisation due to disclosure.

BMMB's Whistleblowing Process Flow



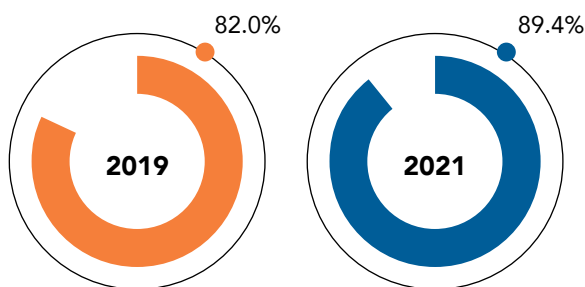
CUSTOMER EXPERIENCE

Customer Satisfaction Survey

In ensuring continuous delivery of good quality, reliable and efficient service to our customers, the Bank conducted a customer satisfaction survey from July 2021 until October 2021. Information gathered in this survey have helped the Bank to further understand which areas to improve and standards that should be retained to ensure our customers continue to enjoy a good banking experience.

The survey was conducted via Google survey and was circulated by e-mail. It revolves around the customers' collective experience interacting with various touchpoints, including online banking systems, emails, call centres, online advertising, face-to-face interactions and social media.

A total of 243 customers responded to the email. This comprised of 57% male and 43% female. Almost 80% of the respondents were from below 40 years old. **The result of the customer satisfaction survey showed a 7.4% improvement in customer satisfaction for FY2021.**



The feedback received through the survey have given us a new perspective of our customers' priorities. Moving forward, we will continue to work on improving their experience by addressing their concerns so as to retain their loyalty to the Bank.

Waiting time at branches

As branches are still our main customers' touchpoint, the Bank strives to continuously improve waiting time while strengthening digital presence to reduce the need for physical visits. Daily and monthly branch performance are monitored through the Queue Management System ("QMS") report, to measure performance against the standard target of 80% of customers to be served within 10 minutes. In addition, the QMS Reports are shared with respective branches for immediate rectification and efficient management of services.

Meanwhile engagements with branches are periodically carried out to continuously improve product knowledge and customer service standards.

For FY2021, QMS results showed an increase of 13% from 74% of customers being served within 10 minutes in FY2020 to 87% in FY2021.

Complaints & Feedback Management

One of key contributors to customer satisfaction are how well and how fast feedback is managed and resolved. To evaluate our customers' experience, we measure the number of calls and complaints received and resolved, as well as the time taken to resolve them.

We received 667,502 calls to our Contact Centre in FY2021, an increase of 7.47% from the 621,095 received the year before. A high percentage of these call were in regards to internet banking related matters.

Number of complaints increased too, by 43.81% from 2,648 in FY2020 to 3,808 in FY2021. The majority or 41.81% of the complaints were due to internet banking related issues as the volume of online banking transactions increased during the year. We view this positively as more customers and potential customers are starting to utilise our services.

Despite the high volume of complaints, the Bank managed to resolve the issues quickly. **87.71% of the complaints were resolved within two working days, which surpassed the industry standard of 14 days.** The involvement of Bank's top management ("MANCO") in relation to customers' feedback and complaints (suggestion and initiatives) has been a key strength on this front as it elevates feedback and complaint handling as a significant agenda for the Bank. All cases were resolved fairly and on a timely basis.

Customer Data Protection

Technology and digitalisation have been optimised to play the vital role of providing significant banking benefits to all stakeholders. However, with the advent of these technologies, new cyber threats have emerged posing threats to the Bank. The Bank has made every effort to safeguard the confidentiality, integrity and availability of all its data, whether in digital or physical form.



ECONOMIC

This entails putting controls in place through policies and procedures that comply with Bank Negara Malaysia's RMIT, PayNet's requirements and international best practices. The appropriateness and effectiveness of these controls are constantly reviewed to ensure that our customer data is safeguarded.

The Board and senior management consider cybersecurity a top priority, and provide direction to ensure adequate controls are in place to manage and mitigate cyber risk. Reporting on technology and cybersecurity has become a permanent monthly agenda for the Board and senior management to discuss the risk profile and emerging risks.

As part of the measures to safeguard customer information, the Bank has put in place the following controls:

- Oversight of customer information through strong governance in ensuring all information are handled according to established process and procedures, through precise tools and people possessing the right skillsets.
- Implementation of a Data Loss Prevention tool for all workstations and laptops to mitigate data breaches and compliance risks.
- Intense engagement with the Security Operation Centre ("SOC") to stay in readiness for advance threats to the financial industry, and monitor anomalies in the Bank's ICT Infrastructure, incident response and security device management.
- Ensure end-point is being patched and updated with the latest security version as well as reducing technology obsolescence.
- Performing periodic Penetration Testing and Vulnerability Assessment activities to ensure that the Bank's security measures are robust and resilient, as well as identifying possible security gaps to be monitored and remediated.

To ensure that the Bank's employees are kept up to date with the latest cybersecurity threats, a continuous cybersecurity awareness programme is conducted.

DIGITAL BANKING

Driven by the pandemic environment which catalysed more online transactions and engagements, Bank Muamalat has put greater emphasis on digitalisation efforts, and enhancing technology capabilities.

We continue to advance our digital banking capabilities through the enhancements of Muamalat Application Platform ("MAP") and continuous improvement in mobile apps, Retail Internet Banking ("RIB") and Corporate Internet Banking ("CIB"). In FY2021, we launched an Online Deposit Account ("ODA")

to improve overall customer experience for over-the-counter ("OTC") account opening by reducing the Average Serving Time ("AST") from 35 minutes to 15 minutes. Further efforts to digitise middle office and back-end office operations are ongoing.

The following indicators for improvements have been set to ensure that the Bank is on track to meet its targets:

- Increase work performance while efficiently improving cross-departmental collaboration.
- Speedier time-to-market.
- Reduce employees' burden on repetitive workflow, allowing them to focus on income generator efforts.

Digitalising Middle Office

- Digital Onboarding for customers (avoid long queue and waiting time at branches)
- Digital Processing system (to lessen the Person-In-Charge ("PIC") processing details for each client)
- Digital verification engine (such as biometric, facial recognition)
- Ongoing initiatives for both depositors and financing customers related to Cash Management and investment. These initiatives aim to reduce the turnaround time ("TAT") from 2-3 days through instant straight-through processing ("STP").

Digitalising Back Office Operations

Development of Smart Form, an integrated online application form and supporting documents that integrate directly with the back-office system. This effort will reduce all paper usage as it is downloadable in PDF format. New client details will be sent immediately and directly to the Back Office team ("BO"), which speeds up the whole process.

Soft token migration to reduce carbon footprint

We used to provide hard tokens to our corporate customers for a unique generation of One Time Password ("OTP"). The hard token uses raw materials such as plastic to be created and will need to be delivered to customers, which involves paper, packaging boxes, petrol for delivery, among others. Now with a fully digital Soft Token, the code can be sent easily and cost effectively via SMS.

Targeted Achievements

Rollout fully digitalised account opening by December 2022.

**SDG 12.2**

Sustainable management and use of natural resources

SDG 12.5

Substantially reduce waste generation

SDG 12.6

Encourage companies to adopt sustainable practices and sustainable reporting

ENVIRONMENTAL

ENVIRONMENTAL AWARENESS AND SUSTAINABLE ECOSYSTEMS

A monthly Environmental Awareness programme has been introduced at Bank Muamalat to create growing awareness of our impact on the environment and affect positive behavioural and culture change towards our natural environment across the Bank. As part of this programme, monthly digital bulletins on environmental issues are emailed to all Bank employees. A Recycling Station, supported by posters on recycling, has also been established at the cafeteria to encourage Bank employees to adopt a more sustainable lifestyle and reduce waste. The project was completed on March 2021 and the weight of recycled items is being monitored to better gauge the impact delivered through this initiative.

By leading the change and slowly making these alternatives the norm, we hope to bring improvement to the level of awareness, understanding and appreciation of sustainability practices into the Bank.

This mindfulness has led Bank Muamalat a step forward in engaging with vendors that adopt environmental initiatives and sustainable practices. We believe that just by making a different choice whilst keeping sustainability in mind, the final aim of VBI can be realised. In 2021, for Raya packets,

the Bank continued to employ vendors that use recycled paper and environmentally friendly ink for printing the packets to support a sustainable ecosystem that will have a cascading impact on encouraging businesses to champion green practices.

SUPPORTING CLIMATE AND ENVIRONMENTAL OBJECTIVES

In April 2021, BNM issued a document on Climate Change and Principle Based Taxonomy ("CCPT") to encourage the financial institutions to play a more vital role to support climate and environmental objectives through their green financing, investment and advisory activities. The Bank fully supports and embraces this new development, and has started to identify customers to gauge their exposure on climate change. The purpose of the identification is to gauge how far the Bank has progressed in monitoring customers' journey towards embracing climate related objectives.

In addition to that, the Bank plans to review its risk management framework to include climate related risks by the fourth quarter of FY2022. This is to fully embed climate related objectives in the overall banking process and operations.



ENVIRONMENTAL

ENERGY AND RESOURCE MANAGEMENT

At the workplace, we continue to advocate resource and energy efficiency and sustainable infrastructure, processes and systems towards achieving sustainable business goals. The inception of the Cost Saving Initiative ("CSI") Taskforce in the last quarter of 2019 has intensified focus on energy and resource management.

Living up to its purpose, the Cost Saving Initiative ("CSI") programme has generated cost savings, and established more processes that are efficient without compromising the regulatory requirements. This programme has also helped in developing hidden talents within Bank Muamalat by optimising their skills and knowledge throughout the CSI transformation journey.

In FY2021, the CSI Programme has marked another milestone for Bank Muamalat in digitalising, innovating, improving and bringing change to the way we work. The Bank has also taken the necessary steps to reduce utilities usage.

The programme generated total savings of RM26.4 million and soft benefits amounted to RM9.6 million since its inception. Among the initiatives executed during the year under review, were:

<p>Consolidate Bankwide IT services contract at RM1.5 million</p>	<p>Minimised the issuance of passbook at RM2.0 million</p>
<p>Paperless Financing Review: Reduction of 55% paper usage from the total financing application for business financing (Corporate, Commercial and SME) at RM1.48 million;</p>	<p>Optimised Digital Platform for Financing Applications at RM1.11 million</p> <p>Elimination of telephone back charges cost through termination of toll free line at RM979k</p>

In the coming year, with the theme of "Digital and Innovation" a savings target of RM7 million has been set. CSI will inculcate more exciting transformation initiatives. The initiatives focused at creating niche offering and proposition whilst at the same time promotes development of innovative products, services and technology that can be commercialised and be the trend setter in the market.

As an organisation that aspire to make an impact on carbon reduction, we constantly monitor our energy consumption for our buildings and premises. We will continuously make improvements and opt for more energy-efficient substitutes. The following data discloses our utility and fuel consumption in FY2021:



Total Electricity Usage for FY2021:
8,065,242 kWh
(FY2020: 8,096,722 kWh)



Total Water Usage for FY2021:
114,014m³
(FY2020: 99,978 m³)



Total Petrol Usage for FY2021:
304,719 litres
(FY2020: 317,080 litres)



Total Diesel Usage for FY2021:
16,674.32 litres
(FY2020: 15,443.35 litres)

SOCIAL

SDG 4.4

Increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

SDG 8.6

Reducing the proportion of youth not in employment, education or training

SDG 8.8

Promoting safe and secure working environments for all workers

SDG 10.2

Empowering and promoting inclusion of all, irrespective of age, sex, disability, race and ethnicity

EMPLOYMENT



Total Number of Employees
2,139



Total Number of HQ Employees
1,011



Total Number of Branches Employees
1,128



Distributed
RM240 million
in remuneration for employees

Improving Workplace Benefits and Employee Wellbeing

Our employees are essential assets, and we seek to create a work environment that is inspiring, healthy and welcoming to allow our employees to develop professionally and empower them to work effectively in line with our mission. During the pandemic, intensified focus was directed towards ensuring a safe and sanitary workplace for employees, towards ensuring uninterrupted operations and delivery of reliable services to our stakeholders throughout the pandemic. Work from home measures were swiftly adopted to ensure safe social distancing could be easily adopted at workplaces. The clear communication and guidance on standard operating procedures (SOPs) provided during the year proved effective as the Bank's infectivity rate was kept below 15% among the employees in FY2021.

The Bank also worked closely with Ministry Health of Malaysia (KKM) and other medical providers (PMCare, Health Junction and clinics) during pandemic to update, report and get their advice on COVID-19.

We also prioritise a safe and conducive work culture. Part of the commitment in FY2021 was to arrange for immediate swab tests when there were cases at the office. In some instances, we arranged for doctors to visit affected employees at their homes to conduct the test and check on their health condition. The Bank also arranged for free vaccines and booster shots for those who had not completed their COVID-19 vaccination requirements.



SOCIAL

Beyond health and safety, our approach to manage the well-being of our people is embedded in robust employment policies to ensure the right working conditions and experience. Our Company's Core Values and the Code of Conduct guide the desired attitudes and practices of our people to help create a great workplace for everyone. We offer competitive compensation and benefits aligned industry best practices to allow us to attract and retain the best talent. Career development plan framework and apprenticeship programmes are also provided to help nurture our talent. Benefits provided to full-time employees, include:

	Senior Management	Managerial	Executive	Non-Executive
Group Term Takaful ¹	√	√	√	√
Healthcare ²	√	√	√	√
Disability and Invalidity Coverage ³	√	√	√	√
Parental Leave ⁴	√	√	√	√
Retirement Provision ⁵	√	√	√	√
Stock ownership	n/a	n/a	n/a	n/a
Compassionate Leave ⁶	√	√	√	√
Other Types of Leave ⁷	√	√	√	√
Flexible Work Arrangement ⁸	√	√	√	√
Other Allowances ⁹	√	√	√	√
Membership with Professional Bodies ¹⁰	√	√	n/a	n/a
Staff Financing ¹¹	√	√	√	√

1. Includes Group Term Takaful and Critical Illness (only applicable to Senior Management and managerial employees)

2. Includes Medical benefits, Dental benefits, Optical benefits, Executive Health Screening and Child Delivery charges

3. Includes Group Personal Accident, SOCSO, Employee Insurance Scheme ("EIS")

4. Includes Maternity Leave and Paternity Leave

5. Includes EPF Top Up Plan, early retirement and Pre-retirement Leave (only applicable to executives and non-executives)

6. Includes death of family members, natural disaster and immediate family being hospitalised

7. Includes Annual Leave, Sick Leave, Hospitalisation Leave, Prolonged Illness Leave, Marriage Leave, Hajj Leave and Examination Leave

8. Includes Staggered Work Hours and Reduced Work Hours

9. Includes Warm Clothing Allowance for travelling to temperate countries, Acting/Relief Allowance, Regional Allowance (only applicable to East Malaysia), Outstation Duty Allowance

10. Includes professional membership (only applicable to Senior Management and managerial employees)

11. Includes Staff Sundry Financing, Staff Structured Personal Financing, Staff Bicycle Financing, Staff Vehicle Financing, Muamalat Car Scheme (VP and above) and Staff House Financing

A new HR System (Phase 1) was launched during the year which enabled mobile and external accessibility to HR processes. These include application and approval of leave and claims, access to personal salary and training information, as well as Performance Management. Additional Phase 2 modules including e-learning, recruitment, takaful, and onboarding, are scheduled for release in 2022.

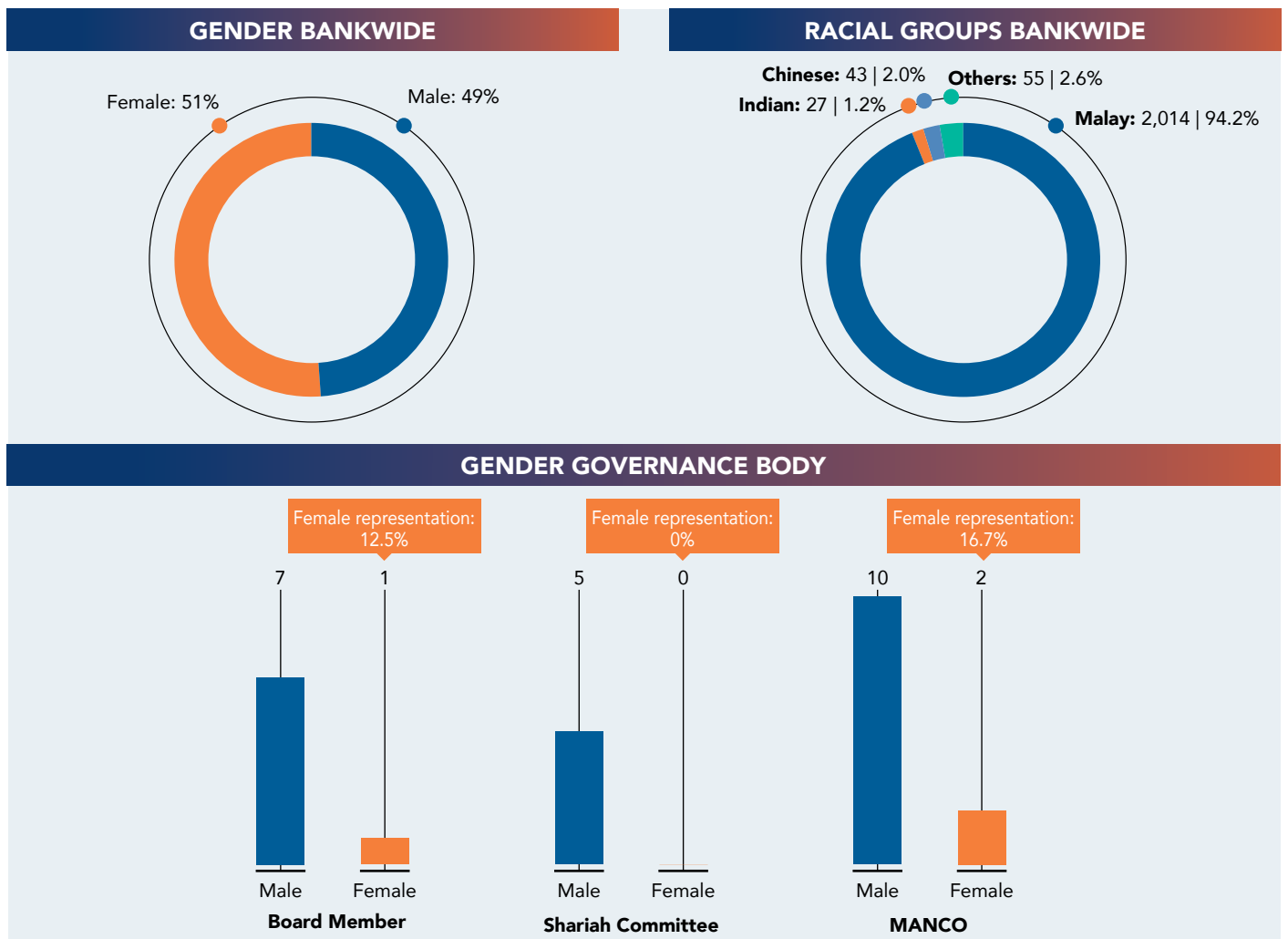


DIVERSITY AND EQUAL OPPORTUNITY

Through the Bank's Code of Conduct, policies and SOPs, we strive to develop and promote a culture of diversity and equality throughout our organisation. We continue to ensure no single employee is treated differently to one another by providing them with equal opportunities to fulfil their potential.

For FY2021, the breakdown of our employees by gender showed a good equal balance which will continue to be maintained. At Governance Bodies level there is room for improvement in ensuring greater women representation levels and will work towards gaining a better balance.

The breakdown of our employees by minority group according to working location and employee category reflected a larger proportions of Malays but with representation from all other racial groups as well.



Efficient preventive and remedial actions is taken against any matter categorised under "Diversity and Equal Opportunity". We are happy to report that for FY2021, there were no issues or reports concerning equality from internal and/or external stakeholders.

Further details and breakdowns are available in our Data to Support Material Matters segment from page 101





SOCIAL

TRAINING AND EDUCATION

Training is a core priority at the Bank as it directly impacts productivity and quality of work. As a financial institution, regular training is required to fulfil recommendations by regulatory bodies, adhere to required compliances and to ensure employees in the financial industry are well trained and well versed with all different financial acts. For employees, a rigorous training programme leads to increased job satisfaction and morale and builds individual capabilities and motivation to seek greater efficiencies in processes and adopt new technologies and methods. Training programmes for the year focused on skills management and lifelong learning to enhance the potential and capabilities of our employees.

All employees participated in a total of 153,367 training hours during the year (FY2020: 135,843 training hours). Average training hours ranged from 66 hours per employee for Executive level personnel to 44 hours per employee for those at Management level. Both technical and non-technical programmes were offered to encompass functional as well as soft skills.

On average, there was a 100% increase of training programmes in FY2021 from FY2020, with the average percentage of participation for all categories of programmes rising by 90%. Higher average training hours were due to the Online Learning implemented during the year, which not only saw an increase in the level of participation but also reduced the cost of training. As for the effectiveness of the training, each participant was measured through a pre and post assessment as well as an audit report, amongst other measures.

Further details and breakdowns are available in our Data to Support Material Matters segment from page 101



Shariah Knowledge

As part of the initiatives towards enhancing the frontliners competencies and to equip our employees with skills and knowledge in Islamic Finance, IBFIM's Associate Qualification in Islamic Finance (AQIF) and Intermediate Qualification in Islamic Finance (IQIF) certifications are identified for the BMs and ABMs. The programmes have been internally organised with the collaboration of IBFIM. AQIF consists of five modules focuses on the required foundation knowledge in Shariah and the applied Shariah contracts in Islamic finance products and operations. IQIF consists of ten modules emphasis on the application of concepts to practical aspects of Islamic banking operations. 20% of the groups have started the programme in November 2021 and registration will be continued progressively.

Talent Development & Succession Planning

The Executive Leadership-MBA programme which commenced in November 2020, was offered to 10 identified talents in managerial roles from Business and Support functions to further groom and develop them as part of the Bank's succession planning and talent retention strategy.

In 2021, participants of Cohort 2 of the Executive Leadership-MBA programme have successfully completed their Certified Professional in Islamic Finance (CPIF), by INCEIF, which is part of the MBA module. Cohort 2 is scheduled to graduate in the fourth quarter of 2022. Moving forward, the ELP may be expanded to include other short Leadership and Managerial programmes to nurture a sustainable talent pool for the Bank, and provide successors for Key and Critical (OMRT) positions.



FINANCIAL INCLUSION

Though MCO restrictions resulted in the difficulties in executing the annual schedule of planned engagements and programmes, the Bank adapted by leveraging on digital platforms to continue engaging with existing stakeholders and reaching out to provide access and knowledge to financial assistance to local communities. Such knowledge was deemed essential as it can boost the economy of the local community where small businesses operate, and represents Bank Muamalat's commitment to financial inclusion.

This commitment is aligned with the national agenda of easing access to financial services for every segment of the society to enhance their financial capability and enable inclusive national development, in line with Bank Negara Malaysia's Policy on Lending/Financing to the Priority Sector. This has included making affordable financing more accessible for customers to achieve life goals such as owning homes, motor vehicles and helping sustain their cash flow; and on a larger scale to aid micro entrepreneurs and SMEs gain financial resilience in challenging times.

During FY2021, the Bank introduced iTEKAD Mawaddah, an investment programme specifically designed to assist small and medium entrepreneurs from Asnaf and B40 categories whilst providing returns to investors. It supports the true essence of Islamic finance by implementing the concept of Mudarabah to promote equity-based financing rather than debt-based products for its entrepreneurs. To ensure the entrepreneurs' ventures are on the track, the Bank appoints Training Consultants to monitor their progress.

Thus, iTEKAD Mawaddah provides win-win opportunities for both the entrepreneurs and investors. The entrepreneurs benefit from financial assistance to expand and upgrade their business, whilst the investors gain steady profits and empower the community at the same time.

To date, the iTEKAD Mawaddah programme has a total working capital amounting to RM132,000 and RM92,230 training fee, and is supporting 15 entrepreneurs.

COMMUNITY DEVELOPMENT

Empowering Communities through Social Finance

Wakaf Muamalat is a collaboration between Bank Muamalat and State Islamic Religious Councils in the co-management of cash wakaf fund via a joint management committee (JMC). Since its inception in 2012, Wakaf Muamalat, through its JMC, has approved 128 projects in education, health, and investment nationwide. Members of the public can donate through direct deductions of their bank accounts to their selected wakaf institution.

Total wakaf fund collection for FY2021 was RM32,056,109.63, out of which RM25,482,227.01 has been approved for projects, with RM18,663,496.29 already disbursed.

Other than the Wakaf Muamalat, the Bank manages Tabung Mawaddah, an internal charitable fund that comprises zakat refunds, infaq, and other funds (sadaqah) sourced by the Bank and our employees. Tabung Mawaddah is dedicated to aid and implement charitable activities to eight categories of Asnaf recipients (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabillah and Musafir) and to needful employees in the event of death, accidents, natural disasters, and other situations.

In September 2020, Tabung Mawaddah launched a crowdfunding platform known as Jariah Fund. Through this digital platform, Tabung Mawaddah currently collaborates with five selected non-governmental organisations (NGOs) to identify beneficiaries in need of funds and create crowdfunding campaigns to help them. The public can also access the Jariah Crowdfund website and choose the preferred charity work that they want to contribute to.

As at FY2021, Jariah Fund has collected RM77,201 through 16 campaigns with four of them yet ongoing.





SOCIAL

Uplifting the Community through Challenging Times

The Bank has always actively participated in initiatives that benefit society because we believe in shared value creation for business and society. Since the start of the pandemic, the focus has been on outreach programmes to assist communities in need and show our support for the frontliners who worked tirelessly with unwavering dedication to support our communities and provide crucial services during challenging times.

ICU JPM e-KASIH 2021 (Program Inisiatif Kesejahteraan Rakyat) (RM200,000)

A significant contribution was made to the Implementation Coordination Unit, Prime Minister's Department (ICU JPM) e-KASIH project to show support for the integrated database system of poor households created at the national level to help plan, implement and monitor poverty programmes. This system provides a clear resource and platform and is used as a reference by Ministries and government agencies that are involved in poverty eradication programmes.

Meals for Frontliners (RM17,000)

The Bank is humbled by the immense sacrifices, invaluable dedication, commitment and unwavering efforts of frontliners in managing COVID-19, oftentimes risking their lives, for the benefit of the nation. In appreciation of the roles they play in battling the COVID-19 pandemic, Bank Muamalat distributed 1,500 packed meals to healthcare workers, policemen, firemen, army personnel and civil servants around the Klang Valley from 15 February until 22 February 2021. The packed meals were prepared by the kitchen staff of Al-Bukhary Mosque, Jalan Hang Tuah, in Kuala Lumpur before being distributed to the frontliners on duty at Hospital Kuala Lumpur (HKL), Jalan Tun H.S. Lee Police Station, Jalan Hang Tuah Fire and Rescue Department, Wardieburn Camp, Jalan Genting Kelang and other government agencies.

Pre-packed Food for the Media During Ramadan (RM22,300)

As part of our continuous efforts to fortify relationships with members of the media, Bank Muamalat sponsored pre-packed meals and raya goodies for on-duty media personnel at Media Prima, TV3, NST, BH, Metro, ASTRO, RTM, Al Hijrah, Utusan Malaysia and Malaysian Reserve during the Ramadan month. The food and treats were distributed to over 750 media personnel.

Muamalat Prihatin (RM20,000)

Food packs and necessities were distributed to 100 affected families all over Malaysia in their time of need. Each family received essential items worth RM100 and cash RM100. The distribution was done by the Bank's regional branches.

30 Days with Kuala Lumpur Hospital (RM6,000)

During the month of Ramadan, food packs were distributed to 20 frontliners of Kuala Lumpur Hospital for 30 days to convey appreciation to frontliners for their dedicated service. These food packs provide convenient ways for the busy medical frontliners to break their fast on time as they juggle a busy schedule of managing patients and executing other duties.

Contribution to Tabung Khas Bencana Banjir Negeri Pahang (RM10,000)

We take pride in embracing the core values of 'Keluarga Malaysia' and its aim to cultivate three characteristics, namely inclusivity, common ground, and contentment in this multiracial nation that we call home. As such in times of national disasters, the Bank plays an active role to fund relief efforts.

In FY2021, the Bank supported humanitarian aid to flood victims in Pahang through a donation to the state government emergency fund to assist affected communities. From this contribution, various relief operations were funded to help flood victims start rebuilding their lives.

Kurma Bukhary for Staff (RM46,980)

For Muslims, dates are particularly significant during the holy month of Ramadan, as these fruits are typically the first foods consumed when the daily fast is broken. As a gesture of appreciation to all our staff, Kurma packs were distributed during Ramadan across all branches and offices nationwide.



DATA TO SUPPORT MATERIAL MATTERS

COMMUNITY DEVELOPMENT

- Tabung Mawaddah contribution for FY2021:

	FY2021
Contribution to asnaf-asnaf	
Fakir	73,750.00
Miskin	437,926.02
Fi-Sabilillah	215,220.00
Gharmin	16,900.00
Mualaf	3,000.00
Subtotal	746,796.02
Contribution to other than asnaf	
Sedeqah	-
Others	281,702.50
Service	691
Subtotal	282,393.50
Grand Total	1,029,189.52

- Aside to Wakaf, the public may opt to donate through Jariah Fund portal and choose the preferred charity work that they want to contribute to.
- To prosper the community, iTEKAD Mawaddah provides win-win opportunity to the entrepreneurs and the investors. The entrepreneurs, whom are from Asnaf and B40 groups will get financial assistance to expand and upgrade their business whilst the investors, they can enjoy their profit and empower the community at the same time

EMPLOYMENT

Total number and rates of new employee hires and employee turnover by age group, gender and region

Age group	New hires	Turnover
Under 30 years old	266	161
30-50 years old	130	99
Over 50 years old	3	34
Total	399	294

Gender	New hires	Turnover
Male	200	144
Female	199	150
Total	399	294

HQ/Branches	New hires	Turnover
HQ	111	112
Branches	288	182
Total	399	294

Employee by category

Managerial	Men	Women
Total # of men or women	757	
Total # of employees in the employee category	429	328
% of men or women within the employee category	56.7%	43.3%



DATA TO SUPPORT MATERIAL MATTERS

Executive	Men	Women
Total # of men or women	1,242	
Total # of employees in the employee category	539	703
% of men or women within the employee category	43.4%	56.6%

Non-Executive	Men	Women
Total # of men or women	140	
Total # of employees in the employee category	89	51
% of men or women within the employee category	63.6%	36.4%

Employee by age group

Managerial	Under 30 years old	30-50 years old	Over 50 years old
Total # of employees in the age group	757		
Total # of employees in Managerial employee category	14	599	144
% of employees in the age group within the employee category	1.8%	79.2%	19.0%

Executive	Under 30 years old	30-50 years old	Over 50 years old
Total # of employees in the age group	1,242		
Total # of employees in Executive employee category	443	728	71
% of employees in the age group within the employee category	35.7%	58.6%	5.7%

Non-Executive	Under 30 years old	30-50 years old	Over 50 years old
Total # of employees in the age group	140		
Total # of employees in Non-executive employee category	25	97	18
% of employees in the age group within the employee category	17.8%	69.3%	12.9%



TRAINING AND EDUCATION

Average hours of training per year per employee by gender, and by employee category:

	Men	Women
Total # of employees (head count or FTE)	1,144	1,140
Total # of training hours provided to employees	63,538	72,295
Average training hours per employee	55.54	63.42

	Management	Managerial	Executive	Non-executive
Total # of employees (head count or FTE)	71	751	1,350	112
Total # of training hours provided to employees	2,842	43,052	84,860	5,079
Average training hours per employee	40.03	57.33	62.86	45.35

Programmes conducted for skills management and lifelong learning that enhance learning and skills for current employees:

	Programme 1	Programme 2
Type of programmes	Technical	Non-Technical
Scope of programmes	Functional	Soft Skills
Average training hours per employee	55.54	63.37

DIVERSITY AND EQUAL OPPORTUNITY

Bank Muamalat strives to develop and promote a culture of diversity and equality throughout the organisation. We continue to ensure no single employee is treated differently to one another by giving them equal opportunities to achieve their potential.

Employee by gender

HQ	Men	Women
Total # of men or women	1,011	
Total # of employees at HQ	516	495
% of men or women within the governance body	51.0%	49.0%

Branches	Men	Women
Total # of men or women	1,128	
Total # of employees at Branches	541	587
% of men or women within the governance body	48%	52%



DATA TO SUPPORT MATERIAL MATTERS

Employee by minority group

HQ	Malay	Indian	Chinese	Others
Total # of employees in the minority group (bankwide)	959	16	27	9
Total # of employees in the HQ	1,011			
% of employees in the minority group within the governance body	94.9%	1.6%	2.7%	0.8%
Branches	Malay	Indian	Chinese	Others
Total # of employees in the minority group (bankwide)	1,055	11	16	46
Total # of employees in the Branches	1,128			
% of employees in the minority group within the governance body	93.5%	1.0%	1.4%	4.1%
Managerial	Malay	Indian	Chinese	Others
Total # of employees in the minority group (bankwide)	690	17	31	19
Total # of employees in Managerial employee category (bankwide)	757			
% of employees in the minority group within the employee category	91.2%	2.2%	4.1%	2.5%

Executive	Malay	Indian	Chinese	Others
Total # of employees in the minority group (bankwide)	1,192	7	10	33
Total # of employees in Executive employee category (bankwide)	1,242			
% of employees in the minority group within the employee category	96.0%	0.6%	0.8%	2.6%
Non-Executive	Malay	Indian	Chinese	Others
Total # of employees in the minority group (bankwide)	132	3	2	3
Total # of employees in Non-executive employee category (bankwide)	140			
% of employees in the minority group within the employee category	94.4%	2.1%	1.4%	2.1%

Ratio of basic salary and remuneration of women to men

Employee Category	% of Basic Pay by Gender	
	Male	Female
Managerial	64.9%	49.4%
Executive	30.9%	47.6%
Non-executive	4.2%	3.0%
Grand Total	100.00%	100.00%



OUR BOARD DIVERSITY


INFORMATION AS AT 31 MAY 2022










TAN SRI TAJUDDIN ATAN
 Independent
 Non-Executive Chairman







TAN SRI CHE KHALIB MOHAMAD NOH
 Non-Independent
 Non-Executive Director





DATO' IBRAHIM TAIB
 Non-Independent
 Non-Executive Director





IWAN RASHMAN GULAMOYDEEN
 Non-Independent
 Non-Executive Director

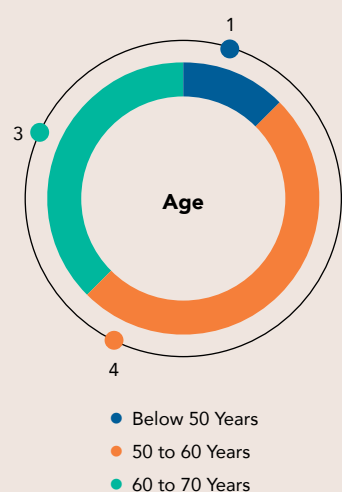
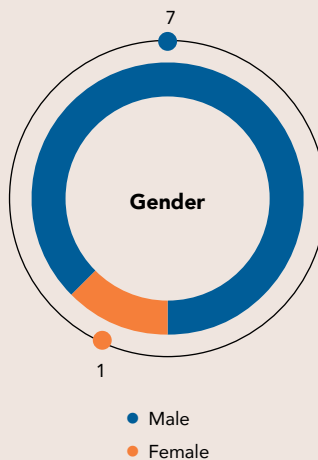
-  Board Nomination & Remuneration Committee
-  Board Audit Committee
-  Board Risk Management Committee
-  Board Compliance Committee
-  Board Veto Committee

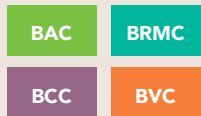
BOARD DIVERSITY

The diversity and skills of the Board ensure that Bank Muamalat is steered to deliver growth to all our stakeholders.

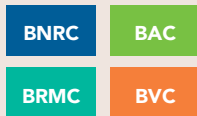
Key Features of Our Board

- The Board comprises over 50% Independent Directors
- The Chairman is a an Independent Non-Executive Director
- The roles of the Chairman and the President & Chief Executive Officer ("PCEO") are distinct

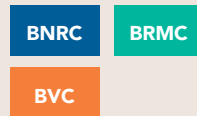




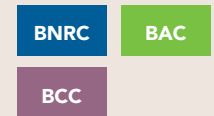
MD KHAIRUDDIN HAJI ARSHAD
Independent Non-Executive Director



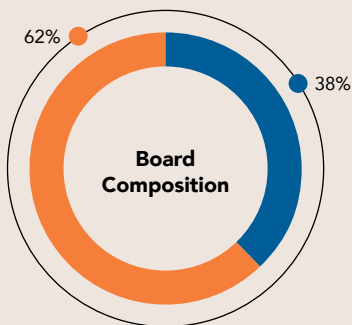
JOHARI ABDUL MUID
Independent Non-Executive Director



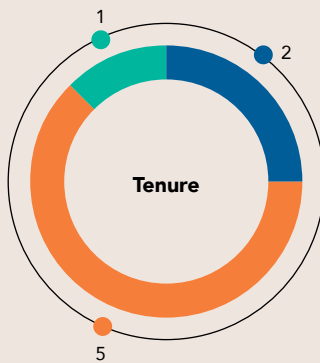
MOHD RAZLAN MOHAMED
Independent Non-Executive Director



ROSHIDAH ABDULLAH
Independent Non-Executive Director



● Non-Independent
● Independent



● Less Than 1 Year
● 2 - 5 Years
● 6 to 10 Years

Industry Knowledge/Experience

● Banking and Financing Experience	5
● Knowledge of Finance and Islamic Finance	3
● Knowledge of Corporate Governance and Shariah Governance Related to Banks and Islamic Financial	6
● Accounting	3
● International or Regional business Experience	1
● Corporate Chief Executive Officer/ Managing Director Experience	4
● Operations	6
● Legal and Regulatory Including Shariah Governance	2
● Corporate Governance, Risk Management and Internal Controls	6
● Human Capital or Talent Management	2
● Information Technology or Digital Strategy	1
● Change Management and Transformation	1
● Public Sector or Governmental Body Experience	3



Age 63

Male

Malaysian

- Independent Non-Executive Chairman
- Appointed on 6 May 2020

TAN SRI TAJUDDIN ATAN

Chairman



Tan Sri Tajuddin Atan was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 6 May 2020 and subsequently, as an Independent Non-Executive Chairman of Bank Muamalat on 3 June 2020.

Tan Sri Tajuddin brings with him over 35 years of experience in the corporate and financial industry that including banking and capital markets, both domestic and international. He was previously the Chief Executive Officer of Bursa Malaysia Berhad. Prior to that, he spearheaded companies and served as the Managing Director of RHB Bank Berhad and Group Managing Director of RHB Capital Berhad, President/Group Managing Director of Bank Pembangunan Malaysia Berhad, Chief Executive Officer of Bank Simpanan Nasional and Managing Director of Chase Perdana Berhad.

Tan Sri Tajuddin currently serves as the Chairman of MMC Corporation Berhad, Honda Malaysia Sdn Bhd as well as Chairman of Asian Institute of Chartered Bankers ("AICB") Disciplinary Panel. He sits on the Board of Cagamas Berhad and chairs the Board Risk Committee, and has also been appointed as a Commission Member of the Malaysian Communications and Multimedia Commission ("MCMC").

Tan Sri Tajuddin holds a Bachelor of Science (Agribusiness) degree from the University Putra Malaysia and a Master of Business Administration from Ohio University. A Fellow Chartered Banker by AICB, he was conferred an Honorary Doctorate in Finance by University Putra Malaysia.



TAN SRI CHE KHALIB MOHAMAD NOH

Non-Independent Non-Executive Director

Tan Sri Che Khalib Mohamad Noh was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by DRB-HICOM Berhad on 27 August 2012. He is a member of the Board Nomination & Remuneration and Board Veto Committees.

He was the former President and Chief Executive Officer of Tenaga Nasional Bhd ("TNB"). After that, he was the Chief Operating Officer – Finance, Strategy & Planning of DRB-HICOM Berhad. Tan Sri Che Khalib began his career with Messrs Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. He was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from the year 2000 to 2004. He also served as a Board member within the United Engineers Malaysia ("UEM") Group of companies and Bank Industri & Teknologi Malaysia Berhad.

Tan Sri Che Khalib is currently the Group Managing Director of MMC Corporation Berhad. He sits on the Board of Gas Malaysia Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, NCB Holdings Bhd, Aliran Ihsan Resources Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.

A qualified accountant, Tan Sri Che Khalib is a member of the Malaysian Institute of Accountants ("MIA") and also a Fellow of the Association of Chartered Certified Accountants ("FCCA, UK") United Kingdom.

Age 57

Male

Malaysian

- Non-Independent Non-Executive Director
- Appointed on 27 August 2012





BOARD OF DIRECTORS' PROFILE

Age 68

Male

Malaysian

- Non-Independent Non-Executive Director
- Appointed on 29 March 2018

DATO' IBRAHIM TAIB

Non-Independent Non-Executive Director



Dato' Ibrahim Taib was appointed as Non-Independent Non-Executive Director of Bank Muamalat nominated by DRB-HICOM Berhad on 29 March 2018. He is currently the Chairman of the Board Compliance Committee and a member of the Board Risk Management Committee.

He started his career in the judicial service in 1978 as a Magistrate in the Magistrate Court, Jalan Duta, Kuala Lumpur. Thereafter, he was transferred to the Magistrate Court in Segamat, Johor. In 1982, he became a Legal Adviser with the Road Transport Department; and continued in the same role in the Ministry of Human Resources in 1986.

In October 1989, he was attached to the Attorney-General's Chambers as a Deputy Public Prosecutor for Selangor. In 1992, he served as a Judge in the Sessions Court, Kota Bharu. In July 1992, he was seconded to the Employees Provident Fund ("EPF") as Head, Legal Department. He retired as the Deputy Chief Executive Officer (Operations) of EPF on 4 October 2014 but remained as the nominee Director of EPF in DRB-HICOM Berhad until 26 May 2017.

He is currently an Independent Non-Executive Director of DRB-HICOM Berhad. Dato' Ibrahim holds a Bachelor of Laws (Honours) degree from the University of Malaya and a Master of Laws from the University of London.



IWAN RASHMAN GULAMOYDEEN

Non-Independent Non-Executive Director

Iwan Rashman Gulamoydeen was appointed as Non-Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 September 2019. He is a member of the Board Nomination & Remuneration and Board Audit Committees.

Iwan Rashman is currently a Director with the Legal team of Khazanah Nasional Berhad ("Khazanah"). He joined Khazanah in 2007 as part of the Risk Management Unit where he was involved in setting up the Governance & Risk Management Framework, Limits of Authority and conducted various internal audits for Khazanah. Since moving to Legal, he has spent the last 10 years working on many milestone transactions, both locally and abroad, across various sectors such as healthcare, media, renewable energy and aviation. He has also worked on a number of iconic IPO exercises for Khazanah investee companies such as Astro Malaysia Holdings Bhd and IHH Healthcare Bhd in 2012, which at that time was the world's third largest IPO.

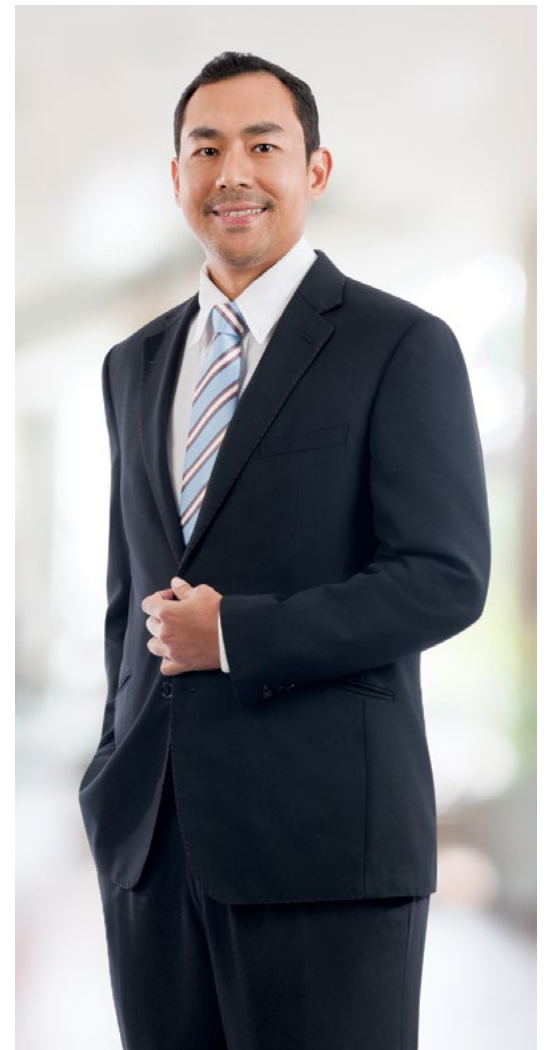
Prior to joining Khazanah, Iwan spent 5 years with the Securities Commission where he served in the Enforcement and the Listing divisions respectively. He holds a Bachelor of Laws (LLB) degree from the University of Tasmania and was admitted to the Malaysian Bar in 2001.

Age 43

Male

Malaysian

- Non-Independent Non-Executive Director
- Appointed on 1 September 2019





Age 56

Male

Malaysian

- Independent Non-Executive Director
- Appointed on 10 September 2019



MD KHAIRUDDIN HJ ARSHAD

Independent Non-Executive Director

Md Khairuddin Haji Arshad was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 10 September 2019. He also serves as the Chairman of the Board Risk Management Committee and a member of the Board Audit, Board Veto and Board Compliance Committees.

Md Khairuddin has over 25 years of experience in the banking industry. He started his career with Bank Negara Malaysia ("BNM") in 1991 and served in the Bank Regulation Department and, Islamic Banking and Takaful Department until 2005. He was involved in the setting up of the International Islamic Financial Market and the Islamic Financial Services Board.

He was part of the pioneer management team tasked with the establishment of Perbadanan Insurans Deposit Malaysia. He served as Chief Operating Officer and General Manager, Insurance, Risk Assessment and Monitoring Division since its establishment in 2005 until 2013. He was also the first Chairman of the Islamic Deposit Insurance Group of International Association of Deposit Insurers.

He joined Bank Rakyat in 2013 as Chief Risk Officer and his last position was Chief Operating Officer where he was entrusted with the responsibilities to expand the retail and corporate banking businesses, ensure effective implementation of the recovery and rehabilitation activities, manage corporate services effectively and continuously improve the effectiveness and efficiencies of the overall banking operations.

He holds a Bachelor's Degree in Accounting from the International Islamic University Malaysia. He also attended the Oxford Advanced Management and Leadership Programme and ICLIF Global Leadership Development Programme. He also has a Master of Business Administration from Heriot Watt University.



JOHARI ABDUL MUID

Independent Non-Executive Director

Age 65

Male

Malaysian

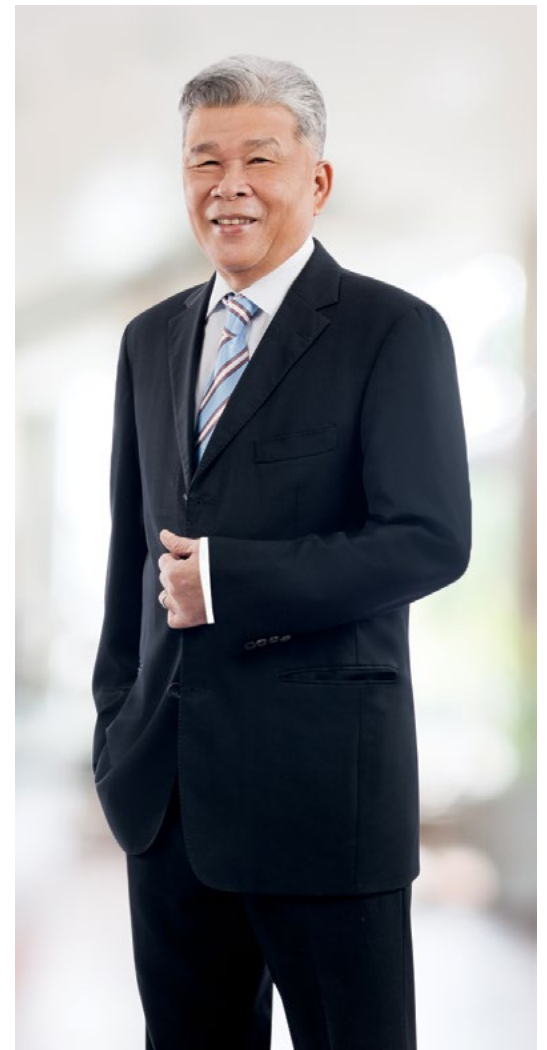
- Independent Non-Executive Director
- Appointed on 10 November 2020

Johari Abdul Muid was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 10 November 2020. He is the Chairman of the Board Nomination & Remuneration Committee and a member of the Board Audit, Board Risk Management and Board Veto Committees.

Johari brings with him over 30 years of experience in the corporate and financial industry that including banking, capital markets and social security. He was previously the Head-Treasury Division at Commerce International Merchant Bankers Bhd (1983–1994), Senior Vice President-Institutional Sales at CIMB Securities Sdn Bhd (1994-2003), Chief Investment Officer of Valuecap Sdn Bhd (2003-2004), Deputy Chief Executive Officer of Employees Provident Fund (2004-2011), Chief Executive Officer, and Managing Director of RHB Bank Berhad (2011-2013).

Johari is currently an Independent Non-Executive Director of Protect Health Corporation Berhad, Nomura Asset Management Malaysia Berhad and Nomura Islamic Assets Management Malaysia Berhad. Johari was previously an Independent Director of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (November 2017 to November 2020), Bursa Malaysia Berhad (April 2016 to March 2020) and Malaysia Debt Ventures Berhad (November 2015 to November 2019). Johari was also a Non-Independent Non-Executive Director of RHB Capital Berhad (April 2005 to November 2011), RHB Investment Berhad (April 2005 to January 2008), RHB Islamic Berhad (January 2008 to November 2011) and Iskandar Investment Berhad (January 2008 to January 2009). He was also a member of Investment Panel of Kumpulan Wang Amanah Pencen (October 2015 to July 2019).

Johari is a Fellow of the Chartered Institute Management Accounting ("CIMA").





BOARD OF DIRECTORS' PROFILE

Age 56

Male

Malaysian

- Independent Non-Executive Director
- Appointed on 01 September 2021

MOHD RAZLAN MOHAMED

Independent Non-Executive Director



Mohd Razlan Mohamed was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 September 2021. He is the Chairman of the Board Veto Committee and a member of the Board Risk Management and Board Nomination & Remuneration Committees.

Razlan was the Chief Executive Officer of the credit rating agency, Malaysian Rating Corporation ("MARC"), for 11 years from 2007 to 2018. As a member of MARC's Rating Committee, he was largely responsible for the decision of all credit rating assignments and actions on various asset classes including large corporates, structured products, infrastructure projects and financial institutions. Prior to that, he was a corporate and investment banker for debt and debt capital market for 13 years with Perwira Affin Merchant Bank, Bank of America (Malaysia), Maybank Investment Bank and MIMB Investment Bank.

He had served as a Board member of Asia credit rating industry body, the Association of Credit Rating Agency in Asia (2015 to 2018), as well as in two other international credit rating agencies, ARC Ratings SA, Portugal (2013 to 2018) and Islamic International Rating Agency, Bahrain (2011 to 2018). He was also an Independent Non-Executive Director of HSBC Amanah Malaysia Berhad (2008 to 2011), VCAP Asset Managers Sdn Bhd (2015 to 2018) and Senai-Desaru Expressway Berhad (2019 to 2021).

Razlan currently sits on the Board of Glomac Berhad, Universiti Teknologi Malaysia, Lembaga Pembiayaan Perumahan Sektor Awam, Amanah Raya Investment Management Sdn Bhd, USAINS Holding Sdn Bhd and Pacific Trustees Group International Sdn Bhd. He holds a Bachelors of Science (cum laude) degree in Civil Engineering from Duke University, USA and an MBA from Rice University, USA.



ROSHIDAH ABDULLAH

Independent Non-Executive Director

Age 55

Female

Malaysian

- Independent Non-Executive Director
- Appointed on 1 September 2021

Roshidah Abdullah was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 September 2021. She is the Chairman of the Board Audit Committee and a member of the Board Nomination & Remuneration and Board Compliance Committees.

Roshidah has more than 25 years' experience in financial management, corporate strategy development, governance and risk management in various organisations across diverse industries – upstream oil and gas; pharmaceutical manufacturing and distribution; construction and engineering – with operations in Malaysia and abroad (particularly Kazakhstan, Indonesia and the Middle East). Having worked for almost 20 years in public listed companies and large conglomerates in the capacity of Chief Financial Officer and equivalent, she has had much exposure to the requirements and set up of code of corporate governance and enterprise-wide risk management framework in her previous organisations.

Roshidah started her career as an auditor with Deloitte and Touche ("Kassim Chan & Co") in 1989. She left the firm in December 1992 to join Time Engineering Berhad as a Group Accountant.

In January 1995, Roshidah moved to Remedi Pharmaceuticals (M) Sdn Bhd ("Remedi") to head the Finance Department. Remedi was at that point just secured a 15-year concession contract to manage the drug procurement for the Ministry of Health Malaysia. She was also directly involved in the merger and acquisition of Remedi, Raza Manufacturing Berhad and Strand Pharmaceuticals Sdn Bhd by Pharmaniaga Berhad ("Pharmaniaga") in 1998, and the subsequent public listing of Pharmaniaga on Bursa Securities in 1999. In January 2000, Roshidah was promoted as the General Manager Finance and later in April 2003, as the Chief Financial Officer for Pharmaniaga. She was also Pharmaniaga's Chief Operating Officer from 2006 to March 2008.

Roshidah then spent the next two years until early 2010 as Finance Director at UEM Group Berhad and UEM Builders Berhad before she returned to Pharmaniaga to assist the Company to, amongst others, finalise its negotiation for renewal of the concession agreement and prepare for the change in controlling shareholders.

After leaving Pharmaniaga in March 2011, Roshidah had a short stint as a business consultant. Then from April 2013 to October 2016, she was the Chief Financial Officer with Sumatec Resources Berhad.

Roshidah obtained a Bachelors of Arts degree in Accountancy from South Australian Institute of Technology, Australia (now known as University of South Australia) in 1988. She is also a chartered member of Malaysian Institute of Accountants and a certified member of Australian CPA since 1992.





SHARIAH COMMITTEE PROFILE

The Shariah Committee comprises experienced and qualified individuals who perform the following responsibilities:

- Advise the Board, Management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.
- Endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.
- Approve the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- Assess the work carried out by Shariah Review and Shariah Audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the Annual Report.
- Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.
- Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- Scrutinise and endorse the annual financial report of the Bank.



HAJI AZIZI CHE SEMAN

Chairman, Shariah Committee

Date Joined: 1 April 2005

Other Current Positions

- Senior Lecturer, Islamic Studies Academy, University of Malaya
- Chairman, Shariah Advisor of Association of Islamic Banking Institutions Malaysia ("AIBIM")
- Chairman, Shariah Committee, Agrobank
- Member, Shariah Committee, Sun Life Malaysia Takaful Berhad

Qualifications

- Master in Economics from International Islamic University of Malaysia ("IIUM")
- Bachelor in Shariah from University Malaya

Relevant Working Experience

- Lecturer, Islamic Studies Academy, University of Malaya



DR. MOHD SHAHID MOHD NOH

Member, Shariah Committee

Date Joined: 1 March 2019

Other Current Positions

- Senior Lecturer, Academy of Islamic Studies, University of Malaya
- Director, Iqra Foundation (Training and Consultancy)
- Imam, Masjid Al-Ghufran, Pinggir Taman Tun Dr. Ismail

Qualifications

- Ph.D. in Faculty of Economy and Muamalat, Malaysia Islamic Science University
- Master in Business Administration (Muamalah) from Selangor Islamic College University ("KUIS")
- Master in Islamic Financial Practice (MIFP) from INCEIF
- Bachelor of Art in Qiraat Specialisation from Maahad Qiraat Shoubra Al-Azhar, Egypt

Relevant Working Experience

- Lecturer, Academy of Islamic Studies, University of Malaya



DR. YUSRI MOHAMAD

Member, Shariah Committee

Date Joined: 1 April 2019

Other Current Positions

- Member, Islamic Religious Council of Federal Territory, Malaysia
- Chairman, Kolej Profesional Baitulmal Kuala Lumpur
- Board of Director, Pusat Wakaf Majlis Agama Islam Wilayah Persekutuan ("MAIWP")

Qualifications

- Ph.D. in Islamic Jurisprudence from International Islamic University of Malaysia ("IIUM")
- Masters in Law (LL.M) at The School of Oriental and African Studies (SOAS), University of London
- Bachelor of Laws (LL.B) (Shariah), International Islamic University Malaysia ("IIUM")
- Bachelor of Laws (LL.B), International Islamic University Malaysia ("IIUM")
- Diploma in Shariah Law and Practice, International Islamic University Malaysia ("IIUM")

Relevant Working Experience

- Former Assistant Professor, Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia ("IIUM")
- Former Lecturer, Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia ("IIUM")
- Former President, Yayasan Dakwah Islamiah Malaysia ("YADIM")
- Former Shariah Committee, Kenanga Investment Bank Berhad
- Former Consultant, Hijrah Strategic Advisory Group Sdn.Bhd
- Former Board of Director & Shariah Committee, Zurich Takaful Berhad



SHARIAH COMMITTEE PROFILE



DR. AHMAD ZAKIRULLAH MOHAMED SHAARANI

Member, Shariah Committee

Date Joined: 1 April 2021

Other Current Positions

- Senior Lecturer, University Pendidikan Sultan Idris
- Senior Consultant in Tawafuq Consultancy Sdn Bhd
- Member, Shariah Committee in National Farmers Organisation ("Pertubuhan Peladang Kebangsaan")
- Member, Shariah Committee in Hong Leong MSIG Takaful
- Member, Shariah Committee in Perbadanan Tabung Pembangunan Kemahiran ("PTPK")

Qualifications

- Ph.D. in Usul Fiqh from University of Malaya
- Masters in Islamic Revealed Knowledge – majoring in Usul al-Fiqh (Honours), International Islamic University Malaysia ("IIUM")
- Bachelor in Shariah Islamiyyah (Honours), Al- Azhar University, Tanta, Egypt
- Diploma in Shariah Islamiyyah (Honours), Institute of Islamic and Arabic Language ("MADIWA"), Perak

Relevant Working Experience

- Former Shariah Committee of United Overseas Bank ("UOB") Malaysia
- Former Registered Shariah Advisor, Islamic Banking and Finance Institute of Malaysia ("IBFIM")
- Former Shariah Committee of IBFIM's Internal Shariah Committee ("IISC")

DR. MUHAMAD AZHARI WAHID

Member, Shariah Committee

Date Joined: 1 April 2021

Other Current Positions

- Senior Lecturer, Faculty of Economics and Muamalat, Islamic Science University of Malaysia ("USIM")
- Member, Shariah Committee in FWD Takaful

Qualifications

- Ph.D. in Islamic Banking and Finance, University of Gloucestershire, United Kingdom
- Chartered in Islamic Banking and Finance, INCEIF University
- Bachelor in Islamic Revealed Knowledge (Fiqh and Usul Fiqh), International Islamic University Malaysia ("IIUM")

Relevant Working Experience

- Former Management Trainee and appointed as Executive at Bank Muamalat Seremban Branch
- Former Executive Shariah Advisory and Secretariat, Bank Muamalat
- Former Assistant Manager cum acting Head of Shariah Research and Publication, Bank Muamalat



SENIOR MANAGEMENT PROFILE

KHAIRUL KAMARUDIN

President & Chief Executive Officer (PCEO)

Date Joined: 7 February 2019
Appointment to Current Position:
1 November 2019

Key Responsibility

The PCEO ensures the implementation and achievement of the Bank's current and future strategic direction set by the Board. He ensures the delivery of corporate strategy, financial and operational key result areas (KRA) and key performance indicators (KPI) across the Bank. The PCEO is accountable for developing new business opportunities and sustaining valuable relationships with stakeholders to ensure the continuous expansion and growth of the Bank. The PCEO, who acts as the public face of the Bank, is the main point of communication between the Board of Directors with the company management business and operations team.

Qualifications

- Member, The Association of Chartered Islamic Finance Professionals, Malaysia
- LLB (Honours), Anglia Ruskin University, United Kingdom

Experience

- Chief Executive Officer, Bank Islam Malaysia Berhad
- Director, BIMB Investment Management Berhad
- Pengurusan Danaharta Nasional Berhad
- PriceWaterHouseCoopers, Malaysia



AMIRUL NASIR ABDUL RAHIM

Chief Financial Officer

Date Joined: 1 September 2021
Appointment to Current Position:
1 September 2021

Key Responsibility

Responsible for Group's financials, capital, balance sheet and funding management. Oversees Finance Controller, Corporate Treasurer, Group Tax, Financial Planning and Analytics, Economics & Research, Investor Relations, Strategic Procurement, Social Finance and Shariah.

Qualifications

- Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom

Experience

- Director, Strategy & Finance, CIMB Niaga, Indonesia
- Director, Business Finance Advisory & FRS, Group Finance, CIMB Group Malaysia
- Assistant Vice President, Business Finance Advisory, Retail Finance, AmBank Group Malaysia
- Audit Supervisor, Global Financial Services, Ernst & Young LLP Malaysia & Singapore





SENIOR MANAGEMENT PROFILE



MOHAMED REZWAN ABDULLAH ISMAIL

Chief Risk Officer

Date Joined: 15 July 2020
Appointment to Current Position:
1 September 2021

Key Responsibility

Responsible in managing the financial institution's risks including:

- Overseeing Bank Muamalat's risk governance framework and risk appetite
- Implementing all risk policies approved by the Board of Directors
- Ensuring material risks are comprehensively identified, measured, reviewed and monitored
- Ensuring the bank has sufficient capital and liquidity to support business operations under adverse environment
- Ensuring compliance with regulatory authority requirements

Qualifications

- BA Accounting, Michigan States University

Experience

- Lembaga Urusan Tabung Haji
- Bank Negara Malaysia



MOHAMAD MUHSIN MOHD ANAS

Chief Compliance Officer

Date Joined: 15 May 2019
Appointment to Current Position:
15 May 2019

Key Responsibility

Oversees the Regulatory Advisory & Compliance Division, functioning as an independent party that reviews, evaluates and administer corrective action on compliance issues and concerns within the Bank.

Qualifications

- Bachelor of Science (Honours) in Accounting and Financial Analysis, The University of Warwick, UK
- Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer ("CAMCO"), AICB

Experience

- Bank Negara Malaysia



FAIDZUEL ZAIN

Acting Chief Internal Auditor

Date Joined: 4 July 2011
Appointment to Current Position:
1 September 2021

Key Responsibility

Responsible for effectively managing the Internal Audit activity of the Bank in accordance with the Internal Audit Charter, the requirements by Bank Negara Malaysia and mandatory elements of the International Professional Practices Framework. In fulfilling his functions, the Acting CIA will engage directly with the Board of Directors, Board Audit Committee and Senior Management.

Qualifications

- Bachelor of Accountancy (Hons), Universiti Teknologi MARA
- Certified Banking Auditor, Asian Institute of Chartered Bankers
- Certified Credit Professional (Business), Asian Institute of Chartered Bankers

Experience

- Head of Operations and Management Audit Department (BMMB)
- Head of Forensic Audit Section (BMMB)
- Head of Credit Audit Section (BMMB)
- Internal Audit Manager (EON Bank Berhad)
- Audit Supervisor/Team Leader (Maybank Berhad)



MOHAMMAD FAIRUZ MOHD RADI

Chief Strategy Officer

Date Joined: 1 December 2020
Appointment to Current Position:
1 December 2020

Key Responsibility

Drives Corporate Strategy, Strategic Investment including Corporate Finance and Transformation for the Bank. Other roles include leading the Product Development, Marketing & Communications and Special Project functions for the Bank.

Establishing a new line of business, Transaction Banking which offers Islamic Trade Finance, Supply Chain and Cash Management solutions targeting non-retail clients and been given the responsibility to expand Digital Banking, adopt agile banking and innovative culture within Bank Muamalat.

Qualifications

- Master of Science (MSc.) in Technologies for Broadband Communication, University College London
- Bachelor of Science (BSc) in Electrical Engineering, Pennsylvania State University, USA (Graduated with Dean's Honours List.)

Experience

- Chief Strategy Officer for Sime Darby Property
- Chief Strategy Officer and Head of CEO's Office for Maybank Kim Eng
- Head of Strategy for Wholesale Banking, Maybank
- Head of Strategy for Community Financial Services (Consumer Banking), Maybank





SENIOR MANAGEMENT PROFILE



ZURY RAHIMEE ZAINAL ABIDEN

Director, Retail Banking

Date Joined: 22 April 2019
Appointment to Current Position:
1 September 2021

Key Responsibility

Responsible for planning, monitoring, coordinating, and managing Retail Banking activities as well as oversees the development and expansion of retail financing assets, retail deposit and fee-based activities by focusing on good rating customers segments. He is also tasked to embed risk and compliance culture within the division. In addition, his tasks include formulating and implementing strategic plans, new product research and development, staff up-skilling and performance management.

Qualifications

- Bachelor's degree with Honours in Marketing from Universiti Teknologi MARA

Experience

- Over 18 years of experience in retail banking industry
- Head, Deposit & Cash Management Division, Bank Islam
- Assistant General Manager, Consumer Banking Division, Bank Islam



NOR HAMIDAH ABU BAKAR

Director, Corporate Banking

Date Joined: 25 August 2010
Appointment to Current Position:
1 September 2021

Key Responsibility

Planning, monitoring, coordinating and managing Corporate Banking activities as well as overseeing the development and expansion of financing assets and fee-based activities. Embedding risk and compliance culture within the division while formulating and implementing strategic plans, new product research and development, staff up-skilling and performance management.

Qualifications

- Executive Masters in Management, Asia Metropolitan University, Malaysia
- Member, The Association of Chartered Finance Professionals, Malaysia
- Bachelor of Economics, International Islamic University Malaysia ("IIUM")

Experience

- Executive Vice President, Business Banking Division, Bank Muamalat
- Corporate Banking Division, RHB Bank Berhad



DATO' MOHAMED NAZIR NOR MOHAMED

Director, Commercial Banking

Date Joined: 8 February 2021
Appointment to Current Position:
1 September 2021



Key Responsibility

Responsible for Commercial Banking Division:

- Overseeing the operations of both Commercial and SME Business Teams
- Spearheading growth strategies and execution of strategies for both Commercial and SME Business Teams, in line with aspiration of the Board
- Marketing the products of the bank to both commercial and SME customers
- Spearheading high-level discussions and negotiations with potential collaboration partners such as Government Agencies and Cooperatives

Qualifications

- Bachelor of Science (Hons), Electronics, Middlesex University London
- Foundation, Australian Consortium for Higher Learning

Experience

- Group Managing Director, Chase Perdana Sdn Bhd
- Group CEO, Turiya Berhad
- CEO, Laksamana Warisan Sdn Bhd (Inai Kiara Group)
- Assistant Vice President I – Strategy & Business Development, Sime Darby Energy & Utilities
- Associate - Debt Capital Market, CIMB Bank Berhad
- Assistant Vice President I - Corporate Banking, CIMB Bank Berhad

AMIREZA MOHD KHALID

Director, Treasury & Capital Markets

Date Joined: 16 April 2013
Appointment to Current Position:
1 September 2021



Key Responsibility

Manages overall bank liquidity, accelerate fee income, overlook, investment and portfolio management. Oversees the operations of Treasury and Capital Markets Division which encompasses of Treasury, Correspondent Banking, Investment Banking and Labuan Offshore Branch.

Qualifications

- Bachelor of Accountancy (Hons), Universiti Teknologi MARA
- Active member and licensed dealer, Financial Market Association Malaysia

Experience

- Over 25 years' experience in Treasury and Capital Markets
- Head, Fixed Income, Bank Muamalat
- Senior Dealer, Global Market Division, Maybank
- Treasury Division, Maybank Finance



SENIOR MANAGEMENT PROFILE



NUR AZRINA ABDUL SAMAD

Head, Legal & Secretarial

Date Joined: 16 February 2012
Appointment to Current Position:
24 August 2020

Key Responsibility

Supervises the Legal and Corporate Secretariat Departments respectively. This includes rendering sound legal advice to all stakeholders of the Bank and its subsidiaries. She is also to ensure whilst safeguarding the interests of the Bank and managing legal risks, the objectives and business plans are fulfilled and considered. She also undertakes to ensure the secretarial matters are managed and attended to accordingly.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals Associate
- Member of Malaysian Association of Company Secretaries
- MBA, University of New England, Australia
- LLB (Honours), International Islamic University, Malaysia
- Admitted to practice in the High Courts of Malaya

Experience

- Over 27 years of experience in the banking industry
- Head of Legal, SME Bank
- Head of Corporate Secretarial, Kuwait Finance House Berhad



MOHD IZWAN MAHYUDIN

Head, Shariah

Date Joined: 15 December 2008
Appointment to Current Position:
27 July 2020

Key Responsibility

Responsible for managing the Bank's Shariah Committee and performing the secretariat function to the Shariah Committee. He is accountable in providing Shariah advisory and consultancy function to the Board and Management including but not limited to Bank's products, businesses, services, operation, risk management, credit, recovery, corporate planning, IT system, human resource, Zakat payment and financial statement, as well as providing expert inputs and materials on research, advisory and training development on all Shariah matters in the bank.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance
- Master of Shariah (with Distinction), University of Malaya
- Bachelor of Islamic Revealed Knowledge and Heritage (Fiqh & Usul Fiqh) degree, International Islamic University Malaysia
- Executive Diploma in Advance Management, DRB-Hicom University
- Certified Training Professional by Financial Accreditation Agency

Experience

- Secretary of Shariah Committee, Bank Muamalat
- Head of Advisory and Secretariat Section, Bank Muamalat
- Head of Shariah Compliance and Review Section, Bank Muamalat
- Head of Shariah Training and Awareness Section, Bank Muamalat
- Acting Head Product Development and Innovation, Bank Muamalat



MUHAMAD RADZUAN AB RAHMAN

Head, Banking Operations

Date Joined: 13 February 2006
Appointment to Current Position:
1 January 2021

Key Responsibility

Responsible to maintain control of diverse operations segment with the main objective to secure the functionality of business to drive extensive and sustainable growth in accordance with the strategic plan and operating & budget.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals and a Certified Credit Professional (Consumer), IBBM
- Master in Business Administration, National University of Malaysia
- Bachelor of Business Administration in Management, West Texas A & M University, USA

Experience

- Head, Credit Management Division, Bank Muamalat
- Head, Financing Supervision and Rehabilitation, Bank Muamalat
- Head, Retail Approving Centre, Bank Muamalat
- Branch Manager, Jalan TAR Branch, Bank Muamalat
- Credit Manager (Mortgage Approval Team Leader), Credit Approval Centre, Southern Bank Berhad
- Branch Manager, S17 PJ & Kulim Branch, Southern Bank Berhad
- Head of Credit, Damansara Town Centre Branch, Bank Bumiputra Malaysia Berhad



TS. MEGAT MOHAMMAD FAISAL KHIR JOHARI

Head, Technology

Date Joined: 3 August 2020
Appointment to Current Position:
1 September 2021

Key Responsibility

Responsible for managing the financial institution's information assets and ensuring technologies are adequately protected, which includes:

- Developing and overseeing the IT Strategic Plan and budget
- Planning, deploying and maintaining IT systems and operations
- Managing the organisation's software development needs
- Developing IT policies, procedures and best practices
- Monitoring on IT trends and emerging technologies
- Developing and enforcing IT best practices across the organisation
- Formulating IT strategies and processes to support bank-wide goals
- Overseeing relationships with vendors, contractors and service providers
- Stakeholder management and reporting to the board of directors and other executives on the benefits and risks of new IT-related projects

Qualifications

- Professional Technologist in Cyber Security Technology, Malaysia Board of Technologist
- Bachelor of Commerce (Accountancy), The University of Queensland

Experience

- Over 22 years' experience in Technology and Cyber Security Project Advisory Services, Business Continuity, Internal Audit, IT Audit and Risk Management.
- Former Partner of Deloitte Risk Advisory
- Former Deloitte Asia Pacific Risk Advisory Leader for Oil, Gas & Chemical





ENSURING STRONG GOVERNANCE

Bank Muamalat Malaysia Berhad ("Bank Muamalat") is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the Group's business.

The Board recognises the vital importance of a sound governance culture to the continued success of the Group. Our core values underpin our governance culture and emphasise the behaviours that will enable Bank Muamalat to continue to succeed in what we do. The governance framework is designed to ensure that the Board, led by the Chairman, is able to monitor the sustainability of the business model, performance against strategy and opportunities and threats as they arise. When reviewing performance against strategy, the Board looks to ensure it continues to align with the Group's culture and delivers long-term success to the Group and its stakeholders.

OUR GOVERNANCE FRAMEWORK

Our governance framework takes guidance based on the following key statutory provisions and best practices:

- a. Companies Act 2016 ("CA 2016")
- b. Islamic Financial Services Act 2013 ("IFSA 2013")

BOARD RESERVED MATTERS



Strategy



Capital and Finance



Terms of Reference



Delegation of Authority



Appointment



Contracts and Transactions



Disclosures



Policy Governing Meetings



Legal

BOARD OF DIRECTORS

Source of Authority/
Roles and Responsibilities
specified in:

- Board Charter
- Bank's Constitution
- Terms of References of each of the Board Committees
- Companies Act 2016
- IFSA 2013
- BNM Policy Documents and other applicable regulatory requirements

BOARD COMMITTEES

Board Nomination & Remuneration Committee ("BNRC")

Provides a formal and transparent procedure for the appointment and remuneration of directors, PCEO and members of Shariah Committee as well as assessment of effectiveness of the Board as a whole, Shariah Committee members and performance of PCEO and key senior management officers.

Board Audit Committee ("BAC")

Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations. The PCEO and Chief Internal Auditor attend all BAC meetings as permanent invitees to facilitate deliberation of the issues discussed.

Board Risk Management Committee ("BRMC")

Responsible to oversee Management's activities in managing all risks namely credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning. The BRMC is assisted by the PCEO, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.

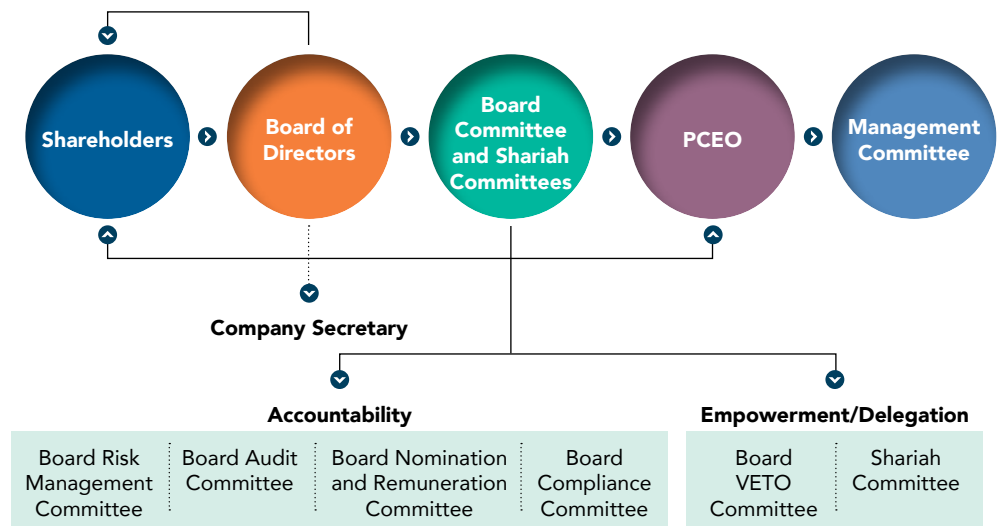
SHARIAH COMMITTEE

Advises the Board and Management, including the Bank's subsidiaries and provides input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times. Endorses Shariah policies and procedures prepared by the Bank and ensures that the contents do not contain any elements which are not in



- c. Policy Document on Corporate Governance issued by BNM (“BNM CG”)
- d. Policy Document on Shariah Governance (“PDSG”)
- e. Malaysian Code on Corporate Governance issued by Securities Commission Malaysia (“MCCG 2021”)
- f. Relevant requirements as outlined under the respective guidelines by BNM and other regulators.

GOVERNANCE STRUCTURE



Board Compliance Committee (“BCC”)

Provides oversight and advice to the Board and Management in respect of the management of compliance risk, including AML/CFT, bribery and corruption.

Also evaluates the adequacy and effectiveness of the Bank’s overall management of compliance risk, having regard to the assessment of senior management and internal audit as well as the Regulatory Advisory and Compliance Division. Recommends improvement needed to the Board, and assesses emerging compliance and AML/CFT concerns.

Board Veto Committee (“BVC”)

Reviews financing and/or investment proposals approved by the Credit Committee (“CC”) based on the limits determined by the Board. In the event of modification of the terms and conditions, the appeal has to be reverted to the Board Veto Committee.

Limits of Authority Manual sets out authorisation limits for the PCEO, Management Committees, Management and matters requiring Board/Board Committee’s review/ approval.

PRESIDENT/CHIEF EXECUTIVE OFFICER (“PCEO”)

The PCEO manages the day-to-day business operations in line with the strategy and key performance indicators set by the Board. The key responsibilities of the PCEO are to:

- Develop the strategic direction of the Bank;
- Ensure that the Bank’s strategies and corporate policies are effectively implemented;
- Ensure that Board decisions are implemented and Board directions are responded to;
- Provide direction in the implementation of short and long-term business plans;
- Provide strong leadership that effectively communicates a vision, management philosophy and business strategy to the employees;
- Keep the Board fully informed of all important aspects of the Bank’s operations and ensure sufficient information is distributed to Board members.

MANAGEMENT COMMITTEE

The Management Committee helps the PCEO to:

- Set performance targets
- Monitor key objectives and commercial plans to help achieve the Group’s targets
- Implement Group strategy
- Evaluate new business initiatives and opportunities

line with Shariah. Ensures that the products of the Bank comply with Shariah principles.

Further details on Shariah Committee can be found on pages 116 to 118 of the Annual Report.



BOARD LEADERSHIP AND EFFECTIVENESS

BOARD CHARTER

The Board Charter formalises the various roles and responsibilities of the Board, Board Committees and individual Director of Bank Muamalat with the aim of streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities.

The roles of the Chairman, Non-Executive Directors and President & Chief Executive Director are set out in the Board Charter (Charter).

The Charter is available online at <https://www.muamalat.com.my/downloads/corporate-overview/Board-Directors/Board-Charter-v3.0.pdf>



The following summarises the list of Matters Reserved for the Board's deliberation and decision:

- Strategic decisions which are, or may be significant, in terms of future profitability of the Bank
- Decisions on significant/material matters on capital and finance
- Adoption/changes to the Constitution or terms of reference of Board/ Board Committees
- Decision in relation to delegation of authority
- Decision on appointments and removal of any member of the Board, or the company secretary, or the senior management, a director from the Chairmanship of the Board and external auditors or other professional advisors.
- Significant and/or connected party contracts and transactions or contract that involves conflict of Director's personal interest.
- Disclosure on financial information/reports for publication as well as presentation to Shareholders or disclosure on material information that may affect the image of the Bank
- Policy governing the Board Meetings
- Payment by Bank arising out of material legal disputes

Further details on Board Reserved Matters can be found in the Board Charter.

THE BOARD

The Board comprised eight Directors, of whom five are Independent Non-Executive Directors ("INEDs") and three Non-Independent Non-Executive Directors ("NINEDs").

The Board takes cognisance of the requirement of BNM CG in relation to the board composition with a majority of independent

The Diversity of the Board is analysed and summarised on page 106 of this Annual Report





directors.

i. Appointment and Re-appointment of Directors

The Bank is governed by the BNM CG in respect of the appointment of new Directors and the re-appointment of the existing Directors upon the expiry of their respective tenures of office. All appointments and re-appointments of Directors are subject to the approval by BNM.

The primary responsibility of assessing the candidate for new appointment or existing Directors for re-appointment has been delegated to the BNRC. The BNRC also ensured the candidate/Director satisfy the relevant requirements on the skills and core competencies of a director and is deemed fit and proper to be appointed/re-appointed as Director in accordance with the Fit and Proper criteria as prescribed by BNM. BNRC will then recommend the appointment or re-appointment, as the case may be, for approval by the Board.

All Directors exceeded the requirements set out in the Charter in terms of attendance, demonstrating their commitment and dedication in fulfilling their duties and responsibilities. The Directors have also complied with the BNM CG, i.e. the requirement of attendance of at least 75 per cent. The attendance of the respective Directors at meetings of the Board and Committees held in 2021 are provided below:

Name of Directors	Board	BAC	BNRC	BRMC	BVC	BCC
Tan Sri Tajuddin Atan	13/13					
Tan Sri Che Khalib Mohamad Noh	13/13		6/6		8/10	
Dato' Ibrahim Taib ●	13/13			12/12		4/4
Iwan Rashman Gulamoydeen	13/13	11/12	6/6			
Ghazali Hj Darman ¹	7/7	6/6	4/4	7/7	6/6	3/3
Md Khairuddin Hj Arshad ² ●	12/13	12/12	4/4	12/12	10/10	4/4
Johari Abdul Muid ³ ●	13/13	12/12	6/6	12/12	10/10	
Roshidah Abdullah ⁴ ●	4/4	4/4	2/2			1/1
Mohd Razlan Mohamed ⁵ ●	4/4		2/2	3/3	2/2	

Notes:

¹ Ceased to be a member and Chairman of BAC on 19 June 2021. Resigned as Director, and as member of BNRC and BVC on 21 July 2021

² Ceased to be Chairman, and member of BNRC on 24 August 2021. Appointed Chairman of BAC on 21 July 2021 until 17 December 2021.

³ Appointed as Chairman of BNRC on 25 August 2021

⁴ Appointed as Director, and as member of BNRC on 1 September 2021. Appointed as member of BAC on 1 September 2021 and became Chairman on 18 December 2021

⁵ Appointed as Director and as member of BNRC on 1 September 2021. Appointed as member of BVC on 1 September 2021 and became Chairman on 19 January 2022

● Chairman of Board Risk Management Committee ("BRMC")

● Chairman of Board Nomination & Remuneration Committee ("BNRC")

● Chairman of Board Audit Committee ("BAC")

● Chairman of Board Veto Committee ("BVC")

● Chairman of Board Compliance Committee ("BCC")



BOARD LEADERSHIP AND EFFECTIVENESS

ii. Re-election of Directors

Clause 76 of Bank Muamalat's Constitution provides among others, that one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. The Directors to retire shall be the Directors who shall have been longest in Office. A retiring Director shall be eligible for re-election, and shall act as a Director throughout the meeting at which he/she retires.

Clause 62 of Bank Muamalat's Constitution provides among others, that the Directors shall have power from time to time and at any time to appoint additional Directors, provided that the total number of Directors shall not exceed the prescribed maximum. A Director so appointed shall retire from office at the next Annual General Meeting ("AGM"), but shall be eligible for re-election.

Iwan Rashman Gulamoydeen and Md Khairuddin Hj Arshad retired by rotation in accordance with Clause 76 of Bank Muamalat's Constitution and being eligible, had offered themselves for re-election.

In respect of the new appointments to the Board for the Financial Year, Roshidah Abdullah and Mohd Razlan Mohamed retired at the AGM in accordance with Clause 63(2) of Bank Muamalat's Constitution, and being eligible, had offered themselves for re-election.

All retired Directors named above, through the Board Effectiveness Evaluation including Self and Peer Assessment, have met the performance criteria required of an effective and high-performance Board.

iii. Tenure of Independent Directors

The tenure of an Independent Director is capped at nine years and the nine years can either be a consecutive service or a cumulative service, with intervals or upon expiry of the prevailing term as approved by BNM, whichever is the later date.

As of the date of this report, none of the INEDs has served the Board for more than nine years.

DELEGATION OF AUTHORITY

i. Separation of Chairman and PCEO

The roles of the Chairman and PCEO are clearly separated, and the Chairman was not previously a PCEO of Bank Muamalat. The Chairman is responsible for providing leadership to the Board to facilitate the Board in carrying out its responsibilities effectively while the PCEO, is primarily responsible for the management of day-to-day business operations in line with the strategy and key performance indicators set by the Board.

The detailed roles and responsibilities of the Chairman and PCEO can be found in the Charter.

The Management committee helps the PCEO to manage the Group's operations in term of setting performance targets, implementing the Group strategy, monitoring key objectives and commercial plans to help achieve the Group's targets; and evaluating new business initiatives and opportunities.

ii. Board Committees

There are five (5) Board Committees established by the Board:

- Board Nomination and Remuneration Committee
- Board Audit Committee
- Board Risk Management Committee
- Board Compliance Committee
- Board Veto Committee

These Committees play a significant role in reviewing matters within their respective Terms of Reference and support the Board's discharge of its duties and responsibilities, and in keeping the Board efficient. Each of the Committees has specific Terms of Reference, scope and authority to review matters tabled before the Committee prior to decision-making by the Board as a whole. Membership of these Committees is reviewed as and when required, with specific emphasis on updates in governance requirements and efficiency of the Committees.

All Committees comprise minimum/at least three (3) Directors with majority of Independent Directors and comprised Directors who have the skills, knowledge and experience relevant to the responsibilities of the respective Board Committees.



Save for the Board Compliance Committee, all Committees are chaired by Independent Directors. The Chairman of the Board does not chair any of the Board Committees.

Source of Authority/Roles and Responsibilities is specified in:

- Board Charter
- Constitution
- Terms of Reference of each Board Committee
- Companies Act 2016
- IFSA 2013
- BNM Policy Documents and other applicable regulatory requirements

Board Nomination & Remuneration Committee

Roles

Provides a formal and transparent procedure for the appointment and remuneration of directors, PCEO and members of Shariah Committee as well as assessment of effectiveness of the Board as a whole, Shariah Committee members and performance of PCEO and key senior management officers.

Focus Areas

The BNRC focuses on reviewing and recommending:

- The appointment and re-appointment of Independent and Non-Independent Non-Executive Directors.
- The appointment and re-appointment of Shariah Committee members
- The revised composition of the Board Committees.
- The new appointment/renewal/revision of the contract of service of Senior Management and their remunerations.
- The annual Corporate Scorecard and KPI's for Senior Management and their respective performance and reward.
- The remuneration of the Non-Executive Directors.

Board Veto Committee

Roles

Reviews the financing and/or investment proposals approved by the Credit Committee ("CC") based on the limits determined by the Board. In the event of modification of the terms and conditions, the appeal has to be reverted to the Board Veto Committee.

iii. Company Secretary

The Company Secretary attends all Board meetings and minutes are prepared to record key deliberations and decisions taken during the meetings. The Company Secretary facilitates communication between the Board, its committees and management, and generally assists Directors in the discharge of their duties. The Company Secretary helps with the induction of new Directors and also tasks to facilitate the ongoing professional development of all Directors.

BOARD EFFECTIVENESS

i. Board Effectiveness Evaluation

The Board Effectiveness Evaluations ("BEE") are conducted annually to identify opportunities for increasing efficiency, maximise strengths and to highlight areas for improvement. Where applicable, professional consultants are engaged to conduct the assessment. The Chairman of BNRC oversaw the overall evaluation process while the responses shall be reviewed and analysed by the BNRC, before the assessment results were tabled and

In line with the recommendation in the BNM CG, the Board had conducted the BEE for the year 2021. As required by the BNM PD on Shariah Governance, the 2021 BEE has also included assessment on Shariah Committee members.



BOARD LEADERSHIP AND EFFECTIVENESS

communicated to the Board.

The following categories of assessments were embedded into the 2021 BEE questionnaires:

- **Board Assessment** to assess amongst other the Board's structure, size, composition (mix of skills, experience and competency), quality of information, deliberation and decision making including how Directors challenge matters discussed.
- **Individual Directors' Assessment** (including Independent Directors) to assess amongst others the respective Directors' ability to critically challenge and ask the right questions, character and integrity in dealing with potential conflict of interest situations, commitment to serve the Bank with due diligence and integrity, critical and vigilant in offering alternative points of view, fit and properness and independence of the Independent Directors including level of independence in exercising his/her judgment and ability to act in the best interest of the Bank.
- **Board Skill Set Assessment** to assess amongst others the Board's leadership and strategy, legal and regulatory requirements, banking and finance, corporate governance, Shariah governance, risk management and internal controls, accounting and financial reporting and operational management.
- **Board Committee Effectiveness Assessment** (including Shariah Committee) to assess amongst others, the Committees' Structure (size, composition and member classification), quality of information, deliberation and decision making including how members challenge matters discussed, accountability and responsibilities and effectiveness of the Board Committee including its terms of reference, processes and reporting line.
- **Individual Board Committee Members' Assessment** (including Shariah Committee) to assess amongst others the Committees' dynamics and participation and Fit and Proper criteria.

ii. Board Meetings and Access to Information

Directors are given due notice of proposed meetings, allowing Directors to lock in their timings, and for advance planning. The detailed Agendas and the detailed Board/Committee meeting materials are shared and uploaded electronically prior to Board/Board Committees meetings.

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be made between the scheduled meetings. Scheduled Board meetings are structured with certain pre-set agenda.

Directors can participate in Board and Committee meetings in person, or via virtual platforms such as Zoom or Teams. During the MCO and recovery MCO, Directors utilised digital means to participate in meetings. Virtual meetings, digital means, and use of technology were implemented successfully during the year.

Minutes of the meetings, together with a summary of the action items are circulated to all members of the Board prior to meetings.

At each meeting, the Board receives updates from the respective Chairmen/representatives of the Board Committees on matters that have been deliberated at the Board Committees, as well as on matters that require Board's attention. Other Heads of Division and external advisers may be invited to attend the meeting to advise the Board on certain matters under discussion. Directors will have the opportunity to discuss specific areas with them and where relevant, challenge the ideas presented. The Chief Financial Officer attends all Board meetings by invitation, while the relevant Senior Management Officer of Bank Muamalat are invited to attend Board meetings to brief and provide details to the Directors on recommendations or reports submitted to the Board.

The PCEO and Head of Business, Operations, Support and Control functions provides an update on the Bank's business and operations, regulatory and compliance updates as well as a macro perspective on industry trends and developments. The Chief Financial Officer presents the financial performance and significant financial highlights. All important deliberations, decisions and conclusions are recorded in the Board meetings' minutes.



Management receives the Board's guidance, takes note of the comments and feedbacks from the Directors and provides agreement with the Directors on proposed actions to be taken, including the decisions.

Outside Board meetings, Board approvals for matters in the ordinary course of business can be obtained through written resolutions. Ad-hoc meetings are held when necessary. Directors have direct access to Senior Management and may request for additional information from them. Directors have access to the Company Secretary at all times.

iii. Board Induction and Succession Planning

On appointment, each new Director will undergo an on-boarding exercise. This will expedite the familiarisation process for new Directors with the environment that the Bank operates in, the Bank's business strategy and operations. On appointment to the Board, all Directors will need to attend an induction programme which is tailored to the new Director's requirement.

The said session will be organised as soon as practicable not later than three months upon the appointment of the Director.

All new Directors are required to attend the programme or other similar sessions that may help him/her achieve the intended outcome as soon as possible, once appointed. The Company Secretary also facilitates the induction of newly approved Directors.

The BNRC is responsible for developing succession plans and to identify and recommend candidates for the Board to ensure that the Board is made up of directors with appropriate skills, experience, expertise and diversity. The BNRC also oversees the appointment and succession planning for key Senior Management.

iv. Training and Development of Directors

The Board has taken steps to ensure that its members have ongoing access to appropriate continuing education programmes and reasonable budget has been allocated for the programme. Directors are encouraged to attend talks, briefings, workshops and utilise online learning tools, reading materials and trainings on areas that would benefit them in their roles and responsibilities.

All Directors of Bank Muamalat are required to register for the director's core training programme under the Financial Institutions Directors' Education Programme ("FIDE") within a year and Islamic Finance for Board within two years upon his/her appointment.

All Board members have attended and completed the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In line with the MCCG 2021 recommended practice, the Company Secretary facilitates the orientation of new Directors and assist in directors' training and development.

A summary of training courses attended by the Directors during the financial year are listed below:

- ▶ Islamic Finance for BOARD ("IF4BOD")
- ▶ FIDE Elective Programme: RMI&T & Digital Transformation
- ▶ Briefing Session "Seksyen 17" with SPRM
- ▶ FIDE Forum Dialogue on the Future of Malaysia's Financial Sector
- ▶ JC3 Flagship Conference 2021
- ▶ BNM-FIDE FORUM Dialogue on RMI&T Implementation
- ▶ Structured Shariah Training: Regulatory Framework and Legal Issues for Islamic Financing & Legal Documentations
- ▶ Shaping the future of FI board leadership - Invitation to FIDE FORUM's engagement session on Board Leadership Framework
- ▶ Raising Defences: Section 17A, MACC Act
- ▶ KPMG-US Forced Labor Legislation: Impact on Corporate Malaysia
- ▶ Business Continuity Management ("BCM") Awareness Training



BOARD LEADERSHIP AND EFFECTIVENESS

- Shariah Structured Training: Shariah Principle and Essential Business Contracts in Islamic Banking and Finance
- MyFintech Week 2022 Sustainability Challenge Accelerator
- SC-FIDE FORUM Dialogue: Capital Market Masterplan 3
- BNM-FIDE FORUM Dialogue with Tan Sri Nor Shamsiah binti Mohd Yunus, Governor of Bank Negara Malaysia
- Ask An Expert Webinar - Board Composition & Dynamics
- Cybersecurity Oversight in the Boardroom

v. Ethical Business Conduct and Whistle Blowing

The Board promotes good corporate governance culture to ensure that Bank Muamalat conducts its business with integrity, in an ethical and transparent manner.

To this end, the Board has established the Code of Business Conduct ("CoBC"). The CoBC sets out the conduct expected of all directors, employees and third parties doing business with Bank Muamalat. The CoBC outlines, inter alia, Bank Muamalat's procedures relating to non-discrimination, whistleblowing, Bank Muamalat's assets and properties, confidential information, personal data protection, insider trading, fraud, conflict of interests, bribery and anti-corruption. Bank Muamalat's directors and employees affirm their commitment to the CoBC.

The CoBC has recently been enhanced to include fundamental principles on Competence, Integrity, Fairness, Confidentiality and Objectivity which shall be consistently applied across Bank Muamalat. This is to align the CoBC with the requirement of Professional Code for the financial services industry developed by Financial Services Professional Board ("FSPB"); relevant points in mitigating rapid changes resulting from Industrial Revolution 4.0 (IT devices utilisation, social media usages and cyber security); and new items from relevant Acts, regulatory requirements and Guidelines amongst other, the Adequate Procedures in relation to Corporate Liability pursuant to subsection (5) of Section 17A, Malaysian Anti-Corruption Commission ("MACC") Act 2009.

Bank Muamalat has zero tolerance on any conduct that constitutes a wrongdoing or malpractice which may include

any breach of ethics as described in the CoBC, conflict of interests, bribery and corruption, anti-money laundering/combating the financing terrorism, and/or any fraudulent act as may be described in Bank Muamalat's Anti Bribery Code system and other relevant documents.

In light of the requirements stipulated under the BNM CG and the CA 2016, Bank's Whistleblowing Policy, established by the Board provides a secure reporting avenue via the Ethics Hotline for employees and third parties, who have knowledge or are aware of any improper conduct or unethical behaviour including suspected fraud, bribery, corruption and criminal activity.

REMUNERATION

Remuneration of Directors and Senior Management

The Board has delegated to the BNRC the responsibility to oversee and recommend the structure of the remuneration policy and frameworks for the Directors and Senior Management. Bank Muamalat's Remuneration Policy has been developed to attract and retain Directors and management of the calibre needed to spearhead Bank Muamalat.

The remuneration structure for Non-Executive Directors takes into consideration the relevant factors including function, workload, responsibilities and time spent for the preparation for the Board and Board Committee meeting. It comprises fees, meeting allowance and benefits in kind. A premium is given to the Chairman of the Board and Board Committees in view of his/her additional role in guiding and managing the Board and Board Committees.

In line with good corporate governance practice, the Remuneration Policy/structure shall be reviewed every three (3) years or as and when BNRC or the Board deem necessary.

The remuneration for the Non-Executive Directors is subject to annual approval by the shareholders.

The PCEO's Corporate Scorecard and key senior management's Key Performance Indicators are reviewed and tracked by the BNRC on an annual basis.

The aggregate emoluments received by the Directors of the Bank during the financial year ended 31 December 2021 are disclosed in Note 35 from page 268 of the Audited Financial Statement for the financial year ended 31 December 2021.





EFFECTIVE AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, supported by its committees, operates within a framework of prudent and effective controls in the interests of shareholders, customers and other stakeholders. The Group's Governance of Risk Management and Internal Controls ensures the safety and soundness of the Group and its key entities. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls.

The Group's Risk Management and Internal Controls governance comprises three (3) elements:



THE BOARD AND ITS COMMITTEES

BRMC is responsible for reviewing and setting the Group's overall risk strategy and risk appetite, and for approving the risk management policies. BAC reviews the effectiveness of the Internal Control System on an annual basis and carries out assurance on the Financial Control Framework on a quarterly basis. The Board reviewed the effectiveness of the Bank's risk management and internal control systems including financial, operational and compliance controls and concluded that they were appropriate and had operated effectively during the year.

RISK MANAGEMENT SYSTEM

- A common framework through which risk management and control is embedded.
- Consistent approach throughout the Group to identify, measure, manage, monitor and report risks.
- Consistent and comprehensive set of policies are maintained.
- Risk Management Policy establishes a framework of standard risk management processes.
- Risk Management System is underpinned by the 'Three (3) Lines of Defence' model.

INTERNAL CONTROL SYSTEM

The Group's Internal Control System sets out the processes and frameworks required to ensure effective and efficient delivery of the Group's strategic objectives and is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable, not absolute assurance against material financial misstatement or loss. Implementation and maintenance of the Internal Control System is delegated to senior management. The Group has an effective Internal Control System which contains administrative and accounting procedures, an internal control framework, with appropriate validation, assurance and reporting arrangements at all levels of the Group, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three (3) lines of defence model.

For further details on Effective Risk Management and Accountability, please refer to Statement on Risk Management and Internal Control on page 146 of the Annual Report



BOARD ACCOUNTABILITY

Board Audit Committee

The BAC has discharged their functions, duties and responsibilities well in accordance with the Terms of Reference ("TOR") and efficiently assisted the Board in making informed decisions on matters relating to the quarterly results, year end financial statements, assessment of external auditors and internal audit function.

The annual assessment on the suitability, objectivity and independence of the external auditors, Ernst & Young PLT ("EY"), is undertaken by the BAC and approved by the Board.

The BAC Report provides an overview of Bank Muamalat's adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations.

The BAC's role and focus areas and the Board Audit Committee Report can be found on page 142 of this Annual Report.





EFFECTIVE AUDIT AND RISK MANAGEMENT

INTERNAL CONTROL AND RISK MANAGEMENT

Board Risk Management Committee

Roles

Responsible to oversee Management's activities in managing all risks namely credit, market, liquidity, operational, legal and other risks, and to ensure that the risk management process is in place and functioning. The BRMC is assisted by the Chief Executive Officer, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.

Focus Areas

The BRMC focuses on the following:

- Review the risk management report covering market risk, credit risk, operational risk and Shariah non-compliance risk and emerging risk report
- Review compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance and update on new policies and regulations.
- Review and recommend to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction.
- Review and recommend to the Board the stress test scenario and its methodology.
- Review the implementation of the Internal Capital Adequacy Assessment Process ("ICAAP") for the Bank.
- Review and deliberate new product/services and product programmes proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank.
- Review and deliberate significant business and operating risk-related policies of the Bank.

The composition of the BRMC is in line with Paragraph 12.3 (c) of BNM CG, which requires that the position of the BRMC Chairman be held by an Independent Director of Bank Muamalat.

The Board has delegated to the BRMC the responsibility of overseeing the effectiveness, adequacy and integrity of the risk management framework and policies of Bank Muamalat and ensuring that significant risks faced by Bank Muamalat are being managed appropriately to respond to changes in the business environment. In addition, BRMC is also responsible for overseeing business continuity management of Bank Muamalat.

The Statement on Risk Management and Internal Control provides an overview of Bank Muamalat's risk management and internal control framework as well as the adequacy and effectiveness of the framework.

Board Compliance Committee

Roles

- To provide oversight and advice to the Board of Directors and Management in respect of the management of compliance risk, including AML/CFT, bribery and corruption.
- To evaluate the adequacy and effectiveness of the Bank's overall management of compliance risk (such as infrastructure, resources and systems), having regard to the assessment of senior management and internal audit as well as the Regulatory Advisory and Compliance Division and recommend improvement needed to the Board;
- To review and assess compliance and AML/CFT emerging concerns.

Further details can be found on page 127 of this Annual Report



INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL STAKEHOLDER RELATIONSHIPS

COMMUNICATION WITH STAKEHOLDERS

Stakeholders play an invaluable role in building the sustainability of our business. Bank Muamalat regularly engages formally and informally with both our internal and external stakeholders through various touchpoints. These engagements aid us in understanding their expectations and concerns. As a constant and easily accessible touchpoint, the corporate website provides our stakeholders' easy access to comprehensive and updated information about Bank Muamalat.

GENERAL MEETINGS

The Board ensures that shareholders are given sufficient notice to consider resolutions that will be discussed and decided at the General Meetings. The General Meeting notice includes details of the resolutions proposed along with any relevant information and reports.

Detailed disclosure of the Bank's engagements can be viewed on page 42.





SHARIAH COMMITTEE STATEMENT

The Shariah Committee was established in accordance with the requirements of the IFSA 2013, which prescribed the setting up of a Shariah body to ensure the Bank conducts its affairs in accordance with Shariah principles. Members of the Shariah Committee are scholars renowned for their knowledge and experience in Shariah and Fiqh Muamalat.

The Shariah Committee is guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Shariah Committee, the authority and conduct of the Shariah Committee meetings. The Terms of Reference are governed by the Central Bank Act 2009, IFSA 2013 and the Policy Document on Shariah Governance ("Laws and Regulations").

Duties, Responsibilities & Accountability of the Shariah Committee are as follows:

i. Responsibility and accountability

The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee, the members must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee members, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

ii. Advise to the Board and the Bank including the Bank's subsidiaries

The Shariah Committee is expected to advise the Board and the Management, including the Bank's subsidiaries, and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

iii. Endorse Shariah policies and procedures

The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

iv. Endorse and validate relevant documentations

To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

- a. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
- b. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

v. Assess work carried out by Shariah review and Shariah audit

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the Annual Report.

vi. Assist related parties on Shariah matters

The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

vii. Shariah Advisory Council, Bank Negara Malaysia

The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia ("SAC") on Shariah matters that could not be resolved.

viii. Provide Written Shariah Opinions

The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.



SHARIAH COMMITTEE STATEMENT

- ix. Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.
- x. Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- xi. Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.
- xii. Provide Shariah advisory and consultancy services in all matters relating to the Bank's products, transactions and activities as well as other businesses involving the Bank.
- xiii. Scrutinise and endorse the annual financial report of the Bank.
- xiv. Provide training to the staff as well as notes or relevant materials for their reference.
- xv. Represent the Bank or attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.
- xvi. The Shariah Committee shall maintain the confidentiality of the Bank's internal information and shall be responsible for the safeguarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.
- xvii. The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

COMPOSITION OF SHARIAH COMMITTEE

According to the PDSG, the composition of the Shariah Committee at minimum must comprise of at least five members and the member must not accept any appointment in more than one licenced Islamic bank, one licenced takaful operator and one prescribed institution. Furthermore, a member of the Shariah Committee must not serve the same Islamic Financial Institutions ("IFI") for more than nine years starting 1 April 2023. Therefore the Bank has exercised the plan to appoint new members as replacement.

Currently, the Shariah Committee of Bank Muamalat comprises five members; where they are based on renewal up to three years term. For year 2021, Bank Muamalat has

appointed two new Shariah Committee members to replace the two earlier members who have exceeded nine (9) years tenure.



A brief profile of each member of the Shariah Committee is presented on pages 116 to 118 of this Annual Report.



APPOINTMENT/REAPPOINTMENT OF SHARIAH COMMITTEE

The appointment/reappointment of the Shariah Committee members and Chairman of the Shariah Committee is subject to assessment and evaluation based on necessary conditions made by the Bank and met all requirements specified in the policies issued by BNM.

The Board shall, upon recommendation of the BNRC, nominate the appointment of the members of the Shariah Committee.

Further written approval and endorsement from Bank Negara Malaysia must be obtained after approval from the Board at least three (3) months before it expects a proposed candidate to assume his/her responsibilities. In the case of reappointment, the application must be submitted three (3) months prior to the expiry of the Shariah Committee member's tenure.

RESIGNATION AND TERMINATION OF THE SHARIAH COMMITTEE

Where a Shariah Committee member resigns or is disqualified pursuant to the relevant paragraphs in PDSG and Sections 33(2) and 34(1) of the IFSA 2013, impose obligations on the Bank and the Shariah Committee member to notify the BNM of that fact and its reason immediately or in any cases no later than fourteen (14) days of such circumstances.

For the purpose of the application for termination, the Bank must provide justifications as well as assessment on the performance of such member to BNM.

NEGATIVE LIST

The Shariah Committee member or his immediate family member must not:

- be an executive of the Bank during the tenure of his/her appointment or within the last two (2) years of his/her proposed appointment as a Shariah committee member;
- be a substantial shareholder, executive director or senior officer of the Bank or any of its affiliates; or
- have a significant business or other contractual relationship with the Bank or any of its affiliates within the last two (2) years.

SHARIAH COMMITTEE MEETINGS

The Shariah Committee meetings shall be held at least once in every two (2) months. Meetings shall be held regularly to ensure that:

- the Shariah Committee is kept sufficiently in touch with the business of the Bank;
- The operations of the Bank are not adversely affected because of the difficulty in securing the Shariah Committee's approval for policy and decision.

For the period of January to December 2021, thirteen (13) SC meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units:

No	Meeting	Date
1	1 st Special SC Meeting 2021	12 January 2021
2	1 st Monthly SC Meeting 2021	27 January 2021
3	2 nd Special SC Meeting 2021	9 February 2021
4	2 nd Monthly SC Meeting 2021	26 February 2021
5	3 rd Special SC Meeting 2021	4 March 2021
6	3 rd Monthly SC Meeting 2021	24 March 2021
7	4 th Monthly SC Meeting 2021	22 April 2021
8	5 th Monthly SC Meeting 2021	20 May 2021
9	6 th Monthly SC Meeting 2021	23 June 2021
10	7 th Monthly SC Meeting 2021	30 August 2021
11	8 th Monthly SC Meeting 2021	22 September 2021
12	9 th Monthly SC Meeting 2021	17 November 2021
13	10 th Monthly SC Meeting 2021	15 December 2021

The Shariah Committee member is expected to contribute and allocate adequate time and effort to discharge his/her duties effectively. The Shariah Committee member must attend at least 75% of the Shariah Committee meetings held in each financial year. Where necessary, the participation of the Shariah Committee can be facilitated by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve confidentiality of the deliberations.

In respect of the quorum for Shariah committee meetings, the Bank must ensure that there is a majority of Shariah qualified members to be present at each meeting. The Bank shall ensure that any decision of the Shariah Committee must be made on the basis of simple majority.

The Shariah Committee shall put on record in its report or statements directed to the board, its concerns over any Shariah non-compliance issues.

For January to December 2021, Shariah Committee attendance for 13 meetings held are as follows:

Shariah Committee Members	Attendance (%)
Hj Azizi Che Seman	13/13 (100%)
Dr Mohd Shahid Mohd Noh	13/13 (100%)
Dr Yusri Mohamad	11/13 (85%)
Dr Muhamad Azhari Wahid*	7/7 (100%)
Dr Ahmad Zakirullah Mohamed Shaarani*	7/7 (100%)
Prof. Madya Dr Mohamad Sabri Haron**	6/6 (100%)
Dr Wan Marhaini Wan Ahmad**	6/6 (100%)

* First date of service on 1 April 2021

** Last date of service on 31 March 2021

It is concluded that all members of Shariah Committee complied the attendance of not less than 75% to the meeting.



SHARIAH COMMITTEE STATEMENT

TRAINING PROGRAMME FOR SHARIAH COMMITTEE

The Shariah Committee assumes the responsibility to further enhance the skills and knowledge on relevant new laws and regulations as to keep abreast with developments in the financial services industry.

The training programmes attended by the Shariah Committee for the period of January to December 2021 include the following:

Shariah Committee Members	Training Programme
Hj Azizi Che Seman	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum ("KLIFF") 2021 • Muzakarah KLIFF 2021 • Muzakarah Cendekiawan Shariah Nusantara 2021 Ke-15 • Islamic Capital Market Summit ("ICMS 2021") • 16th International Shari'ah Scholars Forum ("ISSF 2021") • Board Structured Training: Regulatory Framework and Legal Issues for Islamic Financing & Legal Documentations • Board Structured Training: Shariah Principle and Essential Business Contracts in Islamic Banking and Finance • Familiarisation Programme on Shariah Organs function • Familiarisation Programme on AMLA & PDPA
Dr Mohd Shahid Mohd Noh	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum ("KLIFF") 2021 • Muzakarah KLIFF 2021 • Muzakarah Cendekiawan Shariah Nusantara 2021 Ke-15 • Islamic Capital Market Summit ("ICMS 2021") • 16th International Shari'ah Scholars Forum ("ISSF 2021") • Board Structured Training: Regulatory Framework and Legal Issues for Islamic Financing & Legal Documentations • Board Structured Training: Shariah Principle and Essential Business Contracts in Islamic Banking and Finance • Familiarisation Programme on Shariah Organs function • Familiarisation Programme on AMLA & PDPA • External Training on Fintech: Innovation and Transformation In Financial Services • External Training on Oversight role of Shariah Committee on Shariah Review & Shariah Audit • External Training on Shariah Governance Policy Document

Shariah Committee Members	Training Programme
Dr Yusri Mohamad	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum ("KLIFF") 2021 • Muzakarah KLIFF 2021 • Muzakarah Cendekiawan Shariah Nusantara 2021 Ke-15 • Islamic Capital Market Summit ("ICMS 2021") • 16th International Shari'ah Scholars Forum ("ISSF 2021") • Board Structured Training: Regulatory Framework and Legal Issues for Islamic Financing & Legal Documentations • Board Structured Training: Shariah Principle and Essential Business Contracts in Islamic Banking and Finance • Familiarisation Programme on Shariah Organs function • Familiarisation Programme on AMLA & PDPA • External Training on Oversight role of Shariah Committee on Shariah Review & Shariah Audit Training • External Training on Shariah Governance Policy Document
Dr Ahmad Zakirullah Mohd Sharaani	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum ("KLIFF") 2021 • Muzakarah KLIFF 2021 • Muzakarah Cendekiawan Shariah Nusantara 2021 Ke-15 • Islamic Capital Market Summit ("ICMS 2021") • 16th International Shari'ah Scholars Forum ("ISSF 2021") • Board Structured Training: Regulatory Framework and Legal Issues for Islamic Financing & Legal Documentations • Board Structured Training: Shariah Principle and Essential Business Contracts in Islamic Banking and Finance • Familiarisation Programme on Shariah Organs function • Familiarisation Programme on AMLA & PDPA • Familiarisation Programme on Shariah Department
Dr. Muhamad Azhari Wahid	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum ("KLIFF") 2021 • Muzakarah KLIFF 2021 • Muzakarah Cendekiawan Shariah Nusantara 2021 Ke-15 • Islamic Capital Market Summit ("ICMS 2021") • 16th International Shari'ah Scholars Forum ("ISSF 2021") • Board Structured Training: Regulatory Framework and Legal Issues for Islamic Financing & Legal Documentations • Board Structured Training: Shariah Principle and Essential Business Contracts in Islamic Banking and Finance • Familiarisation Programme on Shariah Organs function • Familiarisation Programme on AMLA & PDPA • Familiarisation Programme on Shariah Department

In equipping the role of the Shariah Committee, Shariah Division is to provide secretariat function, including inputs on banking operations and in-depth research on Shariah matters for Bank Muamalat. These functions include coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the Shariah Committee and provide all other secretariat support to the Shariah Committee members.



BOARD AUDIT COMMITTEE REPORT

Roles and Responsibilities

The BAC is established to provide structured and independent oversight of the Bank's governance, risk management, internal control system and financial reporting. This oversight mechanism serves to provide confidence in the integrity and compliance with applicable rules, regulations and procedures.

The BAC is guided by the Terms of Reference and the Board Audit Committee Charter in discharging its functions. The responsibilities of the BAC include providing the Board with independent and objective advice on the adequacy of the Management's arrangements on the Bank's governance, values and ethics, risk management, internal control system, fraud and compliance.

Composition

The Board Audit Committee (BAC) is comprised of the following Board members:

Md Khairuddin Hj Arshad (KA)¹
 Roshidah Abdullah (RA)²
 Iwan Rashman Gulamoydeen
 Johari Abdul Muid
 Ghazali Hj Darman (GD)³

¹ KA became Chairman of BAC on 21 July 2021 until 17 December 2021

² RA became a member of BAC on 1 September 2021 and became Chairman to replace KA on 18 December 2021

³ GD ceased to be a member and Chairman of BAC on 19 June 2021

The composition of the BAC is in line with Paragraph 12.3 (c) of BNM CG, which requires that the position of the BAC Chairman be held by an Independent Director of Bank Muamalat.

Ghazali Darman chaired BAC until his resignation on 19 June 2021. Md Khairuddin Hj Arshad was elected to assume the Chairman position pending the appointment of a new Chairman with qualified accounting background.

Roshidah Abdullah was appointed as member on 1 September 2021 and as the new Chairman of BAC on 18 December 2021. She is a member of the Chartered Accountant of the Malaysian Institute of Accountants since 1992. She is also a Certified Practising Accountant from the Australian CPA.

Meetings

Members	Attendance of meetings
Md Khairuddin Hj Arshad (KA)	12/12
Roshidah Abdullah (RA)	4/4
Iwan Rashman Gulamoydeen	11/12
Johari Abdul Muid	12/12
Ghazali Hj Darman (GD)	6/6

Twelve BAC meetings were held during the financial year ended 31 December 2021.

The BAC meets on a scheduled basis to review audit and investigation reports prepared by the internal auditors. The Management of the respective audit reports were also invited to the meetings, where required, to provide explanations to the BAC on issues arising from the audit reviews or address any other concerns raised by the BAC.

The external auditor was also invited to the meeting to present the audited financial statements, the Audit Plan, audit and non-audit related fees, and other relevant matters. The BAC also reviews the financial performance reports, write-offs and related party transactions prepared by the Management.

The PCEO and Chief Internal Auditor attend all BAC meetings as permanent invitees to facilitate deliberation that deems necessary for BAC to discharge its duties. The BAC Chairman communicated any significant concerns or issues the internal and external auditors highlighted to the Board.

Key BAC activities

The key activities carried out by the BAC in 2021 are as follows:

1. Internal Audit

- i. Reviewed and approved the Annual Audit Plan FY2021 and its revision to ensure its relevance and adequate scope and coverage, agile in responding to challenges in the business and operation landscape and competency of internal auditors.
- ii. Reviewed and deliberated the audit reports including recommendations and action plans by Management for 115 auditable areas and 8 investigation reports. Where necessary, directed the Management to implement the remedial action plans to strengthen the internal control system.



- iii. Reviewed the progress of remedial action plans by Management to ensure timely resolution of the control lapses highlighted in the reports. Where necessary, reviewed the justifications and approved the extension of deadlines to resolve audit issues requested by Management.
- iv. Reviewed and endorsed the Balanced Scorecard of the Chief Internal Auditor for FY2021.
- v. Reviewed the Internal Audit Policy, Board Audit Committee Charter and Internal Audit Charter and recommended to the Board for approval.
- vi. Reviewed and endorsed the Statement of Internal Control, which is part of the Corporate Governance Disclosure for the Board's approval and inclusion in the Bank's Annual Report FY2020.
- vii. Reviewed the External Quality Assessment Review report on the Internal Audit activity conducted by the Institute of Internal Auditors Malaysia.
- viii. Reviewed and deliberated on the internal quality assessment review reports, including the recommendations for Internal Audit improvement.
- ix. Reviewed the ongoing monitoring and measurement analyses update on the Internal Audit performance metrics and achievement.

2. External Audit

- i. Deliberated with the external auditor the results of the audit of the annual financial statements for the financial year ended 31 December 2020 and the Report to the BAC.
- ii. Reviewed the overall performance and effectiveness of the external auditor for the period from 1 January 2020 to 31 December 2020.
- iii. Reviewed the re-appointment proposal of the external auditor for the Company and recommended the re-appointment for Board approval.
- iv. Reviewed the Annual Audit Plan for the financial year ended 31 December 2021.
- v. Reviewed and endorsed the external auditors' scope of work.

3. Financial Reporting

- i. Reviewed and endorsed quarterly unaudited financial results of Bank Muamalat.
- ii. Reviewed and endorsed the Audited financial statement of Bank Muamalat Group for the financial year ended 31 December 2020 and agreed that the financial statements were prepared in accordance with the relevant standards and regulatory requirements as to give a true and fair view of the Group's financial performance.
- iii. Reviewed write off and related party transactions before making recommendations to the Board for approval.
- iv. Reviewed non-audit engagements by auditors and independent credit review report from compliance.

INTERNAL AUDIT FUNCTION

Organisational

The Internal Audit function of the Bank is carried out by the Internal Audit Division (Internal Audit). The primary role of the Internal Audit is to provide independent appraisal on the adequacy, efficiency and effectiveness of risk management, control and governance processes implemented by Management. This will enhance and protect organisational value and assist Management to achieve its objective.

The Internal Audit activity is governed by the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors and Guidelines on Internal Audit Function of Licensed Institutions of Bank Negara Malaysia. The Board Audit Committee ("BAC") oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assess the competency and experience of the Internal Audit staff as well as the adequacy of the resources in order for the Internal Audit function to carry its work effectively.

The Internal Audit Division is led by Faidzuel Zain, the Acting Chief Internal Auditor ("ACIA"), since August 2021. He holds a Degree in Bachelor of Accountancy and has over 22 years of audit experience in the banking industry. He is an active member of the Chief Internal Auditors Networking Group ("CIANG") and holds Certification for Bank Auditors, Certified Credit Professional, Certified System Investigators and Certified Fraud Examiner.



BOARD AUDIT COMMITTEE REPORT

The IPPF stresses on the importance of independence and objectivity as one of the key pillars of effective internal audit services. To reflect independence, the ACIA reports functionally to the BAC and administratively to the PCEO. The BAC ensures that the Internal Audit staff have the authority to discharge their role objectively and independently, free from any relationship or conflict of interest, as reflected in the Internal Audit Charter approved by the Board.

Responsibility, Scope and Methodology

Internal Audit adopts Internal Control-Integrated Framework 2013 by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Bank's internal control system. The COSO Framework gives an integrated view of the effectiveness of governance, risk management and control processes based on five (5) internal control components - control environment, risk assessment, control activities, information and communication and monitoring activities. Internal Audit also integrates the COSO Framework in deriving audit ratings for communicating audit results to the stakeholders.

To add value and improve the effectiveness of the Bank's internal controls system, Internal Audit take into consideration the Bank's strategic plans in formulating the Annual Audit Plan 2021, While the annual risk assessment is the minimum requirement articulated in the IPPF Standards, today's rapid changing risk landscape demands internal auditors to assess risks frequently. In response to the pandemic, Internal Audit conducts remote auditing for some of its audit engagements, adhering to the movement restriction and lockdown. The approach is to ensure Internal Audit is able to deliver its committed Audit Plan by the end of the year. Virtual alternatives have been adopted, where meetings and interviews were conducted through secure video conferencing channels and sharing of documents via the Bank's secure platform and business emails.

The results of the audit reviews, including the audit issues, associated risks, root causes, recommendations and Management's remedial action plans are communicated in the form of audit reports to Management and the BAC. Management is responsible to ensure action plans to resolve audit issues are implemented within an appropriate and agreed timeframe. Progress of outstanding audit issues is observed in the Operational Risk Management Committee and presented to the BAC monthly to ensure adequate and effective actions are executed within the timeline.

Management has to provide justification to the BAC for any extensions to the deadlines earlier committed by Management on action plans for approval.

Quality Assurance and Improvement Programme

To support a proper design and effective functioning of internal audit operations, the IPPF requires the Chief Internal Auditor to develop and maintain a Quality Assurance and Improvement Programme ("QAIP") involving all aspects of the internal audit activity. The QAIP of Internal Audit is maintained continuously through ongoing monitoring and periodic assessments. Any weaknesses or areas for improvement noted were communicated to Internal Audit staff and followed by rectification action. The results of both approaches were reported to the BAC.

External assessment, on the other hand, must be conducted at least once every five years by an independent assessor from outside the Bank that is qualified in the practice of internal auditing and the quality assessment process. Internal Audit has engaged the IIAM to conduct the external assessment in 2021. Internal Audit was assessed as 'Generally Conforms' to the IIA Standards.

Resources

All auditors are encouraged to pursue professional certifications to enhance their knowledge and skills set. Due to the COVID-19 crisis, the trainings were mostly done via the virtual platform. The auditors also attended trainings on various audit areas organised in-house as well as webinars offered by external training providers and professional bodies.

The overall costs incurred to maintain the Internal Audit function in FY2021 was approximately RM6.7 million. As of 31 December 2021, Internal Audit has a staff strength of 40 auditors, with relevant backgrounds, experience and qualifications. Fourteen (14) auditors had obtained Certification for Banks Auditors and/or CIAFIN.



Key Internal Audit Activities

Key activities by Internal Audit in 2021 are as follows:

01

Developed and presented to the BAC a risk-based Annual Audit Plan and its Revision for 2021.

03

Conducted audit and investigation engagements and communicated the reports to the BAC and Management.

05

Presented the new Internal Audit Policy, and revised Board Audit Committee Charter and Internal Audit Charter to the BAC and subsequently to the Board.

07

Conducted and communicated the periodic internal quality assessment review reports on Internal Audit activity to the BAC.

09

Organised a briefing session on the IPPF by the IIA Malaysia for the Board to align and better discharge its oversight and governance function.

02

Prepared and presented the proposed Key Performance Indicators of Internal Audit in the Balanced Scorecard of the Chief Internal Auditor for 2021 to the BAC.

04

Monitored and presented the progress of remedial action plans by Management to the BAC.

06

Prepared and presented the write-up on the Statement of Internal Control for inclusion in the Bank's Annual Report FY2020 to the BAC.

08

Presented relevant analyses and information on the Internal Audit performance metrics to the BAC.

10

Appointed the Institute of Internal Auditors Malaysia to conduct an External Quality Assessment Review on the Internal Audit activity.

Key Internal Audit Activities

INTERNAL AUDIT



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board is committed to its overall responsibility in implementing and ensuring a sound risk management and internal control system in the Bank. The Board's responsibility includes reviewing the adequacy and effectiveness of the risk management and internal control system in identifying, assessing, monitoring and mitigating the risk.

The Board plays a vital role in providing risk oversight and determining the Bank's risk appetite to ensuring alignment with the Bank's strategic objectives. The Board has ensured the establishment of key processes for reviewing the effectiveness, adequacy and integrity of the Bank's system of risk management and internal controls.

The control structure and process for financial, operational, risk management and compliance elements which have been instituted throughout the Bank and its subsidiaries are updated and reviewed from time to time to suit the changes in the business environment.

MANAGEMENT RESPONSIBILITY

The Management is responsible for implementing all policies and procedures established by the Board as well as identifying, evaluating, measuring and monitoring of risk exposures. The role of the Management includes:

- i. Identifying and evaluating the risks relevant to the Bank's business and achievement of its business objectives and strategies;
- ii. Designing and implementing the risk management framework in accordance with the Bank's strategies and risk appetite;

- iii. Formulating relevant policies and procedures to manage these risks in accordance with the Bank's strategic vision and overall risk appetite; and
- iv. Reporting in a timely manner to the Board on any changes to the risks or emerging risks and the appropriate actions taken.

RISK MANAGEMENT FRAMEWORK

The Bank has implemented the Risk Management Framework (RMF) to guide and streamline its risk management approaches. The Risk Management Framework provides the overarching framework that consolidates and streamlines risk management practices for all risks across the Bank.

The Risk Management Framework governs the way the Bank identifies and manages risks, which is aimed at supporting the business in embedding effective risk management in its functions and nurturing a strong risk management culture.

RISK GOVERNANCE

The Bank's risk governance and oversight structure outlines the accountabilities as well as roles and responsibilities for the management of risk. The Board plays a crucial role in establishing a strong risk management structure and provides oversight for overall risk governance to ensure that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework. To carry out its risk and control oversight, the Board is supported by the Board Risk Management Committee ("BRMC") and Board Veto Committee ("BVC") to oversee matters relating to risk. The BRMC updates the Board on monthly basis of their key deliberations and decision.

The Bank's governance structure provides a transparent and effective system that integrates and clearly defines the involvement of the Board and Management in the risk management process to ensure a uniform view of risk across the Bank. The governance structure and committees responsible for effective governance and supervision over risk-related functions is as illustrated below:

BOARD OF DIRECTORS (BOD)

- Establish a strong risk management and provides oversight for overall risk governance to ensure that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework

BOARD RISK COMMITTEES

Board Risk Management Committee (BRMC)

- Ensure effective management of risks and enforcement of approved risk tolerances and limits.
- Review and assess the existing risk management framework for its continued efficacy.
- Ensure robust infrastructure and systems as well as resources are in place to monitor risk and capital effectively.

Board Veto Committee (VETO)

- Review approvals of large financing granted by Credit Committee (management level).

Shariah Committee (SC)

- Serve as advisory to the Board and Management team on all Shariah matters.

EXECUTIVE LEVEL-RISK MANAGEMENT COMMITTEES

Executive Risk Management Committee (ERMC), Asset Liability Management Committee (ALCO), Credit Committee (CC), Investment Committee (IC), Operational Risk Management Committee (ORMC), Business Continuity Management Committee (BCMC)

- Undertake the execution and implementation of Bank's strategies, policies and methodologies in line with the Board's vision.
- Identify, evaluate, measure and monitor the strategic and business plans, capital plan and risk appetite statement as per the Board's approval.

1st Line (Business Units)

- Risk are directly undertaken and assumed in the day-to-day business activities and operations.
- As front-liners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank's strategic targets.

2nd Line (Risk Management Control & Compliance)

- Ensure independent oversight and management of all material risks undertaken by the Bank.
- Provide specialized resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control.
- Provide the control function, which monitors the risk by using various key indicators and reports, guided by established risk appetite and tolerance limits.

3rd Line (Internal Audit)

- Provide independent review and assurance on adequacy of risk management process and effectiveness of the first two lines of defence in fulfilling their mandates.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK CULTURE

The Board plays a key role in establishing and maintaining the Bank's risk culture, setting and continuously reinforcing the "tone at the top" and holding management accountable for maintenance of high ethical standards and effective policies and practices. The Bank continues to enhance and strengthen its risk management practices by reinforcing and embedding a strong risk culture throughout the organisation. Focus is directed on strengthening risk culture among all staff of the Bank and ensuring that they are fully aware of the risks and their implications.

The Bank has established clear risk policies which are continuously communicated and reinforced throughout the Bank to cultivate and embed a robust risk culture. The Management is committed in driving risk culture programmes which covers, amongst others, reinforcement of shared values, e-Learnings and engagement sessions with staff throughout the Bank. This is aimed at building a strong risk culture that is embraced by all employees towards enhancing customer experience, building trust and brand value of the Bank for its long-term sustainability.

RISK APPETITE

The Bank defines its risk appetite by the amount and type of risks that it is willing to accept in pursuit of its strategic and business objectives. The Bank's risk appetite is driven by both top-down through the Board leadership and bottom-up involvement of the management. The Board reviews and approves the Bank's risk appetite annually and is updated on the status by the management on a monthly basis.

CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations. The Bank manages credit risk through its framework of policies, processes, measurement tools, methodologies, and an established reporting and monitoring structure. The Credit Risk Policy (CRP) and Guideline to Credit Risk Policies (GCRP) document and outline the credit underwriting standards and credit management policies and guidelines. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

The Bank adopts a holistic, portfolio-based risk management approach to ensure sustainable growth and market share while remaining within the risk appetite and established parameters. Regular portfolio reviews and stress tests are performed to ensure appropriate and timely remedial action are initiated.

Several initiatives were implemented to improve the management of credit risk. These include enhancements of credit risk reports to facilitate informed decision-making process, development and calibration of application and behavioural scorecards and strengthening of risk monitoring through dedicated risk and asset quality management committees.

MARKET RISK MANAGEMENT

Market risk is defined as risk of losses in on and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, and equity and commodity prices which may adversely impact earnings and capital positions.

The Bank's market risk framework contains policies and guidelines on key risk management practices such as risk identification, measurement, mitigation, monitoring and control. The market risk policies and specific limits for trading and non-trading books were reviewed and updated to be in line with the latest regulatory expectation and industry practices.

In view of the ongoing volatility in financial markets, the Bank undertakes periodic stress tests to assess the impact of the movements in market rates to the Bank's profitability and capital.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to maintain liquidity, thus resulting in serious implications on its reputation and continued existence.

The Bank's priority in managing liquidity risk is to maintain a stable source of financial resources to meet its funding requirements. The Bank ensures sufficient cash and liquid assets are made available to meet short and long-term obligations through active balance sheet and funding position management.



The primary focus of liquidity management is to assess all cash inflows against outflows to identify any potential net shortfall going forward, including for those involving off-balance sheet commitments. The measurement and limits used to monitor and manage liquidity risk are as prescribed under the BNM's liquidity framework, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank has also commenced on an upgrade of its risk system to facilitate a robust liquidity risk management.

The Bank has established a liquidity contingency plan to ensure its readiness in dealing with any potential liquidity crisis.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. The effects of operational risk may extend beyond financial losses and could result in legal and reputational risk impacts.

The risk management framework has been enhanced to incorporate improvement to risk and control assessment approaches and reporting with the inclusion more leading risk indicators and control testing mechanism.

Other mitigation actions include strengthening the first line of defence via continuous operational risk training and awareness for new recruits and risk agents and increased engagements with the risk owners at branches and departments.

BUSINESS CONTINUITY MANAGEMENT (BCM)

The COVID-19 pandemic has demonstrated the importance of effective business continuity management to ensure uninterrupted business operations. The Bank's BCM, which entails enterprise-wide planning, coordination and mobilisation of key resources and processes under a broad spectrum of business disruptions arising from both internal and external events, has enabled the Bank to respond and continue to operate critical business functions under various and prolonged adverse conditions.

The BCP was prepared based on risk assessments and business impact analyses performed on identified potential threats to business functions. Business impact analyses are used to identify critical business functions and systems and to formulate corresponding business continuity plan and management action.

SHARIAH RISK MANAGEMENT

Shariah non-compliance risk is defined as the risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee of the Bank and other relevant Shariah regulatory councils or committees.

Management of shariah non-compliance risk is guided via established policies and guidelines on Shariah risk management as well as governance and oversight processes. These include the approaches for identification and assessment of Shariah non-compliance risks in business activities, products and services, and assessment of the effectiveness of existing controls and mitigation plan. Assessment of products, services and operating procedures are continuously performed from Shariah risk perspective and training and awareness programme on Shariah risk are conducted to promote a cohesive Shariah compliance risk culture.

TECHNOLOGY AND CYBER RISK MANAGEMENT

Risk arising from technology vulnerabilities which could result in financial loss, disruptions to infrastructure, operations and/or reputational harm while cybersecurity risk is the probability of loss of customer information and banking record due to cyber threat or attack.

The Bank continuously ensures that the BNM's RMIT is adhered to along with various other regulatory requirements on technology and cybersecurity. The Bank has established and operationalized its Technology Risk Management Framework and Cyber Resilience Framework to ensure confidentiality, integrity and availability of information aligned with the risk profile.

The Bank has made effort to safeguard the infrastructure and information, whether it is in digital or physical form. This entail putting controls in place through policies and procedures that comply with Bank Negara Malaysia' RMIT, PayNet's requirements and international best practices. The Bank ensures that the controls are appropriate, effective and constantly reviewed to ensure that our information is safeguarded.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON COMPLIANCE

Regulatory compliance risk is defined as risk of failure by an organisation to comply with applicable legal and regulatory requirements, which could result in fine or penalty or imposition of enforcement action by the regulators. In managing such risk, Bank Muamalat acknowledges that operating in highly regulated environment while pursuing business agenda to meet the regulatory and supervisory expectations requires the Bank to establish clear roles and responsibilities and embed strong compliance risk management practices throughout the Bank.

Effectively managing compliance risk would also maximise the Bank's opportunities in the competitive market place and strengthen Bank Muamalat's competitive edge by building trust and market positioning in a more timely and dynamic manner. Recognising these challenges, Bank Muamalat is continuously strengthening compliance culture across the Bank involving all level of staff and across all of its business activities.

The Board and senior management are responsible in setting the tone from the top outlining the Bank's overall compliance management programme consistent with the objectives of the regulations and for the betterment of society as a whole. The Board through the Board Risk Management Committee and the Board Compliance Committee actively provides guidance and oversight on the overall compliance management agenda to ensure that all staff are cognisant of this agenda and at the same time having adequate safeguards properly embedded in the Bank's daily operations via policies, operational guidance, code of conduct and also standard operating procedures in line with regulatory requirements.

COMPLIANCE TRANSFORMATION PROGRAMME

The compliance management programme is monitored and implemented through a dedicated Compliance function established to manage Bank Muamalat's compliance risk including AMLA and Shariah-related matters. This is achieved via the Compliance Transformation Programme that cut across all Bank Muamalat's operations ensuring that regulatory compliance risk management is sufficiently integrated in the Bank's business activities.

During the year, various operational guidance and training programmes on key regulatory matters have been developed and institutionalised to escalate achievement of industry

best practices and elevate the staff understanding and competencies which emphasised on a number of focus areas such as anti-money laundering counter measures towards strengthening the Bank's efforts in fighting and preventing financial crime; fair treatment of financial consumer and responsible market conduct practices in ensuring customer protection; and in terms of safeguarding customer information and management of permitted disclosure requirements. Gaps analysis exercise on the regulatory documents continues to be conducted to enhance early detection of potential non-compliance issues and ultimately improve the compliance level in the Bank. Independent reviews are conducted to assess the adequacy and effective implementation of the regulatory requirements with the objectives to ensure material regulatory gaps are identified and adequately managed. This includes Shariah compliance and credit-related matters.

In managing the integrity and fraud risk within the Bank, the Anti-Bribery & Corruption Policy was formulated and adopted across the Bank. It represents the Bank's stance of zero tolerance to bribery and corruption practices and serves to protect the Bank from adverse integrity and reputation which will undermine the support and confidence of stakeholders.

As an effort to ensure that the implementation of various compliance measures are robust and targeted the material business operations, the Bank is conducting Institutional Risk Assessment ("IRA") on a periodic basis, covering Money Laundering & Terrorism Financing ("ML/TF") risks and Anti-Bribery & Corruption.

Acknowledging that robust and effective implementation is key, the Bank continues to enhance its compliance risk management capabilities across the business operations and process by strengthening the three (3) lines of defence. As such, the business units are required to be continuously trained and conversant on compliance risk in its business decision process and to embed sufficient control measures to manage their operations. At the second level of defence, structured compliance functions are established which are deemed as responsible for risk identification, development of framework, monitoring implementation and reporting of the Bank's overall compliance risk. Internal audit as independent party is responsible to review and evaluate the adequacy of the compliance framework and its effective implementation.



The Compliance Transformation Programme consists of the following four (4) pillars:





FINANCIAL STATEMENT

Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

OUR NUMBERS

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DIRECTORS' REPORT

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

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and taxation	256,576	247,869
Zakat	(6,447)	(6,043)
Taxation	(91,070)	(89,154)
Profit for the year	159,059	152,672

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of COVID-19 pandemic and related support measures as disclosed in Notes 8(b), 27(ii)(a) and 29(a).

DIVIDEND

No dividend has been paid or declared by the Bank since the end of the previous financial period. The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Tan Sri Tajuddin Atan

Tan Sri Che Khalib Mohamad Noh

Dato' Ibrahim Taib

Iwan Rashman Gulamoydeen

Md. Khairuddin Hj Arshad

Johari Abdul Muid

Mohd Razlan Mohamed

Roshidah Abdullah

Ghazali Hj Darman

(appointed on 1 September 2021)

(appointed on 1 September 2021)

(resigned on 21 July 2021)



DIRECTORS OF THE SUBSIDIARY COMPANIES

The directors of the Bank's subsidiaries who have held in office since the beginning of the financial year to the date of this report are:

Muamalat Invest Sdn Bhd

Khairul Kamarudin
Fakihah Azahari
Dato' Adnan Alias
Mohd Faruk Abdul Karim

Muamalat Venture Sdn Bhd

Khairul Kamarudin
Mohamed Rezwan Abdullah Ismail

Muamalat Nominees (Asing) Sdn Bhd

Khairul Kamarudin
Mohamed Rezwan Abdullah Ismail

Muamalat Nominees (Tempatan) Sdn Bhd

Khairul Kamarudin
Mohamed Rezwan Abdullah Ismail

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Bank and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			As at 31.12.2021
	As at 31.12.2020	Acquired	Disposed	
Interest in DRB-HICOM Berhad, holding company:				
<u>Indirect Interest</u>				
Tan Sri Che Khalib Mohamad Noh	3,500 [^]	-	-	3,500 [^]

[^] Deemed interest in shares in the holding company held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Other than as disclosed above, none of the directors in office at the end of the financial year ended 31 December 2021 had any interest in shares in the Bank or its related corporations during the financial year.



DIRECTORS' REPORT

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from or the fixed salary of a full-time employee of the Bank as shown in Note 35 to the financial statements or from related corporations) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

DIRECTORS' INDEMNITY

Directors' liability takaful is in place to protect the directors of the Group and of the Bank against potential costs and liabilities arising from claims brought against the directors. The Bank has maintained a Directors' and Officers' liability takaful up to an aggregate limit of RM 20.0 million against any liability incurred by the Directors and Officers. The gross amount of takaful premium paid by the Bank for the directors and officers of Bank Muamalat Malaysia Berhad ("BMMB") and its subsidiaries for the current financial year was RM84,000.

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) As 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 which would render:
 - (i) the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.



OTHER STATUTORY INFORMATION (CONT'D.)

- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S POLICY DOCUMENTS ON FINANCIAL REPORTING

In the preparation of the financial statements, the directors have taken reasonable steps to ensure that the preparation of the financial statements of the Group and of the Bank are in compliance with the Bank Negara Malaysia's Policy Documents on Financial Reporting for Islamic Financial Institutions and the Policy Documents on Classification and Impairment Provisions for Financing.

BUSINESS REVIEW 2021

Despite the continuous challenging business environment brought about by Covid-19, the Group posted a record profit before zakat and taxation of RM256.6 million for the financial year ended 31 December 2021, a growth of 46.8% from RM174.8 million registered last year. This has been largely driven by increased total income, strong financing growth and improved asset quality. During the year, the bank's net profit margin grew by 13bps to 2.46% from 2.33%. Total overheads and expenditures also decreased by 1.1% to RM401.3 million during the year from improved cost management. As a result of better asset quality, credit cost reduced by 32.9% or RM26.1 million to RM54.0 million.

Total assets grew by 7.0% to RM27.6 billion as at 31 December 2021 as compared to RM25.8 billion last year. This was mainly contributed by 14.4% growth in total financing to customers from RM18.1 billion to RM20.7 billion as at 31 December 2021. The Group saw strong growth of 18.9% in retail segment, supported by sustained growth from non-retail segments.

Asset quality improved with gross impaired financing stood at 0.83% as at 31 December 2021 as compared to 1.07% registered as at 31 December 2020. In view of the challenging macroeconomic environment, the Group continues to strengthen its financing loss coverage ratio from 101.3% to 135.3%.

The Group's Common Equity Tier-1 Ratio and Total Capital Ratio remain stable, stood at 13.708% and 17.349%, well above the regulatory requirements.

PROSPECTS

Malaysia's economy is expected to continue its recovery, riding on the positive momentum of the country's high vaccination coverage and ongoing booster rollout. With the resumption of domestic and international travel, as well as rising commodity prices and improved labour conditions, the Government expected these conditions will continue to help lift the economy.

The Bank also sees that the economic growth moving forward will be supported by the Malaysian Budget 2022 and the Twelfth Malaysian Plan ("RMK-12"). These plans will not only focus on speeding up the economic recovery but also on rebuilding national resilience and catalysing reform as well as driving socio-economic recovery activities and the national development agenda. With the announcement of Budget 2022, the Government expected the GDP growth to be between 5.5% and 6.5% in 2022¹. In addition, supported by strong capital and liquidity, Malaysian financial sector is expected to remain sound and supportive of the domestic economy development in 2022.

¹ Economic Outlook 2022, Ministry of Finance



DIRECTORS' REPORT

PROSPECTS (CONT'D.)

The Bank will continue to operate efficiently to better manage capital and liquidity by maintaining prudent credit risk management, proactively manage any potential stress in asset quality and implement intensive recovery plan. The Bank will also ensure effective Risk and Compliance Management programmes are in place for a more robust enforcement of regulatory requirements throughout its operation.

Adapting to the vast changes in the business environment, the Bank has placed greater emphasis on strengthening the business through its new 5-Year strategic plan by intensifying digitalization effort, continuous expansion of its customer base and service efficiency. The Bank is committed to a sustainable growth through the continuous adoption of value-based intermediation initiatives in building stakeholders' confidence and value.

Moving forward, underpinned by the positive momentum in 2021 and coupled with digital and technology capabilities, the Bank anticipates a better performance for 2022.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating
RAM Rating Services Berhad	May 2021	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysia Rating Corporation Berhad	December 2021	Long term	A
		Short term	MARC-1
		Senior Sukuk	A
		Outlook	Stable



DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are required to be in full compliance with the Shariah requirements, as governed and guided by the Shariah Committee ("SC") consisting of a minimum of five (5) members appointed by the Board for a specified term. The duties and responsibilities of the Shariah Committee are prescribed by the Policy Document on Shariah Governance ("PDSG") issued by BNM. The key responsibilities of the Shariah Committee are as follows:

- (a) To have a charter that sets out the mandate, responsibilities and procedures of the SC including matters reserved for its decision or advice.
- (b) To provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:
 - (i) to provide a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
 - (ii) to provide a decision or advice on matters which require a reference to be made to the SAC;
 - (iii) to provide a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
 - (iv) to deliberate and affirm any Shariah non-compliance finding by any relevant functions; and
 - (v) to endorse rectification measure to address any Shariah non-compliance event.
- (c) To be accountable for the quality, accuracy and soundness of its own decision or advice.
- (d) To establish a robust methodology to guide its decision-making process. The SC must take into account relevant business and risk practices in arriving at a decision or advice.
- (e) Where the SC has reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank, the SC must immediately update the Board of Directors ("BOD") on such matter.
- (f) In cases where the SAC has not made any rulings on a particular matter or the SC is not able to arrive at a decision or advice, the Bank shall refer to the SAC for a ruling in accordance with *Manual Rujukan Institusi Kewangan Islam kepada Majlis Penasihat Syariah*. Any requests for a ruling or advice shall be communicated through the Secretariat of the SAC.
- (g) In the event where the SC decides or advises to place additional restrictions on the operations, business, affairs and activities of the Bank in applying the SAC rulings, the Bank must:
 - (i) document the deliberations and justifications of the SC decision or advice;
 - (ii) ascertain the BOD's views on the decision or advice made by the SC with regards to the SAC ruling; and
 - (iii) Ensure immediate notification to the BNM of such decision or advice.
- (h) The Bank shall ensure that any records of SC's decision or advice to be submitted to BNM, including a rectification plan to address a Shariah non-compliance event (under section 28(3) of the Islamic Financial Services Act ("IFSA") 2013, is supported with key deliberations, rationale and any significant concerns or dissenting views to the decision or advice



DIRECTORS' REPORT

DISCLOSURE OF SHARIAH COMMITTEE (CONT'D.)

- (i) In the event that the SC delegates any of its responsibilities to any persons or functions:
 - (i) The Bank must ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the SC's charter and the Bank's internal policies;
 - (ii) The Bank must establish reporting arrangements to keep the SC informed of the work, key deliberations and decisions on the delegated matters; and
 - (iii) The SC must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
- (j) To exercise objectivity in coming up with his judgment and be free from associations or circumstances that may impair the exercise of his professional objectivity. In fulfilling his responsibility, a SC member must ensure that his judgment in arriving at a Shariah decision or advice is not affected by his other professional commitments.
- (k) To devote sufficient time to prepare for and attend SC meetings.
- (l) To ensure consistency in providing his views and must not act in a manner that would undermine the rulings of the SAC or any decisions of the SC that they represent.
- (m) To disclose the nature and extent of his interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in his circumstances that may affect his status.
- (n) To continuously develop a reasonable understanding of the business and operations of the Bank and keep abreast with relevant market and regulatory developments. The chairman of the SC must lead efforts to manage the SC's developmental plans.

ZAKAT OBLIGATIONS

The Bank pays zakat on its business to the state zakat authorities, based on the growth model method as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the shareholders or depositors, unless upon request by depositors.

For the year ended 31 December 2021, the Group and the Bank have allocated an amount of RM6.43 million and RM6.04 million respectively, as provision for zakat.

AUDITORS AND AUDITORS' REMUNERATION

The auditors' remuneration are disclosed in Note 37 to the financial statements.

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

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 March 2022.

Tan Sri Tajuddin Atan
Chairman

Kuala Lumpur, Malaysia

Roshidah Abdullah
Director

STATEMENT BY DIRECTORS

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

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

We, Tan Sri Tajuddin Atan and Roshidah Abdullah, being two (2) of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 167 to 349 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 March 2022.



Tan Sri Tajuddin Atan
Chairman

Kuala Lumpur, Malaysia



Roshidah Abdullah
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

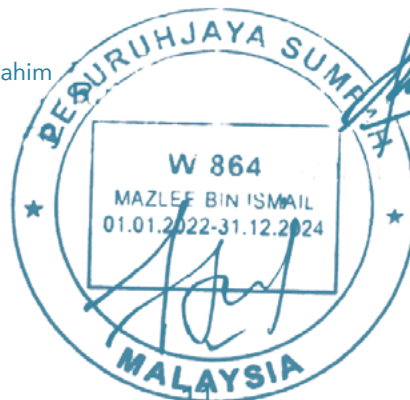
In the name of Allah, The Most Beneficent, The Most Merciful

I, Amirul Nasir Abdul Rahim, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 167 to 349 are in my opinion 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 Amirul Nasir Abdul Rahim at Kuala Lumpur in Federal Territory on 28 March 2022.

Before me,

Commissioner for Oaths



Amirul Nasir Abdul Rahim

79-1, First Floor, Sri Bonus,
Off Jalan Masjid India,
50100 Kuala Lumpur



REPORT OF THE SHARIAH COMMITTEE

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

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 December 2021. We have also conducted our review to form an opinion as to whether the Bank 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 decisions made by us.

The Management of the Bank is primarily responsible to ensure that the Bank 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 Bank and to report to you.

We planned and performed our review by obtaining all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles and to rectify to our reasonable satisfaction the matters that required improvements toward Shariah compliance.

To the best of our knowledge based on the information provided to us and discussions and decisions transpired and made in the meetings of or attended by the Shariah Committee of the Bank as have been detailed out in the relevant minutes of meetings and taking into account the advices and opinions given by the relevant experts, bodies and authorities, we are of the opinion that:

- (a) the contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2021 that we have reviewed are in compliance with the Shariah principles;
- (b) 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;
- (c) all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes as disclosed in Note 52; and
- (d) the financial statements of the Bank for the year ended 31 December 2021 together with the calculation of zakat disclosed to us are in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the overall operations, business, affairs and activities of the Bank for the year ended 31 December 2021 are in compliance with Shariah principles but it has come to the Shariah Committee's attention that six (6) Shariah non-compliance events have occurred and have been rectified, detail as follows:

- (i) Delay in allocating the gold in Muamalat Gold-i (Account) due to system error;
- (ii) Indication of repurchase term in the first aqad of Bai' 'inah;
- (iii) Two (2) events related to late payment charges due to system error;
- (iv) Two (2) events related to savings account used by customers for Shariah non-compliance purposes.



REPORT OF THE SHARIAH COMMITTEE (CONT'D.)

We were informed on the causes for the events and noted that the Bank has taken the corrective as well as preventive measures in order to avoid recurring events in the future. We also confirmed that the events together with the rectification plans were presented to us and Board of Directors and reported to BNM in accordance with the reporting requirements by the regulator.

Signed on behalf of the Shariah Committee of Bank Muamalat Malaysia Berhad,

Azizi Che Seman
Chairman of Shariah Committee

Kuala Lumpur, Malaysia
28 March 2022

Dr. Mohd Shahid Mohd Noh
Member of Shariah Committee



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and the statements of profit or loss, statements of 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 167 to 349.

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 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on the Directors' Report.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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 Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional 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 Group's and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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 Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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 achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

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.

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

Chan Hooi Lam
No. 02844/02/2024 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 March 2022



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

		Group	
	Note	31 December 2021 RM'000	31 December 2020 RM'000
ASSETS			
Cash and short-term funds	4 (a)	1,142,291	2,933,172
Cash and placements with financial institutions	4 (b)	31,184	30,417
Financial investments at fair value through profit or loss	5 (i)	321,276	313,337
Financial investments at fair value through other comprehensive income	5 (ii)	4,866,770	3,798,965
Financial investments at amortised cost	5 (iii)	107,109	105,544
Islamic derivative financial assets	6	5,437	47,820
Financing of customers	7	20,671,306	18,115,817
Other assets	9	33,700	113,171
Statutory deposits with Bank Negara Malaysia	10	130,148	95,255
Investment properties	12	56,564	55,889
Right-of-use assets	15.1 (d)	29,423	37,746
Intangible assets	13	76,671	65,193
Property, plant and equipment	14	52,008	55,191
Deferred tax assets	16	42,504	352
Total assets		27,566,391	25,767,869
LIABILITIES			
Deposits from customers	17	23,113,166	21,501,366
Investment account of customers	18	216,978	-
Deposits and placements of banks and other financial institutions	19	291,866	98,346
Bills and acceptances payable	20	7,755	6,310
Islamic derivative financial liabilities	6	61,543	167,334
Other liabilities	21	156,539	88,541
Lease liabilities	15.1 (a)	31,751	41,641
Provision for zakat and taxation	22	6,664	4,378
Recourse obligation on financing sold to Cagamas	23	427,466	444,141
Deferred tax liabilities	16	-	11,826
Subordinated sukuk	24 (a)	499,876	250,642
Senior sukuk	24 (b)	-	502,692
Total liabilities		24,813,604	23,117,217



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H) (CONT'D)

		Group	
	Note	31 December 2021 RM'000	31 December 2020 RM'000
SHAREHOLDERS' EQUITY			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,557,787	1,455,652
Total shareholders' equity		2,752,787	2,650,652
Total liabilities and shareholders' equity		27,566,391	25,767,869
Restricted investment accounts	18	132	-
Total Islamic banking asset and asset under management		27,566,523	25,767,869
Commitments and contingencies	45	5,291,782	6,917,484
Capital adequacy*	50		
CET 1 capital ratio		13.708%	15.486%
Total capital ratio		17.349%	17.955%

* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

	Note	Bank	
		31 December 2021 RM'000	31 December 2020 RM'000
ASSETS			
Cash and short-term funds	4 (a)	1,142,291	2,933,172
Cash and placements with financial institutions	4 (b)	31,184	30,417
Financial investments at fair value through profit or loss	5 (i)	321,276	313,337
Financial investments at fair value through other comprehensive income	5 (ii)	4,864,264	3,796,498
Financial investments at amortised cost	5 (iii)	107,109	105,544
Islamic derivative financial assets	6	5,437	47,820
Financing of customers	7	20,661,618	18,110,202
Other assets	9	33,101	112,345
Statutory deposits with Bank Negara Malaysia	10	130,148	95,255
Investment in subsidiaries	11	13,159	13,159
Investment properties	12	56,564	55,889
Intangible assets	13	76,367	64,977
Right-of-use assets	15.1 (d)	29,423	31,588
Property, plant and equipment	14	51,962	55,156
Deferred tax assets	16	42,504	-
Total assets		27,566,407	25,765,359
LIABILITIES			
Deposits from customers	17	23,128,717	21,514,158
Investment account of customers	18	216,978	-
Deposits and placements of banks and other financial institutions	19	291,866	98,346
Bills and acceptances payable	20	7,755	6,310
Islamic derivative financial liabilities	6	61,543	167,334
Other liabilities	21	155,971	89,073
Lease liabilities	15.1 (a)	31,751	34,018
Provision for zakat and taxation	22	6,197	4,280
Recourse obligation on financing sold to Cagamas	23	427,466	444,141
Deferred tax liabilities	16	-	11,826
Subordinated sukuk	24 (a)	499,876	250,642
Senior sukuk	24 (b)	-	502,692
Total liabilities		24,828,120	23,122,820



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

		Bank	
	Note	31 December 2021 RM'000	31 December 2020 RM'000
SHAREHOLDERS' EQUITY			
Share capital	25	1,195,000	1,195,000
Reserves	26	1,543,287	1,447,539
Total shareholders' equity		2,738,287	2,642,539
Total liabilities and shareholders' equity		27,566,407	25,765,359
Restricted investment accounts	18	132	-
Total Islamic banking asset and asset under management		27,566,539	25,765,359
Commitments and contingencies	45	5,291,782	6,917,484
Capital adequacy*	50		
CET 1 capital ratio		13.590%	15.385%
Total capital ratio		17.237%	17.858%

* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.



STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds and others	27	1,116,514	1,134,848	1,116,514	1,134,848
Income derived from investment of investment account funds	28	-	369	-	369
Income derived from investment of shareholders' funds	29	22,424	36,179	11,570	31,275
Allowance for impairment on financing	30	(53,944)	(80,067)	(53,944)	(80,067)
Write-back of/(allowance for) impairment losses on financial investments, net	31	296	(36)	296	(36)
Allowance for impairment losses on other financial assets, net	32	(394)	(376)	(394)	(376)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(22,726)	(18,814)	(22,726)	(18,814)
Total distributable income		1,062,170	1,072,103	1,051,316	1,067,199
Income attributable to depositors	33	(338,304)	(426,135)	(338,505)	(426,396)
Income attributable to investment account holders		(22)	-	(22)	-
Total net income		723,844	645,968	712,789	640,803
Personnel expenses	34	(239,569)	(232,660)	(237,450)	(230,592)
Other overheads and expenditures	37	(161,770)	(172,917)	(161,883)	(173,797)
Finance costs	38	(65,929)	(65,623)	(65,587)	(65,198)
Profit before zakat and taxation		256,576	174,768	247,869	171,216
Zakat	39	(6,447)	(3,352)	(6,043)	(3,282)
Taxation	40	(91,070)	1,441	(89,154)	3,334
Profit for the year		159,059	172,857	152,672	171,268
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	13.31	14.47		

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



STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year		159,059	172,857	152,672	171,268
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
Net (loss)/gain on financial investments at fair value through other comprehensive income		(44,968)	9,789	(44,968)	9,789
- Net (loss)/gain on change in fair value		(61,399)	66,947	(61,399)	66,947
- Changes in expected credit losses	5 (ii)	35	(38)	35	(38)
- Income tax effect	16	18,407	(86)	18,407	(86)
- Realised gain transferred to profit or loss on disposal of debts instruments	27 & 29	(2,011)	(57,034)	(2,011)	(57,034)
Exchange fluctuation reserve		1,617	(835)	1,617	(835)
Items that may not be reclassified subsequently to profit or loss					
Net unrealised (loss)/gain on equity securities at fair value through other comprehensive income		(13,573)	26	(13,573)	26
Other comprehensive (loss)/income for the year, net of tax		(56,924)	8,980	(56,924)	8,980
Total comprehensive income for the year		102,135	181,837	95,748	180,248

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

Group	<=====Non-Distributable=====>			Distributable		Total equity RM'000
	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained profits RM'000	
At 1 January 2021	1,195,000	45,411	(968)	18,240	1,392,969	2,650,652
Profit for the year	-	-	-	-	159,059	159,059
Other comprehensive income for the year	-	-	1,617	(58,541)	-	(56,924)
Total comprehensive income for the year	-	-	1,617	(58,541)	159,059	102,135
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	287	(287)	-
Transfer from regulatory reserve	-	(17,332)	-	-	17,332	-
At 31 December 2021	1,195,000	28,079	649	(40,014)	1,569,073	2,752,787
At 1 January 2020	1,195,000	62,676	(133)	18,008	1,193,264	2,468,815
Profit for the year	-	-	-	-	172,857	172,857
Other comprehensive income for the period	-	-	(835)	9,815	-	8,980
Total comprehensive income for the period	-	-	(835)	9,815	172,857	181,837
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(9,583)	9,583	-
Transfer from regulatory reserve	-	(17,265)	-	-	17,265	-
At 31 December 2020	1,195,000	45,411	(968)	18,240	1,392,969	2,650,652

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



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

Bank	<=====Non-Distributable=====>			Distributable		
	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2021	1,195,000	45,411	(967)	18,240	1,384,855	2,642,539
Profit for the year	-	-	-	-	152,672	152,672
Other comprehensive income for the year	-	-	1,617	(58,541)	-	(56,924)
Total comprehensive income for the year	-	-	1,617	(58,541)	152,672	95,748
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	287	(287)	-
Transfer from regulatory reserve	-	(17,332)	-	-	17,332	-
At 31 December 2021	1,195,000	28,079	650	(40,014)	1,554,572	2,738,287
At 1 January 2020	1,195,000	62,676	(132)	18,008	1,186,739	2,462,291
Profit for the year	-	-	-	-	171,268	171,268
Other comprehensive income for the period	-	-	(835)	9,815	-	8,980
Total comprehensive income for the period	-	-	(835)	9,815	171,268	180,248
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(9,583)	9,583	-
Transfer from regulatory reserve	-	(17,265)	-	-	17,265	-
At 31 December 2020	1,195,000	45,411	(967)	18,240	1,384,855	2,642,539

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



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Cash flows from operating activities					
Profit before zakat and taxation		256,576	174,768	247,869	171,216
Adjustment for:					
Fair value gain of financial liabilities	29 (a)	(19,678)	(8,859)	(19,678)	(8,859)
Amortisation of intangible assets	37	20,967	33,213	20,967	33,213
Depreciation of property, plant and equipment	37	12,057	11,375	12,047	11,368
Loss on sale of property, plant and equipment	29	-	21	-	21
Gain from termination of ROU asset		(1,654)	-	(55)	-
Depreciation of right-of-use assets	37	10,471	12,230	10,056	11,751
Amortisation of cost on subordinated sukuk and senior sukuk issued		406	200	406	200
Property, plant and equipment written off	37	10	7	10	7
Intangible assets written off	37	216	233	216	233
Amortisation of premium (net)	27 & 29	44,095	28,149	44,095	28,149
Net gain from sale of financial investments at fair value through other comprehensive income	27 & 29	(2,011)	(57,034)	(2,011)	(57,034)
Net gain from sale of financial investments designated at FVTPL	27 & 29	(202)	(460)	(202)	(460)
Unrealised loss/(gain) on revaluation of financial investment designated at FVTPL	27 & 29	3,201	(6,194)	3,201	(6,194)
Net loss/(gain) on revaluation of foreign exchange transaction	29	7,229	(19,138)	7,229	(19,138)
Net (gain)/loss from foreign exchange derivatives	29	(13,267)	10,405	(13,267)	10,405
Unrealised (gain)/loss on revaluation of Islamic profit rate swap	29	(50,139)	53,422	(50,139)	53,422
Unrealised loss/(gain) on revaluation of hedged items	29	57,692	(59,901)	57,692	(59,901)
Impairment losses on investments securities	31	(296)	36	(296)	36
Fair value adjustments of investment properties	29	(675)	(1,954)	(675)	(1,954)
Net allowance for impairment on financing	30	76,910	99,642	76,910	99,642
Financing written off	30	95	4,680	95	4,680
Allowance for impairment on other financial assets, net	32	394	376	394	376
Finance costs	38	65,929	65,623	65,587	65,198
Gross dividend income	29	(39)	(42)	(2,000)	(3,000)
Operating profit before working capital changes		468,287	340,798	458,451	333,377



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H) (CONT'D)

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities (cont'd.)					
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		55,651	(36,366)	55,651	(36,366)
Financial investments portfolio		(106,694)	(26,237)	(106,695)	(26,237)
Financing of customers		(2,675,370)	(2,315,477)	(2,671,298)	(2,313,757)
Statutory deposits with Bank Negara Malaysia		(34,893)	473,513	(34,893)	473,513
Other assets		16,760	7,746	8,842	7,726
Increase/(decrease) in operating liabilities:					
Deposits from customers		1,611,800	2,560,814	1,614,559	2,559,152
Deposits and placements of banks and other financial institutions		213,199	100,901	213,199	100,901
Investment accounts of customers		216,978	-	216,978	-
Islamic derivative financial liabilities		(55,651)	36,365	(55,651)	36,365
Bills and acceptances payable		1,445	(2,134)	1,445	(2,134)
Other liabilities		32,929	37,194	39,615	38,630
Cash (used in)/generated from operations		(255,559)	1,177,117	(259,797)	1,171,170
Finance cost on lease liabilities paid	38	(2,081)	(2,509)	(1,739)	(2,084)
Zakat paid		(4,212)	(3,185)	(4,126)	(3,110)
Tax paid		(34,931)	(42,197)	(33,419)	(40,082)
Net cash (used in)/generated from operating activities		(296,783)	1,129,226	(299,081)	1,125,894
Cash flows from investing activities					
Proceeds from disposal of investment in securities		2,575,422	6,859,992	2,575,422	6,859,992
Purchase of financial investment in securities		(3,682,588)	(5,972,940)	(3,682,549)	(5,972,897)
Proceeds from disposal of property, plant and equipment		-	410	-	410
Purchase of property, plant and equipment	14	(8,884)	(10,912)	(8,863)	(10,898)
Purchase of intangible assets	13	(32,661)	(16,101)	(32,573)	(15,996)
Purchase of investment properties	12	-	(872)	-	(872)
Dividend income	29	39	42	2,000	3,000
Net cash (used in)/generated from investing activities		(1,148,672)	859,619	(1,146,563)	862,739



	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		(46,000)	(42,000)	(46,000)	(42,000)
Redemption of subordinated bonds		(750,000)	-	(750,000)	-
Payment of lease liabilities		(10,272)	(11,887)	(10,083)	(11,674)
Additional issuance of subordinated sukuk		498,573	-	498,573	-
Payment of principal for recourse obligation on financing sold to Cagamas		(16,667)	(15,484)	(16,667)	(15,485)
Payment of finance cost for recourse obligation on financing sold to Cagamas		(20,293)	(21,035)	(20,293)	(21,035)
Net cash used in financing activities		(344,659)	(90,406)	(344,470)	(90,194)
Net (decrease)/increase in cash and cash equivalents		(1,790,114)	1,898,439	(1,790,114)	1,898,439
Cash and cash equivalents at beginning of year		2,963,589	1,065,150	2,963,589	1,065,150
Cash and cash equivalents at end of year		1,173,475	2,963,589	1,173,475	2,963,589
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	1,142,291	2,933,172	1,142,291	2,933,172
Cash and placements with financial institutions	4 (b)	31,184	30,417	31,184	30,417
		1,173,475	2,963,589	1,173,475	2,963,589



STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

(a) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities

Group and Bank	Sukuk		Recourse obligation on financing sold to Cagamas	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January 2021/1 January 2020	753,334	753,049	444,141	459,633
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	(46,000)	(42,000)	-	-
Redemption of subordinated sukuk	(750,000)	-	-	-
Additional issuance of subordinated bonds	498,573	-	-	-
Payment of principal for recourse obligation on financing sold to Cagamas	-	-	(16,667)	(15,485)
Payment of finance cost for recourse obligation on financing sold to Cagamas	-	-	(20,293)	(21,035)
	455,907	711,049	407,181	423,113
Other changes:				
Amortisation of cost on sukuk issued	406	199	-	-
Finance cost	43,563	42,086	20,285	21,028
At end of the financial year	499,876	753,334	427,466	444,141



(a) Reconciliation of liabilities arising from financing activities: (cont'd.)

	Lease Liabilities			
	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
At 1 January 2021/1 January 2020	41,641	51,659	34,018	43,823
Net changes from financing cash flows:				
Payments for the profit portion of lease liabilities	(2,081)	(2,509)	(1,739)	(2,084)
Payments for the principal portion of lease liabilities	(10,272)	(11,887)	(10,083)	(11,674)
	29,288	37,263	22,196	30,065
Other changes:				
Finance cost	2,081	2,509	1,739	2,084
Lease modification	7,011	3,293	7,103	3,293
Currency translation	2	(1)	2	(1)
Termination	(8,452)	(1,423)	(1,110)	(1,423)
Additions	1,821	-	1,821	-
At end of the financial year	31,751	41,641	31,751	34,018

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

1. CORPORATE INFORMATION

Bank Muamalat Malaysia Berhad (the "Bank") is principally engaged in all aspects of Islamic banking business and related financial services in accordance with Shariah principles.

The principal activities of the subsidiaries are as disclosed in Note 11.

There have been no significant changes in the nature of these activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013 ("IFSA"), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 30th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. DRB-Hicom Berhad holds 70% of the Bank's shares, whilst the remaining 30% is held by Khazanah Nasional Berhad.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Board of Directors on 28 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements of the Group and of the Bank are prepared under the historical cost basis, unless otherwise indicated in the respective accounting policies highlighted in the following pages.

The Group and the Bank present the statements of financial position in order of liquidity.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2021.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies to classify transactions and events in similar circumstances. Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group controls an investee, if and only if, the Group has the following three (3) elements of control:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control.

Generally, there is a presumption that majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for on the date when control is lost.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in statement of profit or loss.

(b) Financial assets

(i) Initial recognition and subsequent measurement

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The categories of financial assets under MFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

(1) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below:

(i) The SPPP test

As a first step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there were payments of principal or amortisation of the premium/discount).



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(i) Initial recognition and subsequent measurement (cont'd.)

(1) Financial assets at amortised cost (cont'd.)

The details of these conditions are outlined below: (cont'd.)

(i) The SPPP test (cont'd.)

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The way the managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales which are also important aspects of the Group's and the Bank's assessment.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, cash and placements with financial institutions, financial investments, financing of customers, statutory deposits and a portion of other assets as disclosed in the respective notes to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(i) Initial recognition and subsequent measurement (cont'd.)

(2) Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The contractual terms of the financial assets meet the SPPP test; and
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the Other Comprehensive Income ("OCI"). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first-in-first-out basis. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial assets at FVOCI are certain equity and debt instruments.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those that are held-for-trading and have been either designated by the Group and the Bank upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9.

The Group and the Bank designate an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, financing of customers and derivatives.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the profit or loss under the caption of 'other operating income'.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(ii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from asset have expired.
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass through” arrangement; and either:
 - The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
 - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset.

When the Group and the Bank have transferred their rights to receive cash flows from a financial asset or have entered into a pass through arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Group’s and the Bank’s continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

(iii) Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model. The ECL model applies to financial assets measured at amortised cost or at FVOCI (with recycling to profit or loss), irrevocable financing commitments and financial guarantee contracts, and financing of customers and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets (cont'd)

The measurement of ECL involves increased complexity and judgement that include:

(1) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is critical in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The Group and the Bank apply a 3-stage approach based on the change in credit quality since initial recognition:

3-Stage Approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing

ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
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Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
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Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount
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(2) ECL Measurement

There are three (3) main components to measure ECL, which include: (i) probability of default ("PD") model; (ii) loss given default ("LGD") model; and (iii) exposure at default ("EAD") model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant.

(3) Expected life

Lifetime ECL must be measured over the expected life of the financial asset. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as overdraft. The expected life for these revolving facilities generally refers to their behavioural life.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets (cont'd.)

(4) Forward looking information

ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the collation of macroeconomic data obtained from various external sources, such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in the ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as::

- Consumer Price Index;
- Unemployment rates;
- House Price Indices; and
- Overnight Policy Rate.

The Bank applies the following three (3) alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions..

(5) Financial investments at FVOCI

The ECL for financial investments measured at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets (cont'd.)

(6) Valuation of collateral held as security for financial assets

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For vehicle financing - charges over the vehicles financed; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

(7) Impairment process – written-off accounts

Where a financing is uncollectible, it is written-off against the related allowances for impairment. Such financing are written-off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written-off are recognised in the statements of profit or loss.

(8) Impairment of other financial assets

The Group and the Bank apply the MFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other financial assets. The simplified approach excludes tracking of changes in credit risk.

(iv) Determination of fair value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices, which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Bank generally uses widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held; with exception to investment in private equity funds.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial liabilities

(i) Date of recognition

All financial liabilities are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments.

(ii) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortised cost.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held-for-trading include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. Derivative liabilities are initially and subsequently measured at fair value, with any resultant gains or losses recognised in statements of profit or loss. Net gains or losses on derivatives include exchange differences.

(2) Financial liabilities at amortised cost

The Group's and the Bank's financial liabilities at amortised cost include deposits from customers, deposits and placements of banks and other financial institutions, debt securities, payables, bills and acceptances payable, recourse obligation on financing sold to Cagamas and other liabilities.

(a) Deposits from customers, and deposits and placements of banks and other financial institutions

Deposits from customers, and deposits and placements of banks and other financial institutions are stated at placement values.

(b) Islamic debt securities

Issued Islamic debt securities are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities consist of subordinated sukuk and senior sukuk.

These Islamic debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, all issued Islamic debt securities are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of profit or loss over the period of the financing on an effective profit rate method.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial liabilities (cont'd.)

(ii) Initial recognition and subsequent measurement (cont'd.)

(2) Financial liabilities at amortised cost (cont'd.)

(c) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit rate method.

(d) Bills and acceptances payable

Bills and acceptances are recognised at amortised cost using effective profit rate method. Payables represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(e) Other liabilities

Other liabilities are stated at cost, which is the fair value of the consideration expected to be paid in the future for goods and services received.

(f) Recourse obligation on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of profit or loss.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

The Group and the Bank use derivatives such as profit rate swap and forward foreign exchange contracts.

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the derivatives are recognised in the statements of profit or loss unless these form part of a hedging relationship.

(ii) Hedge accounting

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 April 2018.

The Group and the Bank use derivative instruments to manage exposures to profit rate and foreign currency risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

(1) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statements of profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Derivative instruments and hedge accounting (cont'd.)

(ii) Hedge accounting (cont'd.)

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income into cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in statements of profit or loss. When the hedged cash flow affects the statements of profit or loss, the gain or loss on the hedging instrument previously recognised in other comprehensive income are reclassified from equity and is recorded in the corresponding income or expense line of the statements of profit or loss.

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss exist in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the statements of profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statements of profit or loss.

The Group and the Bank did not apply cash flow hedge as at the financial year end.

(e) Foreclosed properties

Foreclosed properties are those properties acquired in full or partial satisfaction of financing and are stated at the lower of cost and net realisable value and reported within other assets.

(f) Investment properties

Investment properties, comprising principally land and shoplots, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Bank.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market value determined annually by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in statement of profit or loss in the period of the retirement or upon disposal.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Intangible assets

Intangible assets include computer software and software under development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, except for software under development which are not subject to amortisation.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. Intangibles with finite lives or not yet available for use are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation year or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statements of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation of intangible asset is provided for on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer software is amortised over its estimated finite useful lives ranging from three (3) to ten (10) years.

(h) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated. Work-in-progress property, plant and equipment are also not depreciated until the assets are ready for their intended use.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Property, plant and equipment (cont'd.)

Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings on freehold land	33 years
Buildings on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office furniture and equipment	6 to 7 years
Buildings improvements and renovations	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statements of profit or loss.

(i) Leases

(a) Classification

At inception of a contract, the Group and the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) Recognition and initial measurement

(i) The Group and the Bank as lessee

The Group and the Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use ("ROU") asset

The Group and the Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets, as follows:

Office building	2 to 3 years
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If ownership of the leased asset is transferred to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with Note 2.3(l) on impairment of non-financial assets.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(i) The Group and the Bank as lessee (cont'd.)

Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank uses its incremental profit rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group and the Bank applies the short-term lease recognition exemption to its short-term leases of office building (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office building that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Group and the Bank as lessor

Leases in which the Group and the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries, and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in statement of profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under exchange fluctuation reserve in equity.

The exchange fluctuation reserve is reclassified from equity to statement of profit or loss of the Group and of the Bank on disposal of the foreign operations.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statements of profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of the Group's and the Bank's foreign operations, whose functional currencies are not the presentation currency, are translated into the presentation currency at average exchange rates for the year, which approximates the exchange rates at the date of the transaction, and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are taken directly to other comprehensive income and are subsequently recognised in the statements of profit or loss upon disposal of the foreign operations.

(k) Provision for liabilities

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written-down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the statements of profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statements of profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short term deposits with original maturity tenor of less than three (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statements of profit or loss, as they are incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(p) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the income can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Profit and income from financing

For all financial assets measured at amortised cost, profit bearing financial assets classified as FVOCI and financial assets designated at FVTPL, profit income or expense is recorded using the effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

For impaired financial assets, profit/financing income continues to be recognised using the effective profit rate, to the extent that it is probable that the profit can be recovered.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(1) Bai' Bithaman Ajil ("BBA")

This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either to be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(2) Ijarah Thumma Al-Bai'

This contract involves lease ending with transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two (2) contracts involved in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the Ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on effective profit rate basis over the lease term.

(3) Bai' Inah

This contract involves sale and purchase of an asset whereby the Bank sells an asset to the customer on a deferred basis and subsequently buys back the asset at a cash price lower than the deferred sales price. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(4) Tawarruq

This contract relates to the arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statements of profit or loss, as they are incurred. Financing income is recognised on effective profit rate basis over the expected life of the contract based on the principal amount outstanding.

(5) Bai Al-Dayn

This contract involves the sale and purchase of securities or debt certificates which conforms with the Shariah ruling. Securities or debt certificates are issued by a debtor to a creditor as evidence of indebtedness. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(6) Murabahah

This contract involves the sale of goods or assets by the Bank at a mark-up price to the customer, which includes a profit margin as agreed by both parties. The price, costs and profit margin in Murabahah shall be made transparent and agreeable by both parties. This contract applies to the Bank's financing and advances products whilst the Bank's Commodity Murabahah term deposit product is based on the contract of Murabahah and Tawarruq.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

Profit attributable to depositors is recognised as an expense in statements of profit or loss, as it incurred. Profit to be distributed is based on the expected profit rate, which is quoted to the customer on the placement date.

(7) Istisna'

Istisna' contract can be established between a Bank and contractor, developer, or producer that allows the Bank to make progress payments as construction progresses. Istisna' financing is provided in the form of advance progress payments to the customer who builds, manufactures, constructs or develops the object of sale. Upon completion of the project, the asset is delivered to parties who have earlier on agreed to take delivery of the asset. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(8) Qard

Qard is a contract of loan between two (2) parties on the basis of social welfare or to fulfil a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is, however, legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract. As such, no accrual of income is recognised for this contract.

(9) Musharakah Mutanaqisah

In Musharakah Mutanaqisah contract, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of Ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(10) Rahn

In Ar-Rahn transaction, a valuable asset such as gold and jewellery is used as a collateral for a debt. The collateral will be used to settle the debt when a debtor is in default. Income is recognised when the Bank charges a safekeeping fee upon which are to be paid in full upon expiry of the contract, redemption or extension of period of Ar-Rahn, whichever is applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Income recognition (cont'd.)

(ii) Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, guarantee fees and brokerage fees are recognised as income based on accrual on time apportionment method. Fees from advisory and corporate finance activities are recognised at net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from securities is recognised when the Bank's right to receive payment is established.

(q) Income and deferred taxes

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statements of profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Zakat

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of its depositors or shareholders. Zakat provision is calculated based on capital growth model method.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives, and non-financial assets such as investment properties at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would be willing to use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement, which is directly (i.e. prices) or indirectly (i.e. derived from prices) observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments and further details are disclosed in Note 47.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Government financing scheme and government financing facility

Financing under a government scheme is recognised and measured in accordance with MFRS 9 Financial Instruments, with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

(u) Investment accounts

Investment accounts are either:

i. Unrestricted investment accounts

An unrestricted investment account ("UA") refers to a type of investment account where the investment account holder ("IAH") provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudarabah contracts.

Impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

ii. Restricted investment accounts

Restricted investment account ("RA") refers to a type of investment account where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period of investment.

RA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RA. The Bank also has no ability to exercise power over the RA to affect the amount of the Bank's return. The RA is structured under the Mudarabah contract whereby the IAH appoints the Bank as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Bank receives fees for the agency service provided.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in accounting policies and disclosures

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2020 except for adoption of the following MFRS and Interpretations of the Issues Committee ("IC Interpretations") during the current financial year with effective dates as follows:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 Interest Rate Benchmark Reform - (Phase 2)	1 January 2021
Amendment to MFRS 16 Leases: <i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021

The adoption of the MFRS and IC Interpretations above does not have material impact to the financial statements of the Group and the Bank.

2.5 Significant changes in regulatory requirements

Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19

During the financial year ended 31 December 2021, BNM had announced the extension of various COVID-19 assistance programmes which aimed to support economy at large and provide relief to all affected individuals, SMEs and corporations. The support measures include the following:

Targeted payment assistance ("TRA") and moratorium

- (i) Targeted payment assistance under Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan ("PEMERKASA+")

TRA under PEMERKASA+ was announced on 31 May 2021. The TRA was applicable to all customers who have lost their employment, B40 customers registered under Bantuan Sara Hidup ("BSH") or Bantuan Prihatin Rakyat ("BPR"), SMEs and microenterprises with financing facilities not more than RM150,000 whose financing were approved on or before 30 June 2021 and not in arrears for more than 90 days. All these affected customers may opt for 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months.

- (ii) Six-month moratorium under Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")

The six-month moratorium under PEMULIH was announced on 28 June 2021. The moratorium applies to ringgit and foreign currency denominated financing approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or under bankruptcy proceedings. All individuals, SMEs and microenterprises may opt for 6-month deferment of instalment or 50% reduction in their monthly instalment payment for a period of 6 months. There will be no compounding of profit and any penalty profit during the moratorium period.

The payment assistance/moratorium did not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impact of the moratorium is reflected at the financing income of the Bank (see Notes 27(a) and 29(a)).



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant changes in regulatory requirements (cont'd.)

Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19 (cont'd.)

Credit risk monitoring, stress testing and classification in the Central Credit Reference Information System ("CCRIS")

The payment assistance/moratorium do not automatically result in a stage transfer under MFRS 9 in the absence of other factors indication evidence of significant increase in credit risk ("SICR"). The Bank will continue to apply judgement and perform more holistic assessment of all relevant indicators and information such as historical payment and delinquency trend in determining SICR.

The financing that are approved under payment assistance on or before 31 December 2021 are exempted to be reported as rescheduling and restructuring ("R&R") in CCRIS. However, the Bank is required to report the credit impaired status consistently with the accounting classification.

Financial management and resilience programme ("URUS")

Pursuant to the statement issued by the Prime Minister on 13 October 2021, banking industry, represented collectively by The Association of Banks in Malaysia ("ABM"), Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM") and Association of Development Finance Institutions of Malaysia ("ADFIM") had on 14 October 2021 announced its continued support to individual customers. The Bank has worked alongside with Agensi Kaunseling dan Pengurusan Kredit ("AKPK") to offer a comprehensive extended financial assistance scheme called Financial Management and Resilience Programme ("URUS").

The scheme is open to individual customers, on application, who are under an existing payment assistance (e.g. Targeted Payment Assistance, PEMERKASA+, PEMULIH, the Bank's own rescheduling and restructuring, etc.) as at 31 December 2021 and meet the following criteria:

- (i) From B50 income segment i.e. customer with household income of RM5,880 or lower based on definition by the Department of Statistic of Malaysia;
- (ii) Have experience either loss of employment or reduction of income of at least 50%; and
- (iii) Whose financing is still performing (not in arrears exceeding 90 days) as at the date of their application.

Under URUS, AKPK will provide the customer with a personalised financial plan that encompass the following options:

- (a) A profit waiver for a period of 3 months, commencing the month following the customer's on boarding into the scheme; or
- (b) A 3-month profit waiver together with reduced instalments for a period of up to 24 months. This option will also benefit customers with unsecured personal financing and credit cards.

Individual customers who fulfil the abovementioned criteria can apply for URUS effective 15 November 2021 until 31 January 2022.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Standards and interpretations issued but not yet effective

The Group and the Bank have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective for the Group and the Bank. The Group and the Bank intend to adopt these Standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3: <i>Business Combinations-Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116: <i>Property, Plant and Equipment Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets-Onerous Contracts- Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced by MASB

The directors expect that the adoption of the above-mentioned Standards will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity, are as follows:

3.1 Going concern

The Management of the Group and the Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial investments portfolio (Notes 5 and 31)

The Group and the Bank review their debt instruments at FVOCI, and financial investments at amortised cost under MFRS 9, which requires the recognition of ECL at each reporting date to reflect change in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following Management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators, such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.3 Impairment losses on financing of customers (Notes 7 and 30)

The Group and the Bank review individually its significant financing of customers at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.



NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.3 Impairment losses on financing of customers (Notes 7 and 30) (cont'd.)

The Group's and the Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
- (ii) The segmentation of financial assets when ECL is assessed on a collective basis;
- (iii) Development of ECL models, including the various formulas and the choice of inputs;
- (iv) Determination of associations between macroeconomic scenarios and economic inputs, such as, unemployment levels and collateral values, and the effect on PDs, LGDs, and EADs including macroeconomic factors as disclosed in note 46(a)(iii); and
- (v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Financing that have been assessed individually but for which no impairment is required as well as all individually insignificant financing need to be assessed collectively, in groups of assets with similar credit risk characteristic. This is to determine whether impairment should be made due to incurred loss events for which there is objective evidence but effects of which are not yet evident. The collective assessment takes into account of data from the financing portfolios (such as, credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual groups).

3.4 Fair value estimation of financial investments at FVTPL and FVOCI (Notes 5(i) and 5(ii)) and derivative financial instruments (Note 6)

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions on profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

3.5 Taxation (Note 40)

Significant Management's judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation being assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.



4.(A) CASH AND SHORT-TERM FUNDS

	Note	Group and Bank 2021 RM'000	2020 RM'000
Cash and balances with banks and other financial institutions		121,362	9,233
Money at call and interbank placements maturing within one month		1,021,044	2,924,074
Allowances for impairment loss	(i)	1,142,406 (115)	2,933,307 (135)
		1,142,291	2,933,172

(i) Analysis of changes in allowances for impairment losses on cash and short term funds are as follows:

Group and Bank	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2021				
At 1 January 2021	135	-	-	135
Allowance made	92	-	-	92
Amount written back in respect of recoveries	(112)	-	-	(112)
At 31 December 2021	115	-	-	115
At 31 December 2020				
At 1 January 2020	448	-	-	448
Allowance made	176	-	-	176
Amount written back in respect of recoveries	(489)	-	-	(489)
At 31 December 2020	135	-	-	135

(B) CASH AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank 2021 RM'000	2020 RM'000
Licensed Islamic banks	31,184	30,417

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 December 2021 for the Group and the Bank were 1.25% per annum and 51 days respectively (2020: 2.06% per annum and 56 days).

5. FINANCIAL INVESTMENTS (CONT'D.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(ii) Financial investments at fair value through other comprehensive income (cont'd.)				
Equity instruments:				
Quoted securities in Malaysia:				
Quoted shares	96,705	104,411	94,199	101,944
Money market instruments:				
Negotiable Islamic debt certificates	-	349,370	-	349,370
Unquoted securities:				
Shares in Malaysia	4,631	4,631	4,631	4,631
Total financial assets at fair value through other comprehensive income	4,866,770	3,798,965	4,864,264	3,796,498

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

	Stage 1	Stage 2	Stage 3	Total ECL
	12-Months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 31 December 2021				
At 1 January 2021	81	-	38,241	38,322
Allowance made	192	-	-	192
Amount written back in respect of recoveries	(157)	-	-	(157)
Amount written off	-	-	(14,596)	(14,596)
Exchange differences	-	-	515	515
At 31 December 2021	116	-	24,160	24,276



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5. FINANCIAL INVESTMENTS (CONT'D.)

(ii) Financial investments at fair value through other comprehensive income (cont'd.)

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank: (cont'd.)

	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	119	-	37,251	37,370
Allowance made	20	-	-	20
Amount written back in respect of recoveries	(58)	-	-	(58)
Amount written off	-	-	1,250	1,250
Exchange differences	-	-	(260)	(260)
At 31 December 2020	81	-	38,241	38,322

(iii) Financial investments at amortised cost

	Group and Bank	
	2021 RM'000	2020 RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia less: Accumulated impairment losses	146,749 (39,640)	145,515 (39,971)
Total financial investments at amortised cost	107,109	105,544



5. FINANCIAL INVESTMENTS (CONT'D.)

(iii) Financial investments at amortised cost (cont'd.)

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2021				
At 1 January 2021	-	39,971	-	39,971
Amount written back in respect of recoveries	-	(331)	-	(331)
At 31 December 2021	-	39,640	-	39,640
At 31 December 2020				
At 1 January 2020	-	41,147	-	41,147
Amount written back in respect of recoveries	-	(1,176)	-	(1,176)
At 31 December 2020	-	39,971	-	39,971



NOTES TO THE FINANCIAL STATEMENTS

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6. ISLAMIC DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Group and Bank	2021			2020		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
- Currency forwards Less than one year	778,535	1,362	(3,463)	1,509,931	4,084	(43,920)
- Currency swaps Less than one year	841,155	4,074	(697)	1,679,710	40,343	(15,826)
- Currency spot Less than one year	10,907	1	(7)	136,881	3,393	(73)
	1,630,597	5,437	(4,167)	3,326,522	47,820	(59,819)
Islamic profit rate swap ("IPRS")						
Hedging IPRS	1,200,000	-	(57,376)	1,200,000	-	(107,515)
Total	2,830,597	5,437	(61,543)	4,526,522	47,820	(167,334)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

	2021			2020		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
IPRS	1,200,000	-	(57,376)	1,200,000	-	(107,515)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers and investment securities.

For the year ended 31 December 2021, the Group and the Bank:

- (i) recognised a net gain of RM50,139,069 (31 December 2020: net loss of RM54,337,986) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM57,692,261 (2020: net gain of RM59,900,904) (Note 29); and
- (ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (2020: nil) as a result of derecognition of the hedged items.

7. FINANCING OF CUSTOMERS

(i) By type and Shariah contracts

Group	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai		Inah		Tawarruq		Bai' Al-Dayn		Murabahah		Istisna'		Qard		Purchase Orderer Mutanaqisah		Shirkah		Total financing		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021	-	-	-	-	1,124	521,609	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	522,733	-
Cash line	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Term financing:																							
Home financing	1,351,309	-	-	-	-	4,437,624	-	-	-	-	-	-	-	10,128	-	-	-	-	-	-	-	5,799,061	-
Syndicated financing	-	-	-	-	-	561,017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	561,017	-
Hire purchase receivables	66,640	221,620	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362,215	-	-	-	-	650,475	-
Personal financing	35,792	-	-	-	10	5,677,081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,712,883	-
Other term financing*	142,060	-	-	-	-	3,884,336	-	-	-	-	-	-	-	20,275	106	-	-	-	-	79,836	-	4,126,613	-
Trust receipts	-	-	-	-	-	-	-	-	-	44,644	115,099	-	-	-	-	-	-	-	-	-	-	159,743	-
Claims on customers under acceptance credits	-	-	-	-	-	-	-	-	-	151,596	1,005,348	-	-	-	-	-	-	-	-	-	-	1,156,944	-
Staff financing	23,230	-	-	-	-	70,181	-	-	-	-	-	-	-	-	-	94	-	-	-	-	-	93,505	-
Revolving financing	-	-	-	-	-	1,794,453	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,794,453	-
Credit card	-	-	-	-	-	19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	-
Al-Rahnu	-	-	-	-	-	272,570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	272,570	-
Total gross financing [^]	1,619,031	221,620	221,620	1,134	17,218,890	196,240	1,120,447	30,403	200	362,215	79,836	20,850,016	-	-	-	-	-	-	-	-	-	48,238	-
Fair value changes arising from fair value hedge	-	-	-	-	-	48,238	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less : Allowance for impaired financing	1,619,031	221,620	221,620	1,134	17,267,128	196,240	1,120,447	30,403	200	362,215	79,836	20,898,254	-	-	-	-	-	-	-	-	-	-	-
At amortised cost	(7,480)	(348)	(348)	(15)	(106,203)	(728)	(1,656)	(110)	-	(228)	-	(116,768)	-	-	-	-	-	-	-	-	-	(116,768)	-
- Stage 1 - 12 Months ECL	(2,673)	(357)	(357)	(34)	(30,589)	(39)	(349)	-	-	(5)	-	(34,046)	-	-	-	-	-	-	-	-	-	(34,046)	-
- Stage 2 - Lifetime ECL not credit impaired	(8,354)	(352)	(352)	(177)	(67,173)	-	(32)	(14)	-	(32)	-	(76,134)	-	-	-	-	-	-	-	-	-	(76,134)	-
- Stage 3 - Lifetime ECL credit impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total net financing	1,600,524	220,563	220,563	908	17,063,163	195,473	1,118,410	30,279	200	361,950	79,836	20,671,306	-	-	-	-	-	-	-	-	-	-	-

* Included in other term financing are financing at fair value through profit or loss amounting RM1,043,144,000 (2020: RM924,877,000) which mainly consists of hedged assets that are hedged against Islamic profit rate swap.

[^] During the year, a total of RM9,645,841 (2020: RM46,212,464) modification loss arising from payment moratorium is included and reduced from gross balances within the respective financing products.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah contracts (cont'd.)

Group	31 December 2020	Bai' Bithaman Ajjil		Ijarah Thumma Al-Bai		Inah		Tawarruq		Bai' Al-Dayn		Murabahah		Murabahah to the Purchase Orderer		Card	Istisna'	Shirkah Mutanaqisah	Rahnu (Qard)	Total financing
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000					
Cash line		-	-	-	3,535	-	566,558	-	-	-	-	-	-	-	-	-	-	-	-	570,093
Term financing:																				
Home financing		1,580,358	-	-	3,276,125	-	-	-	-	-	-	-	-	-	-	-	9,600	-	-	4,866,083
Syndicated financing		-	-	-	-	-	550,719	-	-	-	-	-	-	-	-	-	-	-	-	550,719
Hire purchase receivables		79,331	317,223	-	-	-	-	-	-	-	-	240,256	-	-	-	-	-	-	-	636,810
Personal financing		58,309	-	-	27	-	4,334,639	-	-	-	-	-	-	-	-	-	-	-	-	4,392,975
Other term financing*		166,385	-	-	1	-	3,583,927	-	-	-	-	-	-	-	-	237	39,048	76,757	-	3,866,355
Trust receipts		-	-	-	-	-	-	-	-	22,581	70,397	-	-	-	-	-	-	-	-	92,978
Claims on customers under acceptance credits		-	-	-	-	-	-	-	-	162,297	882,001	-	-	-	-	-	-	-	-	1,044,298
Staff financing		34,558	-	-	-	-	62,620	-	-	-	-	-	-	-	-	105	-	-	-	97,283
Revolving financing		-	-	-	-	-	1,794,063	-	-	-	-	-	-	-	-	-	-	-	-	1,794,063
Ar-Rahnu		-	-	-	-	-	287,032	-	-	-	-	-	-	-	-	-	-	-	17,504	304,536
Total gross financing ^		1,918,941	317,223	3,563	14,455,683	184,878	952,398	48,648	342	240,256	76,757	17,504	18,216,193							
Fair value changes arising from fair value hedge		-	-	-	91,113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,113
Less : Allowance for impaired financing		1,918,941	317,223	3,563	14,546,796	184,878	952,398	48,648	342	240,256	76,757	17,504	18,307,306							
At amortised cost																				
- Stage 1 - 12 Months ECL		(2,110)	(740)	(36)	(90,064)	(212)	(705)	(342)	(4)	(616)	-	(155)	(94,984)							
- Stage 2 - Lifetime ECL not credit impaired		(2,669)	(42)	(400)	(4,850)	(177)	(411)	(8)	-	(4)	-	-	(8,561)							
- Stage 3 - Lifetime ECL credit impaired		(16,858)	(1,582)	(45)	(67,349)	-	(1,812)	(43)	-	-	-	(255)	(87,944)							
Total net financing		1,897,304	314,859	3,082	14,384,533	184,489	949,470	48,255	338	239,636	76,757	17,094	18,115,817							

7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah contracts (cont'd.)

Bank	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai		Bai' Tawarruq		Bai' Al-Dayn		Murabahah		Istisna'		Card		Murabahah to the Purchase Orderer		Total financing	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31 December 2021	-	-	-	1,124	521,609	-	-	-	-	-	-	-	-	-	-	-	522,733	
Cash line	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Term financing:																		
Home financing	1,351,309	-	-	4,437,624	-	-	-	-	-	-	-	10,128	-	-	-	-	5,799,061	
Syndicated financing	-	-	-	561,017	-	-	-	-	-	-	-	-	-	-	-	-	561,017	
Hire purchase receivables	66,640	221,620	-	-	-	-	-	-	-	-	-	-	-	362,215	-	-	650,475	
Personal financing	35,792	-	-	10	5,677,081	-	-	-	-	-	-	-	-	-	-	-	5,712,883	
Other term financing*	142,060	-	-	-	3,884,336	-	-	-	-	-	20,275	-	-	70,254	-	-	4,116,925	
Trust receipts	-	-	-	-	-	-	44,644	115,099	-	-	-	-	-	-	-	-	159,743	
Claims on customers under acceptance credits	-	-	-	-	-	-	151,596	1,005,348	-	-	-	-	-	-	-	-	1,156,944	
Staff financing	23,230	-	-	-	70,181	-	-	-	-	94	-	-	-	-	-	-	93,505	
Revolving financing	-	-	-	-	1,794,453	-	-	-	-	-	-	-	-	-	-	-	1,794,453	
Credit card	-	-	-	-	19	-	-	-	-	-	-	-	-	-	-	-	19	
Al-Rahnu	-	-	-	-	272,570	-	-	-	-	-	-	-	-	-	-	-	272,570	
Total gross financing [^]	1,619,031	221,620	1,134	17,218,890	196,240	1,120,447	30,403	70,348	362,215	20,840,328	-	-	-	-	-	-	48,238	
Fair value changes arising from fair value hedge	-	-	-	-	48,238	-	-	-	-	-	-	-	-	-	-	-	-	-
Less : Allowance for impaired financing	1,619,031	221,620	1,134	17,267,128	196,240	1,120,447	30,403	70,348	362,215	20,888,566	-	-	-	-	-	-	-	
At amortised cost																		
- Stage 1 - 12 Months ECL	(7,480)	(348)	(15)	(106,203)	(728)	(1,656)	(110)	-	(228)	(116,768)	-	-	-	-	-	-	(116,768)	
- Stage 2 - Lifetime ECL not credit impaired	(2,673)	(357)	(34)	(30,589)	(39)	(349)	-	-	(5)	(34,046)	-	-	-	-	-	-	(34,046)	
- Stage 3 - Lifetime ECL credit impaired	(8,354)	(352)	(177)	(67,173)	-	(32)	(14)	-	(32)	(76,134)	-	-	-	-	-	-	(76,134)	
Total net financing	1,600,524	220,563	908	17,063,163	195,473	1,118,410	30,279	70,348	361,950	20,661,618	-	-	-	-	-	-	-	

* Included in other term financing are financing at fair value through profit or loss amounting RM1,033,455,000 (2020: RMP19,262,000) which mainly consists of hedged assets that are hedged against Islamic profit rate swap.

[^] During the year, a total of RM9,645,841 (2020: RM46,212,464) modification loss arising from payment moratorium is included and reduced from gross balances within the respective financing products.



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7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah contracts (cont'd.)

Bank	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai		Tawarruq		Bai' Al-Dayn		Murabahah		Murabahah to the Purchase Orderer		Rahnu (Qard)	Total financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
31 December 2020														
Cash line	-	-	3,535	566,558	-	-	-	-	-	-	-	-	-	570,093
Term financing:														
Home financing	1,580,358	-	-	3,276,125	-	-	-	-	-	-	-	-	-	4,866,083
Syndicated financing	-	-	-	550,719	-	-	-	-	-	-	-	-	-	550,719
Hire purchase receivables	79,331	317,223	-	-	-	-	-	-	-	240,256	-	-	-	636,810
Personal financing	58,309	-	27	4,334,639	-	-	-	-	-	-	-	-	-	4,392,975
Other term financing*	166,385	-	1	3,583,927	-	-	-	-	-	-	-	-	-	3,860,740
Trust receipts	-	-	-	-	-	-	22,581	70,397	-	-	-	-	-	92,978
Claims on customers under acceptance credits	-	-	-	-	-	-	162,297	882,001	-	-	-	-	-	1,044,298
Staff financing	34,558	-	-	62,620	-	-	-	-	-	-	105	-	-	97,283
Revolving financing	-	-	-	1,794,063	-	-	-	-	-	-	-	-	-	1,794,063
Al-Rahnu	-	-	-	287,032	-	-	-	-	-	-	-	-	17,504	304,536
Total gross financing ^	1,918,941	317,223	3,563	14,455,683	184,878	952,398	48,648	71,484	240,256	17,504	18,210,578			
Fair value changes arising from fair value hedge	-	-	-	91,113	-	-	-	-	-	-	-	-	-	91,113
Less : Allowance for impaired financing	1,918,941	317,223	3,563	14,546,796	184,878	952,398	48,648	71,484	240,256	17,504	18,301,691			
At amortised cost														
- Stage 1 - 12 Months ECL	(2,110)	(740)	(36)	(90,064)	(212)	(705)	(342)	(4)	(616)	(155)	(94,984)			
- Stage 2 - Lifetime ECL not credit impaired	(2,669)	(42)	(400)	(4,850)	(177)	(411)	(8)	-	(4)	-	(8,561)			
- Stage 3 - Lifetime ECL credit impaired	(16,858)	(1,582)	(45)	(67,349)	-	(1,812)	(43)	-	-	(255)	(87,944)			
Total net financing	1,897,304	314,859	3,082	14,384,533	184,489	949,470	48,255	71,480	239,636	17,094	18,110,202			



7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah contracts (cont'd.)

	Group	
	2021 RM'000	2020 RM'000
Uses of Qard fund:		
Staff financing	94	105
Other term financing	106	237
	200	342
	Bank	
	2021 RM'000	2020 RM'000
Staff financing	94	105
Other term financing	70,254	71,379
	70,348	71,484

(ii) By type of customer

	Group	
	2021 RM'000	2020 RM'000
Domestic non-banking institutions	459,819	736,507
Domestic business enterprises		
- Small business enterprises	728,368	511,263
- Others	4,666,225	4,208,311
Government and statutory bodies	944,525	952,354
Individuals	14,034,406	11,797,470
Other domestic entities	10,119	3,666
Foreign entities	6,554	6,622
Gross financing	20,850,016	18,216,193



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(ii) By type of customer (cont'd.)

	Bank	
	2021 RM'000	2020 RM'000
Domestic non-banking institutions	459,819	736,507
Domestic business enterprises		
- Small business enterprises	728,368	511,263
- Others	4,656,537	4,202,696
Government and statutory bodies	944,525	952,354
Individuals	14,034,406	11,797,470
Other domestic entities	10,119	3,666
Foreign entities	6,554	6,622
Gross financing	20,840,328	18,210,578

(iii) By profit rate sensitivity

	Group	
	2021 RM'000	2020 RM'000
Fixed rate:		
Home financing	180,050	240,827
Hire purchase receivables	650,474	636,810
Others	3,211,564	3,422,300
Variable rate:		
Home financing	5,699,621	4,678,117
Others	11,108,307	9,238,139
Gross financing	20,850,016	18,216,193

	Bank	
	2021 RM'000	2020 RM'000
Fixed rate:		
Home financing	180,050	240,827
Hire purchase receivables	650,474	636,810
Others	3,201,876	3,416,685
Variable rate:		
Home financing	5,699,621	4,678,117
Others	11,108,307	9,238,139
Gross financing	20,840,328	18,210,578



7. FINANCING OF CUSTOMERS (CONT'D.)

(iv) By sector

	Group	
	2021 RM'000	2020 RM'000
Agriculture	76,432	108,267
Mining and quarrying	967	398
Manufacturing	982,214	978,385
Electricity, gas and water	101,336	99,194
Construction	553,493	531,420
Household	14,040,960	11,804,092
Real estate	1,154,085	1,229,136
Wholesale, retail and restaurant	974,568	1,086,063
Transport, storage and communication	67,751	60,234
Finance, takaful and business services	1,368,761	1,060,837
Community, social and personal service	584,924	305,813
Government and statutory bodies	944,525	952,354
Gross financing	20,850,016	18,216,193

	Bank	
	2021 RM'000	2020 RM'000
Agriculture	76,432	108,267
Mining and quarrying	967	398
Manufacturing	982,214	978,385
Electricity, gas and water	101,336	99,194
Construction	553,493	531,420
Household	14,040,960	11,804,092
Real estate	1,154,085	1,229,136
Wholesale, retail and restaurant	974,568	1,086,063
Transport, storage and communication	67,751	60,234
Finance, takaful and business services	1,368,761	1,060,838
Community, social and personal service	575,236	300,197
Government and statutory bodies	944,525	952,354
Gross financing	20,840,328	18,210,578



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(v) By residual contractual maturity

	Group	
	2021 RM'000	2020 RM'000
Maturity		
- within one year	5,532,888	5,767,870
- more than one to five years	6,934,054	6,158,310
- more than five years	8,383,074	6,290,013
Gross financing	20,850,016	18,216,193

	Bank	
	2021 RM'000	2020 RM'000
Maturity		
- within one year	5,581,126	5,767,870
- more than one to five years	6,885,816	6,158,310
- more than five years	8,373,386	6,284,398
Gross financing	20,840,328	18,210,578

(vi) By geographical area

	Group	
	2021 RM'000	2020 RM'000
Domestic	20,850,016	18,216,193
Gross financing	20,850,016	18,216,193

	Bank	
	2021 RM'000	2020 RM'000
Domestic	20,840,328	18,210,578
Gross financing	20,840,328	18,210,578



7. FINANCING OF CUSTOMERS (CONT'D.)

(vii) By economic purpose

	Group	
	2021 RM'000	2020 RM'000
Purchase of securities	1,109,362	1,124,566
Purchase of transport vehicles	643,061	627,420
Purchase of landed properties of which:		
– residential	5,605,775	4,767,687
– non-residential	320,526	312,611
Purchase of fixed assets (excluding landed properties)	200,251	130,454
Personal use	6,347,441	4,990,798
Construction	856,049	949,045
Working capital	5,347,450	4,992,211
Other purposes	420,101	321,401
Gross financing	20,850,016	18,216,193

	Bank	
	2021 RM'000	2020 RM'000
Purchase of securities	1,109,362	1,124,566
Purchase of transport vehicles	643,061	627,420
Purchase of landed properties of which:		
– residential	5,605,775	4,767,687
– non-residential	320,526	312,611
Purchase of fixed assets (excluding landed properties)	200,251	130,454
Personal use	6,347,441	4,990,798
Construction	856,049	949,045
Working capital	5,337,762	4,986,596
Other purposes	420,101	321,401
Gross financing	20,840,328	18,210,578



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) Movements in the gross carrying amount of financing of customers

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2021				
At 1 January 2021	17,743,341	278,141	194,711	18,216,193
Total transfer within stages:				
Transfer to Stage 1	615,209	(563,863)	(51,346)	-
Transfer to Stage 2	(555,597)	614,904	(59,307)	-
Transfer to Stage 3	(68,542)	(100,493)	169,035	-
New financial assets originated	4,589,942	-	-	4,589,942
Financial assets derecognised	(1,852,885)	(27,185)	(40,854)	(1,920,924)
Other adjustments	4,961	10	906	5,877
Amount written - off	-	-	(41,072)	(41,072)
At 31 December 2021	20,476,429	201,514	172,073	20,850,016
At 31 December 2020				
At 1 January 2020	15,436,630	319,596	209,165	15,965,391
Total transfer within stages:				
Transfer to Stage 1	458,477	(436,466)	(22,011)	-
Transfer to Stage 2	(484,015)	534,407	(50,392)	-
Transfer to Stage 3	(32,234)	(110,213)	142,447	-
New financial assets originated	3,918,707	2,720	-	3,921,427
Financial assets derecognised	(1,517,438)	(31,064)	(20,308)	(1,568,810)
Effects of modifications to contractual cash flows of financial assets	(36,786)	(839)	353	(37,272)
Amount written - off	-	-	(64,543)	(64,543)
At 31 December 2020	17,743,341	278,141	194,711	18,216,193



7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) Movements in the gross carrying amount of financing of customers (cont'd.)

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2021				
At 1 January 2021	17,737,726	278,141	194,711	18,210,578
Total transfer within stages:				
Transfer to Stage 1	615,209	(563,863)	(51,346)	-
Transfer to Stage 2	(555,597)	614,904	(59,307)	-
Transfer to Stage 3	(68,542)	(100,493)	169,035	-
New financial assets originated	4,585,869	-	-	4,585,869
Financial assets derecognised	(1,852,885)	(27,185)	(40,854)	(1,920,924)
Other adjustments	4,961	10	906	5,877
Amount written - off	-	-	(41,072)	(41,072)
At 31 December 2021	20,466,741	201,514	172,073	20,840,328
At 31 December 2020				
At 1 January 2020	15,432,735	319,596	209,165	15,961,496
Total transfer within stages:				
Transfer to Stage 1	458,477	(436,466)	(22,011)	-
Transfer to Stage 2	(484,015)	534,407	(50,392)	-
Transfer to Stage 3	(32,234)	(110,213)	142,447	-
New financial assets originated	3,916,987	2,720	-	3,919,707
Financial assets derecognised	(1,517,438)	(31,064)	(20,308)	(1,568,810)
Effects of modifications to contractual cash flows of financial assets	(36,786)	(839)	353	(37,272)
Amount written - off	-	-	(64,543)	(64,543)
At 31 December 2020	17,737,726	278,141	194,711	18,210,578



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(ix) Movements in the loss allowance for financing of customers

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2021				
At 1 January 2021	94,984	8,561	87,944	191,489
Transfer to Stage 1	28,881	(15,814)	(13,067)	-
Transfer to Stage 2	(15,730)	46,216	(30,486)	-
Transfer to Stage 3	(1,755)	(3,979)	5,734	-
Allowance (written back)/made	(24,496)	(1,002)	73,264	47,766
New financing originated	99,651	-	-	99,651
Financing derecognised	(64,766)	64	(6,560)	(71,262)
Amount written-off	-	-	(40,695)	(40,695)
Exchange difference	(1)	-	-	(1)
At 31 December 2021	116,768	34,046	76,134	226,948

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	51,342	13,766	86,734	151,842
Transfer to Stage 1	15,374	(8,473)	(6,901)	-
Transfer to Stage 2	(1,572)	25,182	(23,610)	-
Transfer to Stage 3	(346)	(10,232)	10,578	-
Allowance (written back)/made	(2,719)	(11,017)	91,759	78,023
New financing originated	79,619	638	-	80,257
Financing derecognised	(46,713)	(1,303)	(12,546)	(60,562)
Amount written-off	-	-	(58,070)	(58,070)
Exchange difference	(1)	-	-	(1)
At 31 December 2020	94,984	8,561	87,944	191,489



8(A). IMPAIRED FINANCING

(i) Movements in the impaired financing

As at 31 December 2021

	Group RM'000	Bank RM'000
At 1 January 2021	194,711	194,711
Classified as impaired during the year	177,119	177,119
Reclassified as performing during the year	(97,705)	(97,705)
Recovered during the year	(60,980)	(60,980)
Written off during the year	(41,072)	(41,072)
Gross impaired financing	172,073	172,073
Less: Stage 3 - Lifetime ECL credit impaired	(76,134)	(76,134)
Net impaired financing	95,939	95,939
Calculation ratio of impaired financing:		
Gross financing of customers	20,850,016	20,840,328
Less: Stage 3 - Lifetime ECL credit impaired	(76,134)	(76,134)
Net financing of customers	20,773,882	20,764,194
Ratio of gross impaired financing to total financing	0.83%	0.83%
Net impaired financing ratio	0.46%	0.46%



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

8(A). IMPAIRED FINANCING (CONT'D.)

(i) Movements in the impaired financing (cont'd.)

As at 31 December 2020

	Group RM'000	Bank RM'000
At 1 April 2020	209,166	209,166
Classified as impaired during the year	152,808	152,808
Reclassified as performing during the year	(62,358)	(62,358)
Recovered during the year	(40,362)	(40,362)
Written off during the year	(64,543)	(64,543)
Gross impaired financing	194,711	194,711
Less: Stage 3 - Lifetime ECL credit impaired	(87,944)	(87,944)
Net impaired financing	106,767	106,767

Calculation ratio of impaired financing:

Gross financing of customers	18,216,193	18,210,578
Less: Stage 3 - Lifetime ECL credit impaired	(87,944)	(87,944)
Net financing of customers	18,128,249	18,122,634
Ratio of gross impaired financing to total financing	1.07%	1.07%
Net impaired financing ratio	0.59%	0.59%

(ii) Impaired financing by geographical area

	Group and Bank 2021 RM'000	2020 RM'000
Domestic	172,073	194,711



8(A). IMPAIRED FINANCING (CONT'D.)

(iii) Impaired financing by sector

	Group and Bank	
	2021	2020
	RM'000	RM'000
Manufacturing	31,670	33,187
Construction	1,189	830
Household	114,197	134,833
Real estate	17,963	19,016
Wholesale and retail and restaurant	4,328	5,675
Transport, storage and communication	1,026	583
Finance, takaful and business services	829	415
Mining & Quarrying	32	-
Community, social and personal service	839	172
	172,073	194,711

(iv) Impaired financing by economic purpose

	Group and Bank	
	2021	2020
	RM'000	RM'000
Purchase of securities	4	-
Purchase of transport vehicles	1,384	1,880
Purchase of landed properties of which:		
- Residential	67,385	89,146
- Non-residential	22,955	27,109
Personal use	38,085	32,773
Working capital	41,797	41,121
Other purposes	463	2,682
	172,073	194,711



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

8(B). EXPOSURES TO COVID-19 IMPACTED FINANCING

(i) Disclosure for impacted sectors

Group and Bank	On-balance sheet (net of impairment)		Financing of customers Undrawn (off-balance sheet)		Total exposures	
	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail and wholesale/trading	906,841	1,012,559	67,522	98,406	974,363	1,110,965
Accommodation	1,265	1,032	652	413	1,917	1,445
Travel agencies/tourism	4,041	3,028	500	878	4,541	3,906
Airline/aviation	4,738	4,607	5	5	4,743	4,612
Food and beverage services/restaurants	62,134	66,797	36,757	19,296	98,891	86,093
	979,019	1,088,023	105,436	118,998	1,084,455	1,207,021



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

8(B). EXPOSURES TO COVID-19 IMPACTED FINANCING (CONT'D.)

(ii) Disclosure for COVID-19 customer relief and support measures (cont'd.)

AUTOMATIC SIX-MONTH MORATORIUM (cont'd.)

Group and Bank	Retail customers as at 31 December 2020				Financing of customers:						
	Home financing		Hire		Others		SMEs		Corporates		Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Total payment moratoriums	4,242,336	464,165	3,189,477	483,518	8,379,496	30,806	424	-	-	-	31,230
Resume payments	3,621,739	430,998	3,099,497	398,993	7,551,227	17,003	-	-	-	-	17,003
Extended and paying as per revised schedules	502,131	25,271	47,848	70,433	645,683	13,803	344	-	-	-	14,147
Missed payments	118,466	7,897	42,131	14,091	182,585	-	79	-	-	-	79
Delinquent	106,078	6,418	28,483	13,821	154,800	-	79	-	-	-	79
Impaired	12,388	1,478	13,648	270	27,784	-	-	-	-	-	-
As a percentage of total:											
Resumed payments	85.37%	92.85%	97.18%	82.52%	90.12%	55.19%	-	-	-	-	54.44%
Extended and paying as per revised schedules	11.84%	5.44%	1.50%	14.57%	7.71%	44.81%	81.28%	-	-	-	45.30%
Missed payments	2.79%	1.70%	1.32%	2.91%	2.18%	-	18.72%	-	-	-	0.25%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-	100.00%

8(B). EXPOSURES TO COVID-19 IMPACTED FINANCING (CONT'D.)

(ii) Disclosure for COVID-19 customer relief and support measures (cont'd.)

PAYMENT ASSISTANCE (Targeted Payment Assistance/Enhanced Targeted Payment Assistance)

Group and Bank	Financing of customers:									
	Retail customers as at 31 December 2021					Non-Retail customers as at 31 December 2021				
	Home financing	Hire purchase receivables	Personal financing	Others	Total	Stage 1 RM'000	Stage 2 RM'000	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Total payment moratoriums	2,160,566	143,228	2,536,485	159,013	4,999,292	74,582	94	780,528	78,603	933,807
Under payment assistance programme	1,887,602	127,304	2,308,024	126,462	4,449,392	61,879	-	278,485	27,921	368,285
Resumed payments	271,669	15,662	227,525	32,551	547,407	12,703	94	502,043	49,933	564,773
Missed payments	1,295	262	936	-	2,493	-	-	-	749	749
Delinquent Impaired	1,295	262	930	-	2,487	-	-	-	749	749
	-	-	6	-	6	-	-	-	-	-
As a percentage of total:	87.37%	88.88%	90.99%	79.53%	89.00%	82.97%	-	35.68%	35.52%	39.44%
Under payment assistance programme	12.57%	10.94%	8.97%	20.47%	10.95%	17.03%	100.00%	64.32%	63.53%	60.48%
Resumed payments	0.06%	0.18%	0.04%	-	0.05%	-	-	-	0.95%	0.08%
Missed payments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Group and Bank	Financing of customers:									
	Retail customers as at 31 December 2020					Non-Retail customers as at 31 December 2020				
	Home financing	Hire purchase receivables	Personal financing	Others	Total	Stage 1 RM'000	Stage 2 RM'000	Stage 1 RM'000	Stage 2 RM'000	Total RM'000
Total payment moratoriums	526,634	26,621	52,615	73,316	679,186	16,509	344	1,458,269	-	1,475,122
Resumed payments	511,057	26,599	52,348	70,433	660,437	16,509	344	1,457,725	-	1,474,578
Missed payments	15,576	22	268	2,883	18,749	-	-	544	-	544
Delinquent Impaired	15,454	22	268	2,883	18,626	-	-	544	-	544
	123	-	-	-	123	-	-	-	-	-
As a percentage of total:	97.04%	99.92%	99.49%	96.07%	97.24%	100.00%	100.00%	99.96%	-	99.96%
Resumed payments	2.96%	0.08%	0.51%	3.93%	2.76%	-	-	0.04%	-	0.04%
Missed payments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-	100.00%



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

8(B). EXPOSURES TO COVID-19 IMPACTED FINANCING (CONT'D.)

(iii) Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the financial year ended 31 December 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The financing customers who have received payment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The total ECL overlays for the financial year ended 31 December 2021 is approximately 29.7% (2020: 14.5%) of the Bank's total ECL.

9. OTHER ASSETS

	Group	
	2021 RM'000	2020 RM'000
Deposits	6,764	6,001
Prepayments	7,490	7,746
Tax prepayment	6,683	63,243
Foreclosed properties	8,604	9,665
Golf club membership	500	500
Other receivables	5,640	27,583
	35,681	114,738
Less: Accumulated impairment losses (Note 9(a))	(1,981)	(1,567)
	33,700	113,171



9. OTHER ASSETS (CONT'D.)

	Bank	
	2021 RM'000	2020 RM'000
Deposits	6,665	5,901
Prepayments	7,439	7,696
Tax prepayment	6,683	63,243
Foreclosed properties	8,604	9,665
Golf club membership	500	500
Other receivables	5,191	26,907
	35,082	113,912
Less: Accumulated impairment losses (Note 9(a))	(1,981)	(1,567)
	33,101	112,345

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
At 1 January 2021/1 January 2020	(1,567)	(3,178)
Allowance (made)/written back	(414)	1,611
At 31 December 2021/31 December 2020	(1,981)	(1,567)

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

11. INVESTMENT IN SUBSIDIARIES

	2021 RM'000	Bank 2020 RM'000
Unquoted shares at cost - in Malaysia	13,823	13,823
Less: Accumulated impairment losses	(664)	(664)
	13,159	13,159

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held		Paid up capital	
		2021 %	2020 %	2021 RM	2020 RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	13,000,000	13,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2,500	2,500
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2,500	2,500

The companies above are audited by a firm of chartered accountants, Ernst & Young PLT, Malaysia

12. INVESTMENT PROPERTIES

Group and Bank	Freehold land RM'000	Building on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 December 2021				
As at 1 January 2021	13,961	37,849	4,079	55,889
Change in fair value recognised in profit or loss (Note 29)	470	205	-	675
Reclassification		4,079	(4,079)	-
As at 31 December 2021	14,431	42,133	-	56,564
As at 31 December 2020				
As at 1 January 2020	14,001	35,855	3,207	53,063
Additions	-	-	872	872
Change in fair value recognised in profit or loss (Note 29)	(40)	1,994	-	1,954
As at 31 December 2020	13,961	37,849	4,079	55,889

The Group's and the Bank's investment properties consist of a few units of commercial properties and a few pieces of undeveloped freehold commercial land.

As at 31 December 2021, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn. Bhd together with Rahim & Co International Sdn Bhd, accredited independent valuers. A valuation approach as guided by the Malaysian Valuation Standards as issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 47.

Description of valuation techniques used and key inputs to valuation on investment properties:

Types of investment properties	Valuation Technique	Significant unobservable inputs
- Buildings on freehold land - Freehold land	Direct comparison method ("DCM")	Selling price per square foot ("psf") of comparable properties sold adjusted for location, size and shape of land, planning provisions, land tenure, title restrictions and any other characteristics.



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13. INTANGIBLE ASSETS

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2021			
Cost			
As at 1 January 2021	282,547	3,262	285,809
Additions	1,354	31,307	32,661
Write off	-	(216)	(216)
Reclassification	23,033	(23,033)	-
As at 31 December 2021	306,934	11,320	318,254
Accumulated amortisation			
As at 1 January 2021	220,616	-	220,616
Charge for the year (Note 37)	20,967	-	20,967
As at 31 December 2021	241,583	-	241,583
Carrying amount as at 31 December 2021	65,351	11,320	76,671
As at 31 December 2020			
Cost			
As at 1 January 2020	268,192	1,749	269,941
Additions	3,625	12,476	16,101
Write off	-	(233)	(233)
Reclassification	10,730	(10,730)	-
As at 31 December 2020	282,547	3,262	285,809
Accumulated amortisation			
As at 1 January 2020	187,403	-	187,403
Charge for the period (Note 37)	33,213	-	33,213
As at 31 December 2020	220,616	-	220,616
Carrying amount as at 31 December 2020	61,931	3,262	65,193



13. INTANGIBLE ASSETS (CONT'D.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2021			
Cost			
As at 1 January 2021	281,543	3,047	284,590
Additions	1,348	31,225	32,573
Write off	-	(216)	(216)
Reclassification	23,033	(23,033)	-
As at 31 December 2021	305,924	11,023	316,947
Accumulated amortisation			
As at 1 January 2021	219,613	-	219,613
Charge for the year (Note 37)	20,967	-	20,967
As at 31 December 2021	240,580	-	240,580
Carrying amount as at 31 December 2021	65,344	11,023	76,367
As at 31 December 2020			
Cost			
As at 1 January 2020	267,188	1,639	268,827
Additions	3,625	12,371	15,996
Write off	-	(233)	(233)
Reclassification	10,730	(10,730)	-
As at 31 December 2020	281,543	3,047	284,590
Accumulated amortisation			
As at 1 January 2020	186,400	-	186,400
Charge for the period (Note 37)	33,213	-	33,213
As at 31 December 2020	219,613	-	219,613
Carrying amount as at 31 December 2020	61,930	3,047	64,977



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14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in-progress RM'000	Total RM'000
As at 31 December 2021					
Cost					
As at 1 January 2021	19,209	19,389	275,244	-	313,842
Additions	-	-	8,015	869	8,884
Write off	-	-	(502)	-	(502)
Reclassification	-	-	869	(869)	-
As at 31 December 2021	19,209	19,389	283,626	-	322,224
Accumulated depreciation					
As at 1 January 2021	1,974	7,854	248,823	-	258,651
Charge for the year (Note 37)	480	485	11,092	-	12,057
Write off	-	-	(492)	-	(492)
As at 31 December 2021	2,454	8,339	259,423	-	270,216
Carrying amount as at 31 December 2021	16,755	11,050	24,203	-	52,008
As at 31 December 2020					
Cost					
As at 1 January 2020	19,209	19,389	266,577	-	305,175
Additions	-	-	8,429	2,483	10,912
Write off	-	-	(974)	-	(974)
Disposals	-	-	(1,271)	-	(1,271)
Reclassification	-	-	2,483	(2,483)	-
As at 31 December 2020	19,209	19,389	275,244	-	313,842
Accumulated depreciation					
As at 1 January 2020	1,494	7,369	240,220	-	249,083
Charge for the period (Note 37)	480	485	10,410	-	11,375
Write off	-	-	(967)	-	(967)
Disposals	-	-	(840)	-	(840)
As at 31 December 2020	1,974	7,854	248,823	-	258,651
Carrying amount as at 31 December 2020	17,235	11,535	26,421	-	55,191

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

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in-progress RM'000	Total RM'000
As at 31 December 2021					
Cost					
As at 1 January 2021	19,209	19,389	274,888	-	313,486
Additions	-	-	7,994	869	8,863
Write off	-	-	(502)	-	(502)
Reclassification	-	-	869	(869)	-
As at 31 December 2021	19,209	19,389	283,249	-	321,847
Accumulated depreciation					
As at 1 January 2021	1,974	7,854	248,502	-	258,330
Charge for the year (Note 37)	480	485	11,082	-	12,047
Write off	-	-	(492)	-	(492)
As at 31 December 2021	2,454	8,339	259,092	-	269,885
Carrying amount as at 31 December 2021	16,755	11,050	24,157	-	51,962
As at 31 December 2020					
Cost					
As at 1 January 2020	19,209	19,389	266,235	-	304,833
Additions	-	-	8,415	2,483	10,898
Write off	-	-	(974)	-	(974)
Disposals	-	-	(1,271)	-	(1,271)
Reclassification	-	-	2,483	(2,483)	-
As at 31 December 2020	19,209	19,389	274,888	-	313,486
Accumulated depreciation					
As at 1 January 2020	1,494	7,369	239,906	-	248,769
Charge for the period (Note 37)	480	485	10,403	-	11,368
Write off	-	-	(967)	-	(967)
Disposals	-	-	(840)	-	(840)
As at 31 December 2020	1,974	7,854	248,502	-	258,330
Carrying amount as at 31 December 2020	17,235	11,535	26,386	-	55,156



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15. LEASES

15.1 Group and the Bank as a lessee

The Group and the Bank have leases for leasehold land, building and office equipment. Lease contracts are typically made for fixed periods of one (1) to three (3) years, but may have extension options.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

(a) Leases liabilities

	Profit rate (%)	Maturity	Group 2021 RM'000	2020 RM'000
Non-current	4.5	2023 - 2024	250	-
Non-current	5.5	2023 - 2024	24,186	28,652
Current	5.5	2022	7,315	12,989
			31,751	41,641

	Profit rate (%)	Maturity	Group 2021 RM'000	2020 RM'000
Non-current	4.5	2023 - 2024	250	-
Non-current	5.5	2023 - 2024	24,186	20,667
Current	5.5	2022	7,315	13,351
			31,751	34,018



15. LEASES (CONT'D.)

15.1 Group and the Bank as a lessee (cont'd.)

(b) Lease payments not recognised as a liability

The Group and the Bank have elected not to recognise a lease liability for short term leases (leases with an expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liability during the financial period is as follows:

	Group and Bank 2021 RM'000	2020 RM'000
Expenses relating to leases of low-value assets (included in administrative expenses)	2,010	268

As at the reporting date, the Group and the Bank were committed to low-value assets and the total commitment was RM446,921 (2020: RM255,347).

- (c) As at the reporting date, the Group's and the Bank's total future cash outflows for leases that had not yet commenced is nil.



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

15. LEASES (CONT'D.)

15.1 Group and the Bank as a lessee (cont'd.)

(d) Right-of-use assets

The net book values of right-of-use assets are recognised and the movements during the year are shown as follows:

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Group				
Net book value at 1 January 2021	214	35,544	1,988	37,746
Additions	-	1,821	-	1,821
Depreciation charge (Note 37)	(5)	(8,478)	(1,988)	(10,471)
Lease modification	-	7,126	-	7,126
Termination	-	(6,800)	-	(6,800)
Exchange difference	-	1	-	1
Net book value at 31 December 2021	209	29,214	-	29,423
31 December 2021				
Cost	303	66,431	11,271	78,005
Accumulated depreciation	(94)	(37,217)	(11,271)	(48,582)
Net book value	209	29,214	-	29,423
Group				
Net book value at 1 January 2020	220	42,157	5,745	48,122
Depreciation charge (Note 37)	(6)	(8,467)	(3,757)	(12,230)
Lease modification	-	3,143	-	3,143
Termination	-	(1,289)	-	(1,289)
Net book value at 31 December 2020	214	35,544	1,988	37,746
31 December 2020				
Cost	303	67,978	11,271	79,552
Accumulated depreciation	(89)	(32,434)	(9,283)	(41,806)
Net book value	214	35,544	1,988	37,746



15. LEASES (CONT'D.)

15.1 Group and the Bank as a lessee (cont'd.)

(d) Right-of-use assets (cont'd.)

The net book values of right-of-use assets are recognised and the movements during the period are shown as follows:

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Bank				
Net book value at 1 January 2021	214	29,386	1,988	31,588
Additions	-	1,821	-	1,821
Depreciation charge (Note 37)	(5)	(8,063)	(1,988)	(10,056)
Lease modification	-	7,126	-	7,126
Termination	-	(1,057)	-	(1,057)
Exchange difference	-	1	-	1
Net book value at 31 December 2021	209	29,214	-	29,423
31 December 2021				
Cost	303	66,431	11,271	78,005
Accumulated depreciation	(94)	(37,217)	(11,271)	(48,582)
Net book value	209	29,214	-	29,423
	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Bank				
Net book value at 1 January 2020	220	35,501	5,745	41,466
Depreciation charge (Note 37)	(6)	(7,988)	(3,757)	(11,751)
Lease modification	-	3,162	-	3,162
Termination	-	(1,289)	-	(1,289)
Net book value at 31 December 2020	214	29,386	1,988	31,588
31 December 2020				
Cost	303	59,063	11,271	70,637
Accumulated depreciation	(89)	(29,677)	(9,283)	(39,049)
Net book value	214	29,386	1,988	31,588



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

15. LEASES (CONT'D.)

15.2 Group and the Bank as a lessor

The Group and the Bank have entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one (1) and five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under commitments and non-cancellable operating leases at the reporting date are as follows:

	Group	
	2021 RM'000	2020 RM'000
Not later than 1 year	921	1,761
Later than 1 year but not later than 5 years	1,377	2,434
Later than 5 years	-	3
	2,298	4,198

	Bank	
	2021 RM'000	2020 RM'000
Not later than 1 year	1,041	1,808
Later than 1 year but not later than 5 years	1,567	2,312
Later than 5 years	-	3
	2,608	4,123



16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At beginning of the year	(11,474)	13,534	(11,826)	13,250
Recognised in the profit or loss (Note 40)	35,571	(24,922)	35,923	(24,990)
Recognised in other comprehensive income	18,407	(86)	18,407	(86)
At end of the year	42,504	(11,474)	42,504	(11,826)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets, net	42,504	352	42,504	-
Deferred tax liabilities, net	-	(11,826)	-	(11,826)
	42,504	(11,474)	42,504	(11,826)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax assets	58,170	39,423	58,170	39,071
Deferred tax liabilities	(15,666)	(50,897)	(15,666)	(50,897)
	42,504	(11,474)	42,504	(11,826)



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

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group

	Financial Investments at FVOCI RM'000	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2021	-	22,910	985	6,096	9,084	348	39,423
Recognised in profit or loss	-	2,258	(224)	1,220	2,757	63	6,074
Recognised in other comprehensive income	12,673	-	-	-	-	-	12,673
As at 31 December 2021	12,673	25,168	761	7,316	11,841	411	58,170

	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	12,092	900	6,211	6,265	359	25,827
Recognised in profit or loss	10,818	85	(115)	2,819	(11)	13,596
As at 31 December 2020	22,910	985	6,096	9,084	348	39,423



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

Deferred tax liabilities of the Group:

	Profit on financing moratorium accounts RM'000	Financial investments at FVOCI RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 January 2021	(39,786)	(5,734)	(5,377)	(50,897)
Recognised in profit or loss	39,786	-	(10,289)	29,497
Recognised in other comprehensive income	-	5,734	-	5,734
As at 31 December 2021	-	-	(15,666)	(15,666)
	Profit on financing moratorium accounts RM'000	Financial investments at FVOCI RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 January 2020	-	(5,648)	(6,645)	(12,293)
Recognised in profit or loss	(39,786)	-	1,268	(38,518)
Recognised in other comprehensive income	-	(86)	-	(86)
As at 31 December 2020	(39,786)	(5,734)	(5,377)	(50,897)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

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

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets of the Bank:

	Financial Investments at FVOCI RM'000	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2021	-	22,910	633	6,096	9,084	348	39,071
Recognised in profit or loss	-	2,258	127	1,220	2,757	64	6,426
Recognised in other comprehensive income	12,673	-	-	-	-	-	12,673
As at 31 December 2021	12,673	25,168	760	7,316	11,841	412	58,170

	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	12,092	616	6,211	6,265	359	25,543
Recognised in profit or loss	10,818	17	(115)	2,819	(11)	13,528
As at 31 December 2020	22,910	633	6,096	9,084	348	39,071



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

Deferred tax liabilities of the Bank:

	Profit on financing moratorium accounts RM'000	Financial investments at FVOCI RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 January 2021	(39,786)	(5,734)	(5,377)	(50,897)
Recognised in profit or loss	39,786	-	(10,289)	29,497
Recognised in other comprehensive income	-	5,734	-	5,734
At 31 December 2021	-	-	(15,666)	(15,666)
At 1 January 2020	-	(5,648)	(6,645)	(12,293)
Recognised in profit or loss	(39,786)	-	1,268	(38,518)
Recognised in other comprehensive income	-	(86)	-	(86)
At 31 December 2020	(39,786)	(5,734)	(5,377)	(50,897)



NOTES TO THE FINANCIAL STATEMENTS

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17. DEPOSITS FROM CUSTOMERS

(i) By types of deposits

	Group	
	2021 RM'000	2020 RM'000
Savings deposits		
Qard	1,061,437	1,065,227
Tawarruq	811,685	797,164
	1,873,122	1,862,391
Demand deposits		
Qard	4,234,251	3,969,068
Tawarruq	2,044,735	1,924,741
	6,278,986	5,893,809
Term deposits		
Negotiable Islamic debt certificate	-	249,855
General investment deposits	37,697	58,574
Short term accounts	9,108,440	9,942,206
Fixed term accounts tawarruq	5,733,512	3,442,335
	14,879,649	13,692,970
Other deposits	81,409	52,196
	23,113,166	21,501,366



17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(i) By types of deposits (cont'd.)

	Bank	
	2021 RM'000	2020 RM'000
Savings deposits		
Qard	1,061,437	1,065,227
Tawarruq	811,685	797,164
	1,873,122	1,862,391
Demand deposits		
Qard	4,238,503	3,970,060
Tawarruq	2,044,735	1,924,741
	6,283,238	5,894,801
Term deposits		
Negotiable Islamic debt certificate	-	249,855
General investment deposits	37,697	58,574
Short term accounts	9,108,440	9,942,206
Fixed term accounts tawarruq	5,744,812	3,454,135
	14,890,949	13,704,770
Other deposits	81,408	52,196
	23,128,717	21,514,158

(ii) By types of customer

	Group	
	2021 RM'000	2020 RM'000
Government and statutory bodies	11,876,050	7,138,959
Business enterprises	4,507,864	4,932,352
Individuals	2,576,642	2,423,830
Domestic non-bank financial institutions	3,014,586	6,014,431
Domestic banking financial institutions	89,138	39,206
Others	1,048,886	952,588
	23,113,166	21,501,366



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17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) By types of customer (cont'd.)

	Bank	
	2021 RM'000	2020 RM'000
Government and statutory bodies	11,876,050	7,138,959
Business enterprises	4,523,415	4,945,144
Individuals	2,576,642	2,423,830
Domestic non-bank financial institutions	3,014,586	6,014,431
Domestic banking financial institutions	89,138	39,206
Others	1,048,886	952,588
	23,128,717	21,514,158

The maturity structure of term deposits are as follows:

	Group	
	2021 RM'000	2020 RM'000
Due within six months	12,872,039	12,549,377
More than six months to one year	871,418	722,698
More than one year to three years	769,020	393,507
More than three year to five years	367,172	27,388
	14,879,649	13,692,970

	Bank	
	2021 RM'000	2020 RM'000
Due within six months	12,883,339	12,561,177
More than six months to one year	871,418	722,698
More than one year to three years	769,020	393,507
More than three year to five years	367,172	27,388
	14,890,949	13,704,770



18. INVESTMENT ACCOUNTS OF CUSTOMERS

(i) Investment account analysed by maturity portfolio are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unrestricted investment accounts:				
Mudarabah				
Without maturity				
- Savings	216,978	-	216,978	-
Restricted investment accounts:				
Mudarabah				
Maturity				
- within one year	132	-	132	-

Restricted investment account ("RIA") is an arrangement between the Bank and investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM132,000 (2020: RM nil) is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or the residual cash flows from those assets to the IAH.

(ii) By types of customer are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unrestricted investment accounts:				
Individuals	216,978	-	216,978	-
	216,978	-	216,978	-
Restricted investment accounts:				
Individuals	132	-	132	-
	132	-	132	-



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18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(iii) The allocation of investment asset are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unrestricted investment accounts:				
Home financing	216,978	-	216,978	-
Total investment	216,978	-	216,978	-
Restricted investment accounts:				
Term financing	132	-	132	-
Total investment	132	-	132	-

(iv) Investment account holders ("IAH") profit sharing ratio and rate of return are as follows:

	Group and Bank 2021		Group and Bank 2020	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts	2.0%	0.06%	0.0%	0.00%
Restricted investment accounts	95.0%	0.00%	0.0%	0.00%

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2021 RM'000	2020 RM'000
Non-Mudarabah		
Bank Negara Malaysia	291,866	98,346

Included in these balances are the BNM funds received under government financing schemes for the purpose of SME lending at a below market and concession rate with 5.5 years to 8.5 years of maturity to be repaid in 2026 and 2029. The gross amount received from BNM of RM298,530,000 (2020:RM99,780,000) are net againsts the fair value gain arising from the placement of funds with the Group and the Bank. The fair value is applied to address the financial and accounting impact incurred from financing at concession rates to SMEs and for COVID-19 related relief measures.



20. 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.

21. OTHER LIABILITIES

	Group	
	2021 RM'000	2020 RM'000
Sundry creditors	868	270
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	5,955	5,659
Provision for bonus	18,903	15,215
Accrued expenses	56,042	20,453
Accrual for directors' fees	60	4
Accrual for audit fees	828	897
Other liabilities	73,883	46,043
	156,539	88,541

	Bank	
	2021 RM'000	2020 RM'000
Sundry creditors	855	270
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	5,955	5,659
Provision for bonus	18,692	15,048
Accrued expenses	55,779	21,234
Accrual for directors' fees	60	4
Accrual for audit fees	807	876
Other liabilities	73,823	45,982
	155,971	89,073



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21. OTHER LIABILITIES (CONT'D.)

- (a) **Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:**

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2021				
At 1 January 2021	5,130	168	361	5,659
Transfer to Stage 1	161	(159)	(2)	-
Transfer to Stage 2	(113)	166	(53)	-
Transfer to Stage 3	(5)	(21)	26	-
Allowance (written back)/made	(1,248)	182	1,301	235
New financial assets originated or purchased	3,954	-	-	3,954
Financing derecognised	(2,673)	(203)	(1,017)	(3,893)
At 31 December 2021	5,206	133	616	5,955

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	3,064	93	2,931	6,088
Transfer to Stage 1	156	(112)	(44)	-
Transfer to Stage 2	(44)	162	(118)	-
Transfer to Stage 3	(29)	(17)	46	-
Allowance made	1,015	56	248	1,319
New financial assets originated or purchased	2,875	2	-	2,877
Financing derecognised	(1,907)	(16)	(349)	(2,272)
Amount written-off	-	-	(2,353)	(2,353)
At 31 December 2020	5,130	168	361	5,659



22. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Zakat	6,584	4,349	6,197	4,280
Taxation	80	29	-	-
	6,664	4,378	6,197	4,280

23. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

24. SUKUK

(a) Subordinated sukuk

On 15 June 2016, the Bank set up a 20-year Subordinated Sukuk Murabahah Programme of up to RM1.0 billion ("Subordinated Sukuk Programme"), which qualified as Tier 2 capital under the BNM Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components). The initial Subordinated Sukuk Murabahah under the Subordinated Sukuk Programme was issued on 15 June 2016. Table below depicts a summary of the current outstanding Subordinated Sukuk Murabahah.

Issue date	Call Date	Maturity Date	Profit Rate (% p.a)	Nominal Value
15 June 2021	15 June 2026	15 June 2031	4.50%, payable semi-annually	RM500.0 million

The Bank may redeem (in whole or in part) the initial Subordinated Sukuk Murabahah prior to maturity on the Call Date, subject to the redemption conditions under the principal terms and conditions of the Subordinated Sukuk Programme being satisfied.

(b) Senior sukuk

On 7 June 2016, the Bank set up a 15-year Senior Sukuk Programme of up to RM2.0 billion ("Senior Sukuk Programme"). Table below shows the details of the Senior Sukuk under the Senior Sukuk Programme which the Bank has fully redeemed on 25 November 2021.

Issue date	Maturity Date	Profit Rate (% p.a)	Nominal Value
25 November 2016	25 November 2021	5.50%, payable semi-annually	RM500.0 million



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25. SHARE CAPITAL

	Number of shares		Amount	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ordinary shares				
As at 31 December	1,195,000	1,195,000	1,195,000	1,195,000

26. RESERVES

	Note	Group	
		2021 RM'000	2020 RM'000
Regulatory reserve	(a)	28,079	45,411
Retained profits	(b)	1,569,073	1,392,969
Exchange fluctuation reserve	(c)	649	(968)
Fair value through other comprehensive income	(d)	(40,014)	18,240
		1,557,787	1,455,652

	Note	Bank	
		2021 RM'000	2020 RM'000
Regulatory reserve	(a)	28,079	45,411
Retained profits	(b)	1,554,572	1,384,855
Exchange fluctuation reserve	(c)	650	(967)
Fair value through other comprehensive income	(d)	(40,014)	18,240
		1,543,287	1,447,539

26. RESERVES (CONT'D.)

(a) Regulatory reserve

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's Revised Financial Reporting Policy Document issued on 27 September 2019.

Banking institutions are allowed with immediate effect to:

- (a) Drawdown the capital conservation buffer of (2.5%);
- (b) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
- (c) Reduce the regulatory reserves held against expected losses to 0%; and
- (d) Minimum Net Stable Funding Ratio ("NSFR") which was effective on 1 July 2020 is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially. As at the reporting date, the Bank has not drawn any of prudential buffers.

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2021 under the single tier system.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Fair value through other comprehensive income

This represent the cumulative fair value changes, net of tax, of fair value through other comprehensive income financial assets until they are disposed or impaired.

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income derived from investment of:				
(i) Fixed term accounts	275,599	180,685	275,599	180,685
(ii) Other deposits	840,915	954,163	840,915	954,163
	1,116,514	1,134,848	1,116,514	1,134,848



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27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(i) Income derived from investment of fixed term deposits

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income and hibah:				
Income from financing (note (a))	226,018	133,644	226,018	133,644
Financial investments designated at FVTPL	1,771	1,165	1,771	1,165
Financial assets at fair value through other comprehensive income	38,974	27,683	38,974	27,683
Financial assets at amortised cost	592	383	592	383
Money at call and deposit with financial institutions	4,685	4,957	4,685	4,957
	272,040	167,832	272,040	167,832
Amortisation of premium, net	(10,615)	(4,279)	(10,615)	(4,279)
Total finance income and hibah	261,425	163,553	261,425	163,553
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	50	73	50	73
- debt instruments at fair value through other comprehensive income	457	8,880	457	8,880
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	(476)	265	(476)	265
	31	9,218	31	9,218
Fees and commission				
Guarantee fees	448	252	448	252
Processing fees	561	686	561	686
Service charges and fees	2,914	1,905	2,914	1,905
Commission	10,220	5,071	10,220	5,071
	14,143	7,914	14,143	7,914
Total	275,599	180,685	275,599	180,685



27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income and hibah				
Income from financing (note (a))	689,634	705,751	689,634	705,751
Financial investments designated at FVTPL	5,403	6,151	5,403	6,151
Financial assets at fair value through other comprehensive income	118,920	146,186	118,920	146,186
Financial assets at amortised cost	1,806	2,022	1,806	2,022
Money at call and deposit with financial institutions	14,295	26,176	14,295	26,176
	830,058	886,286	830,058	886,286
Amortisation of premium, net	(32,389)	(22,599)	(32,389)	(22,599)
Total finance income and hibah	797,669	863,687	797,669	863,687
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	152	387	152	387
- debt instruments at fair value through other comprehensive income	1,395	46,894	1,395	46,894
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	(1,451)	1,399	(1,451)	1,399
	96	48,680	96	48,680
Fees and commission				
Guarantee fees	1,366	1,330	1,366	1,330
Processing fees	1,710	3,623	1,710	3,623
Service charges and fees	8,891	10,062	8,891	10,062
Commission	31,183	26,781	31,183	26,781
	43,150	41,796	43,150	41,796
Total	840,915	954,163	840,915	954,163



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27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits (cont'd.)

- (a) During the financial year, the Group and the Bank continue with granting targeted payment assistance and moratorium 2.0.

This measure was to assist customers experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Group and the Bank recognised a loss of RM9,645,841 (2020: RM46,212,464), arising from the modification of contractual cash flows of financing. This amount is netted off against income from financing.

28. INCOME DERIVED FROM INVESTMENT OF ACCOUNT FUNDS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fees and commission				
Service charges and fees	-	369	-	369

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income and hibah				
Financial assets at fair value through other comprehensive income	9,742	9,930	9,742	9,930
Money at call and deposit with financial institutions	963	1,206	963	1,206
Amortisation of premium, net	(1,091)	(1,271)	(1,091)	(1,271)
Total finance income and hibah	9,614	9,865	9,614	9,865
Other operating income				
Net (loss)/gain on revaluation of foreign exchange transaction	(7,229)	19,138	(7,229)	19,138
Net gain/(loss) from foreign exchange derivatives	13,267	(10,405)	13,267	(10,405)
Fair value gain of financial liabilities (note (a))	19,678	8,859	19,678	8,859
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	(1,274)	4,530	(1,274)	4,530
Net gain from sale of debt instruments at fair value through other comprehensive income	159	1,260	159	1,260



29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other operating income (cont'd.)				
Gross dividend income				
- unquoted shares in Malaysia	39	42	-	-
- subsidiary	-	-	2,000	3,000
Net dividend paid for Islamic profit rate swap	(25,692)	(19,412)	(25,692)	(19,412)
Unrealised gain/(loss) on revaluation of Islamic profit rate swap	50,139	(53,422)	50,139	(53,422)
Unrealised (loss)/gain on revaluation of hedged items (Note 6(i))	(57,692)	59,901	(57,692)	59,901
	(8,605)	10,491	(6,644)	13,449
Fees and commission				
Corporate advisory fees	3,294	1,431	1,278	1,105
Service charges and fees	9,248	7,684	74	122
Commission	4,671	3,361	4,671	3,361
	17,213	12,476	6,023	4,588
Other income				
Rental income	1,870	1,414	1,844	1,440
Loss from sale of property, plant and equipment	-	(21)	-	(21)
Gain from termination of ROU asset	1,654	-	55	-
Gain from sale of foreclosed properties	3	-	3	-
Fair value adjustments of investment properties (Note 12)	675	1,954	675	1,954
	4,202	3,347	2,577	3,373
Total	22,424	36,179	11,570	31,275

- (a) The Group and the Bank also received Special Relief Fund ("SRF"), Penjana Tourism Facility ("PTF") and Targeted Relief and Recovery Facility ("TRRF") from the Government for the purpose of financing to SMEs at below market/concession rates. The financing by the Group and the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic.

The fair value gain arising from the placement of funds under the SRF, PTF and TRRF that are recognised in the profit or loss, amounting to RM19,678,307 (2020: RM8,858,944) for the Group and the Bank, are applied to address the financial and accounting impact incurred by the Group and the Bank for COVID-19 related relief measures.



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30. ALLOWANCE FOR IMPAIRMENT ON FINANCING

	Group and Bank	
	2021	2020
	RM'000	RM'000
Allowance for impairment losses on financing of customer:		
- individual allowance made	5,292	22,562
- individual allowance written back	(5,642)	(2,794)
- collective allowance made	256,159	186,386
- collective allowance written back	(178,899)	(106,512)
Impaired financing written off	95	4,680
Impaired financing recovered	(23,061)	(24,255)
	53,944	80,067

31. (WRITE-BACK OF)/ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on debt instruments at FVOCI	35	1,212	35	1,212
Write-back of impairment losses on debt instruments at amortised cost	(331)	(1,176)	(331)	(1,176)
	(296)	36	(296)	36

32. ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds				
- ECL, net	(20)	(313)	(20)	(313)
Other assets				
- ECL, net	414	689	414	689
	394	376	394	376

33. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits from customers				
- Mudarabah funds	814	904	814	904
- Non-Mudarabah funds	337,067	423,768	337,268	424,029
Deposits and placements of banks and other financial institutions				
- Non-Mudarabah funds	423	1,463	423	1,463
	338,304	426,135	338,505	426,396

34. PERSONNEL EXPENSES

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salary and wages	167,525	164,387	165,968	162,808
Contribution to defined contribution plan	31,131	29,399	30,845	29,129
Social security contributions	1,830	1,735	1,830	1,721
Allowances and bonuses	17,901	15,994	17,686	15,850
Others	21,182	21,145	21,121	21,084
	239,569	232,660	237,450	230,592



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35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Executive Director/Chief Executive Officers				
Salaries and wages	1,668	1,842	1,308	1,308
Bonus	491	172	464	128
Other emoluments	376	336	310	244
Benefits-in-kind	77	11	77	7
	2,612	2,361	2,159	1,687
(b) Non-Executive Directors				
Fees	1,026	1,114	986	1,074
Benefits-in-kind	50	11	50	11
Other emoluments	839	1,076	825	1,064
	1,915	2,201	1,861	2,149
(c) Shariah Committee members				
Allowance	367	373	367	373
Total	4,894	4,935	4,387	4,209
Total (excluding benefits-in-kind)	4,767	4,913	4,260	4,191

35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows:

Group 31 December 2021	<=====Remuneration received from the Group=====>					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Note 35(a): Chief Executive Officer: Khairul Kamarudin	1,308	-	464	310	77	2,159
Chief Executive Officers of the subsidiaries: Mohd Faruk Abdul Karim	360	-	27	66	-	453
Total Chief Executive Officers remuneration	1,668	-	491	376	77	2,612
Note 35(b) : Non-Executive Directors:						
Tan Sri Tajuddin Atan	-	240	-	78	50	368
Tan Sri Che Khalib Mohamad Noh	-	120	-	77	-	197
Dato' Ibrahim Taib	-	120	-	89	-	209
Iwan Rashman Gulamoydeen*	-	120	-	90	-	210
Md. Khairuddin Hj. Arshad	-	120	-	163	-	283
Johari Abdul Muid	-	120	-	161	-	281
Mohd Razlan Mohamed	-	40	-	37	-	77
Roshidah Abdullah	-	40	-	35	-	75
Ghazali Hj Darman	-	66	-	95	-	161
Director - subsidiaries:						
Fakihah Azahari	-	20	-	7	-	27
Dato' Adnan Alias	-	20	-	7	-	27
Total Directors remuneration	-	1,026	-	839	50	1,915
Total Chief Executive Officers and Directors' remuneration	1,668	1,026	491	1,215	127	4,527
Note 35(c): Shariah Committee:						
Azizi Che Seman	-	60	-	35	1	96
Dr. Ahmad Zakirullah Mohamed Shaarani	-	40	-	7	1	48
Dr. Muhamad Azhari Wahid	-	40	-	7	1	48
Dr. Mohd Shahid Mohd Noh	-	54	-	13	1	68
Dr. Yusri Mohamad	-	54	-	12	1	67
Dr Mohamad Sabri Haron	-	14	-	6	-	20
Dr Wan Marhaini Wan Ahmad	-	14	-	6	-	20
Total Shariah Committee remuneration	-	276	-	86	5	367

* Director's fee payable to Khazanah Nasional Berhad.



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35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Group 31 December 2020	<===== Remuneration received from the Group =====>					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 35(a):						
Chief Executive Officers						
Khairul Kamarudin	1,308	-	128	244	7	1,687
Chief Executive Office of the subsidiaries:						
Norahmadi Sulong	350	-	44	61	4	459
Mohd Faruk Abdul Karim	184	-	-	31	-	215
Total Chief Executive Officers remuneration	1,842	-	172	336	11	2,361
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	101	-	21	-	122
Tan Sri Tajuddin Atan	-	148	-	52	11	211
Tan Sri Che Khalib Mohamad Noh	-	120	-	97	-	217
Iwan Rashman Gulamoydeen*	-	120	-	117	-	237
Dato Hj Khamil Khalid Ariff	-	89	-	133	-	222
Dr Azura Othman	-	90	-	120	-	210
Ghazali Hj Darman	-	120	-	182	-	302
Dato' Hj Che Pee Samsudin	-	29	-	28	-	57
Dato' Ibrahim Taib	-	120	-	133	-	253
Md. Khairuddin Hj. Arshad	-	120	-	152	-	272
Johari Abdul Muid	-	17	-	29	-	46
Director - subsidiaries:						
Fakihah Azahari	-	20	-	6	-	26
Dato' Adnan Alias	-	20	-	6	-	26
Total Directors remuneration	-	1,114	-	1,076	11	2,201
Total Chief Executive Officers and Directors' remuneration	1,842	1,114	172	1,412	22	4,562
Note 35(c) :						
Shariah Committee:						
Azizi Che Seman	-	60	-	29	1	90
Dr Mohamad Sabri Haron	-	54	-	11	1	66
Engku Ahmad Fadzil Engku Ali	-	14	-	2	1	17
Dr Wan Marhaini Wan Ahmad	-	54	-	11	1	66
Mohd Shahid Mohd Noh	-	54	-	12	1	67
Yusri Mohamad	-	54	-	12	1	67
Total Shariah Committee remuneration	-	290	-	77	6	373

* Director's fee payable to Khazanah Nasional Berhad.

35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Bank 31 December 2021	<===== Remuneration received from the Bank =====>					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Note 35(a): Chief Executive Officer Khairul Kamarudin	1,308	-	464	310	77	2,159
Total Chief Executive Officer remuneration	1,308	-	464	310	77	2,159
Note 35(b): Non-Executive Directors: Tan Sri Tajuddin Atan	-	240	-	78	50	368
Tan Sri Che Khalib Mohamad Noh	-	120	-	77	-	197
Dato' Ibrahim Taib	-	120	-	89	-	209
Iwan Rashman Gulamoydeen*	-	120	-	90	-	210
Md. Khairuddin Hj. Arshad	-	120	-	163	-	283
Johari Abdul Muid	-	120	-	161	-	281
Mohd Razlan Mohamed	-	40	-	37	-	77
Roshidah Abdullah	-	40	-	35	-	75
Ghazali Hj Darman	-	66	-	95	-	161
Total Directors remuneration	-	986	-	825	50	1,861
Total Chief Executive Officers and Directors' remuneration	1,308	986	464	1,135	127	4,020
Note 35(c): Shariah Committee: Azizi Che Seman	-	60	-	35	1	96
Dr. Ahmad Zakirullah Mohamed Shaarani	-	40	-	7	1	48
Dr. Muhamad Azhari Wahid	-	40	-	7	1	48
Dr. Mohd Shahid Mohd Noh	-	54	-	13	1	68
Dr. Yusri Mohamad	-	54	-	12	1	67
Dr. Mohamad Sabri Haron	-	14	-	6	-	20
Dr. Wan Marhaini Wan Ahmad	-	14	-	6	-	20
Total Shariah Committee remuneration	-	276	-	86	5	367

* Director's fee payable to Khazanah Nasional Berhad.



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35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Bank 31 December 2020	<===== Remuneration received from the Bank =====>					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Note 35(a):						
Chief Executive Officers						
Khairul Kamarudin	1,308	-	128	244	7	1,687
Total Chief Executive Officers remuneration	1,308	-	128	244	7	1,687
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	101	-	21	-	122
Tan Sri Tajuddin Atan	-	148	-	52	11	211
Tan Sri Che Khalib Mohamad Noh	-	120	-	97	-	217
Iwan Rashman Gulamoydeen*	-	120	-	117	-	237
Dato Hj Khamil Khalid Ariff	-	89	-	133	-	222
Dr Azura Othman	-	90	-	120	-	210
Ghazali Hj Darman	-	120	-	182	-	302
Dato' Hj Che Pee Samsudin	-	29	-	28	-	57
Dato' Ibrahim Taib	-	120	-	133	-	253
Md. Khairuddin Hj. Arshad	-	120	-	152	-	272
Johari Abdul Muid	-	17	-	29	-	46
Total Directors remuneration	-	1,074	-	1,064	11	2,149
Total Chief Executive Officer and Directors' remuneration	1,308	1,074	128	1,308	18	3,836
Note 35(c):						
Shariah Committee:						
Azizi Che Seman	-	60	-	29	1	90
Dr Mohamad Sabri Haron	-	54	-	11	1	66
Engku Ahmad Fadzil Engku Ali	-	14	-	2	1	17
Dr Ab Halim Muhammad	-	54	-	11	1	66
Dr Wan Marhaini Wan Ahmad	-	54	-	12	1	67
Mohd Shahid Mohd Noh	-	54	-	12	1	67
Yusri Mohamad	-	54	-	12	1	67
Total Shariah Committee remuneration	-	290	-	77	6	373

* Director's fee payable to Khazanah Nasional Berhad.

36. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of Chief Executive Officer's and other key members of management during the financial year was as follows:

	Group	
	2021	2020
	RM'000	RM'000
Short-term employees benefits	8,603	10,958
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 35(a))	2,612	2,361
	Bank	
	2021	2020
	RM'000	RM'000
Short-term employees benefits (salary, bonus, allowances)	8,150	10,284
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 35(a))	2,159	1,687



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37. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Marketing				
Advertisement and publicity	5,504	6,363	5,504	6,363
Donation and sponsorship	265	323	265	323
Others	434	722	434	720
	6,203	7,408	6,203	7,406
Establishment				
Rental	151	268	151	268
Depreciation of right-of-use assets (Note 15)	10,471	12,230	10,056	11,751
Depreciation of property, plant and equipment (Note 14)	12,057	11,375	12,047	11,368
Amortisation of intangible assets (Note 13)	20,967	33,213	20,967	33,213
Information technology expenses	51,523	47,640	51,400	47,494
Repair and maintenance	6,038	4,896	5,727	4,513
Hire of equipment	4,555	4,015	4,337	3,760
Takaful	3,144	3,828	3,144	3,828
Utilities expenses	4,379	4,666	4,356	4,643
Security expenses	5,968	7,623	5,968	7,623
Others	4,565	4,702	4,565	4,702
	123,818	134,456	122,718	133,163
General expenses				
Auditors' fees				
- statutory audit				
- current year	532	517	509	494
- regulatory related services	168	168	150	150
- others	755	412	745	390
Professional fees	4,215	2,790	3,906	2,721
Legal expenses	508	529	508	529
Telephone	1,310	1,916	1,310	1,916
Stationery and printing	1,558	1,682	1,550	1,670
Postage and courier	2,072	1,907	2,072	1,907
Travelling	205	599	205	598
Chief Executive Officer, Directors remuneration and Shariah Committee allowance (Note 35)	4,894	4,935	4,387	4,209
Property, plant and equipment written off (Note 14)	10	7	10	7
Intangible assets written off (Note 14)	216	233	216	233
Others	15,306	15,358	17,394	18,404
	31,749	31,053	32,962	33,228
	161,770	172,917	161,883	173,797



38. FINANCE COSTS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Dividend paid on subordinated sukuk	18,874	14,540	18,874	14,540
Dividend paid on senior sukuk	24,689	27,546	24,689	27,546
Financing sold to Cagamas	20,285	21,028	20,285	21,028
Lease charges	2,081	2,509	1,739	2,084
	65,929	65,623	65,587	65,198

39. ZAKAT

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Provision of zakat for the year	6,429	4,358	6,043	4,280
Under/(over) provision in prior year	18	(1,006)	-	(998)
	6,447	3,352	6,043	3,282

40. TAXATION

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current income tax	64,658	11,052	62,696	9,498
Under/(over) provision in prior years	61,983	(37,415)	62,381	(37,822)
	126,641	(26,363)	125,077	(28,324)
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	(1,492)	24,922	(1,844)	24,990
Relating to increase in Malaysian income tax rate	(5,597)	-	(5,597)	-
Over provision in prior years	(28,482)	-	(28,482)	-
	(35,571)	24,922	(35,923)	24,990
	91,070	(1,441)	89,154	(3,334)



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40. TAXATION (CONT'D.)

Domestic current income tax is calculated at the statutory tax rate of 24% (December 2020: 24%) of the estimated assessable profit for the year/period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	256,576	174,768	247,869	171,216
Taxation at Malaysian statutory tax rate 24% (December 2020:24%)	61,578	41,944	59,489	41,092
Income not subject to tax	(1,352)	(9,293)	(1,497)	(10,067)
Effect on opening deferred tax of increase in Malaysian income tax rate	(5,597)	-	(5,597)	-
Deferred tax recognised at different tax rates	(369)	-	(369)	-
Expenses not deductible for tax purposes	3,318	3,323	3,229	3,463
Under/(over) provision of income tax in prior years	61,983	(37,415)	62,381	(37,822)
Over provision of deferred tax in prior years	(28,482)	-	(28,482)	-
Others	(9)	-	-	-
Income tax (income)/expense for the year	91,070	(1,441)	89,154	(3,334)

41. EARNINGS PER SHARE

Basic and diluted	Group	
	2021 RM'000	2020 RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	159,059	172,857
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	13.31	14.47

42. DIVIDENDS

The directors did not declare any final dividend for the financial year ended 31 December 2021.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Bank have related party relationships with its substantial shareholders, subsidiaries and key management personnel. The Group's and the Bank's significant transactions and balances with related parties are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Holding company				
Expenditure				
- hibah on deposit	3,127	817	3,127	817
Amounts due to				
- deposits	72,512	21,136	72,512	21,136
- Group tax relief*	35,099	-	35,099	-
Subsidiaries				
Income				
- dividend received	-	-	2,000	3,000
- rental income	-	-	120	120
- management fee	-	-	897	843
Expenditure				
- fund management fee	-	-	2,135	2,177
- profit sharing incentive	-	-	-	936
- hibah on deposit	-	-	201	261
Amounts due from				
- financing	-	-	70,148	71,144
Amounts due to				
- management fee/profit sharing	-	-	179	1,120
- deposits	-	-	15,551	12,790

* Sharing of 70% tax savings utilised by the Bank for year of assessment 2020.



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43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Key management personnel				
Amounts due from				
- financing	619	1,650	474	1,650
Related companies*				
Income				
- profit on financing	6,444	22,136	6,444	22,136
Expenditure				
- hibah on deposit	12,907	5,025	12,907	5,025
- seconded staff salary and related expenses	823	596	823	596
- mailing and courier service	1,314	396	1,314	396
- rental (offsite ATM and branch)	18	231	18	231
- purchase of fixed assets	-	822	-	822
- marketing expenses	250	440	250	440
- sponsorship	-	15	-	15
- others	112	222	112	222
Amounts due to				
- deposits	284,488	323,678	284,488	323,678
Amounts due from				
- financing	580,632	626,932	580,632	626,932

* Related companies are companies within DRB-HICOM Berhad Group and Khazanah Nasional Berhad Group.



44. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	2021 RM'000	2020 RM'000
Outstanding credit exposures with connected parties	1,731,809	1,706,038
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.0%	6.3%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-
	Bank	
	2021 RM'000	2020 RM'000
Outstanding credit exposures with connected parties	1,801,958	1,777,182
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.3%	6.6%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which were issued on 16 July 2014.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities, and financing commitments. It also includes holdings of equities and corporate sukuk issued by the connected parties.

The above-mentioned credit transactions with connected parties 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 credit worthiness. Due care has been taken to ensure that the credit worthiness of connected parties are not less than that normally required of other persons.



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45. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group and the Bank are as follows:

	Group and Bank					
	Principal amount RM'000	2021 Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	2020 Credit equivalent amount RM'000	Total risk weighted amount RM'000
The commitments and contingencies constitute the following:						
Contingent liabilities						
Direct credit substitutes	292,802	292,802	268,848	298,114	298,114	277,009
Trade-related contingencies	41,953	8,391	712	29,755	5,951	208
Transaction related contingencies	487,515	243,758	233,215	403,511	201,755	187,023
Commitments						
Credit extension commitment:						
- Maturity within one (1) year	635,148	127,029	125,609	722,818	144,564	137,659
- Maturity exceeding one (1) year	977,994	488,997	414,004	929,662	464,831	427,279
Other miscellaneous commitments & contingencies	25,773	14	11	7,102	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	1,630,597	25,443	13,995	3,326,522	89,181	40,093
Profit rate related contract	1,200,000	47,000	9,400	1,200,000	59,000	11,800
	5,291,782	1,233,434	1,065,794	6,917,484	1,263,396	1,081,071

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The integrated risk management system enables the Group and the Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimisation of the principal risk areas of Market Risk ("MR"), Asset and Liability Management ("ALM"), Credit Risk ("CR"), Operational Risk ("OR") and Shariah Compliance Risk; and building the requisite risk management organisation, infrastructure, process and technology with the objective of advancing the Group and the Bank towards value protection and creation.

Generally, the objectives of the Group's and the Bank's integrated risk management system include the following:

- Identifying all the risks exposures and their impact;
- Establishment of sound policies and procedures in line with the Group's and Bank's strategy, lines of business and nature of operations;
- Set out an enterprise-wide organisation structure and defining the appropriate roles and responsibilities; and
- Instill the risk culture within the Group and the Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and the Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Management Committee ("BRMC") to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group's and the Bank's Management and the conduct of these functions are being exercised under a management committee structure, namely, the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and the Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Risk governance (cont'd.)

There are other risk committees set up at the Management level to oversee specific risk areas and control function of which the following are the details:

Committee	Objective
Asset & Liability Committee ("ALCO")	To ensure all strategies conform to the Bank's risk appetite and levels of exposure as determined by BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's large financing exposure (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decides on new and/or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department ("RMD") that is independent of profit and volume target, exists to support the above committees.

(a) Credit risk

Credit risk is defined as the potential loss to the Group and the Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and the Bank comprehend that credit risk is inherent in its credit products activities such as credit financing facilities activities (funded/non-funded facilities); treasury activities (including inter-bank money market, money and capital trading, foreign exchange); and investment banking activities (including underwriting of corporate sukuk issuance).

The Group's and the Bank's RMD and Senior Management via ERMC implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group's and the Bank's risk appetite parameters, and the Group and the Bank to be able to identify its risk tolerance levels. The administration of credit risk is governed by a full set of credit-related policies such as Credit Risk Policy ("CRP"), and Guidelines to Credit Risk Policies ("GCRP"), product manuals and standard operating procedures.

Credit exposures are controlled via a thorough credit assessment process which include, among others, assessing the adequacy of the identified source of payments and/or income generation from the customer, as well as determining the appropriate structure for financing.

As a supporting tool for the assessment, the Group and the Bank adopt credit risk rating (internal/external) mechanisms. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group's and the Bank's activities. It is also in compliance with the regulatory authority's requirements. Where applicable, the external rating assessment will be applied. This is provided by more than one of the selected reputable External Credit Assessment Institutions ("ECAI").



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

To mitigate credit concentration risks, the Group and the Bank set exposure limits to individual/single customer, groups of related customers, connected parties, global counterparty, industry/sector and other various funded and non-funded exposures. This is monitored and enforced throughout the credit delivery process.

The Group and the Bank also introduced the Credit Risk Mitigation Techniques ("CRMT") to ascertain the strength of collaterals and securities pledged for financing. The technique outlines the criteria for the eligibility and valuation as well as the monitoring process of the collaterals and securities pledged.

The Group's and the Bank's credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions.

Included in financing of customers is a financing given to a corporate customer and identified structured personal financing customers which are hedged by profit rate derivatives. The hedge achieved the criteria for hedge accounting and the financing are carried at fair value.

During the year, the maximum credit exposure of the financing of customers amount to RM700.0 million (December 2020: RM700.0 million). The cumulative change in fair value of the financing attributable to changes in profit rate risks amount to a gain of RM48,238,151 (December 2020: gain of RM91,112,801) and the change for the current period is a loss of RM42,874,650 (December 2020: gain of RM43,423,333). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

(i) Maximum credit risk exposures and credit risk concentration

The following tables present the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The presented analysis of credit risk concentration relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2021	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	168,385	-	-	-	-	-	321,276
Financial investments at fair value through other comprehensive income	4,354,427	46,046	53,080	5,118	-	-	408,099	4,866,770
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	681,999	20,671,306
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	17,606	17,606
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,107,704	27,293,127
Commitments and contingencies								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
Total credit exposures	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,704,446	32,584,909

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	520,055	3,798,965
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,648	2,136,502	1,753,798	59,420	11,662,015	403,610	18,115,817
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	95,760	95,760
	4,032,513	4,671,737	2,305,129	1,785,848	59,420	11,662,015	1,019,425	25,536,087
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous	-	-	-	-	-	-	-	-
Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,877	2,869,478	2,490,621	64,907	11,833,226	1,202,152	32,453,571



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2021	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	168,385	-	-	-	-	-	321,276
Financial investments at fair value through other comprehensive income	4,354,427	46,046	53,080	5,118	-	-	405,593	4,864,264
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	672,311	20,661,618
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	17,058	17,058
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,094,962	27,280,385
Commitments and contingencies								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
Total credit exposures	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,691,704	32,572,167

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	517,588	3,796,498
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,649	2,136,502	1,753,798	59,420	11,662,015	397,994	18,110,202
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	94,984	94,984
	4,032,513	4,671,738	2,305,129	1,785,848	59,420	11,662,015	1,010,566	25,527,229
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,878	2,869,478	2,490,621	64,907	11,833,226	1,193,293	32,444,713



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2021				
On Balance Sheet Exposures				
Cash and short-term funds	1,088,191	54,100	1,088,191	54,100
Cash and placements with financial institutions	31,184	-	31,184	-
Financial investments designated at fair value through profit and loss	152,891	168,385	152,891	168,385
Financial investments at fair value through other comprehensive income	4,866,770	-	4,864,264	-
Financial investments amortised cost	107,109	-	107,109	-
Islamic derivative financial assets	5,437	-	5,437	-
Financing of customers	20,671,306	-	20,661,618	-
Statutory deposits with Bank Negara Malaysia	130,148	-	130,148	-
Other assets	17,603	3	17,055	3
	27,070,639	222,488	27,057,897	222,488
Commitments and contingencies				
Contingent liabilities	822,270	-	822,270	-
Commitments	1,613,142	-	1,613,142	-
Other Miscellaneous Commitment and Contingent Liabilities	25,773	-	25,773	-
Islamic derivative financial instruments	2,830,597	-	2,830,597	-
	5,291,782	-	5,291,782	-
Total credit exposures	32,362,421	222,488	32,349,679	222,488

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis (cont'd.)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2020				
On Balance Sheet Exposures				
Cash and short-term funds	2,794,518	138,654	2,794,518	138,654
Cash and placements with financial institutions	30,417	-	30,417	-
Financial investments designated at fair value through profit and loss	148,084	165,252	148,084	165,252
Financial investments at fair value through other comprehensive income	3,798,965	-	3,796,498	-
Financial investments amortised cost	105,544	-	105,544	-
Islamic derivative financial assets	47,820	-	47,820	-
Financing of customers	18,115,817	-	18,110,202	-
Statutory deposits with Bank Negara Malaysia	95,255	-	95,255	-
Other assets	113,167	3	112,343	3
	25,249,587	303,909	25,240,681	303,909
Commitments and contingencies				
Contingent liabilities	731,381	-	731,381	-
Commitments	1,652,479	-	1,652,479	-
Other Miscellaneous Commitment and Contingent Liabilities	7,102	-	7,102	-
Islamic derivative financial instruments	4,526,523	-	4,526,523	-
	6,917,485	-	6,917,485	-
Total credit exposures	32,167,072	303,909	32,158,166	303,909



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group 2021	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,660,937	101,443	16,301	60,821	9,839,502
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,413,916	272,511	39,754	172,073	20,898,254
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(116,768)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(34,046)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,413,916	272,511	39,754	95,939	20,671,306

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit rating.

Financing of customers are analysed as follows: (cont'd.)

Group 2020	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,120,932	26,053	56,289	56,067	8,259,341
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,736,703	121,417	254,475	194,711	18,307,306
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(94,984)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,736,703	121,417	254,475	106,767	18,115,817



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank 2021	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,651,249	101,443	16,301	60,821	9,829,814
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,404,228	272,511	39,754	172,073	20,888,566
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(116,768)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(34,046)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,404,228	272,511	39,754	95,939	20,661,618

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank 2020	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory RM'000			
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,115,317	26,053	56,289	56,067	8,253,726
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,731,088	121,417	254,475	194,711	18,301,691
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(94,984)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,731,088	121,417	254,475	106,767	18,110,202



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six (6) months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six (6) months or have undergone a rescheduling or restructuring exercise previously.

Past due but not impaired

Past due but not impaired financing of customers refers to instances where the customer has failed to make principal or profit payment or both after the contractual due date for more than one (1) day but less than three (3) months.

Ageing analysis of past due but not impaired is as follows:

Group and Bank	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
2021			
Term financing			
- Home financing	14,430	4,284	18,714
- Hire purchase receivables	2,807	1,553	4,360
- Other term financing	9,309	6,992	16,301
Other financing	160	219	379
Total	26,706	13,048	39,754
2020			
Term financing			
- Home financing	102,958	81,928	184,886
- Hire purchase receivables	5,055	3,831	8,886
- Other term financing	33,732	22,557	56,289
Other financing	634	3,780	4,414
Total	142,379	112,096	254,475

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Past due but not impaired (cont'd.)

The following table presents an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	2021 RM'000	2020 RM'000
Purchase of transport vehicles	4,360	8,886
Purchase of landed properties of which:		
- residential	18,498	178,297
- non-residential	515	15,644
Personal use	14,890	50,518
Construction	1,092	106
Working capital	160	199
Other purpose	239	825
	39,754	254,475

Collateral and other credit enhancements

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (i.e. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 82.4% and 82.5%, respectively, as at 31 December 2021 (the Group and the Bank are at 87.2% and 87.2% as at 31 December 2020). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

As at 31 December 2021, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM55,757,689 as compared against 31 December 2020 total amount of RM58,150,345. The collateral consists of cash, securities, letters of guarantee, and properties.

Reposessed collateral

It is the Group's and the Bank's policy that dictates disposal of reposessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral reposessed are subject to disposal as soon as it is practical to do so. Foreclosed properties are recognised in other assets on the statement of financial position. At present, the Group and the Bank do not occupy reposessed properties for its own business use.



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions.

The probability weights for each scenarios are determined using the probability density approach. GDP is used as an anchor as GDP reflects the overall condition of the economy. To estimate the probability of each scenario, the Bank's GDP forecasts are compared against the forecasts by the various research houses. It is then estimated by obtaining the area under the probability density curve based on the Bank's forecasts.

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2021.

Key Variable	ECL Scenario	Assigned Probabilities (%)	2021 (Actual)	2022 (Forecast)	2023 (Forecast)
Consumer Price Index (Y-o-Y%)	Base case	42.54%	2.00%	2.50%	1.80%
	Upside	25.45%	2.00%	1.40%	0.40%
	Downside	32.01%	2.00%	3.10%	2.50%
Unemployment Rate (%)	Base case	42.54%	4.80%	4.40%	3.80%
	Upside	25.45%	4.80%	4.00%	3.20%
	Downside	32.01%	4.80%	4.80%	4.10%
Overnight Policy Rate (%)	Base case	42.54%	1.75%	1.75%	2.00%
	Upside	25.45%	1.75%	1.75%	2.50%
	Downside	32.01%	1.75%	1.75%	1.75%
Private Consumption (Y-o-Y %)	Base case	42.54%	11.60%	0.60%	11.00%
	Upside	25.45%	11.60%	2.28%	15.79%
	Downside	32.01%	11.60%	-1.46%	9.92%
Public Consumption (Y-o-Y %)	Base case	42.54%	9.00%	5.90%	0.50%
	Upside	25.45%	9.00%	7.20%	7.40%
	Downside	32.01%	9.00%	3.00%	0.20%
Gold Price (USD/oz)	Base case	42.54%	1756.66	1700.00	1570.00
	Upside	25.45%	1756.66	1670.00	1550.00
	Downside	32.01%	1756.66	1950.00	1720.00



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Analysis of inputs to the ECL model under multiple economic scenarios (cont'd.)

31 December 2020

Key Variable	ECL Scenario	Assigned Probabilities (%)	2020 (Actual)	2021 (Forecast)	2022 (Forecast)
Current Account Balance (% of GDP)	Base case	32.87%	2.60%	1.50%	2.00%
	Upside	28.00%	2.60%	3.10%	4.80%
	Downside	39.13%	2.60%	0.70%	0.80%
Economy's money supply-M3 (Y-o-Y%)	Base case	32.87%	3.70%	5.00%	3.60%
	Upside	28.00%	3.70%	6.50%	4.00%
	Downside	39.13%	3.70%	4.30%	2.90%
Consumer Price Index (Y-o-Y%)	Base case	32.87%	-0.20%	-1.00%	1.80%
	Upside	28.00%	-0.20%	-0.50%	0.80%
	Downside	39.13%	-0.20%	-2.00%	3.30%
Unemployment Rate (%)	Base case	32.87%	3.30%	4.50%	3.70%
	Upside	28.00%	3.30%	3.70%	3.40%
	Downside	39.13%	3.30%	5.50%	4.30%
Exchange Rate (USD MYR)	Base case	32.87%	4.33	4.17	4.1
	Upside	28.00%	4.33	4.06	3.5
	Downside	39.13%	4.33	4.38	4.3
Overnight Policy Rate (%)	Base case	32.87%	3.00%	1.50%	1.50%
	Upside	28.00%	3.00%	1.75%	2.25%
	Downside	39.13%	3.00%	1.50%	1.00%
Kuala Lumpur Composite Index (KLCI)	Base case	32.87%	1672	1471	1432
	Upside	28.00%	1672	1490	1451
	Downside	39.13%	1672	1432	1394
House Price Index (Y-o-Y%)	Base case	32.87%	2.20%	0.80%	3.00%
	Upside	28.00%	2.20%	1.00%	3.50%
	Downside	39.13%	2.20%	0.50%	2.50%



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

Group	Financial investments at amortised cost		Financial investments at FVOCI		
	Non-Money Market Instruments - Debt Securities		Non-Money Market Instruments - Debt Securities		Other assets
	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000	Total RM'000	
2021					
AAA+ to AA-	-	-	182,837	182,837	-
A+ to A-	-	-	10,193	10,193	-
BBB+ to BB-	107,109	107,109	3,550	3,550	-
Unrated	-	-	90,863	90,863	17,606
Sovereign	-	-	4,477,991	4,477,991	-
Total	107,109	107,109	4,765,434	4,765,434	17,606
2020					
AAA+ to AA-	-	-	603,079	603,079	-
A+ to A-	-	-	36,750	36,750	-
BBB+ to BB-	105,544	105,544	-	-	-
Unrated	-	-	97,898	97,898	113,171
Sovereign	-	-	2,952,196	2,952,196	-
Total	105,544	105,544	3,689,923	3,689,923	113,171

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets (cont'd.)

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) and other financial assets analysed by ratings from external credit ratings agencies: (cont'd.)

Bank	Financial investments at amortised cost Non-Money Market Instruments - Debt Securities		Financial investments at FVOCI Non-Money Market Instruments - Debt Securities		
	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
2021					
AAA+ to AA-	-	-	182,837	182,837	-
A+ to A-	-	-	10,193	10,193	-
BBB+ to BB-	107,109	107,109	3,550	3,550	-
Unrated	-	-	90,863	90,863	17,058
Sovereign	-	-	4,477,991	4,477,991	-
Total	107,109	107,109	4,765,434	4,765,434	17,058
2020					
AAA+ to AA-	-	-	603,079	603,079	-
A+ to A-	-	-	36,750	36,750	-
BBB+ to BB-	105,544	105,544	-	-	-
Unrated	-	-	97,898	97,898	112,345
Sovereign	-	-	2,952,196	2,952,196	-
Total	105,544	105,544	3,689,923	3,689,923	112,345

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date and prior year, none of the financial investments mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments at fair value through other comprehensive income with net outstanding amount is nil (2020: Nil), which have been classified as impaired and fully provided for.



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Market risk refer to the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group's and the Bank's trading positions held for the purpose of benefitting from short-term price movements, which are conducted primarily by the treasury operations.

Risk measurement approach

The Group's and the Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and the Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Treasury Middle Office ("TMO") on a daily basis against approved market risk limits. In addition, the TMO is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Department. Changes to market risk limits must be approved by the Board of Directors. The trading positions and limits are regularly reported to the ALCO. The Group and the Bank maintain its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

(ii) Non-traded market risk

The Group's and the Bank's core non-traded market risk refers to the rate of return risk in the Group's and the Bank's Islamic banking business, foreign exchange risk, and equity risk.

Rate of return risk

Rate of return risk refers to the potential loss of income arising from changes in market rates in regards to return on assets and on the returns payable on funding. The risk arises from option portfolios embedded in the Group's and the Bank's assets and liabilities.

Rate of return risk emanates from the repricing mismatches of the Group's and the Bank's banking assets and liabilities and also from the Group's and the Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group's and the Bank's net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This shall be achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities, and entering into derivative financial instruments which have the opposite effects.

The Group and the Bank use various tools including repricing gap reports, sensitivity analysis, and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board of Directors.

The following tables indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financing or early withdrawal of deposits.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS	1,020,954	-	-	-	-	-	-	-	121,337	-	1,142,291	1.8%
Cash and short-term funds Cash and placements with financial institutions	-	31,171	-	-	-	-	-	-	13	-	31,184	1.8%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	166,384	152,892	321,276	2.8%
Financial assets at fair value through other comprehensive income	-	200,723	956,783	1,627,813	1,376,496	156,937	324,981	106,894	116,143	-	4,866,770	2.8%
Financial assets at amortised cost	-	-	-	-	-	-	-	107,103	6	-	107,109	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	5,437	5,437	-
Financing of customers:												
- non-impaired	16,004,286	293,068	138,087	868,185	439,268	347,867	178,600	2,317,187	63,499	-	20,650,047	4.6%
- impaired*	-	-	-	-	-	-	-	-	172,073	-	172,073	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(150,814)	-	(150,814)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	421,018	-	421,018	-
TOTAL ASSETS	17,025,240	524,962	1,094,870	2,495,998	1,815,764	504,804	503,581	2,531,184	911,659	158,329	27,566,391	



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	13,559,493	3,223,894	4,584,708	259,400	505,337	314,858	50,268	-	615,208	-	23,113,166	1.7%
Investment accounts of customers	216,978	-	-	-	-	-	-	-	-	-	216,978	0.1%
Deposits and placements of banks and other financial institutions	40	46	184	2,000	250	-	-	-	289,346	-	291,866	0.0%
Bills and acceptances payable	-	-	-	-	-	-	-	-	7,755	-	7,755	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	61,543	61,543	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	427,252	-	-	-	-	-	214	-	427,466	4.7%
Subordinated sukuk	-	-	-	-	-	-	500,000	-	(124)	-	499,876	4.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	194,954	-	194,954	-
Total Liabilities	13,776,511	3,223,940	5,012,144	261,400	505,587	314,858	550,268	-	1,107,353	61,543	24,813,604	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,752,787	-	2,752,787	-
TOTAL LIABILITIES AND EQUITY	13,776,511	3,223,940	5,012,144	261,400	505,587	314,858	550,268	-	3,860,140	61,543	27,566,391	
On-balance sheet profit sensitivity gap	3,248,729	(2,698,978)	(3,917,274)	2,234,598	1,310,177	189,946	(46,687)	2,531,184	(2,948,481)	96,786	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	3,248,729	(2,698,978)	(3,917,274)	2,234,598	1,310,177	189,946	(46,687)	2,531,184	(2,948,481)	1,296,786	1,200,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	2,923,609	-	-	-	-	-	-	-	9,563	-	2,933,172	2.1%
Cash and placements with financial institutions	-	30,387	-	-	-	-	-	-	30	-	30,417	2.1%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	214,118	99,219	313,337	3.2%
Financial assets at fair value through other comprehensive income	-	402,458	253,432	1,171,992	754,815	522,923	21,116	149,137	523,092	-	3,798,965	3.2%
Financial assets at amortised cost	-	-	-	-	-	-	-	105,537	7	-	105,544	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	47,820	47,820	-
Financing of customers:												
- non-impaired	12,698,512	847,055	222,595	327,572	884,747	498,947	490,656	1,978,853	163,658	-	18,112,595	5.3%
- impaired*	-	-	-	-	-	-	-	-	106,767	-	106,767	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(103,545)	-	(103,545)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	422,797	-	422,797	-
TOTAL ASSETS	15,622,121	1,279,900	476,027	1,499,564	1,639,562	1,021,870	511,772	2,233,527	1,336,487	147,039	25,767,869	



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	14,140,724	3,214,032	3,595,925	391,017	194	132	27,097	-	132,245	-	21,501,366	2.1%
Deposits and placements of banks and other financial institutions	25	28	769	613	2,200	250	-	-	94,461	-	98,346	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	6,310	-	6,310	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	167,334	167,334	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	443,919	-	-	-	-	222	-	444,141	4.6%
Subordinated sukuk	-	-	250,000	-	-	-	-	-	642	-	250,642	5.8%
Senior Sukuk	-	-	500,000	-	-	-	-	-	2,692	-	502,692	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	146,386	-	146,386	-
Total Liabilities	14,140,749	3,214,060	4,346,694	835,549	2,394	382	27,097	-	382,958	167,334	23,117,217	-
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,650,652	-	2,650,652	-
TOTAL LIABILITIES AND EQUITY	14,140,749	3,214,060	4,346,694	835,549	2,394	382	27,097	-	3,033,610	167,334	25,767,869	-
On-balance sheet profit sensitivity gap	1,481,372	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,697,123)	(20,295)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	1,481,372	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,697,123)	1,179,705	1,200,000	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,020,954	-	-	-	-	-	-	-	121,337	-	1,142,291	1.8%
Cash and placements with financial institutions	-	31,171	-	-	-	-	-	-	13	-	31,184	1.8%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	166,384	152,892	321,276	2.8%
Financial assets at fair value through other comprehensive income	-	200,723	956,783	1,627,813	1,376,496	156,937	324,981	106,894	113,637	-	4,864,264	2.8%
Financial assets at amortised cost	-	-	-	-	-	-	-	107,103	6	-	107,109	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	5,437	5,437	-
Financing of customers:												
- non-impaired	16,004,286	293,068	138,087	868,185	439,268	347,867	178,600	2,317,187	53,811	-	20,640,359	4.6%
- impaired*	-	-	-	-	-	-	-	-	172,073	-	172,073	-
-12-month ECL and lifetime ECL	-	-	-	-	-	-	-	-	(150,814)	-	(150,814)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	433,228	-	433,228	-
TOTAL ASSETS	17,025,240	524,962	1,094,870	2,495,998	1,815,764	504,804	503,581	2,531,184	911,675	158,329	27,566,407	



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2021	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	13,575,044	3,223,894	4,584,708	259,400	505,337	314,858	50,268	-	615,208	-	23,128,717	1.7%
Investment accounts of customers	216,978	-	-	-	-	-	-	-	-	-	216,978	0.1%
Deposits and placements of banks and other financial institutions	40	46	184	2,000	250	-	-	-	289,346	-	291,866	0.0%
Bills and acceptances payable	-	-	-	-	-	-	-	-	7,755	-	7,755	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	61,543	61,543	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	427,252	-	-	-	-	-	214	-	427,466	4.7%
Subordinated sukuk	-	-	-	-	-	-	500,000	-	(124)	-	499,876	4.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	193,919	-	193,919	-
Total Liabilities	13,792,062	3,223,940	5,012,144	261,400	505,587	314,858	550,268	-	1,106,318	61,543	24,828,120	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,738,287	-	2,738,287	-
TOTAL LIABILITIES AND EQUITY	13,792,062	3,223,940	5,012,144	261,400	505,587	314,858	550,268	-	3,844,605	61,543	27,566,407	
On-balance sheet profit sensitivity gap	3,233,178	(2,698,978)	(3,917,274)	2,234,598	1,310,177	189,946	(46,687)	2,531,184	(2,932,930)	96,786	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	3,233,178	(2,698,978)	(3,917,274)	2,234,598	1,310,177	189,946	(46,687)	2,531,184	(2,932,930)	1,296,786	1,200,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	2,923,609	-	-	-	-	-	-	-	9,563	-	2,933,172	2.1%
Cash and placements with financial institutions	-	30,387	-	-	-	-	-	-	30	-	30,417	2.1%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	214,118	99,219	313,337	3.2%
Financial assets at fair value through other comprehensive income	-	402,458	253,432	1,171,992	754,815	522,923	21,116	149,137	520,625	-	3,796,498	3.2%
Financial assets at amortised cost	-	-	-	-	-	-	-	105,537	7	-	105,544	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	47,820	47,820	-
Financing of customers:												
- non-impaired	12,698,512	847,055	222,595	327,572	884,747	498,947	490,656	1,978,853	158,043	-	18,106,980	5.3%
- impaired*	-	-	-	-	-	-	-	-	106,767	-	106,767	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(103,545)	-	(103,545)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	428,369	-	428,369	-
TOTAL ASSETS	15,622,121	1,279,900	476,027	1,499,564	1,639,562	1,021,870	511,772	2,233,527	1,333,977	147,039	25,765,359	



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	14,153,516	3,214,032	3,595,925	391,017	194	132	27,097	-	132,245	-	21,514,158	2.1%
Deposits and placements of bank and other financial institutions	25	28	769	613	2,200	250	-	-	94,461	-	98,346	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	6,310	-	6,310	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	167,334	167,334	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	443,919	-	-	-	-	222	-	444,141	4.6%
Subordinated sukuk	-	-	250,000	-	-	-	-	-	642	-	250,642	5.8%
Senior Sukuk	-	-	500,000	-	-	-	-	-	2,692	-	502,692	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	139,197	-	139,197	-
Total Liabilities	14,153,541	3,214,060	4,346,694	835,549	2,394	382	27,097	-	375,769	167,334	23,122,820	-
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,642,539	-	2,642,539	-
TOTAL LIABILITIES AND EQUITY	14,153,541	3,214,060	4,346,694	835,549	2,394	382	27,097	-	3,018,308	167,334	25,765,359	-
On-balance sheet profit sensitivity gap	1,468,580	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,684,331)	(20,295)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	1,468,580	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,684,331)	1,179,705	1,200,000	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings at Risk ("EAR")

The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and the Bank by undermining its capital adequacy and reducing market confidence.

- Economic Value of Equity ("EVE")

Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of the Group and the Bank can be viewed as the present value of the Group's and the Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet position. The sensitivity of the Group's and the Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and Management.

- Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

Rate of return risk measurement

- Gap analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (re-priced) over the residual maturity period or on maturity.

A rate sensitive gap greater than one (>1) implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of return rises, the income on assets will increase faster than the funding costs, resulting in higher spread income.

A rate sensitive gap less than one (<1) suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income).

- Simulation analysis

Detail assessments on the potential effects of changes in rate of return on the Group's and the Bank's earnings are carried out by simulating future path of rate of returns and also their impact on cash flows.

Simulation analysis will also be used to evaluate the impact of possible decisions on the following:

- Product pricing changes;
- New product introduction;
- Derivatives and hedging strategies; and
- Changes in the asset-liability mix.



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The analysis measures the increase or decline in earnings and economic value for upward and downward rate shocks, which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
Impact on Earnings:				
2021				
MYR	(22,711)	22,711	(22,657)	22,657
USD	560	(560)	560	(560)
Others*	9	(9)	9	(9)
2020				
MYR	(21,994)	21,994	(21,937)	21,937
USD	1,851	(1,851)	1,851	(1,851)
Others*	35	(35)	35	(35)
Impact on Equity:				
2021				
MYR	35,896	(35,896)	35,893	(35,893)
USD	(66)	66	(66)	66
Others*	(2)	2	(2)	2
2020				
MYR	(30,292)	30,292	(30,284)	30,284
USD	417	(417)	417	(417)
Others*	63	(63)	63	(63)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2021	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	22,828,599	281,643	79	-	610	2,225	-	-	10	23,113,166
Investment accounts of customers	216,978	-	-	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	291,866	-	-	-	-	-	-	-	-	291,866
Bills and acceptances payable	7,720	1	-	-	-	-	-	33	1	7,755
Islamic derivative financial liabilities	61,543	-	-	-	-	-	-	-	-	61,543
Other liabilities	156,003	544	-	-	69	(77)	-	-	-	156,539
Lease liabilities	31,729	22	-	-	-	-	-	-	-	31,751
Provision for zakat and taxation	6,664	-	-	-	-	-	-	-	-	6,664
Recourse obligation on financing sold to Cagamas	427,466	-	-	-	-	-	-	-	-	427,466
Subordinated sukuk	499,876	-	-	-	-	-	-	-	-	499,876
Total liabilities	24,528,444	282,210	79	-	679	2,148	-	33	11	24,813,604
On-balance sheet open position	2,625,048	120,358	57	522	242	(453)	1,068	3,404	2,541	2,752,787
Less: Islamic derivative financial assets	(5,437)	-	-	-	-	-	-	-	-	(5,437)
Add: Islamic derivative financial liabilities	61,543	-	-	-	-	-	-	-	-	61,543
Net open position	2,681,154	120,358	57	522	242	(453)	1,068	3,404	2,541	2,808,893

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Foreign exchange ("FX") risk arises as a result of movements in relative currencies in business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three (3) types of foreign exchange risk, namely, translation risk, transactional risk and economic risk, which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk, and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, Japanese Yen and Canadian Dollar. The "others" foreign exchange risk include mainly exposures to United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

Group 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	2,732,231	176,551	428	661	9,822	1,164	5,503	3,457	3,355	2,933,172
Cash and placements with financial institutions	10,392	20,025	-	-	-	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	148,085	165,252	-	-	-	-	-	-	-	313,337
Financial assets at fair value through other comprehensive income	3,798,965	-	-	-	-	-	-	-	-	3,798,965
Financial assets at amortised cost	105,544	-	-	-	-	-	-	-	-	105,544
Islamic derivative financial assets	47,820	-	-	-	-	-	-	-	-	47,820
Financing of customers	18,056,921	58,896	-	-	-	-	-	-	-	18,115,817
Other assets	113,168	3	-	-	-	-	-	-	-	113,171
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	-	-	95,255
Investment properties	55,889	-	-	-	-	-	-	-	-	55,889
Right-of-use assets	37,701	45	-	-	-	-	-	-	-	37,746
Intangible assets	65,193	-	-	-	-	-	-	-	-	65,193
Property, plant and equipment	55,191	-	-	-	-	-	-	-	-	55,191
Deferred tax assets	352	-	-	-	-	-	-	-	-	352
Total assets	25,322,707	420,772	428	661	9,822	1,164	5,503	3,457	3,355	25,767,869



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	20,950,099	535,200	28	-	11,828	2,182	-	-	2,029	21,501,366
Deposits and placements of banks and other financial institutions	99,002	(656)	-	-	-	-	-	-	-	98,346
Bills and acceptances payable	6,283	1	25	-	-	-	-	-	1	6,310
Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Other liabilities	87,672	872	-	-	72	(75)	-	-	-	88,541
Leases liabilities	41,591	50	-	-	-	-	-	-	-	41,641
Provision for zakat and taxation	4,378	-	-	-	-	-	-	-	-	4,378
Recourse obligation on financing sold to Cagamas	444,141	-	-	-	-	-	-	-	-	444,141
Subordinated sukuk	250,642	-	-	-	-	-	-	-	-	250,642
Senior sukuk	502,692	-	-	-	-	-	-	-	-	502,692
Total liabilities	22,565,660	535,467	53	-	11,900	2,107	-	-	2,030	23,117,217
On-balance sheet open position	2,757,047	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,650,652
Less: Islamic derivative financial assets	(47,820)	-	-	-	-	-	-	-	-	(47,820)
Add: Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Net open position	2,876,561	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,770,166



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2021	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	1,017,753	114,207	136	522	921	1,695	1,068	3,437	2,552	1,142,291
Cash and placements with financial institutions	14,514	16,670	-	-	-	-	-	-	-	31,184
Financial investments designated at fair value through profit and loss	152,891	168,385	-	-	-	-	-	-	-	321,276
Financial assets at fair value through other comprehensive income	4,864,264	-	-	-	-	-	-	-	-	4,864,264
Financial assets at amortised cost	107,109	-	-	-	-	-	-	-	-	107,109
Islamic derivative financial assets	5,437	-	-	-	-	-	-	-	-	5,437
Financing of customers	20,558,334	103,284	-	-	-	-	-	-	-	20,661,618
Other assets	33,098	3	-	-	-	-	-	-	-	33,101
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	-	-	130,148
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	-	13,159
Investment properties	56,564	-	-	-	-	-	-	-	-	56,564
Right-of-use assets	29,404	19	-	-	-	-	-	-	-	29,423
Intangible assets	76,367	-	-	-	-	-	-	-	-	76,367
Property, plant and equipment	51,962	-	-	-	-	-	-	-	-	51,962
Deferred tax assets	42,504	-	-	-	-	-	-	-	-	42,504
Total assets	27,153,508	402,568	136	522	921	1,695	1,068	3,437	2,552	27,566,407



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2021	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	22,844,150	281,643	79	-	610	2,225	-	-	10	23,128,717
Investment accounts of customers	216,978	-	-	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	291,866	-	-	-	-	-	-	-	-	291,866
Bills and acceptances payable	7,720	1	-	-	-	-	-	33	1	7,755
Islamic derivative financial liabilities	61,543	-	-	-	-	-	-	-	-	61,543
Other liabilities	155,435	544	-	-	69	(77)	-	-	-	155,971
Lease liabilities	31,729	22	-	-	-	-	-	-	-	31,751
Provision for zakat and taxation	6,197	-	-	-	-	-	-	-	-	6,197
Recourse obligation on financing sold to Cagamas	427,466	-	-	-	-	-	-	-	-	427,466
Subordinated sukuk	499,876	-	-	-	-	-	-	-	-	499,876
Total liabilities	24,542,960	282,210	79	-	679	2,148	-	33	11	24,828,120
On-balance sheet open position	2,610,548	120,358	57	522	242	(453)	1,068	3,404	2,541	2,738,287
Less: Islamic derivative financial assets	(5,437)	-	-	-	-	-	-	-	-	(5,437)
Add: Islamic derivative financial liabilities	61,543	-	-	-	-	-	-	-	-	61,543
Net open position	2,666,654	120,358	57	522	242	(453)	1,068	3,404	2,541	2,794,393



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	2,732,231	176,551	428	661	9,822	1,164	5,503	3,457	3,355	2,933,172
Cash and placements with financial institutions	10,392	20,025	-	-	-	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	148,085	165,252	-	-	-	-	-	-	-	313,337
Financial assets at fair value through other comprehensive income	3,796,498	-	-	-	-	-	-	-	-	3,796,498
Financial assets at amortised cost	105,544	-	-	-	-	-	-	-	-	105,544
Islamic derivative financial assets	47,820	-	-	-	-	-	-	-	-	47,820
Financing of customers	18,051,306	58,896	-	-	-	-	-	-	-	18,110,202
Other assets	112,342	3	-	-	-	-	-	-	-	112,345
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	-	-	95,255
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	-	13,159
Investment properties	55,889	-	-	-	-	-	-	-	-	55,889
Right-of-use assets	31,543	45	-	-	-	-	-	-	-	31,588
Intangible assets	64,977	-	-	-	-	-	-	-	-	64,977
Property, plant and equipment	55,156	-	-	-	-	-	-	-	-	55,156
Total assets	25,320,197	420,772	428	661	9,822	1,164	5,503	3,457	3,355	25,765,359



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	20,962,891	535,200	28	-	11,828	2,182	-	-	2,029	21,514,158
Deposits and placements of banks and other financial institutions	99,002	(656)	-	-	-	-	-	-	-	98,346
Bills and acceptances payable	6,283	1	25	-	-	-	-	-	1	6,310
Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Other liabilities	88,204	872	-	-	72	(75)	-	-	-	89,073
Lease liabilities	33,968	50	-	-	-	-	-	-	-	34,018
Provision for zakat and taxation	4,280	-	-	-	-	-	-	-	-	4,280
Recourse obligation on financing sold to Cagamas	444,141	-	-	-	-	-	-	-	-	444,141
Deferred tax liabilities	11,826	-	-	-	-	-	-	-	-	11,826
Subordinated sukuk	250,642	-	-	-	-	-	-	-	-	250,642
Senior sukuk	502,692	-	-	-	-	-	-	-	-	502,692
Total liabilities	22,571,263	535,467	53	-	11,900	2,107	-	-	2,030	23,122,820
On-balance sheet open position	2,748,934	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,642,539
Less: Islamic derivative financial assets	(47,820)	-	-	-	-	-	-	-	-	(47,820)
Add: Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Net open position	2,868,448	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,762,053



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign currency risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group and the Bank foreign currency positions.

	Group and Bank			
	2021		2020	
	RM'000	RM'000	RM'000	RM'000
	1%	1%	1%	1%
	appreciation	depreciation	appreciation	depreciation
Impact to profit after tax and reserves	(1,277)	1,277	1,064	(1,064)

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and the Bank may be subjected to additional translation (loss)/ gain if MYR appreciated/ depreciated against other currencies or vice versa.

(iii) Profit rate risk

Inter-bank Offered Rate ("IBOR") Reformed

London Inter-bank Offered Rate ("LIBOR") which has been widely used in the global financial markets, would be discontinued by end-2021 and be replaced by Risk Free Rates ("RFRs") as part of the global reform of benchmark interest rate. The transition from LIBOR to RFRs will have significant impact on a bank arising from legal implications for existing derivatives and loan contract referenced to LIBOR.

While the Bank only has exposure referenced to the Kuala Lumpur Inter-bank Offered Rate ("KLIBOR") as at 31 December 2021, which is not subject to the reform of transition to RFRs, IBOR reform could expose the Group and the Bank to various risks as follows:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to affect IBOR reform;
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available;



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(iii) Profit rate risk (cont'd.)

Inter-bank Offered Rate ("IBOR") Reformed (cont'd.)

- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs; and
- Legal and Compliance risk of litigation due to transition value transfer between bank and its customers and counterparties.

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and with insufficient volumes, at a reasonable price.

The Group and the Bank monitor the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and the Bank's ability to maintain a stable liquidity profile is primarily due to its success in retaining and growing its customer deposits base.

The marketing strategy of the Group and the Bank has ensured a balanced mix of deposits level. Stability of the deposits base thus minimises the Group's and the Bank's dependency on volatile short-term receiving. Considering the effective maturities of deposits are based largely on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and the Bank are able to ensure that sufficient liquidity is always available whenever necessary.

The Asset & Liability Committee ("ALCO") chaired by the Chief Executive Officer, is being conducted on monthly basis, which purpose is to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and the Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The tables depicted in the following pages are the analysis of assets and liabilities of the Group and the Bank as at 31 December 2021 based on remaining contractual maturities.



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity:

Group 2021	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	1,119,053	23,238	-	-	-	-	1,142,291
Cash and placements with financial institution	-	-	31,184	-	-	-	31,184
Financial investments designated at fair value through profit and loss	-	-	-	5,052	168,384	147,840	321,276
Financial assets at fair value through other comprehensive income	-	-	215,530	286,898	669,885	3,694,457	4,866,770
Financial assets at amortised cost	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	15,135,611	20,671,306
Other assets	-	404	-	-	32,796	387,818	421,018
Total assets	1,198,824	797,594	1,625,095	1,595,270	2,876,773	19,472,835	27,566,391
Liabilities							
Deposits from customers	10,347,655	3,685,222	3,241,319	3,741,358	875,146	1,222,466	23,113,166
Investment accounts of customers	216,978	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	291,569	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	57,376	61,543
Other liabilities	-	75,855	876	1,844	91,943	24,436	194,954
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	427,466	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	499,876
Total liabilities	10,565,059	3,761,574	3,252,403	4,172,694	967,202	2,094,672	24,813,604
Net maturity mismatch	(9,366,235)	(2,963,980)	(1,627,308)	(2,577,424)	1,909,571	17,378,163	2,752,787



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 2021	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Commitments and contingencies							
Contingent liabilities	-	-	2,404	6,492	25,406	787,968	822,270
Commitments	156,323	916	143,837	121,514	11,459	1,179,093	1,613,142
Other Miscellaneous Commitmen and Contingent Liabilities	72	-	-	-	-	25,701	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	1,200,000	2,830,597
Total commitments and contingencies	208,962	14,149	344,946	509,255	1,021,708	3,192,762	5,291,782

Group 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	2,369,462	563,710	-	-	-	-	2,933,172
Cash and placements with financial institution	-	-	30,417	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	313,337
Financial assets at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,757,750	3,798,965
Financial assets at amortised cost	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	13,084,599	18,115,816
Other assets	-	646	-	-	112,027	310,125	422,798
Total assets	2,435,706	1,399,321	1,959,881	1,278,470	2,135,312	16,559,179	25,767,869



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Liabilities							
Deposits from customers	9,509,884	4,662,369	3,232,770	2,894,806	725,795	475,742	21,501,366
Deposits and placements of banks and other financial institutions	-	25	28	283	485	97,525	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Other liabilities	-	23,084	5,367	943	76,516	40,476	146,386
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	444,141	444,141
Subordinated sukuk	-	-	-	250,642	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	502,692
Total liabilities	9,513,656	4,710,212	3,263,752	3,161,312	1,302,885	1,165,400	23,117,217
Net maturity mismatch	(7,077,950)	(3,310,891)	(1,303,871)	(1,882,842)	832,427	15,393,779	2,650,652
Commitments and contingencies							
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	565,112	731,380
Commitments	65,182	93,499	199,988	74,779	433,772	785,259	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	396	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	1,200,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	2,550,767	6,917,484



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2021	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	1,119,053	23,238	-	-	-	-	1,142,291
Cash and placements with financial institution	-	-	31,184	-	-	-	31,184
Financial investments designated at fair value through profit and loss	-	-	-	5,052	168,384	147,840	321,276
Financial assets at fair value through other comprehensive income	-	-	215,530	286,898	669,885	3,691,951	4,864,264
Financial assets at amortised cost	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	15,125,923	20,661,618
Other assets	-	395	-	-	32,207	400,626	433,228
Total assets	1,198,824	797,585	1,625,095	1,595,270	2,876,184	19,473,449	27,566,407



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2021	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Liabilities							
Deposits from customers	10,355,435	3,693,089	3,241,297	3,741,324	875,129	1,222,443	23,128,717
Investment accounts of customers	216,978	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	291,569	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	57,376	61,543
Other liabilities	-	75,581	876	1,844	91,182	24,436	193,919
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	427,466	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	499,876
Senior sukuk	-	-	-	-	-	-	-
Total liabilities	10,572,839	3,769,167	3,252,381	4,172,660	966,424	2,094,649	24,828,120
Net maturity mismatch	(9,374,015)	(2,971,582)	(1,627,286)	(2,577,390)	1,909,760	17,378,800	2,738,287
Commitments and contingencies							
Contingent liabilities	-	-	2,404	6,492	25,406	787,968	822,270
Commitments	156,323	916	143,837	121,514	11,459	1,179,093	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	25,701	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	1,200,000	2,830,597
Total commitments and contingencies	208,962	14,149	344,946	509,255	1,021,708	3,192,762	5,291,782



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	2,369,462	563,710	-	-	-	-	2,933,172
Cash and placements with financial institution	-	-	30,417	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	313,337
Financial assets at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,755,283	3,796,498
Financial assets at amortised cost	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	13,078,985	18,110,202
Other assets	3	646	-	-	111,198	316,522	428,369
Total assets	2,435,709	1,399,321	1,959,881	1,278,470	2,134,483	16,557,495	25,765,359
Liabilities							
Deposits from customers	9,514,409	4,670,742	3,232,737	2,894,773	725,772	475,725	21,514,158
Deposits and placements of banks and other financial institutions	-	25	28	283	485	97,525	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Other liabilities	-	23,865	5,367	1,305	76,167	32,494	139,198
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	444,141	444,141
Subordinated sukuk	-	-	-	250,642	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	502,692
Total liabilities	9,518,181	4,719,366	3,263,719	3,161,641	1,302,513	1,157,401	23,122,821
Net maturity mismatch	(7,082,472)	(3,320,045)	(1,303,838)	(1,883,171)	831,970	15,400,094	2,642,538



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Commitments and contingencies							
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	565,112	731,380
Commitments	65,182	93,499	199,988	74,779	433,772	785,259	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	396	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	1,200,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	2,550,767	6,917,484

(ii) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

Group	Deposits from customers						
	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2021							
By contractual maturity	10,347,655	3,685,222	3,241,319	3,741,358	875,146	1,222,466	23,113,166
By behavioural maturity	1,751,237	1,669,008	901,276	695,475	972,838	17,123,332	23,113,166
Difference	8,596,418	2,016,214	2,340,043	3,045,883	(97,692)	(15,900,866)	-
2020							
By contractual maturity	9,509,884	4,662,369	3,232,770	2,894,806	725,795	475,742	21,501,366
By behavioural maturity	4,050,725	2,971,799	2,454,515	942,106	1,056,324	10,025,897	21,501,366
Difference	5,459,159	1,690,570	778,255	1,952,700	(330,529)	(9,550,155)	-



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(ii) Behavioural maturity of deposits from customers (cont'd.)

Bank	Deposits from customers						Total RM'000
	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	
2021							
By contractual maturity	10,355,435	3,693,089	3,241,297	3,741,324	875,129	1,222,443	23,128,717
By behavioural maturity	1,752,328	1,670,182	901,855	695,884	973,449	17,135,019	23,128,717
Difference	8,603,107	2,022,907	2,339,442	3,045,440	(98,320)	(15,912,576)	-
2020							
By contractual maturity	9,514,409	4,670,742	3,232,737	2,894,773	725,772	475,725	21,514,158
By behavioural maturity	4,051,381	2,972,609	2,455,238	942,447	1,056,891	10,035,592	21,514,158
Difference	5,463,028	1,698,133	777,499	1,952,326	(331,119)	(9,559,867)	-

(iii) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables depicted in the following pages will not agree to the balances reported in the statement of financial position as the Tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.



46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
2021							
Non-derivative liabilities							
Deposits from customers	10,348,087	3,688,921	3,252,809	3,774,348	891,808	1,396,402	23,352,375
Investment accounts of customers	216,978	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	300,851	301,148
Bills and acceptances payable	-	-	7,755	-	-	-	7,755
Other liabilities	-	75,664	-	-	80,875	-	156,539
Leases liabilities	-	207	914	2,019	5,463	37,428	46,031
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	433,841	-	-	433,841
Subordinated sukuk	-	-	-	12,301	11,250	577,575	601,126
Derivative liabilities	426	451	2,399	891	-	57,376	61,543
Total financial liabilities	10,565,491	3,765,289	3,263,931	4,223,484	989,509	2,369,632	25,177,336
2020							
Non-derivative liabilities							
Deposits from customers	9,509,627	4,659,314	3,228,308	2,885,280	752,815	2,229,190	23,264,534
Deposits and placements of banks and other financial institutions	-	25	28	283	485	102,975	103,796
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Other liabilities	-	21,960	-	-	66,580	-	88,540
Leases liabilities	-	1,219	5,817	1,064	6,363	36,485	50,948
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,811	470,811
Subordinated sukuk	-	-	-	257,892	-	-	257,892
Senior sukuk	-	-	-	16,561	513,631	-	530,192
Derivative liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Total financial liabilities	9,513,399	4,707,252	3,259,740	3,172,907	1,340,082	2,946,977	24,940,357



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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
2021							
Non-derivative liabilities							
Deposits from customers	10,355,867	3,696,780	3,252,787	3,774,314	891,791	1,396,380	23,367,919
Investment accounts of customers	216,978	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	300,851	301,148
Bills and acceptances payable	-	-	7,755	-	-	-	7,755
Other liabilities	-	75,390	-	-	80,581	-	155,971
Leases liabilities	-	207	914	2,019	5,463	37,429	46,032
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	433,841	-	-	433,841
Subordinated sukuk	-	-	-	12,301	11,250	577,575	601,126
Derivative liabilities	426	451	2,399	892	-	57,375	61,543
Total financial liabilities	10,573,271	3,772,874	3,263,909	4,223,451	989,198	2,369,610	25,192,313
2020							
Non-derivative liabilities							
Deposits from customers	9,514,152	4,667,695	3,228,275	2,885,247	752,792	2,229,173	23,277,334
Deposits and placements of banks and other financial institutions	-	25	28	283	485	102,975	103,796
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Leases liabilities	-	22,741	-	-	66,331	-	89,072
Other liabilities	-	1,219	5,817	1,426	6,363	28,501	43,326
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,811	470,811
Subordinated sukuk	-	-	-	257,892	-	-	257,892
Senior sukuk	-	-	-	16,561	513,631	-	530,192
Derivative liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Total financial liabilities	9,517,924	4,716,414	3,259,707	3,173,236	1,339,810	2,938,976	24,946,067

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, human factors, and/or from various external events. The objective of operational risk management ("ORM") is to effectively manage these risks to minimise possible financial losses arising from operational lapses. In relation to ORM, the key risk organs which play a critical role in the overall integrated risk management framework are the ORM unit, Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, and the business lines.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

47. FAIR VALUE MEASUREMENTS

(a) Financial and non-financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement either directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include 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. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial and non-financial instruments at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal Management's judgement and estimation, due to the low complexity of the financial instruments held.



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

The following table shows the financial and non-financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group 2021	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Non-financial assets				
Investment properties	-	-	56,564	56,564
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,286	310,990	321,276
Financial investments at FVOCI	96,704	4,765,435	4,631	4,866,770
Derivative financial assets	-	5,437	-	5,437
Total financial assets measured at fair value	96,704	4,781,158	315,621	5,193,483
Financial liabilities				
Derivative financial liabilities	-	61,543	-	61,543
Total financial liabilities measured at fair value	-	61,543	-	61,543



47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Group 2020	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Non-financial assets				
Investment properties	-	-	55,889	55,889
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,492	302,845	313,337
Financial investments at FVOCI	104,410	3,689,924	4,631	3,798,965
Derivative financial assets	-	47,820	-	47,820
Total financial assets measured at fair value	104,410	3,748,236	307,476	4,160,122
Financial liabilities				
Derivative financial liabilities	-	167,334	-	167,334
Total financial liabilities measured at fair value	-	167,334	-	167,334



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Bank 2021	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Non-financial assets				
Investment properties	-	-	56,564	56,564
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,286	310,990	321,276
Financial investments at FVOCI	94,199	4,765,434	4,631	4,864,264
Derivative financial assets	-	5,437	-	5,437
Total financial assets measured at fair value	94,199	4,781,157	315,621	5,190,977
Financial liabilities				
Derivative financial liabilities	-	61,543	-	61,543
Total financial liabilities measured at fair value	-	61,543	-	61,543



47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Bank 2020	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Non-financial assets				
Investment properties	-	-	55,889	55,889
Financial assets				
Financial investments				
designated at fair value through profit or loss	-	10,492	302,845	313,337
Financial investments at FVOCI	101,944	3,689,923	4,631	3,796,498
Derivative financial assets	-	47,820	-	47,820
Total financial assets measured at fair value	101,944	3,748,235	307,476	4,157,655
Financial liabilities				
Derivative financial liabilities	-	167,334	-	167,334
Total financial liabilities measured at fair value	-	167,334	-	167,334

Reconciliation of financial assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group and Bank 2021 RM'000	2020 RM'000
At 1 January 2021	307,476	304,353
Gain recognised in profit or loss	2,101	9,007
Sales	-	(2,818)
Foreign exchange translation difference	6,044	(3,066)
At 31 December 2021	315,621	307,476
Total gain recognised in profit or loss for financial instruments measured at fair value at the end of the financial year	2,101	9,007



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31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
2021					
Financial assets					
Financial investments at amortised cost	-	190,974	-	190,974	107,109
Financing of customers	-	13,450,636	6,523,235	19,973,871	20,671,306
Financial liabilities					
Deposits from customers	-	2,541,205	20,597,965	23,139,170	23,113,166
Deposits and placements of banks and other financial institutions	-	-	2,508	2,508	2,520
Subordinated sukuk	-	497,013	-	497,013	499,876
2020					
Financial assets					
Financial investments at amortised cost	-	186,424	-	186,424	105,544
Financing of customers	-	11,020,267	6,090,278	17,110,545	18,115,817
Financial liabilities					
Deposits from customers	-	2,410,018	19,094,629	21,504,647	21,501,366
Deposits and placements of banks and other financial institutions	-	-	3,863	3,863	3,885
Subordinated sukuk	-	252,595	-	252,595	250,642
Senior sukuk	-	509,481	-	509,481	502,692



47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
2021					
Financial assets					
Financial investments at amortised cost	-	190,974	-	190,974	107,109
Financing of customers	-	13,441,767	6,496,627	19,938,394	20,661,618
Financial liabilities					
Deposits from customers	-	2,541,205	20,613,516	23,154,721	23,128,717
Deposits and placements of banks and other financial institutions	-	-	2,508	2,508	2,520
Subordinated sukuk	-	497,013	-	497,013	499,876
2020					
Financial assets					
Financial investments at amortised cost	-	186,424	-	186,424	105,544
Financing of customers	-	11,020,267	6,101,168	17,121,435	18,110,202
Financial liabilities					
Deposits from customers	-	2,410,018	19,107,420	21,517,438	21,514,158
Deposits and placements of banks and other financial institutions	-	-	3,863	3,863	3,885
Subordinated sukuk	-	252,595	-	252,595	250,642
Senior sukuk	-	509,481	-	509,481	502,692

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two (2) parties under normal market conditions. However, for certain assets such as financing and deposits, the respective fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions depicted below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Fair value information has been disclosed for the Group's and the Bank's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank do not intend to dispose off this investment in the foreseeable future.

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.



NOTES TO THE FINANCIAL STATEMENTS

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47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value (cont'd.)

Deposits from customers

The fair values of deposits from customers with maturities of less than one year are estimated to approximate their carrying values due to the relatively short maturity of these instruments. The fair values of deposits from customers with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits with similar remaining maturities.

Subordinated sukuk & Senior sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financing with similar risk profiles.

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statement of financial position RM'000	Net amount presented in the statement of financial position RM'000	Amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2021						
Derivative assets	5,437	-	5,437	-	-	5,437
Derivative liabilities	(61,543)	-	(61,543)	-	-	(61,543)
2020						
Derivative assets	47,820	-	47,820	-	-	47,820
Derivative liabilities	(167,334)	-	(167,334)	-	-	(167,334)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

- the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- cash or securities are received or cash pledged in respect of the transaction described above.



49. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	2021 RM'000	2020 RM'000
Approved and contracted for	4,338	3,818
Approved but not contracted for	140,158	138,219
	144,496	142,037

	Bank	
	2021 RM'000	2020 RM'000
Approved and contracted for	4,338	3,818
Approved but not contracted for	140,266	138,338
	144,604	142,156

50. CAPITAL ADEQUACY

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	2021 RM'000	2020 RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	17,566,888	15,081,238
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(98,453)	-
Total market RWA	16,225	22,546
Total operational RWA	1,321,435	1,259,314
Total RWA	18,806,095	16,363,098



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	Group	
	2021 RM'000	2020 RM'000
Computation of capital ratios		
Tier-I capital		
Share capital	1,195,000	1,195,000
Retained profits	1,569,073	1,392,969
Other Reserves		
Regulatory reserve	28,079	45,411
FVOCI reserve	(40,014)	18,240
Foreign exchange translation reserve	649	(968)
Less: Regulatory Adjustment		
Deferred tax assets	(58,170)	(39,422)
Investment property gain	(8,171)	(7,496)
Regulatory reserve	(28,079)	(45,411)
FVOCI reserve	-	(10,032)
Cumulative gains of financing measured at FVTPL	(19,354)	-
Intangible asset (net of deferred tax liabilities)	(61,002)	(14,293)
Total Common Equity Tier-I Capital	2,578,011	2,533,998
Total Tier-I Capital	2,578,011	2,533,998
Tier-II capital		
Subordinated sukuk	500,000	250,000
Loss provision and regulatory reserve*	180,990	150,659
Add: Investment property gain	3,677	3,373
Total Tier-II Capital	684,667	404,032
Total Capital Base	3,262,678	2,938,030
Ratio (%)		
CET 1 Capital	13.708%	15.486%
Tier 1 Capital	13.708%	15.486%
Total Capital	17.349%	17.955%

* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	Bank	
	2021 RM'000	2020 RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	17,549,202	15,063,327
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(98,453)	-
Total market RWA	16,225	22,546
Total operational RWA	1,302,128	1,250,046
Total RWA	18,769,102	16,335,919
Computation of capital ratios		
Tier-I capital		
Share capital	1,195,000	1,195,000
Retained profits	1,554,572	1,384,855
Other Reserves		
Regulatory reserve	28,079	45,411
FVOCI reserve	(40,014)	18,240
Foreign exchange translation reserve	650	(968)
Regulatory Adjustment		
Deferred tax assets	(58,170)	(39,070)
Investment property gain	(8,171)	(7,496)
Regulatory reserve	(28,079)	(45,411)
FVOCI reserve	-	(10,032)
Investment in subsidiaries	(13,159)	(13,159)
Cumulative gains of financing measured at FVTPL	(19,354)	-
Intangible asset (net of deferred tax liabilities)	(60,701)	(14,080)
Total Common Equity Tier-I Capital	2,550,653	2,513,290
Total Tier-I Capital	2,550,653	2,513,290
Tier-II capital		
Subordinated sukuk	500,000	250,000
Loss provision and regulatory reserve*	180,990	150,659
Add: Investment property gain	3,677	3,373
Total Tier-II Capital	684,667	404,032
Total Capital Base	3,235,320	2,917,322

* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

Ratio (%)	Bank	
	2021 RM'000	2020 RM'000
CET 1 Capital	13.590%	15.385%
Tier 1 Capital	13.590%	15.385%
Total Capital	17.237%	17.858%

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 9 December 2020 and 3 May 2019, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (December 2020: 4.5%, 6.0% and 8.0% of total RWA).

(b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows:

	Group			
	2021		2020	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	5,863,468	-	6,524,558	-
20%	2,485,451	497,090	1,910,642	382,128
35%	2,787,359	975,576	3,732,543	1,306,390
50%	1,170,444	585,222	1,310,235	655,118
75%	3,564,694	2,673,520	2,941,178	2,205,884
100%	12,698,045	12,698,045	10,511,929	10,511,929
150%	91,623	137,435	13,193	19,789
Risk weighted assets for credit risk	28,661,084	17,566,888	26,944,278	15,081,238
Less: Credit risk absorbed by PSIA		(98,453)		-
Risk weighted assets for market risk		16,225		22,546
Risk weighted assets for operational risk		1,321,435		1,259,314
Total risk weighted assets		18,806,095		16,363,098



50. CAPITAL ADEQUACY (CONT'D.)

(b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows: (cont'd.)

	2021		Bank		2020	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total risk weighted assets RM'000	Total risk weighted assets RM'000
0%	5,863,468	-	6,524,558	-	-	-
20%	2,485,451	497,090	1,910,642	382,128	382,128	382,128
35%	2,787,359	975,576	3,732,543	1,306,390	1,306,390	1,306,390
50%	1,170,444	585,222	1,310,235	655,118	655,118	655,118
75%	3,564,694	2,673,520	2,941,178	2,205,884	2,205,884	2,205,884
100%	12,694,891	12,694,891	10,502,441	10,502,441	10,502,441	10,502,441
150%	81,935	122,903	7,578	11,366	11,366	11,366
Risk weighted assets for credit risk	28,648,242	17,549,202	26,929,175	15,063,327	15,063,327	15,063,327
Less: Credit risk absorbed by PSIA		(98,453)		-	-	-
Risk weighted assets for market risk		16,225		22,546	22,546	22,546
Risk weighted assets for operational risk		1,302,128		1,250,046	1,250,046	1,250,046
Total risk weighted assets		18,769,102		16,335,919	16,335,919	16,335,919

Capital management

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the Management level, capital management strategy review is a periodic exercise that is under the purview of Asset-Liability Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much have been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

51. SEGMENT INFORMATION

(a) Business segments

The Bank is organised into three (3) major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit (e.g Muamalat Cashline and trade financing), and fee-based services (e.g cash management).
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, fixed term accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products, where the Bank act as an intermediary to takaful companies.
- (iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions, which include corporate advisory services, bond issuances, Initial Public Offerings ("IPOs") and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

Other business segments include rental services, none of which is of sufficient size to be reported separately.

Group 2021	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	290,994	706,688	172,055	(30,799)	1,138,938
Total income	173,538	404,973	43,557	178,544	800,612
Allowance for impairment on financing	(6,851)	(47,093)	-	-	(53,944)
Writeback of impairment losses on investments	-	-	296	-	296
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	20	(414)	(394)
Other expenses	-	-	-	(22,726)	(22,726)
Total net income	166,687	357,880	43,873	155,404	723,844
Total overhead expenses					(467,268)
Profit before zakat and taxation					256,576
Zakat					(6,447)
Taxation					(91,070)
Profit for the year					159,059



51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Group 2020	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	296,354	604,788	248,816	21,442	1,171,400
Total income	170,241	344,133	107,423	123,463	745,261
Allowance for impairment on financing	(16,212)	(63,855)	-	-	(80,067)
Allowance for impairment on investments	-	-	(36)	-	(36)
Writeback of/(allowance for) impairment on other financial assets, net	-	-	313	(689)	(376)
Other expenses	-	-	-	(18,814)	(18,814)
Total net income	154,029	280,278	107,700	103,960	645,968
Total overhead expenses					(471,200)
Profit before zakat and taxation					174,768
Zakat					(3,352)
Taxation					1,441
Profit for the year					172,857



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 2021	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	290,994	706,688	161,201	(30,799)	1,128,084
Total income	173,538	404,973	32,502	178,544	789,557
Allowance for impairment on financing	(6,851)	(47,093)	-	-	(53,944)
Writeback of impairment losses on investments	-	-	296	-	296
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	20	(414)	(394)
Other expenses	-	-	-	(22,726)	(22,726)
Total net income	166,687	357,880	32,818	155,404	712,789
Total overhead expenses					(464,920)
Profit before zakat and taxation					247,869
Zakat					(6,043)
Taxation					(89,154)
Profit for the year					152,672



51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 2020	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	296,354	604,788	243,911	21,442	1,166,495
Total income	170,241	344,133	102,258	123,463	740,096
Allowance for impairment on financing	(16,212)	(63,855)	-	-	(80,067)
Allowance for impairment losses on investments	-	-	(36)	-	(36)
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	313	(689)	(376)
Other expenses	-	-	-	(18,814)	(18,814)
Total net income	154,029	280,278	102,535	103,960	640,803
Total overhead expenses					(469,587)
Profit before zakat and taxation					171,216
Zakat					(3,282)
Taxation					3,334
Profit for the year					171,268



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021 (26 JAMADIL AWAL 1443H)

52. SHARIAH DISCLOSURES

(a) Shariah governance

Overview

The Group's and the Bank's shariah governance structure are governed by BNM's guidelines on Shariah Governance Policy Document which comes into effect on 1 April 2020 and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

In this context, Shariah non-compliance risk defined as the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of the Group and the Bank and relevant Shariah Authorities ("SA") committees.

This risk is managed through the Bank Muamalat Malaysia Berhad ("BMMB") Shariah Governance Policy, which was endorsed by the SC and approved by the Board of Directors. The policy is drawn up in accordance to the BNM Shariah Governance Policy Document.

To ensure the operations and business activities of the Group and the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal SC and internal Shariah organisation, which consists of the Shariah Department, Shariah Audit under the Internal Audit Department, Shariah Review under Regulatory Advisory & Compliance Department, and Shariah Risk under the Risk Management Department.

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Policy on Management of Shariah Non-Compliance Income was formulated pursuant to the Shariah Governance Policy Document, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transactions that breaches the governing Shariah principles and requirements as determined by the Group's and the Bank's SC and/or other Shariah Authorities ("SA").

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

(i) Shariah non-compliance income and events

2021	No. of event	RM
Shariah non-compliance events/income during the year	6	4
2020	No. of event	RM
Shariah non-compliance events/income during the year	2	-

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.



52. SHARIAH DISCLOSURES (CONT'D.)

(a) Shariah governance (cont'd.)

(ii) Unidentified fund

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and ATMs, and unidentified credit balances.

	2021 RM'000	2020 RM'000
At 1 January 2021/2020	648	712
Sources of charity funds		
Unidentified credit balances during the year	-	409
Uses of charity funds		
Contribution to non-profit organisation	(89)	(473)
Undistributed charity funds as at 31 December 2021/2020	559	648

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

BASEL II PILLAR 3 DISCLOSURE

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BASEL II – PILLAR 3 DISCLOSURE

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 December 2021.



Khairul Kamarudin
Chief Executive Officer



BASEL II – PILLAR 3 DISCLOSURE

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BASEL II – PILLAR 3 DISCLOSURE

ABBREVIATIONS

ABBREVIATIONS

ALCO	Asset-Liability Management Committee	IFSB-10	Institutions Offering Islamic Financial Services
ALM	Asset and Liability Management	IPRS	Islamic Profit Rate Swap
BCM	Business Continuity Management	IRB Approach	Internal Ratings Based Approach
BCP	Business Continuity Plan	MFRS 9	Malaysian Financial Reporting Standards
BIA	Business Impact Analysis	MARC	Malaysian Rating Corporation Berhad
BOD	Board of Director	MDB	Multilateral Development Bank
BNM	Bank Negara Malaysia	MISB	Muamalat Invest Sdn Bhd
BRMC	Board Risk Management Committee	MR	Market Risk
BU	Business Unit	OR	Operational Risk
CAFIB	Capital Adequacy Framework for Islamic Banks	ORM	Operational Risk Management
CBs	Corporate Bonds	ORMC	Operational Risk Management Committee
CC	Credit Committee	PDS	Private Debt Securities
CCR	Counterparty Credit Risk	PSEs	Non- Federal Government Public Sector Entities
CEO	Chief Executive Officer	RA	Risk Assessment
CPs	Commercial Papers	R&I	Rating and Investment Information, Inc
CR	Credit Risk	RAM	RAM Rating Services Berhad
CRP	Credit Risk Policy	RORBB	Rate of Return Risk in Banking Book
CRM	Credit Risk Mitigation	RMD	Risk Management Department
CSRD	Credit Supervision and Recovery Department	RWA	Risk Weighted Assets
EAR	Earning At Risk	RWCAF	Risk Weighted Capital Adequacy Framework
ECAI	External Credit Assessment Institutions	TBPS	Trading Book Policy Statement
ERMC	Executive Risk Management Committee	S&P	Standard and Poor's
EVE	Economic Value Perspective	SC	Shariah Committee
FDI	Foreign Direct Investments	SNCI	Shariah Non-Compliance Income
GCRP	Guidelines to Credit Risk Policies	SRP	Shariah Review Program
IC	Investment Committee	SU	Support Unit
ICAAP	Internal Capital Adequacy Assessment Process	VaR	Value at Risk
IFIs	Islamic Financial Institutions		



BASEL II PILLAR 3 DISCLOSURE

OVERVIEW

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's ("BNM's") guidelines "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's ("BMMB") risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 December 2021 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2021.

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as “the Group and the Bank”). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group’s position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Group’s and the Bank’s quantitative disclosures in accordance with the disclosure requirements as outlined in the CAFIB – Disclosure Requirements (“Pillar 3”) issued by BNM.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

Scope of disclosure

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.



BASEL II PILLAR 3 DISCLOSURE

2.0 CAPITAL MANAGEMENT

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximise shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilisation while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets and that it is kept in line with the Bank's risk appetite and regulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum three-year planning horizon and are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate ongoing capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under adverse economic scenarios. The capital plan also addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital contingency planning.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Internal Capital Adequacy Assessment Process ("Pillar 2")".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

- i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
- ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ICAAP;
- iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
- iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Core Capital Ratio	13.708%	15.486%	13.590%	15.385%
Risk-weighted capital ratio	17.349%	17.955%	17.237%	17.858%

The following table represents the Group's and Bank's capital position as at 31 December 2021. Details on capital instruments, including share capital and reserves are found in Notes 25 to 26 of the financial statements.

BASEL II

PILLAR 3 DISCLOSURE

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Table 2: Capital structure

	Group		Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Tier-I capital				
Share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits	1,569,073	1,392,969	1,554,572	1,384,855
Other Reserves				
Regulatory reserve	28,079	45,411	28,079	45,411
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	(40,014)	18,240	(40,014)	18,240
Foreign exchange translation reserve	649	(968)	650	(968)
Regulatory Adjustment				
Less: Regulatory reserve	(28,079)	(45,411)	(28,079)	(45,411)
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	-	(10,032)	-	(10,032)
Less: Investment property gain	(8,171)	(7,496)	(8,171)	(7,496)
Less: Deferred tax assets	(58,170)	(39,422)	(58,170)	(39,070)
Less: Investment in subsidiaries	-	-	(13,159)	(13,159)
Less: Cumulative gains of financing measured at FVTPL	(19,354)	-	(19,354)	-
Less: Intangible Asset (net of deferred tax liabilities)	(61,002)	(14,293)	(60,701)	(14,080)
Total Tier-I Capital	2,578,011	2,533,998	2,550,653	2,513,290
Tier-II capital				
Subordinated sukuk	500,000	250,000	500,000	250,000
Collective assessment allowance for non-impaired financing and regulatory reserve	180,990	150,659	180,990	150,659
Add: Investment property gain	3,677	3,373	3,677	3,373
Total Tier-II Capital	684,667	404,032	684,667	404,032
Total Capital	3,262,678	2,938,030	3,235,320	2,917,322

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 9 December 2020 and 3 May 2019, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (December 2020: 4.5%, 6.0% and 8.0% of total RWA).

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”) (CONT’D)

The following tables present the minimum regulatory capital requirement to support the Group’s and the Bank’s risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 December 2021		31 December 2020	
	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000
Group				
Credit Risk	17,566,888	1,405,351	15,081,238	1,206,499
Less: Credit risk absorbed by profit-sharing investment account (“PSIA”)	98,453	-	-	-
Market Risk	16,225	1,298	22,546	1,804
Operational Risk	1,321,435	105,715	1,259,314	100,745
Total	18,806,095	1,512,364	16,363,098	1,309,048
	31 December 2021		31 December 2020	
	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000
Bank				
Credit Risk	17,549,202	1,403,936	15,063,327	1,205,066
Less: Credit risk absorbed by profit-sharing investment account (“PSIA”)	98,453	-	-	-
Market Risk	16,225	1,298	22,546	1,803
Operational Risk	1,302,128	104,170	1,250,046	100,004
Total	18,769,102	1,509,404	16,335,919	1,306,873

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM’s RWCAF.



BASEL II PILLAR 3 DISCLOSURE

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group 31 December 2021	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,576,883	5,576,883	-	-
Public Sector Entities	944,437	944,417	188,883	15,111
Banks, Development Financial Institution & MDBs	154,038	154,038	59,067	4,725
Takaful Cos, Securities Firms & Fund Managers	52,758	52,758	10,552	844
Corporates	6,331,648	6,179,355	5,519,176	441,534
Regulator Retail	9,475,555	9,468,994	8,489,137	679,131
Residential Real Estate	4,610,191	4,610,191	1,901,060	152,085
Higher Risk Assets	75,444	75,444	113,166	9,053
Other Assets	269,709	269,710	132,882	10,630
Defaulted Exposures	95,860	95,860	87,171	6,974
	27,586,523	27,427,650	16,501,094	1,320,087
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,160,991	1,160,991	1,042,399	83,392
Islamic derivative financial instruments	72,443	72,443	23,395	1,872
	1,233,434	1,233,434	1,065,794	85,264
Total Credit Exposures	28,819,957	28,661,084	17,566,888	1,405,351
(c) Credit Risk Absorb by PSIA	98,453	98,453	98,453	-
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
Equity Position Risk	-	-	-	-
			16,225	1,298
(iii) Operational Risk (Basic Indicators Approach)			1,321,435	105,715
(iv) Total RWA and Capital Requirements			18,806,095	1,512,364

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group 31 December 2020	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,058,325	6,058,325	-	-
Public Sector Entities	251,982	251,793	50,359	4,029
Banks, Development Financial Institution & MDBs	669,900	669,900	164,563	13,165
Corporates	6,517,329	6,409,389	5,078,644	406,292
Regulator Retail	7,106,909	7,095,842	6,390,952	511,276
Residential Real Estate	4,640,167	4,640,167	1,926,428	154,114
Higher Risk Assets	826	826	1,239	99
Other Assets	447,352	447,351	304,027	24,321
Defaulted Exposures	107,289	107,289	83,954	6,716
	25,800,079	25,680,882	14,000,166	1,120,012
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,115,215	1,115,215	1,029,179	82,334
Islamic derivative financial instruments	148,181	148,181	51,893	4,151
	1,263,396	1,263,396	1,081,072	86,485
Total Credit Exposures	27,063,475	26,944,278	15,081,238	1,206,497
	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Capital Requirement RM'000
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,432	(1,817)	14,850	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Equity Position Risk	-	-	-	-
			22,545	1,806
(iii) Operational Risk (Basic Indicators Approach)			1,259,315	100,745
(iv) Total RWA and Capital Requirements			16,363,098	1,309,048

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 December 2020	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,058,325	6,058,325	-	-
Public Sector Entities	251,982	251,793	50,359	4,029
Banks, Development Financial Institution & MDBs	669,900	669,900	164,563	13,165
Corporates	6,509,247	6,401,307	5,067,754	405,420
Regulator Retail	7,106,909	7,095,842	6,390,952	511,276
Residential Real Estate	4,640,167	4,640,167	1,926,428	154,114
Other Assets	440,330	440,330	297,006	23,758
Defaulted Exposures	107,289	107,289	83,954	6,716
	25,784,975	25,665,779	13,982,255	1,118,577
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,115,215	1,115,215	1,029,179	82,334
Islamic derivative financial instruments	148,181	148,181	51,893	4,151
	1,263,396	1,263,396	1,081,072	86,485
Total Credit Exposures	27,048,371	26,929,175	15,063,327	1,205,062
	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Capital Requirement RM'000
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,432	(1,817)	14,851	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Equity Position Risk	-	-	-	-
			22,546	1,806
(iii) Operational Risk (Basic Indicators Approach)			1,250,046	100,004
(iv) Total RWA and Capital Requirements			16,335,919	1,306,872

* After netting and credit risk mitigation

**Credit Risk of off balance sheet items



BASEL II PILLAR 3 DISCLOSURE

3.0 RISK MANAGEMENT

Overview

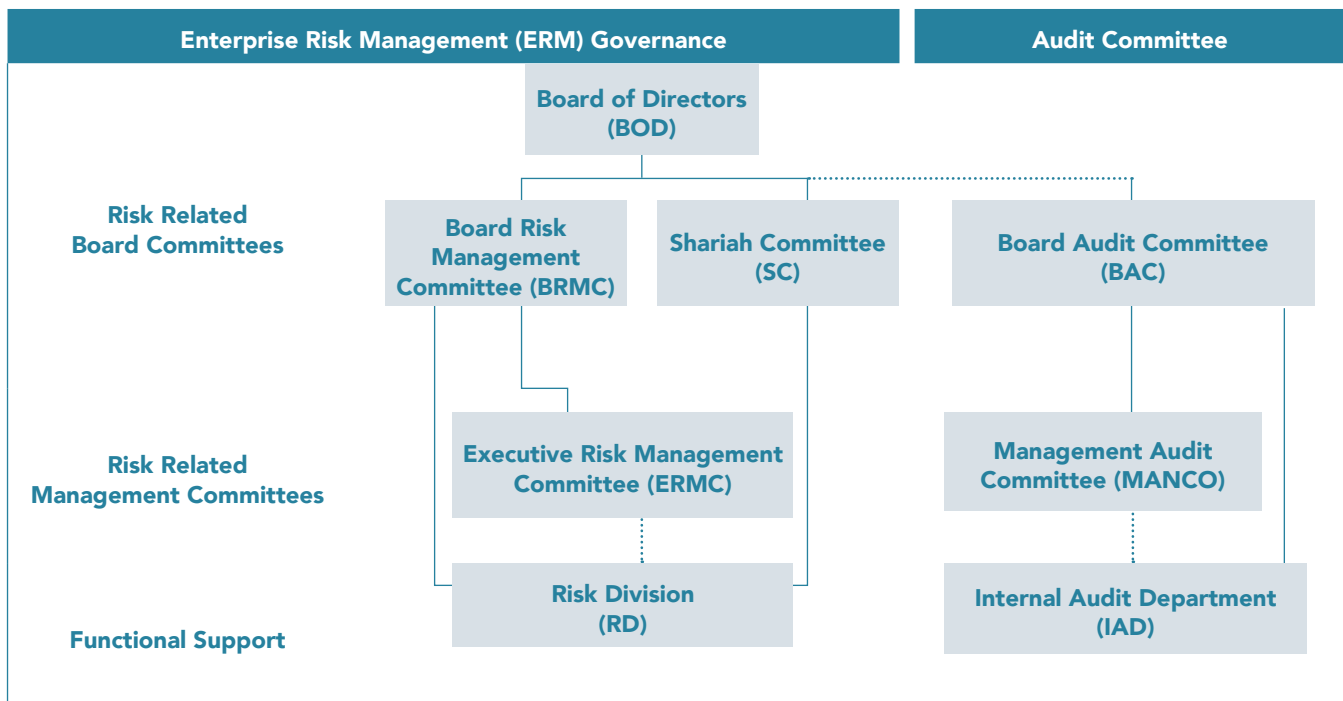
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimise and secure the Bank's strategic and competitive advantage.

Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank's risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

Table 5: Risk Governance Structure



3.0 RISK MANAGEMENT (CONT'D)

Risk Governance (cont'd)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee ("BRMC") to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee ("SC"), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's financing exposures (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.



BASEL II PILLAR 3 DISCLOSURE

3.0 RISK MANAGEMENT (CONT'D)

The risk governance framework is implemented under a “distributed function” approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model

Three (3) Lines of Defence Model	
All units have a specific responsibility for risk management under the above model	
First Line Defense Model <i>Business Units</i>	<ul style="list-style-type: none"> Risks are directly undertaken and assumed in the day-to-day business activities and operations. As front-liners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank’s strategic targets.
Second Line Defense Model <i>Risk Management & Control Compliance</i>	<ul style="list-style-type: none"> Ensures independent oversight and management of all material risks undertaken by the Bank. Provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control. Provides the control function, which monitors the risk by using various key indicators and reports, guided by established risk appetite and tolerance limits.
Third Line Defense Model <i>Internal Audit</i>	<ul style="list-style-type: none"> Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two lines of defence in fulfilling their mandates.

Risk Appetite

Central to the Bank’s risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRMC and senior management is responsible for determining the Bank’s risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank’s key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank’s behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimise the likelihood of ‘surprises’ when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank’s key performance indicators and states its stance towards reputational and Shariah non-compliance.

4.0 CREDIT RISK (GENERAL DISCLOSURE)

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRMC and ERMC are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy ("CRP") and Guidelines to Credit Risk Policies ("GCRP"), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee ("CC") is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group 31 December 2021	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	168,385	-	-	-	-	-	321,276
Financial investments at fair value through other comprehensive income	4,354,427	46,046	53,080	5,118	-	-	408,099	4,866,770
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	681,999	20,671,306
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	17,606	17,606
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,107,704	27,293,127
Commitments and contingencies								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
Total credit exposures	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,704,446	32,584,909

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
31 December 2020								
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	520,055	3,798,965
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,648	2,136,502	1,753,798	59,420	11,662,015	403,610	18,115,817
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	95,760	95,760
	4,032,513	4,671,737	2,305,129	1,785,848	59,420	11,662,015	1,019,425	25,536,087
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,877	2,869,478	2,490,621	64,907	11,833,226	1,202,152	32,453,571



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2021	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	31,184	-	-	-	-	-	31,184
Financial investments at fair value through profit and loss	152,891	168,385	-	-	-	-	-	321,276
Financial investments at fair value through other comprehensive income	4,354,427	46,046	53,080	5,118	-	-	405,593	4,864,264
Financial assets at amortised cost	-	-	107,109	-	-	-	-	107,109
Islamic derivative financial assets	-	5,437	-	-	-	-	-	5,437
Financing of customers	992,353	1,361,404	1,980,056	1,698,795	66,666	13,890,033	672,311	20,661,618
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	130,148
Other assets	-	-	-	-	-	-	17,058	17,058
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,094,962	27,280,385
Commitments and contingencies								
Contingent liabilities	38,285	165,515	134,003	374,182	11,957	5,518	92,810	822,270
Commitments	18,210	265,013	326,423	149,305	15,070	335,323	503,798	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	-	240	1,669	21,518	855	1,357	134	25,773
Islamic derivative financial instruments	-	2,051,516	779,081	-	-	-	-	2,830,597
	56,495	2,482,284	1,241,176	545,005	27,882	342,198	596,742	5,291,782
Total credit exposures	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,691,704	32,572,167

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	517,588	3,796,498
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,649	2,136,502	1,753,798	59,420	11,662,015	397,994	18,110,202
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	94,984	94,984
	4,032,513	4,671,738	2,305,129	1,785,848	59,420	11,662,015	1,010,556	25,527,229
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,878	2,869,478	2,490,621	64,907	11,833,226	1,193,293	32,444,713



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

31 December 2021	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
On Balance Sheet Exposures				
Cash and short-term funds	1,088,191	54,100	1,088,191	54,100
Cash and placements with financial institutions	31,184	-	31,184	-
Financial investment at fair value through profit and loss	152,891	168,385	152,891	168,385
Financial investments at fair value through other comprehensive income	4,866,770	-	4,864,264	-
Financial investments amortised cost	107,109	-	107,109	-
Islamic derivative financial assets	5,437	-	5,437	-
Financing of customers	20,671,306	-	20,661,618	-
Statutory deposits with Bank Negara Malaysia	130,148	-	130,148	-
Other assets	17,603	3	17,055	3
	27,070,639	222,488	27,057,897	222,488
Commitments and contingencies				
Contingent liabilities	822,270	-	822,270	-
Commitments	1,613,142	-	1,613,142	-
Other Miscellaneous Commitment and Contingent Liabilities	25,773	-	25,773	-
Islamic derivative financial instruments	2,830,597	-	2,830,597	-
	5,291,782	-	5,291,782	-
Total credit exposures	32,362,421	222,488	32,349,679	222,488

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

31 December 2020	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
On Balance Sheet Exposures				
Cash and short-term funds	2,794,518	138,654	2,794,518	138,654
Cash and placements with financial institutions	30,417	-	30,417	-
Financial investment at fair value through profit and loss	148,084	165,252	148,084	165,252
Financial investments at fair value through other comprehensive income	3,798,965	-	3,796,498	-
Financial investments amortised cost	105,544	-	105,544	-
Islamic derivative financial assets	47,820	-	47,820	-
Financing of customers	18,115,817	-	18,110,202	-
Statutory deposits with Bank Negara Malaysia	95,255	-	95,255	-
Other assets	113,167	3	112,343	3
	25,249,587	303,909	25,240,681	303,909
Commitments and contingencies				
Contingent liabilities	731,381	-	731,381	-
Commitments	1,652,479	-	1,652,479	-
Other Miscellaneous Commitment and Contingent Liabilities	7,102	-	7,102	-
Islamic derivative financial instruments	4,526,523	-	4,526,523	-
	6,917,485	-	6,917,485	-
Total credit exposures	32,167,072	303,909	32,158,166	303,909

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution

Table 10: Credit risk exposures of financial assets by remaining contractual maturity

Group 31 December 2021	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,142,291	-	-	-	1,142,291
Cash and placements with financial institutions	31,184	-	-	-	31,184
Financial investments at fair value through profit and loss	5,052	168,384	147,840	-	321,276
Financial investments at fair value through other comprehensive income	502,428	669,885	3,587,562	106,895	4,866,770
Financial investments amortised cost	-	-	-	107,109	107,109
Islamic derivative financial assets	5,437	-	-	-	5,437
Financing of customers	3,529,987	2,005,708	6,809,225	8,326,386	20,671,306
Statutory deposits with Bank Negara Malaysia	-	-	-	130,148	130,148
Other assets	400	16,706	500	-	17,606
Total On-Balance Sheet Exposures	5,216,779	2,860,683	10,545,127	8,670,538	27,293,127
Group 31 December 2020	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	2,933,172	-	-	-	2,933,172
Cash and placements with financial institutions	30,417	-	-	-	30,417
Financial investments at fair value through profit and loss	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	917,316	123,899	2,607,258	150,492	3,798,965
Financial investments amortised cost	-	-	-	105,544	105,544
Islamic derivative financial assets	46,901	919	-	-	47,820
Financing of customers	3,132,750	1,898,467	6,046,320	7,038,280	18,115,817
Statutory deposits with Bank Negara Malaysia	-	-	-	95,255	95,255
Other assets	646	94,614	500	-	95,760
Total On-Balance Sheet Exposures	7,073,378	2,117,899	8,955,239	7,389,571	25,536,087

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Credit risk exposures of financial assets by remaining contractual maturity (cont'd)

Bank 31 December 2021	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,142,291	-	-	-	1,142,291
Cash and placements with financial institutions	31,184	-	-	-	31,184
Financial investments at fair value through profit and loss	5,052	168,384	147,840	-	321,276
Financial investments at fair value through other comprehensive income	502,428	669,885	3,585,057	106,894	4,864,264
Financial investments amortised cost	-	-	-	107,109	107,109
Islamic derivative financial assets	5,437	-	-	-	5,437
Financing of customers	3,529,987	2,005,708	6,809,225	8,316,698	20,661,618
Statutory deposits with Bank Negara Malaysia	-	-	-	130,148	130,148
Other assets	395	16,163	500	-	17,058
Total On-Balance Sheet Exposures	5,216,774	2,860,140	10,542,622	8,660,849	27,280,385
Bank 31 December 2020	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	2,933,172	-	-	-	2,933,172
Cash and placements with financial institutions	30,417	-	-	-	30,417
Financial investments at fair value through profit and loss	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	917,316	123,899	2,604,791	150,492	3,796,498
Financial investments amortised cost	-	-	-	105,544	105,544
Islamic derivative financial assets	46,901	919	-	-	47,820
Financing of customers	3,132,750	1,898,467	6,046,320	7,032,665	18,110,202
Statutory deposits with Bank Negara Malaysia	-	-	-	95,255	95,255
Other assets	649	93,835	500	-	94,984
Total On-Balance Sheet Exposures	7,073,381	2,117,120	8,952,772	7,383,956	25,527,229



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyze the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department ("CFSRD") and the Business Financing Supervision and Recovery Department ("BFSRD"). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorisation into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the MFRS 9 and BNM guidelines.

The Bank implemented a new risk rating approach for its business and consumer financing portfolios, introduced gradually from year 2011. Credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and assist in the Bank's credit decision. The credit risk grades are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as prescribed under the Internal Rating Based ("IRB") approach.

Aside from the credit risk rating, the Bank is also enhancing its portfolio management capability through the development of a data mart and acquisition of more analytical and risk management systems.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group 31 December 2021	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,660,937	101,443	16,301	60,821	9,839,502
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,413,916	272,511	39,754	172,073	20,898,254
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(116,768)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(34,046)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,413,916	272,511	39,754	95,939	20,671,306



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Group 31 December 2020	Neither past due Good RM'000	nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,120,932	26,053	56,289	56,067	8,259,341
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,736,703	121,417	254,475	194,711	18,307,306
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,736,703	121,417	254,475	106,767	18,115,817

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Bank 31 December 2021	Neither past due Good RM'000	nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	5,579,616	132,386	18,714	68,345	5,799,061
- Syndicated financing	561,017	-	-	-	561,017
- Hire purchase receivables	636,718	8,013	4,360	1,384	650,475
- Other term financing	9,651,249	101,443	16,301	60,821	9,829,814
Other financing	3,975,628	30,669	379	41,523	4,048,199
	20,404,228	272,511	39,754	172,073	20,888,566
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(116,768)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(34,046)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(76,134)	(76,134)
Total net financing	20,404,228	272,511	39,754	95,939	20,661,618



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Bank 31 December 2020	Neither past due Good RM'000	nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,115,317	26,053	56,289	56,067	8,253,726
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,731,088	121,417	254,475	194,711	18,301,691
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,731,088	121,417	254,475	106,767	18,110,202

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

(i) Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Table 12: Past due but not impaired

Group and Bank 31 December 2021	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	14,430	4,284	18,714
- Hire purchase receivables	-	2,807	1,553	4,360
- Other term financing	-	9,309	6,992	16,301
Other financing	-	160	219	379
Total	-	26,706	13,048	39,754
Group and Bank 31 December 2020	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	102,958	81,928	184,886
- Hire purchase receivables	-	5,055	3,831	8,886
- Other term financing	-	33,732	22,557	56,289
Other financing	-	634	3,780	4,414
Total	-	142,379	112,096	254,475



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 December 2021 RM'000	31 December 2020 RM'000
Purchase of transport vehicles	4,360	8,886
Purchase of landed properties of which:		
– residential	18,498	178,297
– non-residential	515	15,644
Personal use	14,890	50,518
Construction	1,092	-
Purchase of securities	-	106
Working capital	160	199
Other purpose	239	825
	39,754	254,475

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 December 2021 RM'000	31 December 2020 RM'000
Domestic	39,754	254,475

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iii) Impaired financing

A financing of customer is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

Financing and advances are classified as credit-impaired when they fulfil any of the following criteria:

- (a) principal or profit or both are past due for ninety (90) days or more; or
- (b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- (c) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or
- (d) where a financing has been classified as rescheduled and restructured ("R&R"), the financing will be classified as credit-impaired until payments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months; or
- (e) for payments scheduled on intervals of ninety (90) days or more, as soon as default occurs.

In addition, financing that is considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a financing is credit-impaired.

The financial effects of the adoption of MFRS 9 in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.4.



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 December 2021						Total Impairment Allowances for Financing RM'000
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000		
Purchase of securities	4	-	-	-	145	145	
Purchase of transport vehicles	1,384	-	23	23	1,673	1,696	
Purchase of landed properties							
of which:							
– residential	67,385	8,450	4,646	13,096	55,707	68,803	
– non-residential	22,955	1,511	(58)	1,454	1,989	3,443	
Purchase of fixed assets (excluding landed properties)	-	-	-	-	1,090	1,090	
Personal use	38,085	671	(269)	402	75,956	76,358	
Construction	-	-	-	-	1,879	1,879	
Working capital	41,797	19,586	(820)	18,771	40,042	58,813	
Other purpose	463	-	-	-	14,721	14,721	
	172,073	30,218	3,522	33,746	193,202	226,948	

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose. (cont'd)

Group	31 December 2020					
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	297	297
Purchase of transport vehicles	1,880	14	(14)	-	3,547	3,547
Purchase of landed properties of which:						
– residential	89,146	9,479	(1,029)	8,450	52,667	61,117
– non-residential	27,109	2,306	(795)	1,511	2,975	4,486
Purchase of fixed assets (excluding landed properties)	-	-	-	-	358	358
Personal use	32,772	448	224	671	71,599	72,270
Construction	-	-	-	-	1,816	1,816
Working capital	41,122	13,298	6,287	19,586	26,792	46,378
Other purpose	2,682	-	-	-	1,220	1,220
	194,711	25,545	4,673	30,218	161,271	191,489



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

Bank	31 December 2021						Total Impairment Allowances for Financing RM'000
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000		
Purchase of securities	4	-	-	-	145	145	
Purchase of transport vehicles	1,384	-	23	23	1,673	1,696	
Purchase of landed properties							
of which:							
- residential	67,385	8,450	4,646	13,096	55,707	68,803	
- non-residential	22,955	1,511	(58)	1,454	1,989	3,443	
Purchase of fixed assets (excluding landed properties)							
Personal use	38,085	671	(269)	402	75,956	76,358	
Construction	-	-	-	-	1,879	1,879	
Working capital	41,797	19,586	(820)	18,771	40,042	58,813	
Other purpose	463	-	-	-	14,721	14,721	
	172,073	30,218	3,522	33,746	193,202	226,948	

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose. (cont'd)

Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	31 December 2020			Total Impairment Allowances for Financing RM'000
				Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	
Purchase of securities	-	-	-	-	-	297	297
Purchase of transport vehicles	1,880	-	-	-	-	3,547	3,547
Purchase of landed properties							
of which:							
- residential	89,146	8,594	3,870	4,014	8,450	52,667	61,117
- non-residential	27,109	2,409	(898)	-	1,511	2,975	4,486
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	358	358
Personal use	32,772	614	58	-	671	71,599	72,270
Construction	-	-	-	-	-	1,816	1,816
Working capital	41,122	15,118	16,718	12,250	19,586	26,792	46,378
Other purpose	2,682	-	-	-	-	1,220	1,220
	194,711	26,735	19,748	16,264	30,218	161,271	191,489



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 14: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

Group	31 December 2021					Total Impairment Allowances for Financing RM'000
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	
Domestic	172,073	30,218	3,522	33,746	193,202	226,948

Group	31 December 2020					Total Impairment Allowances for Financing RM'000
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	
Domestic	194,711	25,545	4,674	30,219	161,270	191,489

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 14: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

Bank	31 December 2021						Total Impairment Allowances for Financing RM'000
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000		
Domestic	172,073	30,218	3,522	33,746	193,202	226,948	

Bank	31 December 2020						Total Impairment Allowances for Financing RM'000
	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	
Domestic	194,711	26,735	19,748	16,264	30,219	161,270	191,489



BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at **82.4%** and **82.5%** respectively as at 31 December 2021 (The Group and the Bank are at 87.2% and 87.2% respectively as at 31 December 2020). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2021, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM55,757,689 as compared against 31 December 2020 total amount of RM58,150,345. The collateral consists of cash, securities, letters of guarantee, and properties.

(v) Repossessed Collateral

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral's repossessed by the Bank are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its own business use.

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 15: Rating distribution on credit exposures

Group 31 December 2021		AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures												
Credit Exposures												
- Standardised Approach												
Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	-	5,592,032
Public Sector Entities	-	-	-	-	-	-	-	-	-	948,552	-	948,552
Banks, Development Financial Institutions & MDBs	29,992	-	22,200	-	-	94,199	-	-	14,311	54,647	-	215,349
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	52,758	-	52,758
Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	53,106	6,224,725	280,859	-	7,320,548
Regulatory Retail	-	-	-	-	-	-	-	-	9,711,064	-	-	9,711,064
Residential Mortgages	-	-	-	-	-	-	-	-	4,634,870	-	-	4,634,870
Higher Risk Assets	-	-	-	-	-	-	-	-	75,722	-	-	75,722
Other Assets	-	-	-	-	-	-	-	-	269,062	-	-	269,062
Total	6,004,667	15,260	95,391	24,377	253,477	107,109	-	67,417	21,971,400	280,859	-	28,819,957
Group 31 December 2020												
On and Off Balance-Sheet Exposures												
Credit Exposures												
- Standardised Approach												
Sovereigns/Central Banks	6,073,117	-	-	-	-	-	-	-	-	-	-	6,073,117
Public Sector Entities	-	-	-	-	-	-	-	-	-	264,268	-	264,268
Banks, Development Financial Institutions & MDBs	5,283	12,640	349,370	-	101,944	-	-	-	333,275	-	-	789,872
Corporates	714,438	-	137,102	-	293,375	105,544	-	-	6,295,998	-	-	7,559,097
Regulatory Retail	-	-	-	-	-	-	-	-	7,259,287	-	-	7,259,287
Residential Mortgages	-	-	-	-	-	-	-	-	4,676,399	-	-	4,676,399
Higher Risk Assets	-	-	-	-	-	-	-	-	1,105	-	-	1,105
Other Assets	-	-	-	-	-	-	-	-	440,330	-	-	440,330
Total	6,792,838	12,640	486,472	-	395,319	105,544	-	-	19,270,662	-	-	27,063,475



BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Bank 31 December 2021		AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS BBB BB+ TO BB- RM'000		P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures											
– Standardised Approach											
Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	5,592,032
Public Sector Entities	-	-	-	-	-	-	-	-	948,552	-	948,552
Banks, Development Financial Institutions & MDBs	29,992	-	22,200	-	94,199	-	-	14,311	54,647	-	215,349
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	52,758	-	52,758
Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	53,106	6,211,884	280,859	7,307,707
Regulatory Retail	-	-	-	-	-	-	-	-	9,711,064	-	9,711,064
Residential Mortgages	-	-	-	-	-	-	-	-	4,634,870	-	4,634,870
Higher Risk Assets	-	-	-	-	-	-	-	-	75,723	-	75,723
Other Assets	-	-	-	-	-	-	-	-	269,060	-	269,060
Total	6,004,667	15,260	95,391	24,377	253,477	107,109	-	67,417	21,958,558	280,859	28,807,115
Bank 31 December 2020											
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS BBB BB+ TO BB- RM'000		P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000	
On and Off Balance-Sheet Exposures											
Credit Exposures											
– Standardised Approach											
Sovereigns/Central Banks	6,073,117	-	-	-	-	-	-	-	-	6,073,117	
Public Sector Entities	-	-	-	-	-	-	-	-	264,268	-	264,268
Banks, Development Financial Institutions & MDBs	5,283	-	349,370	-	101,944	-	-	-	333,275	-	789,872
Corporates	714,438	12,640	137,102	-	293,375	105,544	-	-	6,280,894	-	7,543,993
Regulatory Retail	-	-	-	-	-	-	-	-	7,259,287	-	7,259,287
Residential Mortgages	-	-	-	-	-	-	-	-	4,676,399	-	4,676,399
Higher Risk Assets	-	-	-	-	-	-	-	-	1,105	-	1,105
Other Assets	-	-	-	-	-	-	-	-	440,330	-	440,330
Total	6,792,838	12,640	486,472	-	395,319	105,544	-	-	19,255,558	-	27,048,371



5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Corporate by Approved ECAIs							Unrated RM'000
	Moody's S&P Fitch RAM MARC RII Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D B+ to D	B1 to C B+ to D B+ to D B to D B+ to D B+ to D	Unrated Unrated Unrated Unrated Unrated Unrated	
On and Off Balance-Sheet Exposures								
Credit Exposures (Using Corporate Risk Weights)								
Group and Bank 31 December 2021								
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	-	948,552	
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-
Corporates	495,471	159,278	107,109	-	-	-	6,492,743	
Total	495,471	159,278	107,109	-	-	-	7,441,295	
Group and Bank 31 December 2020								
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	-	264,268	
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-
Corporates	864,180	293,375	105,544	-	-	-	6,280,894	
Total	864,180	293,375	105,544	-	-	-	6,545,162	

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Moody's S&P Fitch RII Inc	Ratings of Sovereigns and Central Banks by Approved ECAIs							
		Aaa to Aa3 RM'000	A+ to A- RM'000	Baa1 to Baa3 RM'000	Ba1 to B3 RM'000	Caa1 to C RM'000	Unrated RM'000	Unrated RM'000	Unrated RM'000
Group and Bank 31 December 2021									
On and Off Balance-Sheet Exposures									
Sovereigns and Central Banks		5,592,032	-	-	-	-	-	-	-
Total		5,592,032							
Group and Bank 31 December 2020									
On and Off Balance-Sheet Exposures									
Sovereigns and Central Banks		6,073,117	-	-	-	-	-	-	-
Total		6,073,117							



BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Moody's S&P Fitch RAM MARC RII Inc	Ratings of Sovereigns and Central Banks by Approved ECAs											
		Aaa to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	Ba1 to B3 BB+ to B-	Caa1 to C CCC+ to D	Unrated	Aa1 to Aa3 AAA to AA-	A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB-	Ba1 to B3 BB+ to B-	Caa1 to C CCC+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures													
Group and Bank 31 December 2021 Banks, MDBs and FDIs		52,192	94,199	-	-	-	-	-	-	-	-	54,647	54,647
Total		52,192	94,199	-	-	-	-	-	-	-	-	54,647	54,647
Group and Bank 31 December 2020 Banks, MDBs and FDIs		354,653	101,944	-	-	-	-	-	-	-	-	333,275	333,275
Total		354,653	101,944	-	-	-	-	-	-	-	-	333,275	333,275

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 16: Credit risk disclosure by risk weights

	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000		
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Netting and Credit Risk Mitigation RM'000				
31 December 2021															
Group															
Risk-Weights															
0%	5,592,032	-	-	134,609	-	-	-	-	-	-	136,827	-	-	5,863,468	-
20%	-	948,532	121,150	426,384	230,239	706,388	52,758	-	-	-	-	-	-	2,485,451	497,089
35%	-	-	-	-	-	2,787,359	-	-	-	-	-	-	-	2,787,359	975,576
50%	-	-	94,199	442,424	1,974	631,847	-	-	-	-	-	-	-	1,170,444	585,222
75%	-	-	-	-	3,456,207	108,487	-	-	-	-	-	-	-	3,564,694	2,673,520
100%	-	-	-	6,154,503	6,010,010	400,650	-	-	-	-	132,882	-	-	12,698,045	12,698,046
150%	-	-	-	9,688	6,074	139	-	-	-	-	-	-	75,722	91,623	137,435
Total	5,592,032	948,532	215,349	7,167,608	9,704,504	4,634,870	52,758	-	75,722	269,709	28,661,084	17,566,888	-	28,661,084	17,566,888
31 December 2020															
Group															
Risk-Weights															
0%	-	-	-	-	308,116	-	-	-	-	-	-	-	-	308,116	-
20%	-	6,073,117	264,078	687,928	958,636	-	-	-	-	-	-	-	-	1,910,642	382,127
35%	-	-	-	-	-	-	-	3,732,543	-	-	-	-	-	3,732,543	1,306,390
50%	-	-	-	101,944	606,308	1,626	600,357	-	-	-	-	-	-	1,310,235	655,118
75%	-	-	-	-	-	2,924,445	16,733	-	-	-	-	-	-	2,941,178	2,205,884
100%	-	-	-	-	5,565,460	4,315,795	326,647	-	-	-	304,027	-	-	10,511,929	10,511,929
150%	-	-	-	-	5,615	6,353	120	-	-	-	-	-	1,105	13,193	19,790
Total	6,073,117	264,078	789,872	7,444,135	7,248,219	4,676,400	-	1,105	447,352	26,944,278	15,081,238	-	26,944,278	15,081,238	



BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 16: Credit risk disclosure by risk weights (cont'd)

	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000		
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000			Netting and Credit Risk Mitigation RM'000	
31 December 2021														
Bank														
Risk-Weights	5,592,032	948,532	121,150	134,609	-	-	-	-	-	-	136,827	5,863,468	-	
0%	-	-	-	426,384	230,239	706,388	52,758	-	-	-	-	2,485,451	497,090	-
20%	-	-	-	-	-	2,787,359	-	-	-	-	-	2,787,359	975,576	-
35%	-	-	94,199	442,424	1,974	631,847	-	-	-	-	-	1,170,444	585,222	-
50%	-	-	-	-	3,456,207	108,487	-	-	-	-	-	3,564,694	2,673,520	-
75%	-	-	-	6,151,997	6,010,010	400,650	-	-	-	-	132,234	12,694,891	12,694,891	-
100%	-	-	-	-	6,074	139	-	-	75,722	-	-	81,935	122,903	-
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,592,032	948,532	215,349	7,155,414	9,704,504	4,634,870	52,758	-	75,722	269,061	28,648,242	17,549,202	-	
31 December 2020														
Bank														
Risk-Weights	6,073,117	-	264,078	687,928	308,116	-	-	-	-	-	143,325	6,524,558	-	
0%	-	-	-	958,636	958,636	-	-	-	-	-	-	1,910,642	382,128	
20%	-	-	-	-	-	-	-	-	-	-	-	3,732,543	1,306,390	
35%	-	-	-	-	-	3,732,543	-	-	-	-	-	1,310,235	655,118	
50%	-	-	-	101,944	606,308	1,626	600,357	-	-	-	-	2,941,178	2,205,884	
75%	-	-	-	-	2,924,445	16,733	-	-	-	-	-	10,502,441	10,502,441	
100%	-	-	-	-	5,562,993	4,315,795	326,647	-	-	-	297,006	7,578	11,366	
150%	-	-	-	-	-	6,353	120	-	1,105	-	-	-	-	
Total	6,073,117	264,078	264,078	789,872	7,436,053	7,248,219	4,676,400	-	1,105	440,331	26,929,175	15,063,327	-	

6.0 CREDIT RISK MITIGATION (“CRM”) DISCLOSURES UNDER THE STANDARDISED APPROACH

Upon assessment of a customer’s credit standing and payment capacity and identification of the proposed financing’s source of payment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank do not have any credit exposure, which is reduced through the application of other eligible collateral.

Table 17: Credit risk mitigation on credit exposures

Group 31 December 2021	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	5,576,883	-	5,576,883
Public sector entities	944,437	20	944,417
Banks, Development Financial Institution & MDBs	154,038	-	154,038
Takaful Cos, Securities Firms & Fund Managers	52,758	-	52,758
Corporates	6,331,648	152,293	6,179,355
Regulatory retail	9,475,555	6,560	9,468,995
Residential real estate	4,610,191	-	4,610,191
Higher risk assets	75,444	-	75,444
Other assets	269,709	-	269,709
Defaulted exposure	95,860	-	95,860
	27,586,523	158,873	27,427,650
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,160,991	-	1,160,991
Islamic derivative financial instruments	72,443	-	72,443
	1,233,434	-	1,233,434
Total Credit Exposures	28,819,957	158,873	28,661,084

* After netting and credit risk mitigation



BASEL II PILLAR 3 DISCLOSURE

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Group 31 December 2020	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,058,325	-	6,058,325
Public sector entities	251,982	190	251,792
Banks, Development Financial Institution & MDBs	669,900	-	669,900
Corporates	6,517,329	107,940	6,409,389
Regulatory retail	7,106,909	11,067	7,095,842
Residential real estate	4,640,167	-	4,640,167
Higher risk assets	826	-	826
Other assets	447,352	-	447,352
Defaulted exposure	107,289	-	107,289
	25,800,079	119,197	25,680,882
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,115,215	-	1,115,215
Islamic derivative financial instruments	148,181	-	148,181
	1,263,396	-	1,263,396
Total Credit Exposures	27,063,475	119,197	26,944,278

* After netting and credit risk mitigation

6.0 CREDIT RISK MITIGATION (“CRM”) DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Bank 31 December 2021	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	5,576,883	-	5,576,883
Public Sector Entities	944,437	20	944,417
Banks, Development Financial Institution & MDBs	52,758	-	52,758
Takaful Cos, Securities Firms & Fund Managers	154,038	-	154,038
Corporates	6,319,455	152,293	6,167,162
Regulatory Retail	9,475,555	6,560	9,468,995
Residential Real Estate	4,610,191	-	4,610,191
Higher Risk Assets	75,444	-	75,444
Other Assets	269,060	-	269,060
Defaulted Exposures	95,860	-	95,860
	27,573,681	158,873	27,414,808
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,160,991	-	1,160,991
Islamic derivative financial instruments	72,443	-	72,443
	1,233,434	-	1,233,434
Total Credit Exposures	28,807,115	158,873	28,648,242

* After netting and credit risk mitigation



BASEL II PILLAR 3 DISCLOSURE

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Bank 31 December 2020	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	6,058,325	-	6,058,325
Public Sector Entities	251,982	190	251,792
Banks, Development Financial Institution & MDBs	669,900	-	669,900
Corporates	6,509,247	107,939	6,401,308
Regulatory Retail	7,106,909	11,067	7,095,842
Residential Real Estate	4,640,167	-	4,640,167
Higher Risk Assets	826	-	826
Other Assets	440,330	-	440,330
Defaulted Exposures	107,289	-	107,289
	25,784,975	119,196	25,665,779
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,115,215	-	1,115,215
Islamic derivative Financial Instruments	148,181	-	148,181
	1,263,396	-	1,263,396
Total Credit Exposures	27,048,371	119,196	26,929,175

* After netting and credit risk mitigation

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR")

Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilisation trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 18: Commitments and contingencies

The commitments and contingencies constitute the following:	Group and Bank					
	31 December 2021			31 December 2020		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
Contingent liabilities						
Direct credit substitutes	292,802	292,802	268,848	298,114	298,114	277,009
Trade-related contingencies	41,953	8,391	712	29,755	5,951	208
Transaction related contingencies	487,515	243,758	233,215	403,511	201,755	187,023
Commitments						
Credit extension commitment:						
- Maturity within one year	635,148	127,029	125,609	722,818	144,564	137,659
- Maturity exceeding one year	977,994	488,997	414,004	929,662	464,831	427,279
Other miscellaneous commitments & contingencies	25,773	14	11	7,102	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	1,630,597	25,443	13,995	3,326,522	89,181	40,093
- Maturity within one year	1,630,597	25,443	13,995	3,326,522	89,181	40,093
- Maturity exceeding one year	-	-	-	-	-	-
Profit rate related contract	1,200,000	47,000	9,400	1,200,000	59,000	11,800
- Maturity within one year	-	-	-	-	-	-
- Maturity exceeding one year	1,200,000	47,000	9,400	1,200,000	59,000	11,800
Total off-balance sheet exposures	5,291,782	1,233,434	1,065,794	6,917,484	1,263,396	1,081,071



BASEL II PILLAR 3 DISCLOSURE

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR") (CONT'D.)

Islamic derivative financial assets/(liabilities)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Table 19: Islamic derivative financial assets/(liabilities)

Group and Bank	31 December 2021			31 December 2020		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	778,535	1,362	(3,463)	1,509,931	4,084	(43,920)
- Currency swaps						
Less than one year	841,155	4,074	(697)	1,679,710	40,343	(15,826)
- Currency spot						
Less than one year	10,907	1	(7)	136,881	3,393	(73)
- Dual currency investment option	-	-	-	-	-	-
	1,630,597	5,437	(4,167)	3,326,522	47,820	(59,819)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	-	-	-	-	-	-
Hedged IPRS	1,200,000	-	(57,376)	1,200,000	-	(107,516)
Total	2,830,597	5,437	(61,543)	4,526,522	47,820	(167,335)

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR") (CONT'D.)

Islamic derivative financial assets/(liabilities) (cont'd.)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

Table 19: Islamic derivative financial assets/(liabilities) (cont'd.)

Group and Bank	31 December 2021			31 December 2020		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
IPRS	1,200,000	-	(57,376)	1,200,000	-	(107,516)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers and investment securities.

For the year ended 31 December 2021, the Group and the Bank:

- (i) Recognised a net gain of RM50,139,069 (31 December 2020: net loss of RM54,337,986) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM57,692,261 (31 December 2020: net gain of RM59,900,904); and
- (ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 December 2020: Nil) as a result of derecognition of the hedged items.



BASEL II PILLAR 3 DISCLOSURE

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT ("ALM")

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management ("ALM") refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with the Bank's strategic, business plan and risk appetite.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximise earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERM, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 31 December 2021 were:

- Embark on the enhancement of Fund Transfer Pricing ("FTP") Framework as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- Concentrate more on sourcing for deposits from retail and SME customers, longer term retail deposits, and deposits from transactional and operational accounts; and
- Review and enhancement of deposit products and features and introduction of more innovative deposit and investment account products.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk and ALM Policies and Guidelines ("MRAPG") and the Trading and Banking Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the TBPS. The policy covers the definition of trading and banking book for financial instruments, classification, performance, limit monitoring, position valuation and hedging requirements.

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT (“ALM”) (CONT’D)

Market Risk Measurement

1. Value at Risk

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. Sensitivity Analysis

The Bank uses various methodologies in assessing the sensitivity of the Bank’s portfolio against changes in the market variables.

3. Stress Testing and Scenario Analyses

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank’s performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

Valuation Policy

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and MFRS 9 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarised below:

- **Systems and Controls**

The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

- **Valuation Methodologies**

There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



BASEL II PILLAR 3 DISCLOSURE

8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH)

As at 31 March 2015, the Group and the Bank used the standardised approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 20: Minimum regulatory requirement for market risk

**Group and Bank
31 December 2021**

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
Total	8,330	21,312	16,225	1,298

**Group and Bank
31 December 2020**

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	1,432	(1,817)	14,851	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Total	9,127	(7,892)	22,546	1,806

8.2 DISCLOSURE FOR EQUITIES

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require BNM's prior approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's ("IC") authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 21: Equity exposures

**Group and Bank
31 December 2021**

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/ (Losses) RM'000
Investment in Unit Trust Funds			
Investment in Quoted Shares	107,103	107,103	(53,077)
Total	107,103	107,103	(53,077)
Cumulative realised gains arising from sales and liquidations in the reporting period			(287)

**Group and Bank
31 December 2020**

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/ (Losses) RM'000
Investment in Unit Trust Funds			
Investment in Quoted Shares	105,537	105,537	(37,772)
Total	105,537	105,537	(37,772)
Cumulative realised gains arising from sales and liquidations in the reporting period			9,583



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8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB")

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 22: Rate of return risks

Risk	Definition
Repricing Risk	Timing differences in the maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 100 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. Earning at Risk ("EaR")

The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. Economic Value of Equity ("EVE")

Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

4. Repricing Gap Analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

5. Other Risk Assessment

Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB") (CONT'D)

Rate of Return Risk Measurement (cont'd)

Table 23: Sensitivity analysis of rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
Impact on Earnings:				
31 December 2021				
MYR	(22,711)	22,711	(22,657)	22,657
USD	560	(560)	560	(560)
Others*	9	(9)	9	(9)
31 December 2020				
MYR	(21,994)	21,994	(21,937)	21,937
USD	1,851	(1,851)	1,851	(1,851)
Others*	35	(35)	35	(35)
Impact on Equity:				
31 December 2021				
MYR	35,896	(35,896)	35,893	(35,893)
USD	(66)	66	(66)	66
Others*	(2)	2	(2)	2
31 December 2020				
MYR	(30,292)	30,292	(30,284)	30,284
USD	417	(417)	417	(417)
Others*	63	(63)	63	(63)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.



BASEL II PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK

Liquidity and Funding Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implication on its reputation and continued existence.

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

- **Funding Liquidity Risk**

Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- **Market Liquidity Risk**

Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 24: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence, reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimises the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/analysis) and availability of liquid investments, the Bank is able to ensure sufficient liquidity.

The Asset & Liability Working Committee (ALCO) meets on a monthly basis to review the Bank's liquidity gap profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- **Management under normal condition:**

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to deposits ratio, and controlled financing draw down level.

- **Management under crisis condition:**

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into three levels as follows:

Contingency Level	Trigger/Status
Level 1	Abnormal event that interrupts normal business operations at a minimal level.
Level 2	Disruption event tantamount or escalates into a crisis e.g. massive or continuous withdrawal of deposits in a particular branch or area, difficulties in raising funds from interbank market.
Level 3	Critically threatens the operations, staffs, shareholders' value, stakeholders, brand, reputation of which a crisis management is necessary to be put in place.

The Bank's Liquidity Crisis Management is outlined in the Liquidity Crisis Contingency Plan ("LCCP") Policy. Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") computations. The Bank has put in place a buffer above minimum regulatory requirement to ensure the LCR and NSFR level is maintained in compliance with the regulation.



BASEL II PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to	>7 Days -	>1-3	>3-6	>6-12	>1 - 5	Over 5	Total
31 December 2021	7 Days	1 Month	Months	Months	Months	Years	Years	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	1,119,053	23,238	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	31,184	-	-	-	-	31,184
Financial investments at fair value through profit and loss	-	-	-	5,052	168,384	147,840	-	321,276
Financial investments at fair value through other comprehensives income	-	-	215,530	286,898	669,885	3,587,562	106,895	4,866,770
Financial investments at amortised cost	-	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	-	2,005,708	6,809,225	8,326,386	20,671,306
Other assets	-	404	-	-	32,796	72,427	315,391	421,018
TOTAL ASSETS	1,198,824	797,594	1,625,095	1,595,270	2,876,773	10,617,054	8,855,781	27,566,391
LIABILITIES AND EQUITY								
Deposits from customers	10,347,655	3,685,222	3,241,319	3,741,358	875,146	1,141,056	81,410	23,113,166
Investment accounts of customers	216,978	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	50,753	240,816	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	12,563	44,813	61,543
Other liabilities	-	75,855	876	1,844	91,943	24,436	-	194,954
Recourse obligation on financing sold to Cagamas	-	-	-	427,466	-	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	-	499,876
Total Liabilities	10,565,059	3,761,574	3,252,403	4,172,694	967,202	1,727,633	367,039	24,813,604
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,752,787	2,752,787
NET MATURITY MISMATCH	(9,366,235)	(2,963,980)	(1,627,308)	(2,577,424)	1,909,571	8,889,421	5,735,955	-
Commitments and contingencies								
Contingent liabilities	-	-	2,404	6,492	25,406	676,724	111,244	822,270
Commitments	156,323	916	143,837	121,514	11,459	269,774	909,319	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	24,096	1,605	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	500,000	700,000	2,830,597
Total commitments and contingencies	208,962	14,149	344,946	509,255	1,021,708	1,470,594	1,722,168	5,291,782

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	2,369,462	563,710	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	-	30,417	-	-	-	-	30,417
Financial investments at fair value through profit and loss	-	-	-	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,607,258	150,491	3,798,964
Financial investments at amortised cost	-	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,038,278	18,115,815
Other assets	3	646	-	-	112,027	38,598	271,529	422,800
TOTAL ASSETS	2,435,706	1,399,321	1,959,881	1,278,470	2,135,312	8,993,337	7,565,842	25,767,869
LIABILITIES AND EQUITY								
Deposits from customers	9,509,844	4,662,369	3,232,770	2,894,806	725,795	423,546	52,196	21,501,366
Deposits and placements of banks and other financial institutions	-	25	28	283	485	3,062	94,463	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	25,447	82,068	167,333
Other liabilities	-	23,084	5,367	943	76,516	40,479	-	146,389
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	444,141	-	444,141
Subordinated sukuk	-	-	-	250,642	-	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	-	502,692
Total Liabilities	9,513,656	4,710,212	3,263,752	3,161,312	1,302,885	936,675	228,725	23,117,217
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,650,652	2,650,652
NET MATURITY MISMATCH	(7,077,950)	(3,310,891)	(1,303,871)	(1,882,842)	832,427	8,056,662	4,686,465	-
Commitments and contingencies								
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	563,753	1,358	731,379
Commitments	65,182	93,499	199,988	74,779	433,772	245,644	539,616	1,652,480
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	136	260	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	500,000	700,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	1,309,533	1,241,234	6,917,484



BASEL II PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2021	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,119,053	23,238	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	31,184	-	-	-	-	31,184
Financial investments designated at fair value through profit and loss	-	-	-	5,052	168,384	147,840	-	321,276
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	669,885	3,585,057	106,894	4,864,264
Financial investments at amortised cost	-	-	-	-	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	2,523	1,115	-	-	-	5,437
Financing of customers	79,347	772,577	1,375,858	1,302,205	2,005,708	6,809,225	8,316,698	20,661,618
Other assets	-	395	-	-	32,207	72,427	328,199	433,228
TOTAL ASSETS	1,198,824	797,585	1,625,095	1,595,270	2,876,184	10,614,549	8,858,900	27,566,407
LIABILITIES AND EQUITY								
Deposits from customers	10,355,435	3,693,089	3,241,297	3,741,324	875,129	1,141,034	81,409	23,128,717
Investment accounts of customers	216,978	-	-	-	-	-	-	216,978
Deposits and placements of banks and other financial institutions	-	46	54	84	113	50,753	240,816	291,866
Bills and acceptances payable	-	-	7,755	-	-	-	-	7,755
Islamic derivative financial liabilities	426	451	2,399	891	-	12,563	44,813	61,543
Other liabilities	-	75,581	876	1,844	91,182	24,436	-	193,919
Recourse obligation on financing sold to Cagamas	-	-	-	427,466	-	-	-	427,466
Subordinated sukuk	-	-	-	1,051	-	498,825	-	499,876
Total Liabilities	10,572,839	3,769,167	3,252,381	4,172,660	966,424	1,727,611	367,038	24,828,120
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,738,287	2,738,287
NET MATURITY MISMATCH	(9,374,015)	(2,971,582)	(1,627,286)	(2,577,390)	1,909,760	8,886,938	5,753,575	-
Commitments and contingencies								
Contingent liabilities	-	-	2,404	6,492	25,406	676,724	111,244	822,270
Commitments	156,323	916	143,837	121,514	11,459	269,774	909,319	1,613,142
Other Miscellaneous Commitment and Contingent Liabilities	72	-	-	-	-	24,096	1,605	25,773
Islamic derivative financial instruments	52,567	13,233	198,705	381,249	984,843	500,000	700,000	2,830,597
Total commitments and contingencies	208,962	14,149	344,946	509,255	1,021,708	1,470,594	1,722,168	5,291,782

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	2,369,462	563,710	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	-	30,417	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,604,791	150,491	3,796,497
Financial investments at amortised cost	-	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,032,662	18,110,199
Other assets	3	646	-	-	111,198	32,088	284,438	428,373
TOTAL ASSETS	2,435,709	1,399,321	1,959,881	1,278,470	2,134,483	8,984,360	7,573,135	25,765,359
LIABILITIES AND EQUITY								
Deposits from customers	9,514,409	4,670,742	3,232,737	2,894,773	725,772	423,529	52,196	21,514,158
Deposits and placements of banks and other financial institutions	-	25	28	283	485	3,062	94,463	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	25,447	82,068	167,333
Other liabilities	-	23,865	5,367	1,305	76,167	32,494	-	139,198
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	444,141	-	444,141
Subordinated sukuk	-	-	-	250,642	-	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	-	502,692
Total Liabilities	9,518,181	4,719,366	3,263,719	3,161,641	1,302,513	928,673	228,727	23,122,820
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,642,539	2,642,539
NET MATURITY MISMATCH	(7,082,472)	(3,320,045)	(1,303,838)	(1,883,171)	831,970	8,055,687	4,701,869	-
Commitments and contingencies								
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	563,753	1,358	731,379
Commitments	65,182	93,499	199,988	74,779	433,772	245,644	539,616	1,652,480
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	136	260	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	500,000	700,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	1,309,533	1,241,234	6,917,484



BASEL II PILLAR 3 DISCLOSURE

9.0 OPERATIONAL RISK MANAGEMENT (“ORM”) DISCLOSURES

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes wide spectrum of risks such as fraud, physical damage, business disruption, transaction failures, legal, regulatory breaches including fiduciary breaches and Shariah non-compliance as well as employee health and safety hazards.

The objective of operational risk management is to effectively manage these risks in order to avoid or reduce any possible financial or non-financial losses arising from operational lapses.

In relation to operational risk management, the Operational and Shariah Risk Management Section (“OSRMS”), Operational Risk Management Committee (“ORMC”), Internal Audit, Compliance, as well as the business and support units play a significant role in the overall integrated risk management framework.

The management of operational risks is targeted at preventing and managing loss events and potential risks by using operational risk tools, namely, Risk and Control Self Assessment (“RCSA”), Key Risk Indicator (KRI), Incident Management and Data Collection (“IMDC”), Scenario Analysis (“SA”) and Stress Test (“ST”).

The risk management processes and controls are established in line with the Bank’s operational risk management framework, internal policies, regulatory requirements and standard operating procedures as guidance.

The Muamalat Operational Risk Solution (“MORiS”)

The MORiS is a web-based application that is used as a tool in risk identification and assessment. It also acts as a centralised loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators (“KRI”) overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment (“RCSA”), Incident Management Data Collection (“IMDC”), and Key Risk Indicator (“KRI”).

Business Continuity Management (“BCM”)

The Bank adopts the BNM’s Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank develops the Business Continuity Plan (“BCP”) by way of completing the Risk Assessment (“RA”) and Business Impact Analysis (“BIA”). RA is a tool used to identify potential threats for all business functions. A BIA will be carried out to identify critical business functions’ recovery time objective (“RTO”) and maximum tolerable downtime (“MTD”) taking into account the Bank’s resources and infrastructures. The RA and BIA sessions are conducted annually with the business units.

9.0 OPERATIONAL RISK MANAGEMENT (“ORM”) DISCLOSURES (CONT’D.)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach (“BIA”) to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (a or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group’s and the Bank’s minimum capital is presented in table below:

Table 26: ORM minimum capital requirement

	31 December 2021		31 December 2020	
	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000	Risk Weighted Assets RM’000	Minimum Capital Requirement at 8% RM’000
Group	1,321,435	105,715	1,259,314	100,745
Bank	1,302,128	104,170	1,250,046	100,004

10.0 SHARIAH GOVERNANCE DISCLOSURES

Overview

BMMB’s shariah governance structure is governed by BNM’s guidelines on Shariah Governance Policy Document (“SGPD”), and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by the IFSB Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services (“IFSB-10”) refers to a set of institutional and organisational arrangements to oversee Shariah compliance aspects in Islamic financial institutions (IFI).

In this context, Shariah non-compliance risk has been defined as “the risk that arises from the Group’s and the Bank’s failure to comply with the Shariah rules and principles determined by the Shariah Committee (“SC”) of BMMB and relevant Shariah Authorities (“SA”) committees.

Shariah risk management and governance in BMMB are in accordance with the Policy on Shariah Governance (“Policy”), which is endorsed by the Shariah Committee and approved by the Board. The Policy is drawn up in accordance to the SGPD issued by BNM on 20 September 2019.

In ensuring the operations and business activities of the Bank remain consistent with Shariah principles and regulatory requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Division, Shariah Audit, Shariah Review, and Shariah Risk Management.



BASEL II PILLAR 3 DISCLOSURE

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Shariah Governance Structure

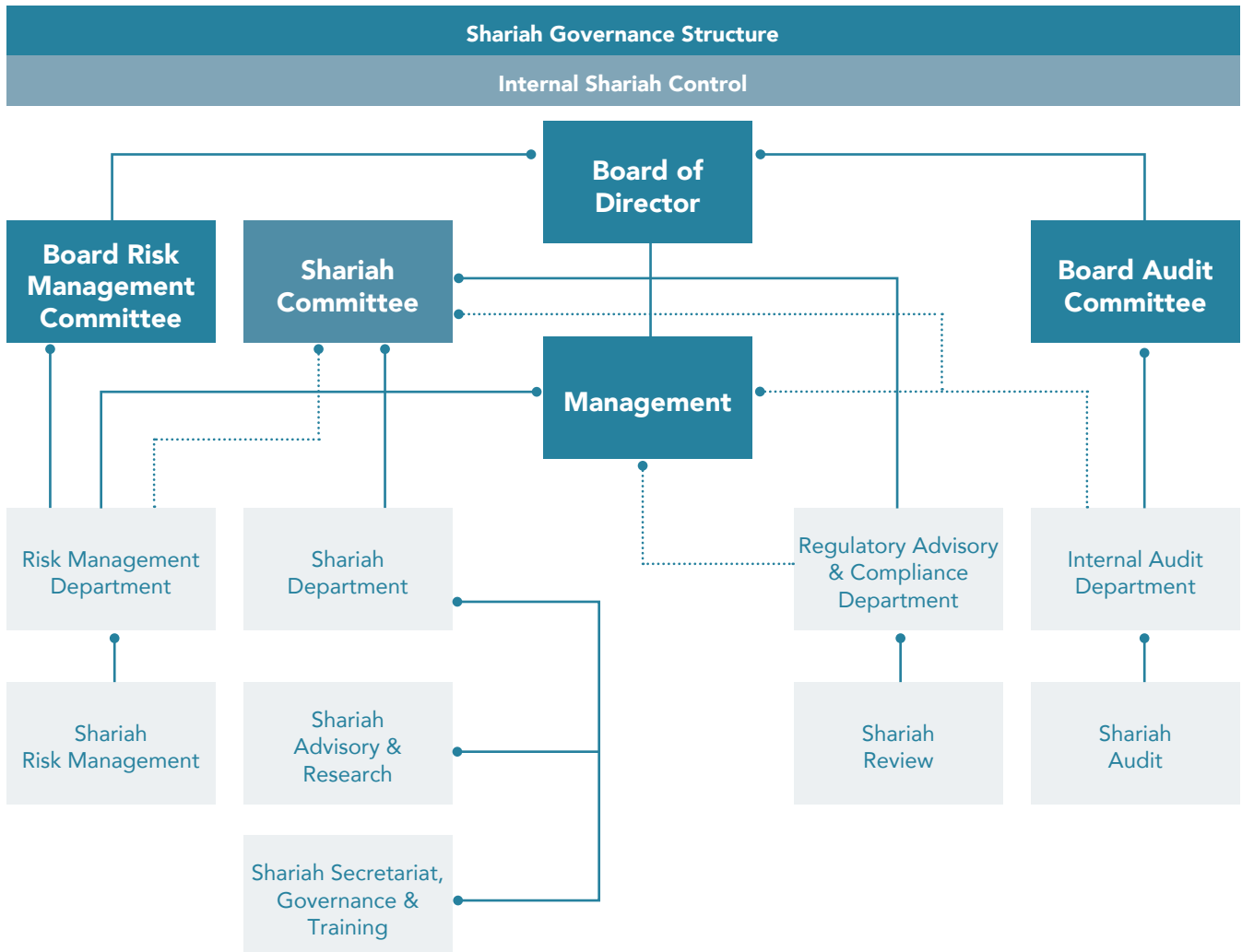
Internal Shariah Control

Shariah compliance management is driven top down from the Board through the Shariah Committee ("SC") who has the responsibility of understanding Shariah-related matters in the activities assumed by the Group and the Bank.

The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

In ensuring that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

Table 27: Shariah governance structure



10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Earning and Expenditure Prohibited by Shariah

Policy on Management of Shariah Non-Compliant Income was formulated pursuant to the BNM's Policy Document on Shariah Governance Framework for IFI, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from to time.

The amount of SNCI and events decided by SC is as follows:

31 December 2021	31 December 2020
Event - 6 Nostro interest received - nil	Event - 2 Nostro interest received - nil

There were a total of six (6) Shariah non-compliant events recorded and deliberated in SC meeting. The total SNCI arising from SNCE throughout the year were recorded at RM3.92.

All of the events together with the rectification plans were presented to the Board of Directors and SC and reported to BNM in accordance with the Shariah non-compliance reporting requirement prescribed by BNM.

Any financial amount reported as SNCI will be utilised to fund approved charitable activities as guided by SC of the Bank.

Unidentified fund/Shubhah

During the Bank's daily operations, there are certain funds received by the Bank where the source is not clear or uncertain. These funds cannot be recognised as income and must be retained in the Maslahah Ammah account. The utilisation of these funds follows similar procedures set for the SNCI funds.

Example's of unidentified funds are cash excess identified at teller and automated teller machines ("ATM"), and unidentified credit balance in the General Ledger.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at Nil (31 December 2020: RM408,927).



CORPORATE INFORMATION

AS AT 31 MAY 2022

BOARD OF DIRECTORS

Tan Sri Tajuddin Atan (Chairman)

Md Khairuddin Haji Arshad

Tan Sri Che Khalib Mohamad Noh

Johari Abdul Muid

Dato' Ibrahim Taib

Roshidah Abdullah

Iwan Rashman Gulamoydeen

Mohd Razlan Mohamed

COMPANY SECRETARY

Julaida Jufri (LS0009358)

REGISTERED OFFICE

30th Floor, Menara Bumiputra
Jalan Melaka
50100 Kuala Lumpur
Tel : 603-2600 5493
Fax : 603-2693 3367

AUDITORS

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



BRANCH NETWORK

AS AT 31 MAY 2022

CENTRAL

Jalan Melaka

Menara Bumiputra,
Jalan Melaka PO Box 10407,
50913 W.P Kuala Lumpur
Tel: 03-2032 4060

Jalan Ipoh

Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur
Tel: 03-4041 9885

Sungai Besi

No. 2 & 2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur
Tel: 03-9058 7129

Jalan TAR

No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur
Tel: 03-2697 7077

Putrajaya

No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya
Tel: 03-8888 9778

Taman Melawati

Lot G-3A, B-1-3 & G-05,
Melawati Corporate Office,
Taman Melawati,
53100 Kuala Lumpur
Tel: 03-4108 1160

Alam Damai

No.52A, Ground Floor,
Wisma Alam Damai,
Jalan Alam Damai, Cheras,
56000 Kuala Lumpur
Tel: 03-9130 2426

Bandar Baru Bangi

Ground, 1st & 2nd Floor, 32 & 33,
Jalan Medan Pusat Bandar 4,
Seksyen 9,
43650 Bandar Baru Bangi,
Selangor
Tel: 03-8925 0705

Batu Caves

No. 3A & 3A-1 (Ground & Level 1) &
No. 5 (Ground Floor),
Prima Samudera,
Jalan Samudera Utara 11,
Taman Samudera,
68100 Batu Caves,
Selangor
Tel: 03-6187 7236

Glenmarie

No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor
Tel: 03-5569 1402

Kajang

Ground, 1st & 2nd Floor,
No. 2-1-G/1/2,
Jalan Prima Saujana 2/1,
Prima Saujana,
43000 Kajang,
Selangor
Tel: 03-8733 9569

Klang

No. 46 & 48,
Jalan Kelicap 42A/Ku1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor
Tel: 03-3344 4145

Petaling Jaya

No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor
Tel: 03-7874 5722

Rawang

No. 9 & 11,
Jalan Bandar Baru Rawang 1,
Bandar Baru Rawang,
48000 Rawang, Selangor
Tel: 03-6092 1680

Laman Seri

Ground & 1st Floor No. G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam, Selangor
Tel: 03-5512 8830

Shah Alam, PKNS

G-1, 2 & 3 Ground Floor,
Kompleks PKNS,
40000 Shah Alam,
Selangor
Tel: 03-5510 6511

Subang Jaya

Ground & 1st Floor,
No. 1, Jalan USJ Sentral 2,
USJ Sentral,
47500 Subang Jaya,
Selangor
Tel: 03-5634 3971



BRANCH NETWORK

AS AT 31 MAY 2022

Universiti Islam

Antarabangsa (UIA)

Lot AHC 1-3 & Lot AHC 2-1,
Azman Hashim Complex,
Universiti Islam Antarabangsa
Malaysia, Jalan Gombak,
53100 Kuala Lumpur
Tel: 03-6187 8705

Ampang Point

No. 23 & 23-A,
Jalan Mamanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor
Tel: 03-4270 0102

Puncak Alam

No. 31 Jalan Niaga Bestari 3,
Puncak Bestari,
Bandar Puncak Alam,
42300 Selangor
Tel: 03-3393 8005

NORTHERN

Kangar

No. 11 & 13,
Jalan Bukit Lagi,
01000 Kangar,
Perlis
Tel: 04-976 4751

Alor Setar

Ground & Mezzanine Floor,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan
Melayu Kedah,
(DPMK) Lebuhraya Darul Aman,
05100 Alor Setar, Kedah
Tel: 04-731 5722

Bayan Baru

No. 58 & 60,
Taman Sri Tunas,
Jalan Tengah,
11950 Bayan Baru, Pulau Pinang
Tel: 04-630 8100

Kulim

No. 6, Bangunan Al-Ikhwan,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim, Kedah
Tel: 05-807 8372

Parit Buntar

No. 40 & 42,
Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar,
Perak
Tel: 05-716 6737

Seberang Jaya

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway, Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang
Tel: 04-397 2494

Sungai Petani

No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000, Sungai Petani, Kedah
Tel: 04-420 4300

Taiping

98-100, Ground & 1st Floor,
Jalan Kota,
34000 Taiping, Perak
Tel: 05-807 8372

Souq Al-Bukhary

Ground Floor,
Bazaar Souq Al-Bukhary,
No 1, Jalan Tun Abdul Razak,
05200 Alor Setar, Kedah.
Tel: 04-731 5480

Lebuh Pantai

No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang
04-262 2800/2266

Ipoh

Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh, Perak
Tel: 05-688 4915

Seri Manjung

Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung,
Perak
Tel: 05-688 4930

SOUTHERN

Port Dickson

No 3 & 3A, Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Negeri Sembilan
Tel: 06-312 5086

Seremban

Wisma Great Eastern,
No. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban,
Negeri Sembilan
Tel: 06-765 1506

Batu Pahat

Ground & 1st Floor, No. 24 & 25,
Jalan Kundang, Taman Bukit Pasir,
83000 Batu Pahat, Johor
Tel: 07-432 5257

Johor Bahru

Ground & 1st Floor,
Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Tel: 07-223 5822

Johor Jaya

149, Jalan Mutiara Emas 10/19,
Taman Mount Austin,
81100 Johor Bahru
Tel: 07-357 7451

Kluang

No. 1, Jalan Persiaran
Dato' Haji Ismail Hassan,
86000 Kluang, Johor
Tel: 07-772 2487

Kulai

No. 32 Jalan Sri Putra 1,
Bandar Putra,
81000 Kulai, Johor
Tel: 07-663 8486

Melaka

395, Taman Sinn,
Jalan Semabuk,
75050 Melaka
Tel: 06-282 8464

Segamat

No. 37 & 38,
Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat, Johor
Tel: 07-943 3292

Taman Universiti

Ground & 1st Floor,
No. 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai, Johor
Tel: 07-520 6875

**Universiti Tun
Hussein Onn Malaysia**

Ground Floor,
Bangunan Pusat Khidmat Pelajar,
Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja,
Batu Pahat, Johor
Tel: 07-453 6969

Taman Cheng Baru

No.92, Jalan Cheng Baru 1,
Taman Cheng Baru,
75250 Melaka
Tel: 06-646 3240

Kota Tinggi

No. 23, 25 & 27,
Jalan Seri Warisan,
Kota Heritage Mall,
81900 Kota Tinggi, Johor
Tel: 07-882 5220

Gemas

No. 16, Jalan DS 1/1,
Dataran Satria 1,
73400 Gemas,
Negeri Sembilan
Tel: 07-948 2110

Muar

No. 8 & 9, Pusat Dagangan Bakri,
Jalan Bakri, 84000 Muar, Johor
Tel: 07-951 2311

EAST COAST**Jalan Sultan Yahya Petra**

Ground Floor,
Lot PT 265 & PT 266,
Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu,
Kelantan
Tel: 09-747 3187

Kota Bharu

Ground & First Floor,
Bangunan Perbadanan,
Menteri Besar Kelantan (PMBK),
Jalan Kuala Krai,
15150 Kota Bharu, Kelantan
Tel: 09-744 1711

Kuala Terengganu

1, Jalan Air Jerneh,
20300 Kuala Terengganu,
Terengganu
Tel: 09-622 2177

Kok Lanas

Ground & 1st Floor,
Lot PT 5080, Kompleks Perniagaan
Saidina Ali,
Jalan Kuala Krai, Kok Lanas,
16450 Kota Bharu, Kelantan
Tel: 09-788 6868

Gua Musang

Ground Floor,
PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang,
Kelantan
Tel: 09-912 1613

Jeli

Ground & 1st Floor,
No. PT 4646, Lot 2003,
PN 3523,
17600 Bandar Jeli, Kelantan
Tel: 09-944 1339

Kampung Raja

Lot 5678 & 5679, Taman D'Lahar,
Gong Kepas, Kampung Raja,
22200 Besut, Terengganu
Tel: 09-697 3133/3233

Tanah Merah

No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah, Kelantan
Tel: 09-954 4552/51/49/48

Kuantan

B-114 & B-116,
Lorong Tun Ismail 9,
Sri Dagangan 2,
25000 Kuantan Pahang
Tel: 09-516 2782

Mentakab

6 & 7, Jalan Tun Abd Razak,
28400 Mentakab,
Pahang
Tel: 09-277 2307



BRANCH NETWORK

AS AT 31 MAY 2022

Pekan

G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan),
Jalan Teng Que,
26600 Pekan, Pahang
Tel: 09-422 4488/3751

Temerloh

Ground & 1st Floor,
C-8, Jalan Tengku Ismail,
28000 Temerloh, Pahang
Tel: 09-296 2358/ 362

Kemaman

C-G-09 & C-01-09,
Block C, Persiaran COAST,
Pusat Perniagaan COAST Kemaman,
24000, Kemaman,
Terengganu
Tel: 09-858 7470

EAST MALAYSIA

Bintulu

No. 252, Lot 73,
Parkcity Commercial Centre,
Jalan Tanjung Batu,
97000 Bintulu, Sarawak
Tel: 086-337 462

Kota Kinabalu

C-06-01, C-07-01,
Blok C, Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu, Sabah
Tel: 088-239 122/261 880

Kuching

Ground Floor, Lot 456, 457 & 458,
Al-Idrus Commercial Centre,
Jalan Satok,
93400 Kuching, Sarawak
Tel: 082-414 142

Labuan

Ground & 1st Floor,
Block B, Lot U0471E, Lazenda Centre,
Jalan OKK Abdullah, 87007,
Wilayah Persekutuan Labuan
Tel: 087-424 190

Miri

Ground & First Floor,
Jalan Bendahara,
98000 Miri, Sarawak.
Tel: 085-420 622

Tawau

Lot 69 & 70,
Ground & 1st Floor,
Kubota Square, Jalan Kubota,
91000 Tawau, Sabah
Tel: 089-771 491/488

Sandakan

Unit No 95 to 97 Ground Floor,
Lot 265 to 267 First Floor,
East Coast, Sejati Walk,
90000 Sandakan, Sabah
Tel: 089-669 419



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TOWARDS A BETTER TOMORROW

This design positions Bank Muamalat Malaysia Berhad as a value-driven, wholesome and stakeholder oriented bank that strives towards a sustainable financial ecosystem. Hence, we are committed to understanding and serving our stakeholders better. In rising above any challenges, the Bank has adopted strategies towards digitalisation to harmonise the business objective with economic, environmental and social considerations. The graphic icons depicting all business sectors and human resources within a digital background portrays the Bank's move towards a stronger borderless presence, ahead into new horizons.



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