

# TRANSFORMING FOR THE BETTER

ANNUAL REPORT 2022



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### TRANSFORMING FOR THE BETTER

This cover draws inspiration from the fundamental principles that shape our corporate culture and values. Our organization's core essence revolves around the 6 Success Beliefs, which serve as our guiding principles in our pursuit of overall improvement and excellence.

Transformation became the focus of the 2022 edition, in line with our business infrastructure that is undergoing digitalization to elevate our service delivery and ensure utmost customer satisfaction.

As we remain committed in upholding exemplary environmental, social, and corporate governance practices, the illustration signifies our relentless journey searching for opportunities to foster growth and advancement in these domains.

The overall design aims to capture all of these elements through a mesmerizing three-dimensional infinity loop, symbolizing the interconnection and interdependence of these components in our endless quest to create "Better lives, together" for communities and businesses at large.





# ABOUT THIS REPORT

## REPORTING FRAMEWORKS

This Annual Report 2022 ("AR2022") which is produced and published annually, covers the period from 1 January 2022 to 31 December 2022, unless stated otherwise. The reporting period is in alignment with the reporting of our parent company, DRB-HICOM Berhad.

We have developed this AR2022 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 contains our forecast for the short, medium and long-term which is based on current assumptions and subject to uncertainty due to potential changes in operating landscape. As such, these forward looking statements about BMMB's future performance should not be regarded as guarantees or promises.

## 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 (MCCG 2021), Bank Negara Malaysia's Policy Documents and Guidelines, Islamic Financial Services Act 2013, 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.



At Bank Muamalat, our commitment to understand unique business and financial needs enable us to provide our partners with innovative, reliable, and value-added solutions that propel growth trajectory.

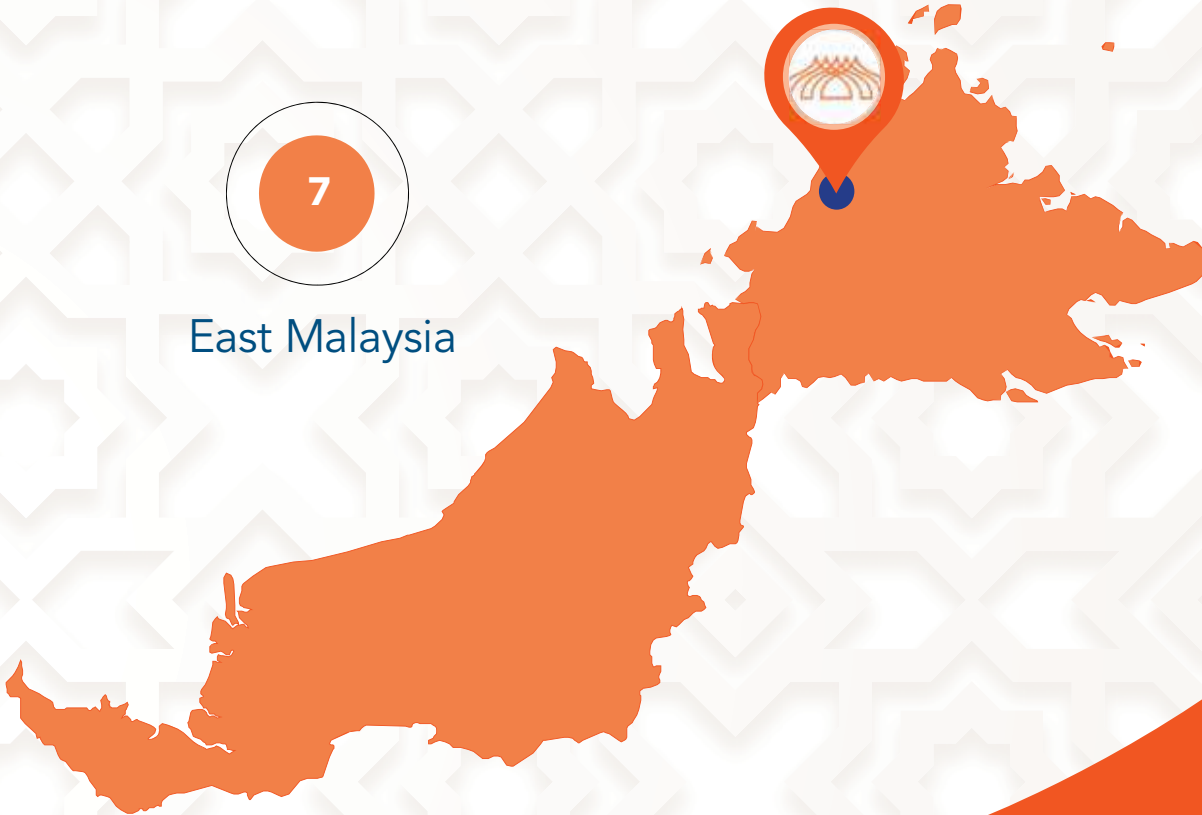
Embracing our role as the "Islamic Bank for All," we are devoted to fostering inclusivity and taking proactive measures to develop impactful solutions that empower individuals and businesses to thrive.



**68** **BRANCHES**  
**NATIONWIDE**  
IN 5 REGIONS



East Malaysia



# OVERVIEW

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# ABOUT BANK MUAMALAT

**BANK MUAMALAT IS ONE OF THREE INDEPENDENT FULL-FLEDGED ISLAMIC BANKING 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. AS AT DECEMBER 2022, THE BANK RANKS 10TH OUT OF 16 ISLAMIC BANKS IN THE COUNTRY IN TERMS OF ASSET SIZE. THE BANK HAS TWO SHAREHOLDERS, DRB-HICOM AND KHAZANAH NASIONAL BERHAD, EACH HOLDING 70% AND 30% EQUITY RESPECTIVELY.**

Bank Muamalat's network spans across 68 branches and 1 sales centre nationwide of which the Bank provides a wide range of products and services to Malaysians and foreigners. As an Islamic Bank, Bank Muamalat operates in accordance with Shariah principles and promote ethical and socially responsible financial practices. The Bank offers various banking services, both retail and wholesale banking services which includes deposits accounts, financing, wealth management solutions, investment accounts, trade financing, treasury services, project and contract financing etc. As a pioneering Islamic bank in the country, Bank Muamalat is supported by highly qualified Shariah scholars with extensive experience in Islamic jurisprudence.

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 since 2017. 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 organization 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?

<p><b>A financial institution that is committed to deliver sustainable growth</b></p>	<p>1</p>	<p><i>More details available in our segmental performance from pages 50 to 73</i></p>
<p><b>Continuously striving to improve client satisfaction and deliver superior customer experience, especially via the digital platform</b></p>	<p>2</p>	<p><i>More details available in our Sustainability Statement from pages 74 to 99</i></p>
<p><b>Knowledgeable and highly experienced Board Members and Management team</b></p>	<p>3</p>	<p><i>Read our Board Members and Management profiles on pages 108 to 128</i></p>
<p><b>A value-driven financial institution that aspires to deliver positive impact to the community and to be an ethical Islamic bank</b></p>	<p>4</p>	<p><i>More details available in our Sustainability Statement from pages 74 to 99</i></p>
<p><b>Holistic and sound risk management</b></p>	<p>5</p>	<p><i>Please refer to Principal Risks and Uncertainties on page 40 and our Statement of Risk Management on page 153</i></p>
<p><b>Good governance and effective leadership</b></p>	<p>6</p>	<p><i>More details in our Statement of Governance from pages 129 to 140</i></p>





## VISION

To become the preferred Islamic financial provider



## MISSION

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

### ABOUT OUR REFRESHED LOOK

We re-evaluated and refreshed our corporate identity to have a neater appeal and selected the uplifting orange colour as the hero hue across our assets, including this Annual Report.

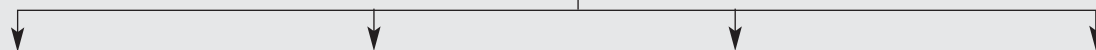
We re-imagined our logo by breaking the old outline frames, creating a contemporary and modern look and feel.

The tagline, "Better Lives, Together" stems from our beliefs in helping Malaysians progress in life and prosper, creating an environment where people feel safe, where businesses and communities can thrive.

OLD LOGO



REFRESHED LOGO



#### FOR OUR NATION

We constantly find ways to **inspire and empower** every Malaysian, to do better so no one is left behind

#### FOR OUR CUSTOMERS

We constantly **improve and innovate** our products, services & experiences so that we always leave an impact on our customers

#### FOR OUR EMPLOYEES

We strive to be a place of **growth and purpose** for our people, giving them the opportunity to impact people's lives

#### FOR OUR PARTNERS

We use our platform to **support entities** that drive development of the economy & community

# 6 SUCCESS BELIEFS

EMBRACING CHANGE & PROJECTING 6 BELIEFS



## OWN IT

I take ownership to achieve a great outcome

---



## BUILT TRUST

I win mutual trust with fairness and integrity, always

---



## ONE TEAM

I work together with others to achieve great results

---



## DRIVE INNOVATION

I challenge the way we do things to create better solutions

---



## MOVE FAST

I learn, simplify, adapt, and act quickly

---



## DELIGHT CUSTOMERS

I make our customers happy

---

# PERFORMANCE HIGHLIGHTS FOR 2022

## FINANCIAL



**RM306.7 million**

(FY2021: RM256.6 million)

**PROFIT BEFORE ZAKAT  
AND TAXATION**



**RM31.5 billion**

(FY2021: RM27.6 billion)

**TOTAL ASSETS**



**10.9%**

(FY2021: 9.5%)

**RETURN ON  
AVERAGE EQUITY**



**1.04%**

(FY2021: 0.96%)

**RETURN ON  
AVERAGE ASSET**



**0.85%**

(FY2021: 0.83%)

**GROSS IMPAIRED  
FINANCING RATIO**

## NON-FINANCIAL



**LAUNCHED  
CREDIT CARD**

Bank Muamalat Visa Platinum-i &  
Bank Muamalat Visa Infinite-i



**LAUNCHED  
EASIGOLD**

first Shariah compliant digital  
mobile-based gold investment  
platform



**DIGITAL ONBOARDING  
FOR ACCOUNT  
OPENINGS VIA eKYC**



**LAUNCHED MUAMALAT  
AUTO CENTRE**

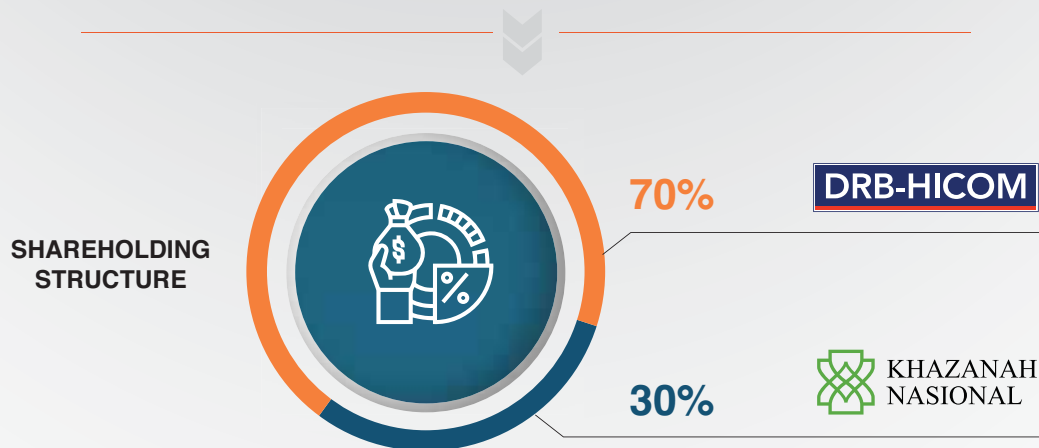
a centralised centre to process  
vehicle financing application



**LAUNCHED  
IPUSH**

a strategic partnership with state  
government under iTEKAD initiative  
with Pahang as the pilot state

# CORPORATE 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 (2019-2022) - GROUP

	Mar 2019	Dec 2019	Dec 2020	Dec 2021	Dec 2022
	FY18/19	FY2019	FY2020	FY2021	FY2022

### OPERATING RESULT (RM'000)

Operating Revenue	1,333,591	957,547	1,171,396	1,137,230	1,339,885
Income attributable to depositors	613,236	407,832	426,135	338,304	453,026
Income attributable to investment account holders	-	-	-	22	205
Profit before tax and zakat	241,188	140,313	174,768	254,868	306,725
Profit after tax and zakat	179,494	98,806	172,857	157,351	222,778

### KEY STATEMENTS OF FINANCIAL POSITION (RM'000)

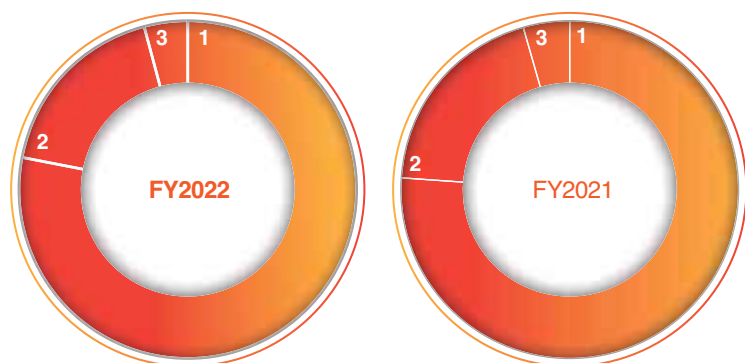
Total Assets	22,885,610	22,828,813	25,767,869	27,566,391	31,534,217
Financial Investments	5,700,141	5,016,779	4,217,846	5,295,155	5,507,329
Total Financing of Customers	15,330,895	15,861,238	18,115,817	20,671,306	24,017,067
<i>of which: Gross Impaired Financing</i>	221,216	209,166	194,711	172,073	205,957
Total Deposits from Customers	19,144,118	18,940,552	21,501,366	23,113,166	26,320,609
<i>of which: CASA</i>	5,343,192	5,895,877	7,756,200	8,152,108	8,956,578
Shareholders Equity	2,351,419	2,468,815	2,650,652	2,752,787	2,886,604
<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 Tax and Zakat	10.37%	7.76%	6.83%	9.43%	10.88%
Return on Equity - After Tax and Zakat	7.72%	5.47%	6.75%	5.82%	7.90%
Return on Assets - Before Tax and Zakat	1.03%	0.82%	0.72%	0.96%	1.04%
Return on Asset - After Tax and Zakat	0.77%	0.58%	0.71%	0.59%	0.75%
Cost Income Ratio	56.5%	59.8%	55.8%	51.71%	52.65%
Capital Ratio	18.6%	18.7%	18.0%	17.2%	17.6%
Gross Impaired Financing Ratio	1.43%	1.31%	1.07%	0.83%	0.85%
CASA Composition to Total Deposits	27.9%	31.1%	36.1%	35.3%	34.0%

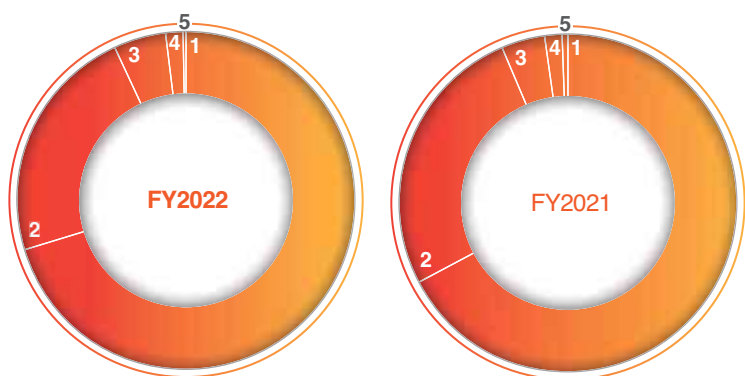
# ASSETS PERFORMANCE

## Assets Portfolio (RM'000)



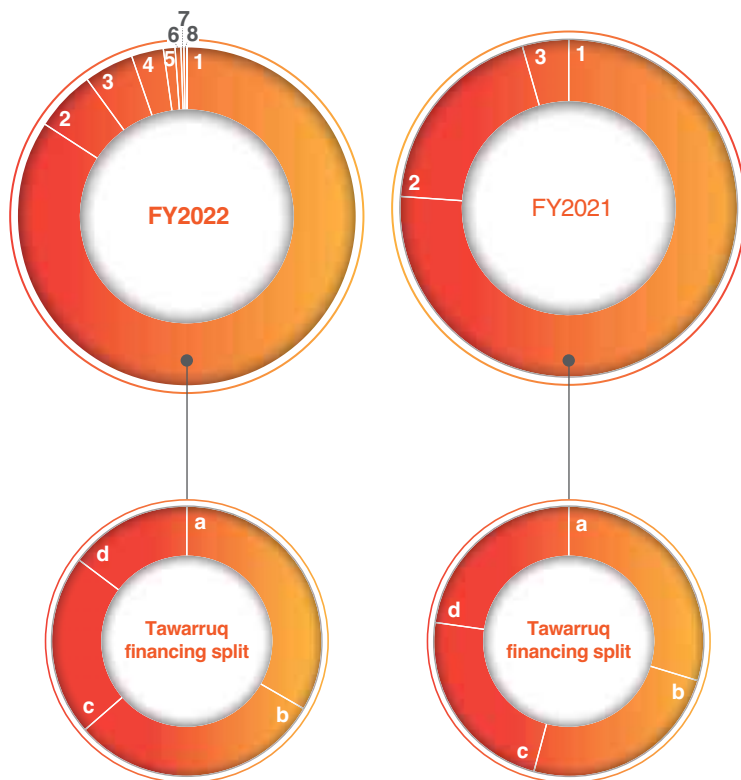
		FY2022	FY2021
1	Gross Financing	24,258,470	20,850,016
2	Financial Investments	5,507,329	5,295,155
3	Cash & Short-term funds	1,257,201	1,173,475

## Financing by Business Segment



		FY2022	FY2021
1	Consumer	70.32%	67.34%
2	Corporate	22.90%	26.36%
3	Commercial	4.84%	4.29%
4	SME	1.67%	1.68%
5	Treasury & Investment	0.26%	0.34%

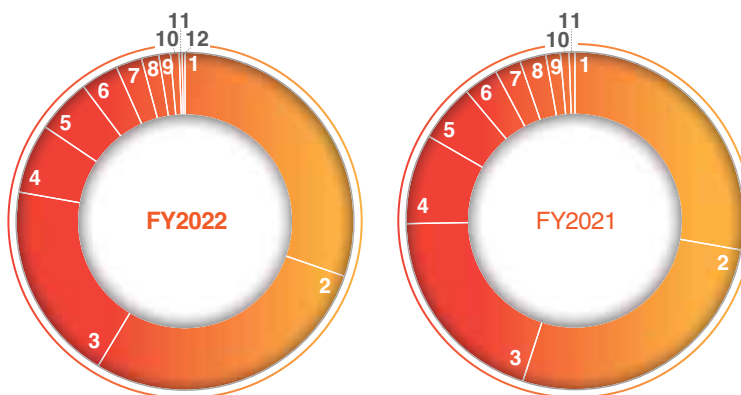
**Financing by Islamic Contract**



		FY2022	FY2021
1	Tawarruq	84.25%	82.58%
2	Bai' Bithaman Ajil	5.95%	7.77%
3	Murabahah	4.76%	5.37%
4	Murabahah to the Purchase Orderer	2.97%	1.74%
5	Bai' Al-Dayn	1.13%	0.94%
6	Ijarah Thumma Al-Bai	0.60%	1.06%
7	Shirkah Mutanaqisah	0.30%	0.38%
8	Istisna'	0.04%	0.15%
9	Inah	0.00%	0.01%
10	Qard	0.00%	0.00%
11	Rahnu	0.00%	0.00%

		FY2022	FY2021
a	Personal financing	28.30%	23.68%
b	Home financing	25.39%	17.90%
c	Other term financing	18.17%	19.58%
d	Others	12.39%	18.31%

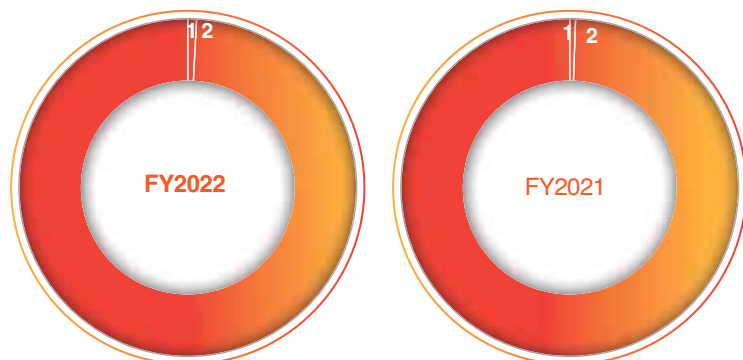
**Financing by Product**



		FY2022	FY2021
1	Home financing	30.45%	27.81%
2	Personal financing	28.43%	27.40%
3	Other term financing	18.96%	19.79%
4	Revolving financing	6.84%	8.61%
5	Claims on customers under acceptance credits	5.11%	5.55%
6	Vehicle Financing	3.79%	3.12%
7	Syndicated financing	2.29%	2.69%
8	Cash line	1.68%	2.51%
9	Ar-Rahnu	1.25%	1.31%
10	Trust receipts	0.78%	0.77%
11	Staff financing	0.35%	0.45%
12	Credit Card	0.05%	0.00%

## ASSETS PERFORMANCE

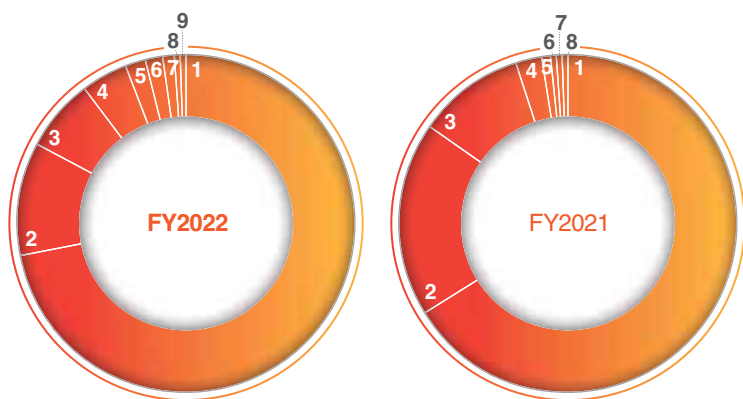
### Asset Quality (RM'000)



		FY2022	FY2021
1	Impaired Financing	0.85%	0.83%
2	Non-Impaired Financing	99.15%	99.17%

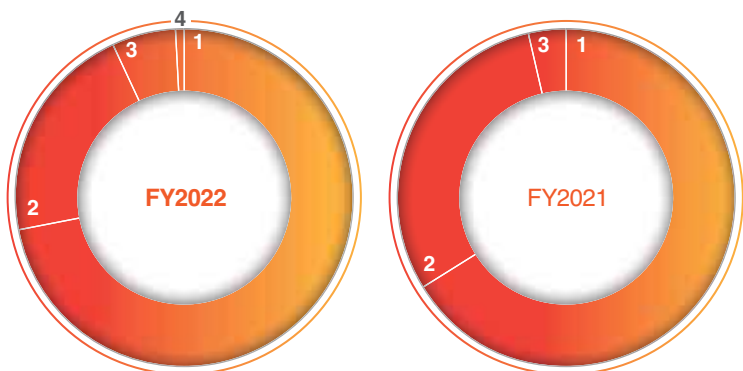
		FY2022	FY2021
	Gross Impaired Financing (RM'Million)	205.96	172.07
	Gross Impaired Financing ratio	0.85%	0.83%
	Financing loss reserve ratio	130.20%	135.40%
	Collective assessment ratio	0.89%	1.00%

### Impaired Financing by Sector



		FY2022	FY2021
1	Household	72.00%	66.37%
2	Manufacturing	10.93%	18.40%
3	Real Estate	6.93%	10.44%
4	Wholesale and retail and restaurant	4.52%	2.52%
5	Electricity, gas and water	1.92%	0.00%
6	Construction	1.71%	0.69%
7	Finance, takaful and business services	0.95%	0.48%
8	Transport, storage and communication	0.75%	0.60%
9	Community, social and personal service	0.29%	0.51%

### Impaired Financing by Business Segment



		FY2022	FY2021
1	Consumer	71.99%	66.36%
2	Commercial	21.26%	30.27%
3	SME	6.17%	3.37%
4	Corporate	0.58%	0.00%
5	Treasury & Investment	0.00%	0.00%

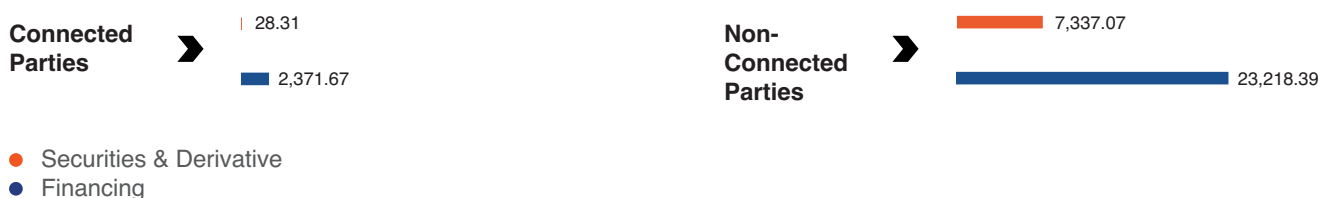


# CONNECTED PARTIES

As at end of FY 2022, connected parties exposures accounted for 7.28% (RM 2.40 billion) of the total credit exposures of RM 32.96 billion. The amount stood at 65.98% against Bank Muamalat’s capital fund of RM 3.64 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

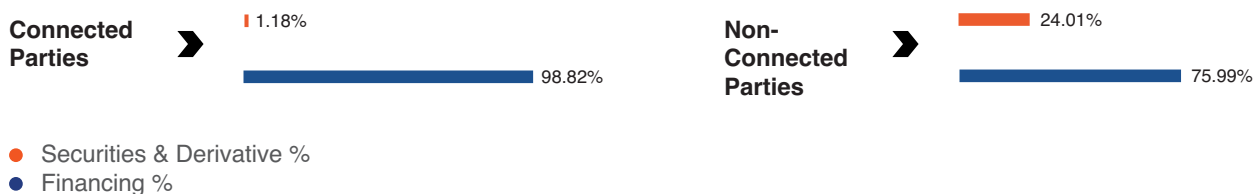
## CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT

as at December 2022 (RM’ Mil)



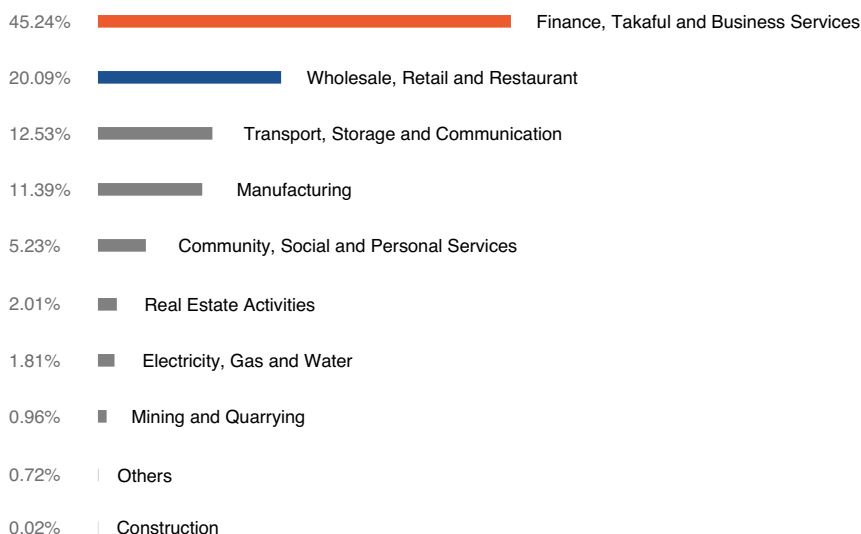
## CONNECTED PARTIES VS NON CONNECTED PARTIES EXPOSURE

as at December 2022 (RM’ Mil)



## CONNECTED PARTIES EXPOSURE BY SECTOR

as at December 2022







# MESSAGE FROM LEADERSHIP

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24 President and Chief Executive Officer's Statement

32 Shariah Committee Chairman's Statement

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# CHAIRMAN'S STATEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS



**RM306.7 mil**

(FY2021: RM256.6mil)

**PROFIT BEFORE TAX**



**0.85%**

(FY2021: 0.83%)

**GROSS IMPAIRED RATIO**

**Dear valued stakeholders,**

It is my privilege as the Chairman of Bank Muamalat Malaysia Berhad ("the Bank") to present our annual report for the financial year ("FY") 2022. In fulfilling our role as one of the leading Islamic financial institutions in the country, we remain steadfast in providing comprehensive banking and financial products and services based on Maqasid Al-Shariah to our valued customers. Alhamdulillah, with the right strategies and our resolution to achieve better lives together, the Bank has managed to achieve a record-breaking profit before tax of RM306.7 million for the financial year ending on 31 December 2022.

At Bank Muamalat, our commitment extends beyond financial transactions. As an Islamic bank, we envision a future where we are synonymous with excellence, integrity, and innovation that are fully Shariah-compliant. We aspire to be the preferred Islamic financial services provider while embracing responsibility for the holistic development of our communities. This vision calls us to continually refine our offerings to resonate with our customers' preferences. Our mission is to not only grow but to become a transformative force, fostering economic growth, empowerment, sustainability, and social responsibility. In this journey, Bank Muamalat aims to shape a future where finance becomes a powerful instrument for the greater good.

Beyond our core banking activities, we remain committed towards the development of our nation through corporate and social responsibility initiatives. In 2022, we intensified our efforts to alleviate the financial burdens borne by our customers affected by the floods earlier in the year. We also took various steps to help people understand finance better and share the inclusive advantages of Islamic finance with everyone while staying committed to our core principle of making Islamic Banking accessible to all.



**TAN SRI TAJUDDIN ATAN**  
Chairman

## CHAIRMAN'S STATEMENT

Throughout the past year, the Bank continued to support the national and Bank Negara Malaysia agendas. We consider it a privilege to have been among the six banks that supported the Housing Credit Guarantee Scheme (Malay: Skim Jaminan Kredit Perumahan) announced in Budget 2022. This initiative aimed to assist first-time homebuyers without fixed incomes or pay slips, including those engaged in gig work, freelance endeavors, self-employed businesses, trade, and small entrepreneurship. We also extended our support to the tourism sector through our participation in the PENJANA Tourism Financing Facility by Bank Negara Malaysia.

### 2022: A YEAR OF DEVELOPMENTS AND CHALLENGES

In 2022, the global economy experienced a notable shift in its growth trajectory as the global gross domestic product ("GDP") slowed down to 3.5% from 6.1% in 2021 caused mainly by the Russian-Ukraine war and slowdown in China. Global inflation also soared higher for the year, climbing to 8.7% from 4.7% in the previous year, resulting in central banks worldwide raising their policy rates to counteract the rising inflation. These measures aimed to strike a balance between controlling inflation and sustaining economic growth.

Amidst these global challenges, Malaysia managed to display remarkable resilience in its economic performance. The Malaysian GDP grew markedly by 8.7%, the highest growth rate in over two decades. This impressive growth was primarily fueled by the recovery in both private and public sectors following the full reopening of the economy after pandemic-related restrictions were lifted.

Within the banking sector, Malaysian banks experienced a significant shift in 2022 when Bank Negara Malaysia decided to raise the overnight policy rate ("OPR") to 2.75% from a record low of 1.75% in 2021. While banks continued to face persistent margin compression, this move had a positive impact on banks' margins though it may have been partially offset by the higher cost of funding that banks had to contend with due to intensified deposit competition.

### OUR FINANCIAL PERFORMANCE

In the face of the challenges that characterized the year 2022, we are grateful to report that the Bank achieved a record-breaking profit before tax of RM306.7 million for the fiscal year ending on 31 December 2022. This achievement reflects a notable increase of 19.5% from the RM256.6 million recorded in the same period of the previous year.

We also recorded a return on equity of 10.9% and a return on assets of 1.04%. Although our cost-to-income ratio was slightly higher at 52.5% compared to 51.6% recorded in FY2021, it remained in line with the Bank's business growth. Through our

constant efforts in strengthening the Bank's asset quality and ensuring prudent practices in risk and compliance culture, we managed to maintain a stable gross impaired ratio of 0.85% in FY2022 (0.83% in FY2021), below the industry's impairment level of 1.72%.

Our focus on improving our business performance is driven by an acknowledgment of our responsibility to continuously deliver sustainable returns and create incremental value for our shareholders. While retail banking remains the main contributor to business growth, we will continue to innovate products and services to build better momentum for growth in the upcoming years.

### OUR ISLAMIC FINANCIAL SOLUTIONS

Our business growth will continue to be supported by more innovative products and solutions, designed to meet customers' diversified needs. In terms of Islamic product development, the Bank has expanded its product offerings to go beyond the current focus on Tawarruq. In line with our aspiration to enable Islamic banking for all, we aim to elevate fundamental products into holistic financial solutions that result in wealth creation not only for retail customers but also for corporate clients.

This will be combined with improved service delivery to broaden its reach and improve client accessibility via digital touchpoints, as well as ensure all our products and services are Shariah-compliant.

### OUR DIGITALIZATION JOURNEY

While pursuing near-term growth, the Bank is also committed to driving medium-and long-term growth through its digitalization journey, empowering the Bank to remain competitive and adapt to the evolving needs of the customers' needs and preferences. Anchored in the Bank's strategy, various initiatives on digital innovation and process automation continue to be implemented to ensure ease of access, usage, and smoother banking experience for the customers.

In this regard, our digitalization endeavors at the Bank included continuous enhancement of our existing digital channels – particularly our i-Muamalat Mobile App, Muamalat Application Platform (MAP), and Online Deposit Account (ODA) platform – allowing customers from all walks of life to open accounts, perform banking transactions, and apply for financing remotely. These channels offer not only seamless banking services but also a more secure banking experience. Automated processes and workflows have also been adopted within our banking operations to drive efficiencies and streamline the human capital management processes. These include the implementation of Robotic Process Automation in selected sales and operational processes.

As digitalization introduces a new realm of risks with the growing threat of financial crimes, we approach these challenges with more proactive risk management and compliance practices. Adequate frameworks have been established to ensure they safeguard not only our systems but also our customers' data. These concerted efforts to ensure heightened governance on technological innovations show that our aim is not merely to embrace digitalization but to do so with integrity, safeguarding the financial well-being and trust of those we serve.

Moving forward, our plans will be focused on strengthening and enhancing our technological capabilities so as to deliver more excellent customer experience, enable rapid business growth, ensure compliance and optimal infrastructure capabilities, and address cybersecurity.

### OUR INVESTMENTS IN OUR EMPLOYEES

We recognize that our employees are our greatest asset, for they are the backbone of all our successes. Therefore, we are committed to investing in their development and well-being. We continuously provide our employees with training and development opportunities to develop their skills and knowledge. In 2022, the Bank invested more than RM3 million in employee development and training on technical, leadership, and management skills. In addition, we have also organized mental health awareness talks at our headquarters and provided gym memberships at sports and recreation clubs to our people in advocating for healthy work-life balance.

Besides, we are committed to building a diverse and inclusive workforce as we believe that diversity fosters creativity and innovation, which are crucial to our success. From time to time, we provide career development opportunities, including job rotations and promotions, to enable and empower our people to reach their full potential, and we have also been offering competitive benefits and rewards, such as staff financing and medical takaful, to attract and retain the best talents in the industry.



**RM18.8mil**  
**WAQF FUNDS DISBURSED  
 FOR HEALTHCARE,  
 EDUCATION AND  
 INVESTMENT SECTORS**



## CHAIRMAN'S STATEMENT



**In 2022, a total of RM13.3 billion or 54.7% of the Bank's total outstanding financing was recognized as having a direct impact on the economy, environment, and society.**



### OUR COMMITMENT TO SUSTAINABILITY

As part of our commitment to sustainability, the Bank will continue to implement measures and offer products and services that are environmentally and socially responsible, while also ensuring good governance practices. In 2022, a total of RM13.3 billion or 54.7% of the Bank's total outstanding financing was recognized as having a direct impact on the economy, environment, and society.

The Bank has been actively supportive of Bank Negara Malaysia's sustainability agenda and has actively promoted our capabilities by being a part of the team that contributed to the Value-Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) sectoral guide, released in February 2022. This reflects our ongoing dedication to sustainability as we continue to advance industry knowledge in the agriculture sector through the third cohort of the sectoral guide.

We also recognize the increasing focus on climate change. As part of our commitment, we have adopted the Climate Change and Principle-based Taxonomy (CCPT). It underscores our endeavor to steer the Bank's transition towards a low-carbon economy, aligning our operations with global efforts to address climate change for a sustainable world.

In 2022, the Bank's commitment to social finance manifested through diverse initiatives. This included our support for affordable housing financing, as evidenced by our continued backing of schemes like the Housing Credit Guarantee Scheme and My First Home Scheme. We have also launched the iFAST Barakah Environmental, Social, and Governance (ESG) Focus Portfolio, a balanced Shariah portfolio with no less than 40% exposure in Shariah-compliant ESG funds. These products and services are carefully crafted to align with our dedication to inclusiveness, fairness, and impartiality, ensuring they benefit all rungs of society.

Additionally, we have expanded our existing iTEKAD program by collaborating with the Pahang state government on the i-PUSH program called iTEKAD Mahabbah. This initiative aims to uplift

the Asnaf and B40 micro-entrepreneur groups by providing them with financial assistance, training, and halal certification support. Collectively, the iTEKAD program has reached more than 700 recipients in FY2022.

Our dedication to waqf funds remained steadfast, with over RM33 million collected in 2022. Of this amount, RM18.8 million was disbursed for healthcare, education, and investment projects. These efforts further underscore our dedication to community development and our mission to contribute positively to the well-being of our society.

### OUR COMMITMENT TO GOVERNANCE, INTEGRITY, AND RISK MANAGEMENT

The Bank places significant importance on promoting a culture of good corporate governance that upholds the values of integrity, ethics, and transparency in all aspects of our operations. Hence, the Board of Directors ("the Board") is entrusted to direct and oversee the business and affairs of the Bank to ensure it always operates in accordance with the principles of good governance. The Board periodically reviews and approves the overall strategies and applicable policies and frameworks to make sure the Bank is moving in the right direction based on its vision and objectives, and that all the latest and relevant policies and procedures are properly incorporated into the operations for compliance purposes. While being vigilant on the regulatory changes and updates, the Bank continues to respond promptly to the opportunities and challenges brought forth by those changes to ensure our highest commitment to compliance, governance practices, and risk management.

We also have instituted internal control systems in place for effective risk management. Our mature internal control systems and comprehensive risk management frameworks and policies allow the Bank to appropriately manage and mitigate significant risks arising from changes in the business environment.

On top of this, we also foster a culture of transparency and accountability by ensuring the information that is communicated for decision-making is relevant and clear.





Lastly, the Bank adopts a zero-tolerance policy toward any conduct that constitutes malpractice, including breach of ethics, conflict of interest, bribery & corruption, money laundering, terrorism financing, and fraudulent acts. We have formulated and adopted the Anti-Bribery and Corruption Policy across the Bank and continuously enhance relevant aspects of the policies to ensure the Bank adopts all kinds of approaches against all forms of bribery and corruption. We have also institutionalized Corruption Risk Assessment to identify potential issues and threats associated with integrity and anti-corruption-related governance.

### OUR STRATEGIC PLANS FOR THE FUTURE – HIGH-PERFORMING ISLAMIC BANK FOR ALL

Moving forward, we will continue to leverage our 5-Year Strategic Plan, RISE26+, to adapt to the changing post-pandemic business landscape from 2022 to 2026, building upon its predecessor, RISE24. Aligning with this plan, the Board's priorities for FY2023 will be on business growth and transformation with continuous emphasis on enhancing risk, compliance, and governance practices. Our primary aim is to ensure sustainable returns for our stakeholders by strategically positioning the Bank for growth. In achieving this, we will adopt defensive and offensive strategies to protect assets, optimize operations, expand our customer base, and improve the customer experience through tailored products, digital innovations, excellent service, and competitive pricing. To future-proof our business, driving digitalization and innovation in Islamic banking, as well as emphasizing process automation, improved digital customer experiences, and enhanced security with innovative technologies, are paramount.

In addition, we are committed to building a high-performance organization through a culture transformation framework that promotes excellence, invests in employee development, and instills our core beliefs. We have been and will continue to communicate the goals of RISE26+ throughout the organization and implement an interactive performance management system to motivate employees. We have also established the Human Capital Strategic Plan that enhances our Human Resources structure to attract and retain top talent.

Moreover, we will continue to adhere to Shariah principles, integrate ESG considerations, support social finance, and ensure regulatory compliance, including climate risk management guidelines from Bank Negara Malaysia. Our commitment to social financing and community empowerment is also reflected in our 'Islamic Bank for All' objective, emphasizing supporting the community at large and personalizing customer experiences.

### CLOSING REMARKS

Prophet Muhammad (peace and blessings be upon him) said, "He who does not thank people, does not thank Allah" (Ahmad, Tirmidhi). As we conclude this fiscal year, it is only right that we begin the next with a sense of gratitude and hope. I would like to take a moment to thank the Board members, dedicated Management team, partners and all hardworking staffs for their unwavering efforts, support and commitments to make this success possible.

My utmost appreciation also goes to Mr. Iwan Rashman Gulamoydeen for his invaluable contributions to the Bank, before he stepped down from his role in 2022. I wish him all the best in his future endeavors. At the same time, I am delighted to welcome Mr. Ainol Roznain Yaacob, who joined the Bank on 1 October 2022.

Looking ahead, we must acknowledge that the road may be fraught with challenges and uncertainties. However, it is my firm belief that, with the resilience and determination that characterize our institution, we will be well-positioned to navigate these challenges. Our commitment to excellence & integrity, track record of adaptability, and our sincere dedication to our customers, shareholders, & society at large will continue to guide us forward, Insha-Allah.

Finally, I wish to express my gratitude to the Government and Bank Negara Malaysia for laying down the foundation of our journey to continue to serve the economy of our dear country especially in Islamic finance. Their continued dedication, support and collaborative efforts in creating a conducive and thriving banking environment have indeed propelled our Bank towards new domains of success, in the service of our communities and our country. Together, we will not only face the challenges of the future but also seize the opportunities that lie ahead, further cementing our position as a leading force in the financial market.

Thank you all, and may Allah SWT bless us with continued success.

*Wabillahi taufiq walhidayah wassalamu'alaikum wa rahmatullahi wa barakatuh.*

**Tan Sri Tajuddin Atan**  
Chairman

# PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

Dear valued stakeholders,

Riding on the nation's recovering economic trends, and coupled with our continuous effort in delivering the best values for our shareholders, the Bank has continued its upward trajectory and achieved a record profit before tax and zakat in FY2022. The Bank's reputation as an industry player and service provider was strengthened through a series of continual improvements and innovations. One of the major achievements was the launch of EasiGold, the first Shariah-compliant digital mobile-based gold investment platform aimed to diversify our portfolio of financial solutions while keeping up with the trend of digitalization. To further cater to the needs of our customers, we also launched our credit cards, namely Bank Muamalat Visa Platinum-i and Bank Muamalat Visa Infinite-i. In addition, we also launched the iFAST Barakah ESG Focus Portfolio, which has garnered a total sale of RM8.4 million for the year. iFAST Barakah is a Shariah portfolio of investments managed by licensed professional portfolio managers and has an exposure of not less than 40% in Shariah-compliant environmental, social, and governance ("ESG") funds.

In recognition of our continuous efforts in delivering values, the Bank was awarded the prestigious BrandLaureate Best Brands Awards 2021-2022 for the Most Valuable Brand in Banking and Finance. Following this, we also attained the Top 3 among the financial institutions nationwide in a Special Award for Promoting the Housing Credit Guarantee Scheme 2020-2021 by Syarikat Jaminan Kredit Perumahan ("SJKP") Berhad. Furthermore, we were awarded the ASNB Starz Awards 2022 and ASNB Sales Triumph 2021 as appreciation for the Bank's contribution in growing the unit trust industry.



**10.9%**  
RETURN ON  
EQUITY (ROE)



**1.04%**  
RETURN ON  
ASSET (ROA)



**KHAIRUL KAMARUDIN**  
President & Chief Executive Officer

## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

### DELIVERING VALUE TO OUR STAKEHOLDERS

Aligned with our mission to deliver the best value, we strive to continually grow and adapt to the needs of our stakeholders, including our customers, employees, regulators, and the community.

Aiming to cater to all Customer segments, various initiatives have been put in place throughout the year catalyzed by the need for increased convenience during the COVID-19 pandemic, the Bank responded by introducing more online services and digital-based platforms to cater to the shifting customer preferences toward mobile accessibility. To boost customer experience, we consistently sought improvement in our digital platform, and this has gathered very encouraging responses from our customers. Continuous enhancement of our retail Internet banking saw a 22.4% increase in subscribers. Our mobile subscribers have also increased by 27.7% compared to FY2021. In addition, the Muamalat Application Platform, which was introduced in October 2020 to allow customers to apply for financing and track their financial journey online, received an overwhelming 14,857 applications in FY2022, amounting to a total transaction value of RM1.4 billion compared to RM1.3 billion in FY2021. We also upgraded the feature of DuitNow request for retail Internet banking and mobile apps, enabling payees to send digital payment requests to collect funds from payers.

For our Employees, the Bank launched a new Human Capital Strategic Plan, which emphasizes driving performance through integrated performance management and rewards; attracting, developing, and retaining the best talents; and establishing a human resource operating model that transforms human resource management to become more structured. To support this, the Bank has invested in the enhancement of the human capital management system, which is a user-friendly, integrated platform that enables employees to access their learning management system, training progression, and various other functions remotely via the Internet and mobile devices. In addition, the Bank has continuously invested in talent management and leadership development via succession planning and training programs for the upskilling and reskilling of employees. The launch of the Muamalat Professional Banker Program is one of the initiatives of the Bank to provide a structured path for Branch Managers and Assistant Branch Managers to attain certification and career development.



**Continuous enhancement of our retail Internet banking saw a 22.4% increase in subscribers**



As a responsible financial institution, we work conscientiously to ensure ongoing compliance with requirements set by Regulators. In order to work toward effective compliance delivery, risk management, and governance, the Bank continuously reviews and improves our compliance and risk management practices, including monitoring tools, systems, and processes. Additionally, as part of our commitment to Bank Negara Malaysia's value-based intermediation principles, sustainability elements have been integrated into the Bank's credit scorecard and business strategy. At the same time, ESG considerations have also been integrated into our financing evaluation processes through ESG assessment, delivering on our commitment to the Climate Change and Principle-based Taxonomy as underlined by BNM.

Giving back to the Community is our core value as an Islamic financial institution. Through collaboration with State Islamic Religious Councils, Wakaf Muamalat collected more than RM33.0 million in 2022, of which RM18.8 million was disbursed to fund a variety of waqf projects for healthcare, education, and investment. Under the iTEKAD program, the Bank disbursed RM6.5 million and extended financial support to a total of 771 entrepreneurs. Divided into two models which are the iTEKAD Mawaddah and iTEKAD Mahabbah, the program aims to aid the asnaf and B40 microentrepreneurs who were affected by the pandemic in continuing their businesses. In a strategic partnership with the Pahang State Government, the Bank launched i-PUSH under iTEKAD Mahabbah to uplift 751 microentrepreneurs of which the program offered profit-free financing and a one-year moratorium. While under the iTEKAD Mawaddah program, the Bank provided a total of RM149,709 of working capital and RM126,680 in training fees. Additionally, in response to the plight of flood victims, the Bank also formed a flood relief mission consisting of its staff, delivering donations of cooking gas cylinders to over 300 affected families in Pahang. In further efforts to empower the poor in the country, approximately RM200,000 has been channeled to programs under the Society Well-being initiative, aiming to provide educational aids and skills training to beneficiaries under e-Kasih households, as well as offer job matching opportunities with corporate and NGOs through public and private collaboration.

At Bank Muamalat, we are committed to making banking services more accessible and inclusive. In order to widen our reachability, the Bank launched the outreach initiative of Bank Bergerak. This initiative aims to "bring the bank to the rural communities" by meeting residents in Kedah at designated locations and days to provide basic banking services. Our Bank Bergerak services offered comprise account opening, Ar-Rahnu financing, fund transfers, financing payments, and cash deposits and withdrawals. At the same time, e-Duit Desa was launched in collaboration with Bank Negara Malaysia to raise public awareness and promote the use of e-banking and cashless services, such as payments via DuitNow QR or MyDebit cards, among rural communities.



## ANALYSIS OF FINANCIAL PERFORMANCE

The Bank achieved a record profit before tax and zakat of RM306.7 million, representing a 19.5% growth compared to RM256.6 million in the previous year. The higher profitability was mainly due to an increase in total gross financing assets and improved asset quality, resulting in a 19.4% increase in distributable income. In turn, our return on equity improved from 9.5% in FY2021 to 10.9%, while the return on assets improved from 0.96% in FY2021 to 1.04%. In tandem with the Bank's business growth, our total overheads and expenditures have also increased by 12.8% to RM452.8 million, which also translated to a higher cost-to-income ratio of 52.5% as compared to 51.6% in FY2021.

The Bank's total assets expanded by 14.4% year-on-year to RM31.5 billion. The growth in assets was primarily contributed by a 16.2% year-on-year increase in total financing to customers from RM20.8 billion in FY2021 to RM24.2 billion in FY2022, coupled with an increase in financial securities by 4.0% from RM5.3 billion in FY2021 to RM5.5 billion in FY2022. Our gross impaired financing (GIF) ratio remained stable with a marginal increase of 0.02% to 0.85% in FY2022 [FY2021: 0.83%], indicating that our quality of assets remained solid.



The RM3.4 billion expansion in gross financing was mainly attributed to retail financing, largely fuelled by the household sector which grew from RM14.0 billion to RM17.1 billion, a 22.1% year-on-year growth. The household sector remained the leading contributor in gross financing, accounting for 70.3% of the total financing by the Bank, with the rest being business-based financing. Expansion in our household sector was mainly driven by growth in financing for residential property and personal financing.

## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



**Despite various challenges such as stiff competition and a rapidly changing industry landscape, we made significant strides in strengthening our financial performance and providing exceptional services to our customers.**



Meanwhile, total deposits in the Bank increased by 13.9% year-on-year, translating into an approximate RM3.2 billion growth in FY2022; this growth was mainly contributed by the increase in the current account and short-term deposits. Low-cost deposits in current accounts and savings accounts (“CASA”) grew 9.9% year-on-year and made up 34.0% of total deposits, translating into an RM804 million growth.

On capital position, the Bank’s Common Equity Tier-1 Ratio and Total Capital Ratio remained strong at 12.6% and 17.6%, respectively, well above regulatory requirements.

### OVERCOMING THE YEAR'S CHALLENGES

Despite various challenges such as stiff competition and a rapidly changing industry landscape, we made significant strides in strengthening our financial performance and providing exceptional services to our customers.

To navigate the tight profit margin brought by the low-interest/profit rate environment, the Bank focused on the growth of low-cost deposits, such as CASA and short-term deposits. Additionally, to ensure that our portfolio remains robust, we also directed toward government and Bank Negara Malaysia-guaranteed funds and programs.

To stay relevant in today’s fast-paced market, the Bank has enhanced customer experience by embracing digitalization. By automating processes and streamlining workflows, we strive to optimize efficiency by achieving straight-through processing.

The digitization of branch documentation, which has enabled paperless account opening through our digital platform, also received encouraging feedback from our customers.

With the growing threat of financial crimes, especially with the expansion of the digital landscape, we have made significant investments in upgrading our IT infrastructure to strengthen our cybersecurity by elevating our Risk Management in Technology compliance. We are also committed to reaching an ideal maturity level in our cyber resilience through robust data privacy and cyber security practices.

In the face of vast changes in the financial landscape, we have also been increasing our commitment to addressing ESG agendas. As such, we have put emphasis on processes to enhance the risk appetite statement on climate-related risk, perform gap analysis with the policy document to identify gaps, and develop an implementation plan with targets and milestones to address the gaps. Committed to our sustainability plan for combating climate change, the Bank will continue to promote the transition to a low-carbon economy and embed environmental considerations into its business strategies.

### TRANSFORMING INTO A HIGH-PERFORMING ORGANIZATION WITH RISE26+

The global business environment has been undergoing rapid changes, and the prolonged impact of the pandemic has further intensified the need for us to stay competitive and relevant. To adapt to the vastly dynamic environment, the Bank stays abreast by introducing a new 5-Year Strategic Business Plan dubbed RISE26+.

Founded on the grounds of RISE24, the development of RISE26+ has taken into account factors such as the latest government policies and BNM requirements on digitalization and sustainability; market intelligence on competitor analysis; burgeoning business opportunities from market development and identified gaps of concerns and risks; and the Bank's existing performance, offerings, and capacity for further expansion. RISE26+ will serve as our blueprint for 2022 to 2026, and 2022 was the first year the business plan has been implemented.

In pursuing our vision to become the preferred Islamic financial provider, RISE26+ outlines five Aspirations to guide the Bank's direction in upcoming years. Through the plan, the Bank commits to delivering Sustainable Shareholders' Returns, directed by a clear set of targets and goals in the next five years, which includes return on equity. The Bank also aims to become the Islamic Bank for All by increasing efforts in diversifying the customer base through new market growth, penetrating niche segments, and widening geographical reach. In addition, the Bank works toward Next-Generation and Agile Banking by accelerating digitalization across all businesses and operations while increasing revenue on digital channels.

As employees are fundamental to our ambition of transforming into a High-Performing Organization, we promote workforce empowerment by adopting a culture that values agility and flexibility, and by equipping our employees with digital skills. As the Bank aspires to further Promote Value-Based Intermediation and Sustainability, we place greater emphasis on efforts of institutionalizing and contributing to social finance and community empowerment.



## RM31.5bil

(FY2021: RM27.6 bil)

### TOTAL ASSETS



## 17.6%

(FY2021: 17.4%)

### TOTAL CAPITAL RATIO



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



To leverage RISE26+ for achieving the Bank's long-term goal, a clear target under each Aspiration is determined to ensure a more structured approach toward becoming a high-performing organization. In support of the five Aspirations, eight Strategic Thrusts are constructed to lead the structural frameworks, decision-making, and day-to-day operations of the organization, namely Accelerate Business Growth, Enable Islamic Banking for All, Drive Sustainability, Customer Centricity, Innovation, Operational Efficiency, Strengthening our Foundation, and High-Performing Organization.

Accelerating business growth is one of our key priorities in RISE26+. The Bank aims to build new revenue streams and further grow existing ones through an expansion in its retail and business banking. In catering to the needs of the targeted demographical profiles, the Bank continues to diversify its portfolio of financial solutions in business-based banking and penetrate untapped segments through a product bundling strategy. At the same time, low-cost fund deposits in the form of CASA remain important to our growth as we increase deposits by optimizing the cost of funds.

In line with our aspiration to enable Islamic banking for all, the Bank works toward providing financial solutions for all, especially within retail, commercial, and small and medium-sized enterprise banking products and services to widen our customer base.

Further, the Bank continues to drive sustainability by providing financial solutions to the unserved and underserved market through the iTEKAD Mawaddah program.

At the Bank, we believe delighting our customers is at the core of our success. By adopting a customer-centric approach, we strive to elevate our customers' experience by leveraging technology and digitalization through our Muamalat Application Platform (MAP), Online Deposits Account application, and EasiGold platform. In addition, to build trust within society, the Bank has expanded its sales management team and financing program units to develop strong relationship management activities.

To enhance customer experience with our products and services, the Bank also aims to improve operational efficiency by leveraging technology. As such, we have invested in upgrading our IT infrastructure to meet our growth ambitions and adopted the market's latest best practices. Enhancement of the Bank's customer touchpoints and streamlining processes through digitalization, simplified and centralized documentation, and process automation will not only boost productivity and customer satisfaction by reducing turnaround time and human errors but also manage our costs in line with growth in the long run. As part of our operational efficiency effort, the Bank also aims to prioritize cost management exercises by optimizing resource allocation and streamlining operational processes, as well as regularly reviewing and refining cost management strategies.

In today's fast-changing business environment, driving innovation is an essential part of transforming our Bank into a high-performing organization. To encourage innovation, the Bank has continually explored developing technological advances, such as the introduction of Machine Learning to provide effective solutions to combat fraud and improve customer experience to meet Bank Negara Malaysia's regulatory requirements. Besides, the development of the electronic Know Your Customer solution for account opening and financing applications has allowed the Bank to expand its online reach and capabilities. In addition, we have enhanced our data analytics by strengthening the foundation of our data platform and improving data quality. The Bank continues to play its role in creating a digital economy through strategic collaborations.

As we expand our business and grow our reach, the Bank remains diligent in strengthening our foundation as a financial institution. To ensure the enforcement of regulatory requirements and manage legal and reputational risks, effective compliance and robust risk management practices are put in place to identify, assess, and manage risks. The efforts we have taken to streamline and enhance our risk management policies and



### RM24.2bil

(FY2021: RM20.8bil)

### GROSS FINANCING





**With RISE26+ guiding our journey onward, we remain committed to achieving sustainable growth while delivering the best value to all stakeholders.**



procedures include establishing strategic risk management, embedding enterprise risk management processes in the relevant framework, and realigning our risk appetite statement and financing strategies. Besides, strengthening cybersecurity is also part of this thrust, where the Bank will continue to conduct regular cybersecurity assessments and put in place an effective incident response plan to detect, contain, and recover from cyber incidents.

As the Bank sails forward with the aspirations of RISE26+, it is essential that we align the overall workforce strategy with the culture of a high-performing organization. In this cultural transformation, the Bank strives to create a workforce culture that values agility and flexibility, cultivating a mindset among its employees that is open to change, experimentation, and continuous improvement through embracing change and taking calculated risks. In addition, six success beliefs, which are delighting the customers, building trust, driving innovation, moving fast with the trend, owning responsibilities, and working as one team, are embedded into the culture to reflect and remind us of the aspirations and values that drive our work.

To support this cultural transformation, the newly implemented Human Capital Strategic Plan prepares a framework that aims to drive employee performance while managing talents in a more structured manner. Under the plan, workforce optimization is performed as we focus on reassigning manpower to revenue-generating functions. The Bank also consistently empowers its employees through ample training and support, equipping them with the current knowledge and skills needed to make swift and on-point decisions. Furthermore, the Bank continuously invests in talent development by retaining high-performing employees through integrated performance management and robust rewards mechanism of monetary and non-monetary incentives, as well as in talent attraction by establishing a strong employer value proposition. In such an age where collaboration is often the key to success, cross-functional teams are becoming an integral part of our culture, aligning with our aspiration of transforming into a high-performing organization.

#### CLOSING REMARKS

Despite the slower economic growth and anticipated challenging business environment for the coming year, I am optimistic and confident that our consistent efforts in building future-ready capabilities will have prepared the organization well to adapt and evolve to the vastly changing financial landscape.

Throughout this period, we have made significant strides in enhancing our technology capabilities, expanding our product offerings, and strengthening our risk management framework. These efforts have enabled us to serve our customers better and establish our position as an important player in the industry.

Moving forward, we will continue to engage with our customers to provide financial solutions for all as we move steadfastly toward transforming into a high-performing organization. With RISE26+ guiding our journey onward, we remain committed to achieving sustainable growth while delivering the best value to all stakeholders.

I would like to acknowledge the Chairman and the Board for their effective stewardship and guidance, the government and regulators for providing us with clear directions and support, and the management team and employees for their dedication and hard work.

Lastly, may Bank Muamalat continue to achieve new heights in its pursuit of becoming the preferred Islamic financial provider for all.

Thank you.

**Khairul Kamarudin**  
President & Chief Executive Officer

# SHARIAH COMMITTEE CHAIRMAN'S STATEMENT



IN 2022, SC SUCCESSFULLY INCORPORATED THE SHARIAH GOVERNANCE POLICY ISSUED BY BANK NEGARA MALAYSIA INTO OUR SC CHARTER.



SC REVIEWED AND APPROVED MULTIPLE NEW PRODUCTS AND SERVICES TO CATER TO THE NEEDS OF OUR DIVERSE CUSTOMER BASE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

PEACE BE UPON YOU AND MERCY OF ALLAH AND HIS BLESSINGS

It is my pleasure to present the work of the Shariah Committee (“SC”) of the Bank to you in this annual report. Over the years, Islamic finance has gradually become mainstream in the global financial system as a viable alternative to conventional financial services. This phenomenon can be attributed to the fundamental principles of Islamic finance which promote justice, fairness, transparency, inclusivity, ethical business conduct, and compliance toward Maqasid Shariah in banking practices. Secured financing, such as equity-based or asset-backed financing, that is in line with these principles is found to be able to effectively mitigate banks’ risks.

The Bank is proud to uphold these principles, and this is evident in our promotion of Mudarabah-based products which are based on a profit-sharing mechanism, disclosure of any fees, charges, and profit rates to customers prior to any product and service subscriptions, and the provision of banking services for all, regardless of religion. Moreover, SC has also worked diligently to ensure all our business activities are compliant with Shariah and the Maqasid Shariah framework.



**HJ. AZIZI CHE SEMAN**  
Chairman, Shariah Committee

## SHARIAH COMMITTEE CHAIRMAN'S STATEMENT



### REFLECTIONS ON 2022

In 2022, SC successfully incorporated the Shariah Governance Policy issued by Bank Negara Malaysia into our SC Charter. At the time of writing, we are in the midst of incorporating the latest guidelines issued by Securities Commission Malaysia into the SC Charter and revising SC's Terms of Reference.

To ensure a smooth transition process for SC, we have developed a succession plan for the appointment of the SC Chairman. We have also planned for the reappointment process of the two (2) SC members whose appointments are due for renewal in March 2023.

In the past year, SC reviewed and approved multiple new products and services to cater to the needs of our diverse customer base. These included the Muamalat Floor Stocking-i (Murabahah to Purchase Orderer), Step-up Payment Muamalat Vehicle Financing-i, Muamalat Term Financing-i (Qard), National Supply Chain (JANANIAGA), Term Investment Account-i (Wakalah Bi Al-Istithmar), and Liquidity Management System. Moreover, we also reactivated our Muamalat Hire Purchase-i and Istisna' Home Financing-i.

### ADVANCING OUR VISION

Throughout 2022, the Bank remained committed to its vision and mission: To become the preferred Islamic financial provider in the nation by ethically delivering the best values to stakeholders, society, and the environment. As usual, SC has actively supported the Bank throughout the journey, especially in Shariah-related matters.

We continued incorporating Shariah governance into the Bank's operation, which has become one of the core strengths of the Bank. In this regard, we have strengthened the Shariah functions within the Bank, especially the Shariah Review and Shariah Audit functions to further improve the review and audit processes to make certain that the Bank's products and services are Shariah-compliant. Also, we have set a zero-tolerance policy for Shariah non-compliance events as part of the Bank's corporate KPI and communicated the policy across the Bank.

In terms of the products and services, we have applied various Shariah contracts and harnessed various financial technologies in our newly launched products and services. Efforts have been put in to explore new hybrid Shariah concepts to develop better products and services for the people as well.



**In the area of enhancing social welfare, we have formed a strategic collaboration with the State Religious Council in 2022 to expand waqf and zakat services through the collection and distribution of waqf and zakat funds. We have also developed and launched products specifically catering to the Asnaf and B40 groups, namely iTEKAD Mawaddah and i-PUSH Scheme (in collaboration with the Pahang State Government).**



Aside from incorporating Shariah innovations in product and service development, we have also maintained our focus on promoting financial inclusion in our nation. We consistently advised the Bank on product and service development from a Shariah perspective in order to develop competitive products and services that are suitable for all, including the unbankable category.

In the area of enhancing social welfare, we have formed a strategic collaboration with the State Religious Council in 2022 to expand waqf and zakat services through the collection and distribution of waqf and zakat funds. We have also developed and launched products specifically catering to the Asnaf and B40 groups, namely iTEKAD Mawaddah and i-PUSH Scheme (in collaboration with the Pahang State Government).

Overall, 2022 was a year of progress for SC in terms of our pursuit of creating a more sustainable financial sector for the people. We have developed products that are in line with ethical, sustainable, and environmentally and socially responsible finance principles.

Going forward, SC will continue to keep abreast of relevant market and regulatory developments through different measures. These measures include getting updates from the Regulatory, Advisory, and Compliance Division in the monthly SC meetings; conducting familiarization programs with selected departments to obtain updates on the latest developments or new initiatives by the departments; organizing town hall or briefing sessions involving Bank Negara Malaysia, SC members, and the Head of Shariah Department; and carrying out BOD-SC-Management engagement sessions to share the latest Islamic banking and finance developments.



Insya-Allah, may we continue to bring true values to all our stakeholders by adhering to the principles of Islamic finance, or, in general, to Islamic teachings.

Thank you and best regards,

**Hj. Azizi Che Seman**  
Chairman, Shariah Committee



03



# OUR STRATEGY

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# MARKET AND INDUSTRY OVERVIEW

## REVIEWING THE YEAR 2022 ECONOMY

## STELLAR GROWTH STORY

**720,656** units

Total Industry Volume (TIV) for the automotive sector

**RM179.1** billion

total property transaction

The Malaysian economy was growing at a robust rate in 2022, thanks to the reopening of the economy since October 2021. The international border was also reopened to foreign tourists commencing 1 April 2022 which has certainly complemented the strength of the country's economic fortune. This has resulted in a sharp increase in tourists' arrivals to 392,059 tourists as of April 2022 from 41,496 tourists in the preceding month. Thereafter, tourists' arrivals had risen persistently to end the year at 1.83 million tourists, a stark difference from 36,013 tourists during December 2021. The automotive and property industries also recorded significant increases. Total Industry Volume (TIV) for the automotive sector grew by a whopping 41.9% to 720,656 units in 2022, while total property transactions rose 23.6% to RM179.1 billion during 2022.

Against such a backdrop, the growth of Malaysia's Gross Domestic Product (GDP) jumped 8.7% in 2022 from 3.1% in the previous year. Consumer spending was the main driver of growth, expanding 11.3% in 2022 from 1.9% the previous year. Such dynamics resonate well with the improvement in the state of the labour market, with the unemployment rate continuing to decline to 3.9% during the year 2022 from 4.6% in the previous year. As more Malaysians were being employed which led them to be able to spend, the services sector was the immediate beneficiary. This was reflected by the sharp increase in the wholesale and retail trade industries by 13.5% in 2022 from 1.6% in the prior year. Following the stellar performance in Malaysian exports, the manufacturing sector, too, has demonstrated a healthy growth of 8.1% during 2022, albeit slower compared to 9.5% in 2021. Meanwhile, with sturdy implementation of infrastructure projects as well as residential property construction, the construction sector managed to turnaround to 5.0% growth in 2022 after suffering two consecutive years of contraction of 19.3% and 5.2% in 2020 and 2021 respectively.

With this in mind, Bank Negara Malaysia (BNM) decided to raise the Overnight Policy Rate (OPR) by a total of 100 basis points during the year 2022, bringing the policy rate from 1.75%, the lowest in history, to 2.75% presently. A higher inflation rate of 3.3% for the year 2022 from 2.5% previously has been contributed by both the supply and demand conditions, which necessitate a monetary policy response. In a nutshell, the Malaysian economy has prevailed in the year 2022, as threats from the pandemic have eased. Moving forward, the government's commitment for an economic reform will be the key strategic imperative for bringing the country to the next level, one that is more sustainable and inclusive.

## THE OUTLOOK FOR 2023

## ON CAUTIOUS MODE

The global economy is expected to endure a challenging outlook in 2023. First and foremost are the effects of past monetary tightening by the major central banks. In particular, the US Federal Reserve has delivered a total of 450 basis points (bps) increase in the Federal Funds Rate (FFR) since March 2022. Similarly, the European Central Bank (ECB) and Bank of England (BOE) have raised their policy rates by 300 and 390 bps respectively in the course of 12 months. Ultimately, such policies will have an adverse impact on economic activities as financing costs will cripple firms and household spending. Not to mention its adverse impact on equities and fixed income markets as well as the currencies movement which is likely to result in cautious sentiment among the business and investing communities.

Apart from the global monetary tightening condition, the heightening of geopolitical risks could potentially exert further pressures on supply-side inflation. The war in Ukraine, which erupted on 24 February 2022, has shown no signs of de-escalation. The US allies, including those in Europe, have pledged further military support for Ukraine while Russia continues its resolve to maintain its rightful sovereignty over the conflict region. In addition, further pressures are being directed by the US at China's businesses, with the



enactment of CHIPS and the Inflation Reduction Act by the US Congress in 2022. These measures are aimed at curtailing China's influence over key industries such as semiconductors and technology, as well as to encourage more factories to be built in the US, aiming to create more jobs for American citizens.

All this has led to the reconfiguration of the supply chain in global business as companies want to avoid operational disruption, which can be a costly affair. Thus, there are a slew of foreign direct investments (FDI) being channeled to the Asian region. In this respect, Malaysia could stand to benefit given its pro-business policy, supportive infrastructure as well as the availability of a talented workforce. The country has seen a total of approved investment of RM264.6 billion for 2022. Of this amount, FDI accounted for 62%, whereby China dominated the top spot of RM55.4 billion or 33.9% followed by the US (17.9%), the Netherlands (12.5%), Singapore (8.3%) and Japan (7%).

Despite the external uncertainties, the country's economy was able to post a significant jump in the Gross Domestic Product (GDP) with 8.7% growth recorded in 2022 (2021: 3.1 %). Domestic demand was the main driver of growth, especially private consumption and investment, whereby both components grew by a staggering 11.3% (2021: 1.9%) and 7.2% (2021: 2.6%) respectively. Key industries such as manufacturing and services have recorded growth of 8.1% (2021: 9.5%) and 10.9% (2021: 1.9%) as the economy has become more vibrant since the reopening of the economy in October 2021 and the opening up of international borders in April 2022.

The projected fiscal spending of RM386 billion as envisaged in the revised Budget for 2023 is expected to have a positive multiplier effect. The sizeable development expenditure allocation of RM97 billion will be spent on high-impact projects, which would thrust the construction sector's growth to 6.1% in 2023 based on the government forecast. Key projects such as LRT3, Johor Bahru RTS Link, and the Pan Borneo Highway, among others, are some of the catalytic infrastructure developments that will improve the nation's connectivity and productivity.

The reopening of the economy since late 2021 has benefited other sectors as well. This includes the property sector, where total sales were recorded at RM179.1 billion for 2022, representing a whopping 23.6% in growth during the year. Such growth trajectory has surpassed the Compound Annual Growth Rate (CAGR) of 7.0% per annum in the past 30 years. Perhaps some correction can be expected in respect to total sales growth in 2023. However, the industry is expected to record a healthy trend this year in light of the improvement in the labour market condition along with accommodative monetary policy. On a similar note, the sales of the automotive sector are envisaged to decline by 9.8% to 650,000 units in 2023, according to the Malaysian Automotive Association (MAA). Such projection came on the back of higher sales during 2022 which posted a staggering 42% growth to 720,658 units.



Against such a backdrop, the Micro, Small and Medium Enterprises (MSMEs) would stand to benefit as they will play a critical role in supporting the supply chains of the country. The proposed reduction of the tax rate from 17% to 15% for the first RM150,000 income would reduce the tax burden for the MSME segment. By our estimates, the MSME sector is expected to grow by 4.6% in 2023 after delivering an estimated expansion of 10.6% 2022. Key industries such as construction, manufacturing, and services will help local entrepreneurs grow their businesses. In this respect, Bank Muamalat is in the right position to complement the national economic agenda via product offerings in the consumer, corporate, and SME divisions, to name a few.









So far, BNM has decided to raise the Overnight Policy Rate (OPR) from 1.75% to 2.75% during the course of 2022 as economic activities have normalized. While higher OPR is necessary to align with the current state of the economy, the BNM is expected to remain supportive to facilitate the financial intermediation activities that would allow efficient capital allocation to the productive sector. Apart from that, the move towards a sustainable economy would necessitate an effective transition process that would be less disruptive to the existing mode of business. In particular, energy, power generation, and transportation are some of the key sectors that will experience significant transformation as most jurisdictions across the globe strive to become carbon neutral by the year 2050.

Going forward, we foresee that the growth momentum will moderate due to the tightening of global liquidity conditions and the heightening of geopolitical risks. The recent specter of a banking crisis in the US and Europe would also serve as a reminder that global sentiments will remain on a cautious mode. As such, domestic demand would be the key underpinning factor, with fiscal policy playing an important role. The improving labour market condition is also likely to support consumer spending, as the decline in the unemployment rate to around 3.4% by the end of 2023 indicates that the country will achieve full employment status. Against such a backdrop, the Malaysian economy is expected to grow at a rate of 4.5% in 2023, with domestic demand being the primary driver amidst a challenging outlook in the external sector.












# PRINCIPAL RISKS AND UNCERTAINTIES

**At Bank Muamalat, risk identification, analysis and mitigation have been continuously practised as key components in building and executing our business to ensure sustainability.**

We strive to enhance our risk analysis and response by understanding the 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
<b>Credit Risk</b>  	<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>This risk may impact the Bank's profitability, asset quality, liquidity and reputation.</p>	<ul style="list-style-type: none"> <li>Enhance key risk indicators to monitor emerging credit risk and provide early warning signals.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> <li>Enhance and tighten risk acceptance criteria.</li> <li>Ongoing monitoring on collaterals, guarantees and risk limits.</li> <li>Conduct periodic stress testing and scenario analysis to assess customer.</li> <li>Diversify into new market segments.</li> <li>Streamline and enhance credit risk policies.</li> <li>Validate credit risk models.</li> </ul>
<b>Market Risk</b>  	<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>The risk may present an impact on the Bank's profitability, liquidity and capital.</p>	<ul style="list-style-type: none"> <li>Develop hedging strategies against adverse price movements.</li> <li>Enhance monitoring in market risk limits.</li> <li>Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> <li>Diversification in pricing strategy.</li> <li>Conduct periodic stress testing and scenario analysis.</li> <li>Streamline and enhance Market risk policies.</li> </ul>
<b>Rate of Return Risk</b>  	<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>The Bank's capital, liquidity and profitability may be impacted by the risk.</p>	<ul style="list-style-type: none"> <li>Develop hedging strategies against adverse price movements.</li> <li>Enhance monitoring in market risk limits.</li> <li>Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> <li>Diversification in pricing strategy.</li> <li>Conduct periodic stress testing and scenario analysis.</li> <li>Enhance risk strategies and monitoring in Asset and Liabilities Management.</li> <li>Streamline and enhance Rate of Return Risk policies.</li> </ul>
<b>Liquidity Risk</b>  	<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>The risk could impact the Bank's capital, liquidity, profitability and reputation.</p>	<ul style="list-style-type: none"> <li>Enhance liquidity limits and strategy to manage and optimize liquidity position.</li> <li>Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals.</li> <li>Enhance Liquidity Contingency Funding Plan to manage liquidity crisis.</li> <li>Ongoing monitoring of liquidity crisis early warning signals.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> <li>Diversification in pricing strategy.</li> <li>Conduct periodic stress testing and scenario analysis.</li> <li>Streamline and enhance Liquidity risk policies.</li> </ul>

## Link to Material Matter

-  Ethics & integrity
-  Procurement practices
-  Financial inclusion
-  Training & Education
-  Customer experience
-  Digital Banking
-  Economic Performance
-  Entrepreneur Development & Responsible Financing
-  Diversity & Equal Opportunity
-  Employment
-  Community Development

Type of Risk	Description and Impact of the risk on the Bank	How We Manage or Mitigate the Risk
<p><b>Operational Risk</b></p>  <p>● ● ● ● ● ● ● ●</p>	<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>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.</p>	<ul style="list-style-type: none"> <li>Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals.</li> <li>Ongoing review and validation of operational risk tools, i.e. Risk &amp; Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Incident Management &amp; Data Collection (IMDC).</li> <li>Ongoing management of bank-wide operational risks and monitoring of risk ratings.</li> <li>Ongoing management of business continuity strategy and plan.</li> <li>Ongoing management and monitoring of outsourcing arrangements and mitigation strategy.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> <li>Conduct periodic stress testing and scenario analysis.</li> <li>Streamline and enhance Operational risk management policies and procedures.</li> </ul>
<p><b>Shariah Non-Compliance Risk</b></p>  <p>● ● ● ● ● ● ● ●</p>	<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>This risk creates regulatory, profitability and reputation impacts.</p>	<ul style="list-style-type: none"> <li>On-going Shariah review.</li> <li>Continuous monitoring &amp; reporting of shariah non-compliances.</li> <li>Enhanced 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.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> <li>Conduct periodic stress testing and scenario analysis.</li> <li>Streamline and enhance Shariah risk management policies and procedures.</li> </ul>
<p><b>Technology and cybersecurity risk</b></p>  <p>● ● ● ● ● ● ● ●</p>	<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 record due to cyber threat or attack.</p> <p>This risk creates regulatory, profitability and reputation impacts as well as disrupt the Bank's business.</p>	<ul style="list-style-type: none"> <li>Establish and operationalize new Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF).</li> <li>Develop and implement IT &amp; Cybersecurity Strategic Plan in alignment with business requirements and adherence to BNM's Risk Management in Technology (RMiT) policy.</li> <li>Foresight by gathering FI threat intelligence through identify, manage, and address technology and cyber risks related.</li> <li>Strengthen cyber resilience level and monitor sustainability of technology and cybersecurity controls.</li> <li>Ongoing review, enhancements and monitoring of risk appetite.</li> </ul>
<p><b>Strategic Risk</b></p>  <p>● ● ● ● ● ● ● ●</p>	<p>The risk of unexpected adverse developments in the Bank's performance stemming from fundamental strategic and business decisions and their execution.</p> <p>The risk may present impacts to the Bank's profitability, capital and reputation.</p>	<ul style="list-style-type: none"> <li>Ongoing review, enhancement and monitoring of the business strategies, risk appetite and capital planning process.</li> <li>Conduct periodic stress testing and scenario analysis.</li> <li>Ongoing review, enhancements and monitoring of risk appetite &amp; business performance.</li> </ul>
<p><b>Reputational Risk</b></p>  <p>● ● ● ● ● ● ● ●</p>	<p>The risk of loss arising from negative perception of the Banks's image by conduct or business practice which adversely impact profitability, operations or shareholder value.</p> <p>The Bank's reputation, liquidity, capital and profitability may be impacted by this risk.</p>	<ul style="list-style-type: none"> <li>Ongoing monitoring of Bank's risk rating.</li> <li>Perform competitive analysis on industry and market benchmark.</li> <li>Build and protect goodwill.</li> <li>Institutionalize and monitor culture and compliance.</li> </ul>

**Link to Material Matter**

- Ethics & integrity
- Procurement practices
- Financial inclusion
- Training & Education
- Customer experience
- Digital Banking
- Economic Performance
- Entrepreneur Development & Responsible Financing
- Employment
- Community Development
- Diversity & Equal Opportunity

# OUR VALUE CREATION MODEL



**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

OUTCOMES FOR OUR STAKEHOLDERS

OUR BUSINESSES



Retail & Digital Banking



Corporate Banking



Commercial Banking



Transaction Banking



Treasury & Capital Markets

Through Our Business Activities

Delivering products and financial solutions that cut across critical areas as well as penetrating new untapped markets by harnessing digital technologies

Expanding products and diversifying customer base in order to be the preferred provider of investment solutions

Maintaining, optimizing and investing in our operations including technology, marketing and infrastructure

Delivering exceptional customer services to optimize customer experience at all times

Empower local communities we serve in building a more resilient and thriving community

Customers

- RM453 millions in profits paid to depositors and investment account holders
- 771 recipients assisted through iTEKAD program
- Enhancement of Muamalat Application Platform (MAP) and continuous improvement in mobile apps, Retail Internet Banking (RIB) and Corporate Internet Banking (CIB)
- Launched EasiGold

Shareholders

- Steadfast performance aligned to strategy, which recorded:
  - o 10.9% Return on Equity (PBT)
  - o 1.04% Return on Assets (PBT)
  - o 17.57% total capital ratio
  - o 0.85% of gross financing impaired ratio

Regulatory Agencies & Statutory Bodies

- Compliance with regulatory requirements
- Relentless commitment in driving VBI
- Committed to climate based agenda e.g Climate Change and Principle-Based Taxonomy (CCPT), Climate Risk etc
- 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 RM18.8 million under waqaf projects for healthcare, education and the investment sector
- Collected RM86,809 through our Jariah Fund program
- More than RM126,000 training fee provided under iTekad Mawaddah programme
- Flood relief assistance and blood donation program
- More than RM84,000 contribution to Asnaf

Employees

- Distributed RM271 million in remuneration for employees
- Upgraded HR system for easier access to manage training progression, payroll information, benefits, and leave entitlements
- 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



**In response to the rapidly evolving business landscape and the prolonged effects of the COVID-19 pandemic on the economy, Bank Muamalat Malaysia Berhad has undertaken a comprehensive review of its existing RISE24 plan.**



Recognizing the need to remain relevant and competitive, the Bank has formulated RISE26+, a 5-year strategic plan which has been implemented since 2022 and will continue until 2026. The plan builds upon the pillars of RISE24 while incorporating various factors. Such factors include recent developments in the market, new policies by Bank Negara Malaysia (BNM), market intelligence on competitor's analysis as well as increasing demands, potential business opportunities that emerged from market development as well as identified gaps, the Bank's existing performance and offerings, and capacity for expansion.

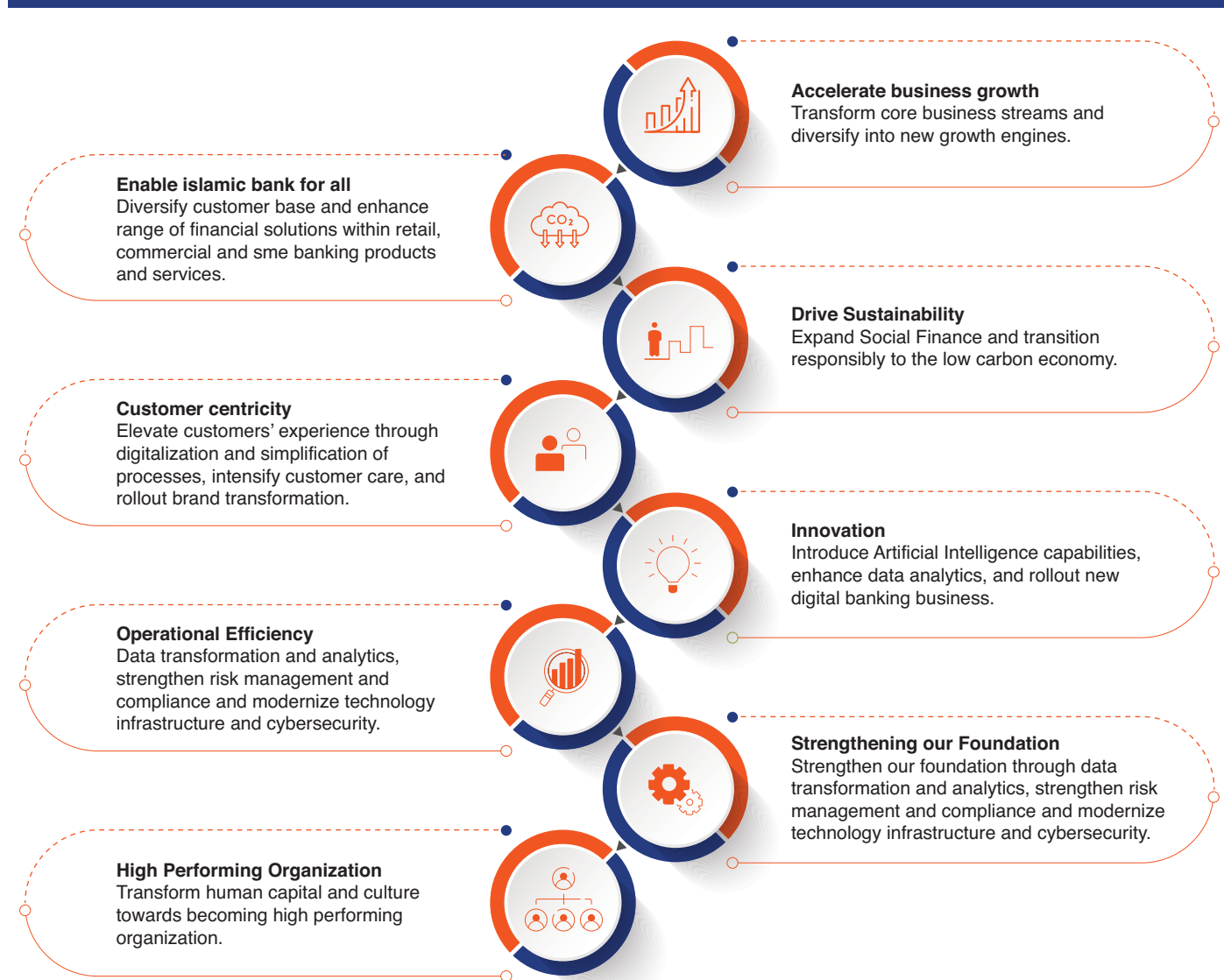
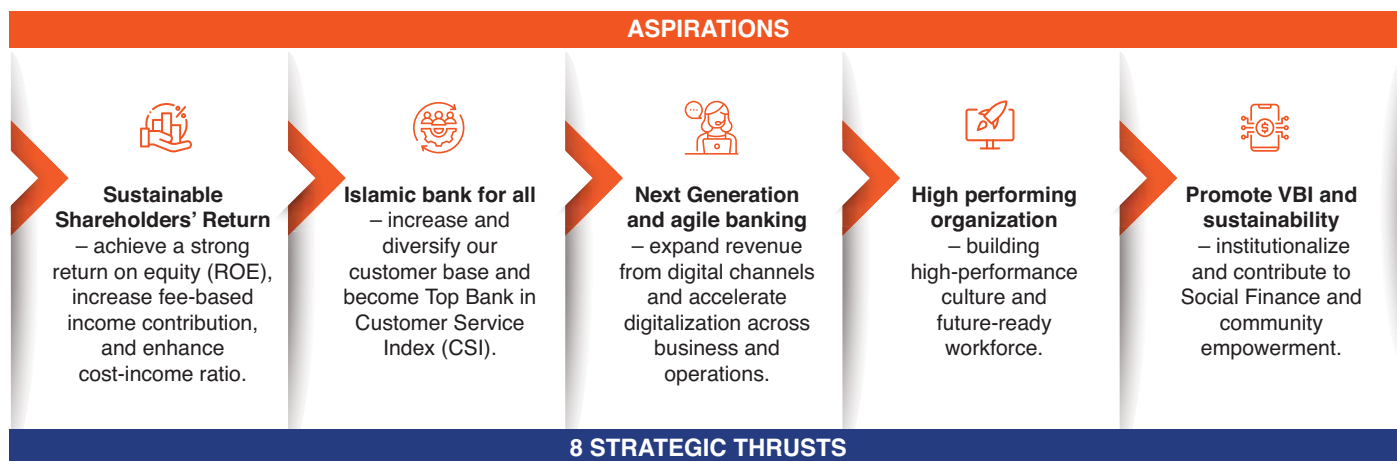
The Bank plans to continue strengthening its foundation through the continuation of RISE24, but at the same time grow and differentiate its RISE26+ plan by transforming its core businesses to deliver top-line growth, specifically through retail banking and corporate banking. The Retail Banking arm will focus on penetrating new markets based on geographical and selective customer segments and regions. It will also utilize on innovations to create more unique offerings as to cater to a more diversified market segments. We also plan to launch Digital Banking in the near time. The Digital Banking aims to enhance convenience, accessibility and efficiency for customers, allowing them to perform banking activities at their own convenience, 24/7, anywhere. For Corporate Banking the aim is to rebalance its long-term financing but at the same time, explore innovative new offerings that will enhance its services.

In addition to that, the Bank's Transaction Banking arm, as well as Commercial Banking arm that manages its small-medium enterprise (SME) accounts will play a significant role in this Plan by going through expansions and will become one of the engines that will drive growth for the Bank. Aiming to enable Islamic Bank for all, we aspire to provide convergence of Islamic needs and solutions for all Malaysians as well as to expand our end-to-end Islamic wealth solution that will be suitable for all customers from all walks of life. As part of Committee of Practitioners (CoP) of Value-Based Intermediation by BNM, the Bank is also looking to commercialize sustainability and push value-based intermediation into the mainstream by focusing on institutionalising and contributing to social finance and community empowerment.

The foundation of RISE26+ initiatives will continue to anchor these plans by putting an emphasis on one of the most important gears in the engine – customer centricity. Every product, services, and plan aim to to prioritise the needs and wants of customers, tailoring each of it to their preference. The Bank also aims to enable digital banking and further transform around it to move in parallel with the fast-pace of technological evolution.

To keep the gears running, the Bank will lay a solid footing by improving its operations to ensure day-to-day efficiency. It will also further strengthen its governance and control functions that also makes up the foundation it stands on. Lastly, the Bank shall maintain being a high-performing organization that delivers values to our shareholders and stakeholders.

RISE26+ has outlined 5 Aspirations and to be supported by 8 Strategic Thrusts as follows:



## OUR STRATEGIC DIRECTION

### Strategic Thrust

#### ACCELERATE BUSINESS GROWTH

#### Key Achievements

- i. Penetrate new segment / sector and expanded product & capability:**
  - a. Grew overall financing by RM3.4 billion (16.3%) Y-o-Y
  - b. RISE26+ initiatives FY22 income of RM233.3 million
  - c. Retail banking financing outstanding grew by RM3.0 billion or 22.1% y-o-y
  - d. Introduction of credit card, merchant acquiring and FX at new channels
- ii. Conducive partner ecosystem**
  - a. New collaboration with state government and strategic partners e.g. iPUSH with Pahang state government and SJPP
- iii. New branch Indera Mahkota launched on 9 Dec'22**

### Strategic Thrust

#### ISLAMIC BANK FOR ALL

#### Key Achievements

- i. Active customer base growth:**
  - a. 101,500 new customers
- ii. Complete Islamic Lifestyle Banker:**
  - a. Expanded zakat offering with over the counter (OTC) advisory and collection
  - b. Introduced new Islamic contracts beyond Tawarruq to fulfill changing customer needs

### Strategic Thrust

#### DRIVE SUSTAINABILITY

#### Key Achievements

- i. Sustainable products**
  - a. Launched iTEKAD Qard with Pahang state government - disbursed RM6.3 million through iPUSH scheme, extending financing to 751 Asnaf and B40 entrepreneurs
  - b. Expanded reach of equity based financing via involvement of religious bodies through iTEKAD Mawaddah program with 20 entrepreneurs onboarded
  - c. Built capability to assess climate risk in financing processes

### Strategic Thrust

#### CUSTOMER CENTRICITY

#### Key Achievements

- i. Effective channel management**
  - a. Launched new brand Corporate Identity
  - b. Adopted digital marketing
- ii. Modern customer experience**
  - a. Achieved CSI score of 84% (vs target of 72%)
  - b. Streamlined feedback management handling processes to reduce average TAT to < 2 hours



## Strategic Thrust

## INNOVATION

## Key Achievements

- i. Digital platform and product:**
  - a. Enabled digital account opening and customer on-boarding
  - b. Expanded wealth offerings to digital channels

## Strategic Thrust

## IMPROVE OPERATIONAL EFFICIENCY

## Key Achievements

- i. Market competitive TAT: Reduced branch and back office processing time by >50% for retail banking products**
  - a. Scalable operations : Automation of selected back office processes i.e. advice release and letter of notification
  - b. Established Centralized digital document management system (DDMS)

## Strategic Thrust

## STRENGTHEN OUR FOUNDATION

## Key Achievements

- i. Strong risk and compliance controls**
  - a. Automated monitoring processes
  - b. Overall reduction in non-compliance issues
- ii. Data driven decision making through more effective capital allocation**

## Strategic Thrust

## HIGH PERFORMING ORGANIZATION

## Key Achievements

- i. High performing workforce**
  - a. Restructured Human Capital Department (HCD) into a strategic human resources (HR) function
  - b. Digitalized HR processes through new HR platform
  - c. Culture Transformation Roadmap is developed



**04**



# OUR BUSINESS PERFORMANCE

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70 Subsidiaries

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# RETAIL BANKING



**RM85.3mil**

(FY2021: RM45.9mil)

**PROFIT BEFORE ZAKAT  
AND TAXATION**



**0.9%**

(FY2021: 0.8%)

**GROSS IMPAIRED  
FINANCING RATIO**

The Retail Banking Division (“RBD”) offers and administers a range of retail financing products and services. These include property financing, personal financing, vehicle financing, Amanah Saham Bumiputra (“ASB”) financing, Ar-Rahnu financing, and retail investment. As of the financial year-end on 31 December 2022, RBD successfully managed a cumulative amount of RM17,058 million in retail financings, indicating a notable growth of 21% compared to the corresponding period in the preceding year. In terms of financial performance, RBD achieved a total revenue of RM865.6 million, reflecting a commendable increase of 22% compared to the previous fiscal year.

## PERFORMANCE REVIEW

### Property Financing

The property market, particularly the residential property segment, experienced a gradual improvement in 2022, thanks to a series of government policy measures. These measures, which included exemptions of real property gain tax, stamp duty discounts, and initiatives comprising the Skim Rumah Pertamaku (SRP) and Skim Jaminan Kredit Perumahan (SJKP), played a significant role in driving this trend. Leveraging on this favorable trend, the Mortgage Financing Department actively forged and strengthened partnerships with prominent developers, solicitors, property valuers, and real estate agents nationwide, solidifying the Bank’s position as the preferred financial provider for prospective property buyers.

Throughout 2022, the department maintained a strategic focus on the residential property financing sector. The department introduced a range of flexible financing product packages at competitive rates, specifically tailored to meet the diverse requirements of different home buyers. These packages included offerings under Skim Rumah Pertamaku (SRP), Skim Jaminan Kredit Perumahan (SJKP), and Smart Mortgage Solutions. The offerings catered to various segments, encompassing first-time homebuyers, good-rated customers with a monthly income of RM5,000 and above, as well as specially-tailored program for professionals seeking affordable housing or properties priced between RM300,000 and RM500,000.



During the fiscal year 2022, the department accomplished significant achievements, achieving a total of RM7,823.3 million in financing assets, representing a robust increase of 25.5% compared to the previous year. Notably, over 90% of the approved financing was allocated to the non-investor segment, with more than 70% designated for properties priced below RM500,000. Among the newly approved financing, approximately 35% (equivalent to around RM2,700 million) originated from packages offered through the Skim Rumah Pertamaku (SRP) and Skim Jaminan Kredit Perumahan (SJKP).

Furthermore, our strategic collaborations with prominent developers contributed RM647 million (23%) in financing for the primary real estate sector. The majority of the financing portfolio consists of 83% directed toward landed properties, while high-rise properties account for 11% of the total. These exceptional outcomes serve as a testament to the department's successful progress on the intended trajectory.

### Personal Financing

The Personal Financing Department plays a pivotal role in offering its primary product, Personal Financing-i, to employees working in government agencies, statutory bodies, government-linked companies, and selected private companies. Recognizing the persistently challenging macroeconomic environment throughout 2022, largely influenced by the lingering aftermath of the COVID-19 pandemic, the department implemented robust credit assessment measures to ensure effective risk management and alignment with the Bank's risk appetite.

Proactive strategies were implemented to maintain consistent growth amidst such challenging conditions. Throughout the year, the department fostered close collaborations with carefully selected organizations nationwide through the Employer Empanelment Program ("EEP"). Additionally, the department conducted financial talks and product briefings with these organizations, gaining comprehensive insights into their unique financial needs. Leveraging this valuable information, the department enhanced product features by increasing the financing limit to RM400,000 to a selected segment that includes professionals and high-income segments, offering promotional profit rates and improving the investment platform. These efforts resulted in successful market penetration within new customer segments in 2022, including individuals with higher credit ratings earning a monthly income of RM7,000 and above, professionals, and the healthcare sector.

The department achieved a total of RM6,896.5 million in financial assets, representing a notable growth of 20.1% compared to the previous fiscal year. Furthermore, in 2022, the department successfully onboarded 211 new entities through the EEP, solidifying our market presence and expanding our reach.

### Vehicle Financing

The automotive industry in Malaysia encountered production delays in 2022, primarily attributable to a scarcity of electronic chips. Despite these challenges, vehicle sales exhibited commendable performance, particularly in the new passenger vehicle segment. This growth can be attributed to various catalysts, including sales tax exemptions, compelling promotional offers, and the introduction of exciting new vehicle models.

In order to enhance our capabilities and better serve dealers and customers, the Vehicle Financing Department forged new partnerships with reputable entities, such as EON, PROTON, PERODUA, Honda, and Toyota in 2022. These partnerships expanded the department's coverage, encompassing a broader range of automotive brands and outlets. As a result, the department was able to enrich the customer portfolio by offering special financing packages for selected popular models of both national and non-national vehicles, including new and reconditioned options. These packages were specifically tailored to cater to better-rated customers, such as individuals earning a monthly income exceeding RM5,000, the T20 and M40 groups, as well as high-income professionals.

Furthermore, the department prioritized increasing market penetration in high-growth areas, including new passenger vehicles and selected reconditioned segment with specially-tailored products. To effectively penetrate these markets and meet the diverse needs of various customer segments, the department introduced a range of new and innovative products in 2022, including Step-Up financing models, the Graduate Scheme, and the Government Scheme.

As a result of our diligent efforts, the department achieved an improved vehicle financing sales performance, with a total disbursement of RM426 million in FY2022. The auto finance portfolio experienced a significant increase of 43%, reaching RM904.3 million in FY2022 compared to RM643.1 million in FY2021. This growth was primarily driven by the strategic decision to refocus attention on the new passenger vehicle segment. Notably, 75% of the financing

## RETAIL BANKING

assets originated from the national vehicle segment, driven by factors such as affordability and the availability of a wide range of competitive models. To stimulate growth in non-national vehicle financing, the department initiated competitive rates and special programs for vehicles such as Honda and Toyota models.

### ASB Financing

Throughout 2022, the Amanah Saham Nasional Berhad ("ASNB") business demonstrated a subdued performance. This is mainly due to the low dividend trend observed in ASNB's products in recent years, hence the ASB Financing Department anticipated a shift in consumer demand for ASNB's offerings, including ASB financing.

To proactively address this evolving market trend, the department strategically offered competitive financing rates, highlighting the lasting appeal and viability of ASB financing as a safe investment option. A range of targeted marketing initiatives, including public roadshows, direct sales efforts, corporate presentations, and referrals from branches, were executed in collaboration with the EEP to promote ASB financing products.

Despite the encountered challenges, the department maintains an optimistic outlook, acknowledging that these obstacles can be overcome by encouraging saving habits and that the ASB returns surpass deposit rates. As of the end of FY2022, the department recorded a total ASB financing asset value of RM1,022.7 million, representing a 5% year-on-year decrease compared to the previous corresponding period.

### Ar-Rahnu Financing (Pawn Broking-i)

Ar-Rahnu financing products, renowned for high yield potential ranging from 11% to 15%, have been established as one of the most secure financing options offered by banks. These products offer the distinct advantage of being fully collateralized by gold, ensuring the preservation of capital. From the consumer's perspective, Ar-Rahnu financing has consistently remained the preferred choice for individuals seeking swift and hassle-free access to cash for personal, business, and investment purposes in the post-pandemic era. The rise in gold prices in 2022 further fueled the demand for Ar-Rahnu

facilities. Therefore, despite uncertain economic conditions, the Ar-Rahnu market experienced growth, with banking institutions, cooperatives, and conventional pawnbrokers expanding their operations throughout 2022.

The Ar-Rahnu Business Department ("ARBD") maintained a steadfast focus on consolidating its position in the market while concurrently expanding its market presence and introducing innovative product offerings. In 2022, ARBD executed multi-channel marketing campaigns, leveraging social media, telesales, prominent banners, strategic partnerships, and both digital and non-digital media platforms for product promotion. To provide further support, a dedicated Ar-Rahnu marketing team was established in October 2022, serving 20 pilot branches and offering assistance with marketing-related matters. These marketing initiatives aimed not only to drive business growth but also to educate the public about the advantages of Islamic Pawn Broking.

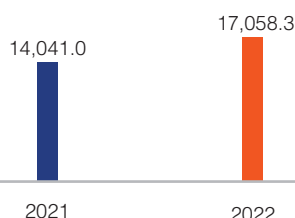
Additionally, ARBD directed its efforts toward increasing the average ticket size for Ar-Rahnu transactions by targeting high-income customers. This was accomplished by offering an elevated financing limit of up to RM1,000,000 through the Ar-Rahnu Prestige package, which effectively supported cash flow and working capital requirements for the high-income segment.

To enhance the customer experience and reduce waiting times, ARBD provided comprehensive training modules to staff, thereby enhancing efficiency. Furthermore, the department upgraded the gold valuation devices across branches. These initiatives resulted in a substantial increase in Ar-Rahnu transactions in 2022, accompanied by positive customer feedback on the convenience and user-friendly nature of the services.

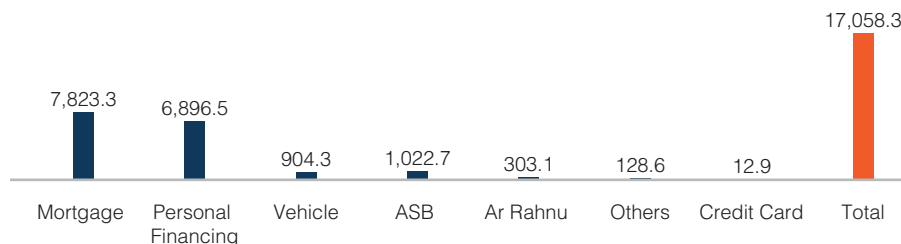
As of the end of 2022, ARBD operated through a network of 68 branches nationwide. In a pioneering move for Malaysia, the department introduced the Ar-Rahnu on-the-go service via Muamalat on Wheels (Bank Bergerak), catering to underserved markets and rural areas. In FY2022, ARBD recorded a total of RM303.1 million in Ar-Rahnu financing assets, representing an 11% increase compared to the previous fiscal year. Additionally, the department generated RM29.7 million in Ar-Rahnu income in FY2022.

### Retail Banking Division's Performance Highlight

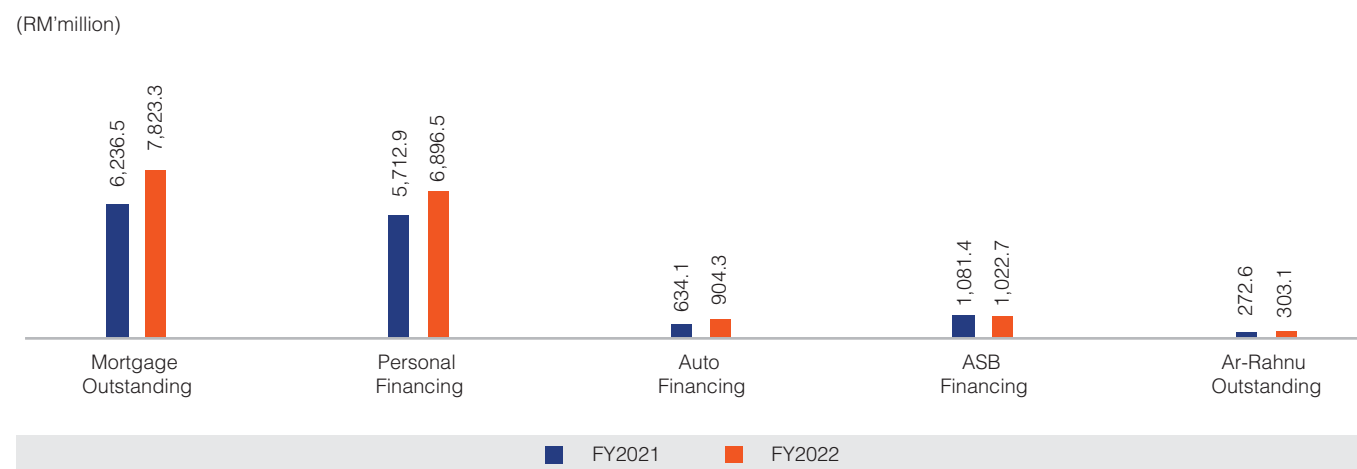
Financing Asset Outstanding (RM'million)



Financing Outstanding by Product (RM'million)



**Performance Highlight by Department**



**RETAIL INVESTMENT**

As the purveyor of the Bank’s wealth products, the Retail Investment Department ("RID") aspires to become the preferred choice for wealth management products, in line with the Bank’s vision to be the Islamic bank for all. Aligned with the department’s motto of “Striking a balance between your financial demands and spiritual aspirations”, RID provides a unique proposition to its customers’ personal and financial well-being through multiple channels and innovative products, as well as the department’s professional and value-based advisory services. With the aim of maximizing stakeholders’ wealth to improve their quality of life and preserving financial security, RID takes on a holistic approach that covers the full spectrum of an individual’s financial life cycle.

Aside from continuing its wide range of solutions within the domains of Wealth Creation/Accumulation, Wealth Protection, and Wealth Distribution and Purification, RID launched new developments within the gold business, i.e., Muamalat Gold-i EZ-Zakat and EasiGold mobile banking service, making it one step closer to its vision to be a one-stop center for wealth management products. EZ-Zakat provides the convenience of paying zakat directly through a deduction of one’s Gold Account into the State Authority’s Zakat Gold Account.

**05**

**INVEST IN WEALTH PURIFICATION**

Individual is at the active working or retirement stage and looks toward spiritual needs and purification of assets

**04**

**INVEST IN WEALTH DISTRIBUTION**

Individual is at the active/ passive retirement stage, characterized by a conscious need to distribute the wealth assets to heirs, beneficiaries, and/or waqf

**03**

**INVEST IN WEALTH PROTECTION**

Centers around the individual's earning years to provide the necessary safety nets before making the shift toward retirement planning and preparation



**01**

**INVEST IN WEALTH CREATION**

Focus is on building wealth/ establishing an emergency fund/ financing the purchase of a 1st home/starting an education plan for children/ launching of early retirement plan

**02**

**INVEST IN WEALTH ACCUMULATION**

Attention toward career development and starting a family/ upgrading career skills/improving earnings prospect/increasing takaful protection for the family and specifically the breadwinner/ accelerating retirement savings

## RETAIL BANKING

### WEALTH CREATION/ACCUMULATION

#### Muamalat Gold-i ("MG-i")

In line with the Bank's objective to deliver value to society at large and promote sustainable banking practices, MG-i Account has made gold investment accessible to the middle- and lower-income groups by providing the opportunity to invest affordably from only RM10. As an Islamic bank, the addition of EZ-Zakat direct debit is our commitment to ensuring our customers' obligation toward the third pillar of Islam is safeguarded.

The Bank closed the year by realizing total sales of 525.6kg of gold with a corresponding income of RM6.4 million. Among the total sales, MG-i Account sales contributed 491.7kg, while MG-i Physical sales amounted to 33.8kg. Since its inception in January 2016, the total physical gold sold now stands at 2,893.7kg, corresponding to approximately RM682.3 million. The total gold sales of the Bank in FY2022 comprised an impressive 9.5% of the total market share for all bank and non-bank gold investment sales, which means approximately 1 out of 10kg of gold investment sales was performed through our Bank!

#### Unit Trust

To adapt to the changing needs of the market, the Bank took its first step toward socially conscious, value-based investment – a movement that has been gaining worldwide popularity. In February 2022, RID introduced its very own iFAST Barakah ESG Focus Portfolio, a balanced managed portfolio integrating socially responsible investment with environmental, social, and governance ("ESG") considerations. In November, RID launched its Private Managed Account in collaboration with Phillip Capital Management, augmenting its current offerings. The Private Managed Account provides professional investment services with active monitoring of the portfolio by a dedicated investment team. This is a new area of growth with great potential as it is the first-ever Private Managed facility offered by the Bank.

Nevertheless, Unit Trust income in FY2022 registered a decline of almost 23% at RM0.8 million as compared to FY2021, mainly due to the challenging economic conditions wherein investors shied away from equity markets as the result of a liquidity crunch. This was also attributed to customers' apprehension during the economic uncertainty and their response to maximize liquidity while minimizing unnecessary spending.

### WEALTH PROTECTION

#### Takaful

The overall takaful performance for FY2022 recorded a total income of RM27.1 million, representing a 29% increase from the previous year. Riding on the back of strong personal financing and home financing cases, Credit Family Takaful remained the primary contributor at RM19.4 million, representing approximately 72% of the total income. On the other hand, General Takaful achieved its best result post-COVID at RM1.6 million, representing a decrease in income of 17% over the previous year, mainly due to strong fire homeowners policies.

### WEALTH DISTRIBUTION

#### Daily Banking Products

In 2022, Daily Banking Products remained the value-based initiative of RID, offering affordable Estate Planning with different pricing to cater to the needs of the community. In addition, there is an extended non-financial M-Jannah product to complete the life journey of customers with BMMB.

Daily Banking had been the key focus to increase the product holdings of customers in FY2022, with campaigns and promotions to increase customer enrolment. Also, new digital innovations were applied to the application process of Estate Planning products, particularly wasiat, making it much more convenient for customers and contributing to lower cost outlays. Additionally, it provides the convenience of self-management, where one can update the wasiat by oneself. As a result of the continuous efforts, the average monthly cases for Estate Planning showed an impressive leap of 72%, resulting in a total of 907 cases in FY2022, and a corresponding 25% growth in total income from the previous year, amounting to RM0.2 million (out of the total Daily Banking income of RM0.4 million).

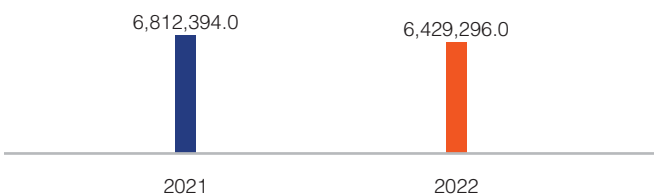


**RM6.4mil**  
TOTAL SALES  
OF 525.6KG OF GOLD

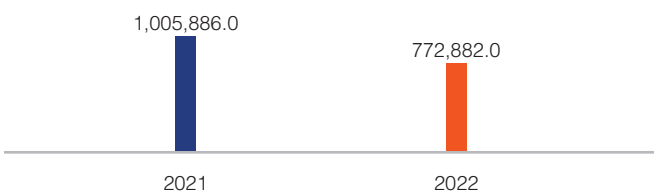


**Income by Product**

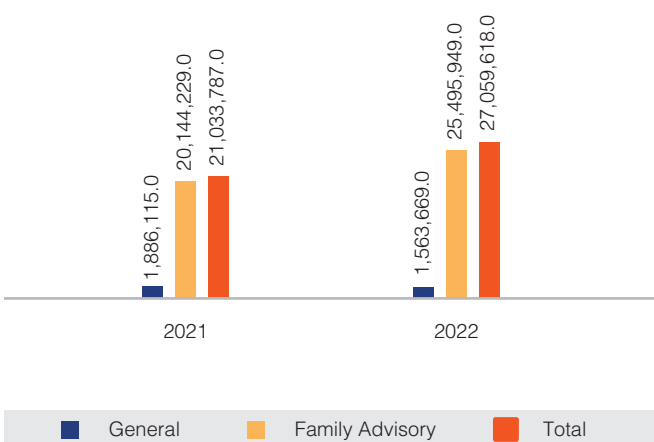
**Gold Income**  
(RM)



**Unit Trust Income**  
(RM)



**Family and General Total Income**  
(RM)



**Daily Banking Product Income**  
(RM)



**MOVING FORWARD**

Despite the prevailing challenges faced throughout 2022, RBD has demonstrated remarkable growth and market expansion across all key product lines. As we look ahead, RBD is committed to sustaining this positive momentum by reinforcing segment-based value propositions for individual customers and enhancing digital customer acquisition and servicing capabilities.

In an increasingly volatile operating landscape, the Bank remains fully dedicated to assisting customers in navigating their financial recovery journey. While RBD intensifies focus on technological advancements and strategic investments, it recognizes and underscores the importance of the human touch. Equipping our employees with new tools, knowledge, and skills will enable us to meet evolving expectations of our valued customers.

In the upcoming financial year, RBD will continue to expand our market share in core financing products, drive fee income through wealth and payment businesses, maintain operational efficiency, revitalize the branch sales model, elevate i-Muamalat as the preferred transactional channel, and capitalize on cross-selling opportunities and new product offerings.

With these strategic initiatives in place, the Bank holds an optimistic outlook on sustaining growth trajectory, bolstered by increased financing activities and improved credit conditions. Across core business segments, RBD remains committed to supporting customer segments affected by economic challenges, fostering sustainable deposit growth, optimizing risk-adjusted return on capital, and expanding affluent and wealth management offerings, digital services, and customer acquisition strategies. In summary, RBD aims to deliver value-added, sustainable growth and enhanced profitability through innovation, ongoing process improvement, efficient cost management, and resource optimization.

RBD aspires to further enhance product and service offerings through value-based intermediation, notably with SMART Mortgage Solutions encompassing the Skim Jaminan Kredit Perumahan (SJKP), Skim Rumah Pertamaku (SRP), Satu Anggota Satu Rumah (SASaR), Auto Grad Scheme, and Green Financing, as well as ASB financing. Leveraging robust capital and balance sheet management, along with a strong liquidity position, and employing a targeted, optimized, and diversified business strategy, RBD is committed to generating long-term value for stakeholders.

In essence, to reinforce the Bank's RISE26+ vision and ensure agility in swiftly responding to evolving customer needs, RBD will accelerate its digital transformation program, streamline delivery channels, and continue expanding its range of product offerings.

# RETAIL DEPOSIT

The Retail Deposit Department (“RDD”) specializes in providing a range of retail deposit products tailored for individual customers, including Savings Account (“SA”), Current Account (“CA”), Fixed Term Account (“FTA”), and Mudarabah Unrestricted Investment Account (“SURIA”). In FY2022, RDD successfully raised its total deposit balance to RM2,791 million, surpassing the previous year's balance of RM2,739 million. The exponential growth was primarily driven by FTA and SURIA product line performances.



## RM2,791mil

(FY2021: RM2,739mil)

**TOTAL DEPOSIT BALANCE**

### PERFORMANCE REVIEW

RDD faced a challenging operating environment in 2022, primarily due to a slower-than-anticipated economic recovery following the pandemic. The department also grappled with the escalating unemployment rate, inflation rate, and cost of living, which further compounded the difficulties faced.

Throughout the past year, RDD has taken proactive measures to navigate these challenges. Firstly, a well-defined sales program was implemented to provide robust support for marketing campaigns and product development initiatives throughout the year. Extensive research was conducted to develop effective marketing strategies to bolster deposit retention and expand the customer base.

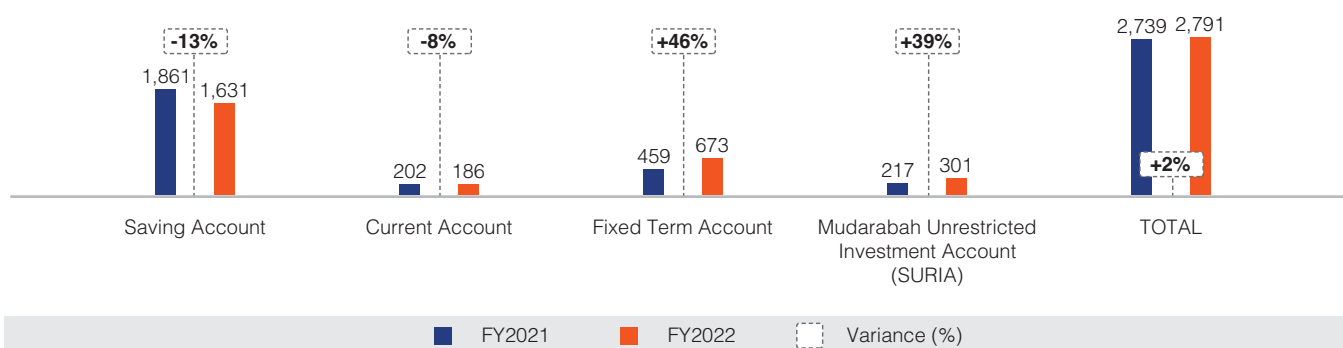
In 2022, RDD executed several impactful marketing campaigns, encompassing initiatives such as the SURIA Muamalat Salary Scheme Program, SURIA Campaign, FTA-i Big Deals Campaign, Super Saver, Superb Prizes Campaign, FTA-i Fleksi Mega Campaign, and FTA-i Fleksi Mega Combo Campaign. The primary objective of these diverse marketing endeavors was twofold: to foster customer loyalty among existing-to-bank clients and to attract new-to-bank customers, thereby stimulating growth within the customer base.

In a highly competitive Islamic banking landscape, RDD managed to achieve an increase in its total deposit balance from RM2,739 million in FY2021 to RM2,791 million in FY2022, a growth primarily driven by the strong performance of its FTA and SURIA product lines. However, it is worth noting that RDD experienced a slight decline in the total deposit balances of its SA and CA products during FY2022. This decline was partially attributed to customers' preference for the FTA and SURIA products, which offered more favorable rates. Specifically, the SA deposit balance saw a 13% decrease to RM1,631 million, while the CA deposit balance decreased by 8% to RM186 million.



### Total deposit balance by product

(RM'million)



### MOVING FORWARD

RDD anticipates a persistent increase in Malaysia's unemployment rate, inflation, and cost of living in the upcoming year, primarily driven by the economic slowdown. These factors are expected to pose challenges to the growth of retail deposits. To address this, RDD has formulated a strategic plan for 2023 that places a stronger emphasis on expanding its deposit base among government employees and established private professionals. By targeting these specific customer segments, RDD aims to navigate the prevailing economic conditions and foster deposit growth amidst the challenging environment.

In order to enhance CASA (current account and savings account) deposits, and SURIA investment account, RDD has devised a strategy to improve the appeal of CASA products to customers. This involves implementing a series of enhancements to CASA offerings and processes. Planned improvements include reducing the initial deposit requirement for CASA account opening, streamlining the CASA account opening form to simplify the process, and enhancing the Suitability Assessment Form for SURIA to ensure a more efficient and effective evaluation. These enhancements aim to make CASA and SURIA accounts more accessible and customer-friendly, thereby promoting increased customer adoption and bolstering CASA and SURIA deposit growth.

To further expand its customer base and enhance deposit retention, RDD is dedicated to the ongoing development and introduction of improved products. In the pipeline are new offerings tailored to specific customer segments, including structured savings products designed for youth, affluent individuals, non-Bumiputera customers, and salaried professionals. Additionally, RDD plans to introduce products that

combine the features of savings accounts and fixed term accounts with financing or other relevant products, with a focus on targeting pensioners and seniors nationwide. These strategic product developments aim to cater to the unique needs of diverse customer segments and foster stronger customer relationships, thus augmenting deposit stability and growth.

Furthermore, RDD intends to introduce a deposit retention program by leveraging cross-selling opportunities with financing facilities and credit card products. This initiative aims to enhance customer loyalty and elevate the overall customer experience. In addition, benchmarking analyses will be conducted for all marketing campaigns before their execution, enabling RDD to identify the most effective channels for reaching targeted customer segments. This data-driven approach ensures that resources are allocated strategically, maximizing the impact of marketing efforts and optimizing customer engagement.

In 2023, RDD has also devised several strategies to overcome the challenges associated with acquiring employees possessing the requisite skill sets. One such approach is the implementation of a buddy system, which involves on-the-job training to ensure new employees are adequately equipped. Additionally, RDD plans to introduce a hub and spoke sales structure to reinforce the deposit sales team at the regional level, enhancing efficiency and effectiveness. Moreover, a new deposit incentive plan will be developed to incentivize branches and deposit sales staff and drive deposit growth. The redesigned incentive structure will offer higher rates of incentives for retail deposits compared to non-retail deposits. This modification aims to motivate branches and sales staff to focus their efforts on promoting retail deposits, thereby fostering an increased emphasis on driving retail deposit growth throughout the organization.

# COMMERCIAL BANKING



## RM1,579.4mil

(FY2021: RM1,234.1mil)

**TOTAL ASSETS**



## 84%

**GROWTH  
IN REVENUE**

The Commercial Banking Division (“CMBD”) is primarily responsible for overseeing the financing of customers from State-owned agencies, commercial organizations, and small and medium-sized enterprises (“SMEs”). CMBD offers a range of products and services, including long- and short-term financing options such as working capital financing, project financing, and trade financing. As of 31 December 2022, CMBD managed a total of RM1,579.4 million in assets, with 74% attributed to commercial financing customers and 26% to SME financing customers.

### PERFORMANCE REVIEW

In 2022, as Malaysia transitioned into the endemic phase and businesses adjusted their operations to adapt to shifting demand trends, the overall economic environment remained in a recovery phase. During this time, CMBD faced two significant challenges. Firstly, there was intense competition from larger banks within the industry, and secondly, the pool of customers with good credit ratings was relatively smaller. To address these challenges, CMBD implemented a more personalized approach to attract customers with good credit ratings. This involved tailoring solutions and services to meet their specific needs. Additionally, efforts were intensified to monitor and maintain the quality of assets, ensuring sound risk management practices. Through the collective efforts of the entire team, CMBD successfully navigated these challenges and mitigated risks, resulting in commendable performance throughout 2022.

As of 31 December 2022, CMBD oversaw assets totaling RM1,579.4 million. Within this portfolio, 74% represented commercial financing customers, while SME financing customers accounted for 26%. The notable increase in assets contributed to an impressive 84% growth in revenue for CMBD during the fiscal year. However, despite this revenue growth, the profit before tax in FY2022 was lower. This decline can be attributed to the increase in provision for credit losses and higher direct financing costs incurred during the period.

In FY2022, CMBD experienced a notable increase in its outstanding exposure to Triple Bottom Line (“TBL”) activities. The outstanding exposure rose by 21.6% from RM1,090.8 million in FY2021 to RM1,326.6 million in FY2022. Among the TBL sectors, 51.4% of the total financing amount released was allocated to the SME segment, indicating a focus on supporting small and medium-sized enterprises. The Natural Environment Preservation segment witnessed the highest increase in financing amount released, with a remarkable growth rate of 75.1%. This highlights CMBD’s commitment to promoting sustainable practices and supporting initiatives that contribute to the preservation of the natural environment.

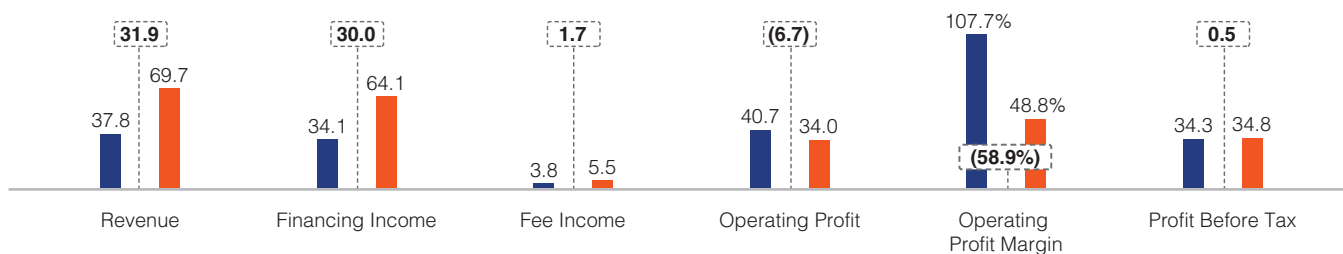


**Total Assets and Deposits**

(RM'million)

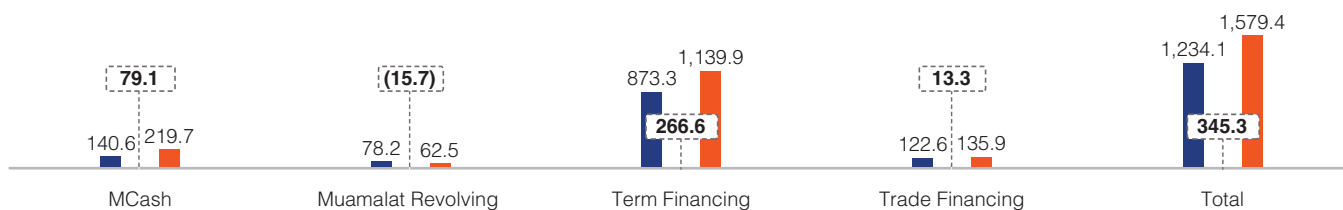


(RM'million)



**Assets by Product**

(RM'million)



■ FY2021 ■ FY2022 □ Growth (RM'million)

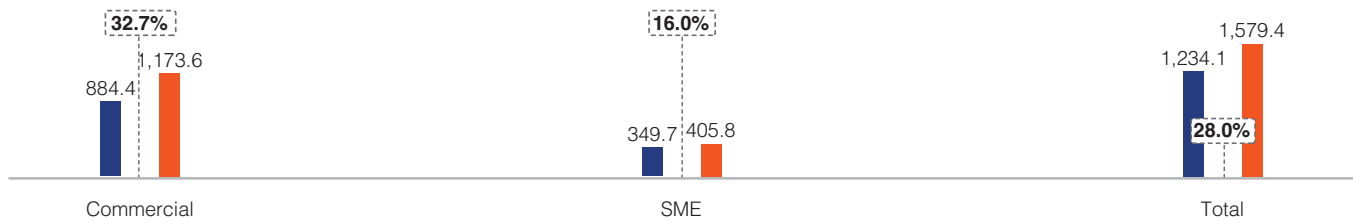
Note:  
CA: Cash Account; FTA: Fixed Term Account; GIA: General Investment Account

## COMMERCIAL BANKING



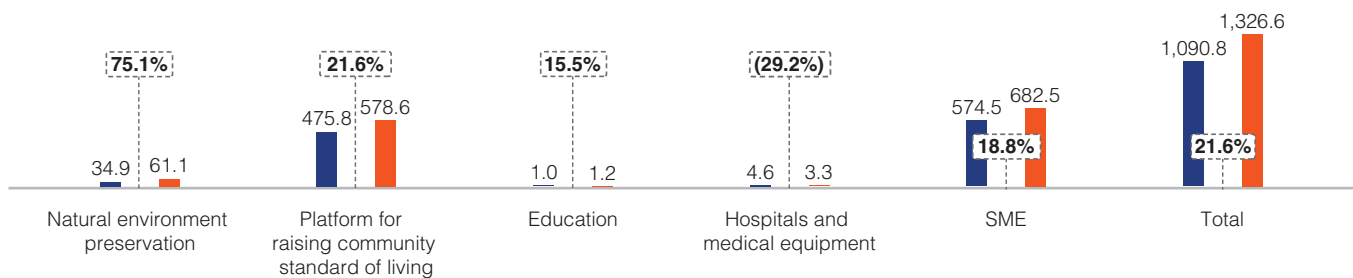
### Assets by Segment

(RM'million)



### Outstanding Exposure to the Triple Bottom Line Sector

(RM'million)



■ FY2021 ■ FY2022 □ Growth (%)



**In the upcoming year, CMBD remains determined on assets expansion through a strategic approach. The division will concentrate on nurturing strong relationships with existing customers, while actively engaging in lead generation activities to attract potential customers with good credit ratings in the Commercial and SME markets.**



In 2022, CMBD entered into a significant agreement with the Pahang State Government to introduce the Skim Pembiayaan Mikro Negeri Pahang (i-PUSH). The objective of this initiative was to extend financial support to underserved communities within the state. The program proved to be highly successful, with a total of 751 i-PUSH applications approved during the fiscal year. This achievement signifies the positive impact of the program and CMBD's commitment to empowering underserved individuals and businesses. Recognising the demand, CMBD actively pursued similar collaborations with other state governments to expand its outreach and provide micro-financing options to a wider audience. By forging strategic partnerships with various states, CMBD aims to enhance financial inclusion and support the economic development of underserved communities across the country.

In 2023, CMBD has set ambitious goals to grow its assets and market share. This growth will be achieved through the expansion of product offerings and touchpoints, strategically positioning the division to cater to a broader range of customer needs. Despite the cautious market outlook, improving sectors of the economy and a favorable labor market are expected to drive increased spending, presenting opportunities for CMBD. While pursuing growth, CMBD will maintain its focus on healthy asset quality and strong profitability. This will involve being selective in acquiring good-rated customers, ensuring a balanced and cautious approach to risk management. As always, CMBD remains committed to sustainability and long-term growth. The division will closely monitor the progress of the economy and make any necessary adjustments to its strategies and directions to adapt to changing market conditions.

## MOVING FORWARD

In the upcoming year, CMBD remains determined on assets expansion through a strategic approach. The division will concentrate on nurturing strong relationships with existing customers, while actively engaging in lead generation activities to attract potential customers with good credit ratings in the Commercial and SME markets. CMBD will leverage Government-guaranteed schemes and establish collaborations with Government agencies, business associations, and corporations. These partnerships will facilitate asset growth and support the financing needs of SMEs. Additionally, targeted marketing campaigns will be implemented, focusing on key sectors such as manufacturing, pharmaceuticals, healthcare, and specific green sectors encompassing solar, wind, biomass, hydro, and geothermal energy. CMBD will also aim to cater to customers who have government contracts in preferred sectors. Once potential leads are identified, CMBD will conduct thorough screenings and appraisals in accordance with the Standard Operating Procedures. This process ensures that customers in high-potential segments are acquired while effectively managing the risk of bad debt and maintaining overall asset quality.

In its pursuit of asset growth, CMBD recognizes the importance of maintaining and improving asset quality. To achieve this, the division will implement a range of strategies designed to enhance its monitoring mechanisms and mitigate the risk of asset deterioration. Establishment of a more comprehensive monitoring mechanism, leveraging advanced tools and techniques to identify early signs of potential asset quality deterioration remain as key focus areas for CMBD. This proactive approach will enable timely intervention and appropriate actions to be taken, minimizing the impact on asset quality. Anchoring on proactive prevention measures to prevent asset slippage, CMBD will work closely with customers, providing guidance and support to ensure timely payments and prevent the occurrence of overdue payments. By actively assisting customers in managing their obligations, CMBD aims to maintain a healthy financing portfolio and reduce the risk of asset quality deterioration.

To support its growth strategy, CMBD recognizes the need to strengthen its resources and strategically expand its team. As the asset size increases, additional resources will be deployed strategically in various locations nationwide. These new resources will play a crucial role in managing the growing asset portfolio. They will be responsible for ensuring compliance with governance standards and implementing effective risk management practices. In line with the organic expansion of the CMBD team, the division will continue to recruit and onboard professionals with the required expertise and experience.



## RM7,137.8mil

(FY2021: RM6,074.7mil)

**TOTAL CURRENT  
ACCOUNT**



## RM4,686.8mil

(FY2021: RM3,847.3mil)

**TOTAL FIXED TERM  
ACCOUNT**



## RM1,428.9mil

(FY2021: RM1,316.3mil)

**TOTAL TRADE ASSET**

# TRANSACTION BANKING

The Transaction Banking Division (“TBD”) plays a vital role within Bank Muamalat by delivering comprehensive working capital solutions to customers and offering digital platform to businesses. As of 31 December 2022, TBD experienced a 9% growth in trade assets, increasing from RM1,316.3 million in FY2021 to RM1,428.9 million. Furthermore, TBD successfully managed a total of RM11,824.6 million in non-retail deposits. Within this portfolio, current account deposits amounted to RM7,137.8 million, while fixed-term account deposits accounted for RM4,686.8 million. These figures reflect the trust and confidence placed by customers in TBD's services and demonstrate the division's ability to effectively manage and grow non-retail deposits.

## PERFORMANCE REVIEW

In 2022, TBD implemented key strategies aimed at achieving growth and improving the overall customer experience. For the non-retail segment, one of the primary focuses was fostering stronger relationships with key representatives from government-linked companies (GLCs) and corporate companies. This approach was intended to drive deposit growth from the corporate segment recognizing its significance as a potential source of deposits. In lieu of this, TBD introduced the GreenLane Initiative, providing specialized deposit products and services, coupled with competitive profit rates, favorable fees, and pricing structures, as well as comprehensive cash management solutions. By targeting specific customers with the GreenLane Initiative, TBD aimed to cater to their unique requirements and enhance their banking experience. TBD also took a significant step in supporting small and medium-sized enterprises (“SMEs”) by introducing the SME Product Bundling Program in 2022. This innovative initiative integrates a comprehensive range of essential features under a single platform. Included in the program are essential services such as FPX (Financial Process Exchange), Jompay Biller, Zakat calculation service, company salary scheme, ePos terminal, and Corporate Internet Banking. By bundling these diverse services together, TBD aimed to provide SMEs with a convenient and efficient solution that caters to various aspects of their financial and operational needs. This approach reflects TBD's commitment to empowering and facilitating the growth of SMEs, playing an essential role in driving economic progress.

In alignment with Bank Muamalat's digitalization initiatives, TBD introduced the implementation of innovative digital solutions across cash management, trade finance, and payments. By leveraging these digital advancements, TBD aimed to unlock new revenue streams and growth opportunities while simultaneously enhancing customer experience and fostering customer loyalty. Through digital transformation, TBD sought to streamline processes, improve efficiency, and provide customers with seamless and convenient digital platforms for managing their cash, conducting trade finance activities, and making payments. By staying at the forefront of digital innovation, TBD was able to meet the evolving needs of customers while driving business growth, resulting in a reinforced customer satisfaction and loyalty.

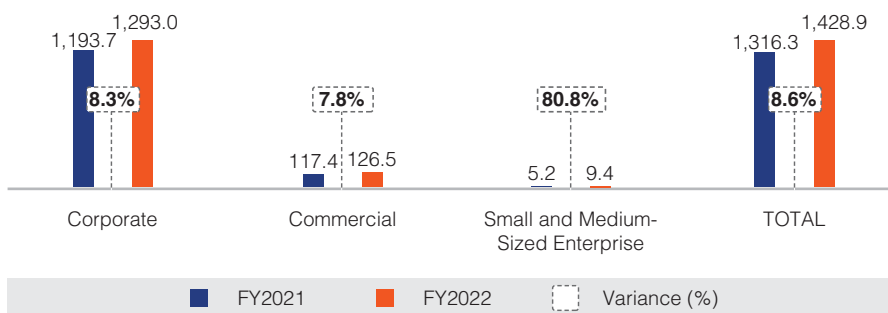




As of 31 December 2022, TBD achieved a growth of 8.6% in trade assets, with the value increasing from RM1,316.3 million in FY2021 to RM1,428.9 million. Moreover, TBD effectively managed a total of RM11,824.6 million in non-retail deposits. Within this portfolio, current account deposits amounted to RM7,137.8 million, while fixed-term account deposits accounted for RM4,686.8 million. These figures highlight the successful management of non-retail deposits by TBD and reflect the trust and confidence placed in the division's services by customers.

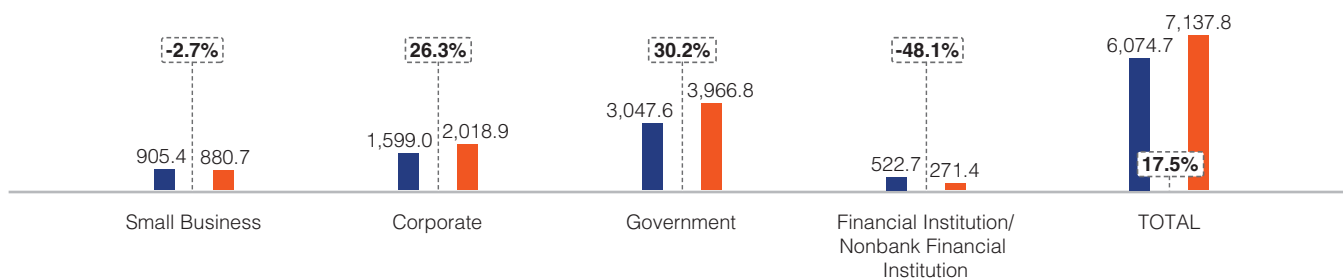
**Trade Finance Outstanding by sector**

(RM'million)

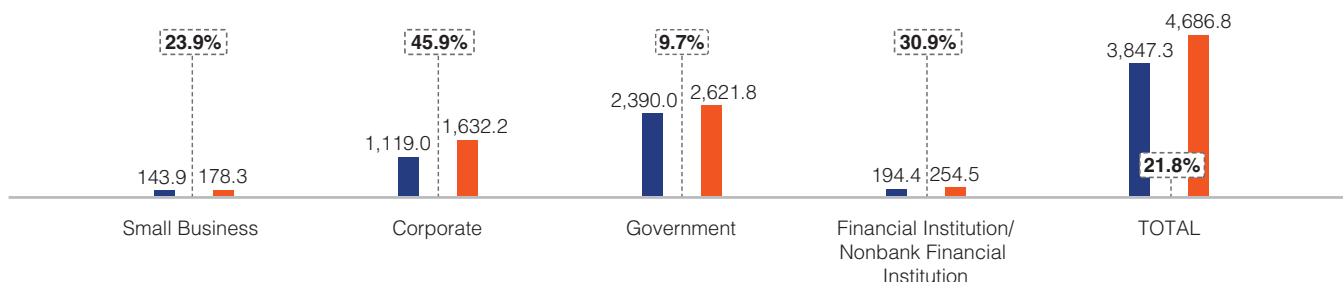


**Non-Retail Deposit Outstanding by sector**

**Current Account (RM'million)**



**Fixed Term Account (RM'million)**



■ FY2021 ■ FY2022 □ Variance (%)

## TRANSACTION BANKING



### MOVING FORWARD

As TBD enters 2023, the division has devised a set of strategies, in line with the overall targets of Bank Muamalat.

In order to foster business growth, TBD has identified two key areas of focus: data monetization and product packaging. By effectively monetizing data, TBD aims to extract valuable insights and create innovative solutions that cater to the specific needs of its customers. This strategic approach not only enhances the division's understanding of customer behavior but also enables the development of tailored products and services.

In addition, TBD aims to reinforce and expand its presence in the market by strengthening relationships with existing Corporate, Commercial, and SME partners. By nurturing these partnerships, TBD seeks to further understand and address the unique requirements of these customers, thereby fostering loyalty and driving mutual growth. Furthermore, TBD is exploring opportunities with new-to-bank customers, aiming to venture into partnerships with previously untapped segments. By expanding its reach and forging new alliances, TBD aims to broaden its customer base and tap into new sources of business growth. Through these targeted initiatives, TBD is positioned to bolster its segment penetration, cultivate strong partnerships, and capitalize on untapped opportunities, ultimately driving business growth and delivering value to its stakeholders.

One positive outcome that has emerged from the challenging pandemic period is a heightened awareness of the significance of operational efficiency. In light of this, a comprehensive set of initiatives has been strategically devised to enhance our offsite account opening capabilities and drive the growth of non-retail deposits. These initiatives encompass vital actions such as the realignment and resizing of our deposit teams, as well as the implementation of enticing deposit incentives.

To solidify the Bank's unwavering commitment to customer-centricity, TBD prioritises on simplifying its digital banking platform and introducing innovative product solutions to elevate the overall customer banking experience. By streamlining the digital banking interface, customers will benefit from a user-friendly platform that offers seamless navigation and access to a comprehensive range of services. Additionally, TBD intends to leverage the successful Bank Bergerak program by expanding its network and associate touchpoints. This strategic expansion will enable more customers to access the Bank's services conveniently and efficiently, fostering stronger relationships and enhancing overall customer satisfaction.

With a strong focus on empowering our workforce, TBD has implemented strategies to enhance the proficiency of our support and sales teams by augmenting their communication and sales aptitudes. Additionally, TBD aims to optimize internal resources through strategic redeployment and realignment initiatives, ensuring more efficient utilization of the workforce.

Lastly, TBD remains steadfast in fostering a high-performing workforce and cultivating a strong organizational culture. To achieve this, prioritization is put on the management of per-staff deposit ratio efficiency. Regular Fit-for-Role assessments will be conducted to ensure optimal delegation of functions and roles to the most suitable candidates. Just as stakeholders hold high expectations for the Bank, TBD too, has equally high aspirations for them. Accordingly, TBD will establish elevated KPI weightage ratios for stakeholders, ensuring that the Bank forms associations only with the most exceptional individuals.

# CORPORATE BANKING

The Corporate Banking Division (“CBD”) of Bank Muamalat is dedicated to serving corporate financing customers and plays a crucial role in assessing creditworthiness for new financing applications and renewal requests. CBD's primary objective is to optimize the generation of high-quality assets while minimizing the occurrence of non-performing assets. As of 31 December 2022, CBD had effectively managed RM5,556.2 million in financing assets. Among the various sectors, 33% of the financing assets were allocated to the financial and insurance/Takaful sectors, 18% to the real estate sector, 14% to the manufacturing sector, and 15% to the wholesale and retail trade sectors.

## PERFORMANCE REVIEW

Overall, CBD demonstrated commendable resilience and achieved consistent growth throughout the year 2022, despite encountering a few notable challenges. In summary, the hurdles faced by CBD encompassed scheduled settlement of RM400 million, the gradual pace of economic recovery following the pandemic, the lingering effects of the post-general election 2022 period, intense competition from other financial institutions in securing working capital facilities utilization, and human resource constraints.

To foster sustained growth, CBD implemented a series of strategies to effectively address the aforementioned challenges. To tackle the human resources challenge, CBD diligently pursued recruitment initiatives to attract exceptional talent and bolster its workforce. Additionally, CBD made substantial enhancements to its remuneration packages, ensuring the retention of high-performing personnel who demonstrated significant potential. Concurrently, CBD proactively engaged in initiatives aimed at fortifying its asset base while prudently managing the risks inherent in extending credit to customers with elevated risk profiles. Furthermore, CBD embarked on an exploration of the capital expenditure requisites within customers' ecosystems and supply chains, thereby identifying novel avenues for growth and diversification.

Moreover, CBD's Client Coverage team has demonstrated proactive support for account managers, facilitating enhanced client solution management to mitigate attrition rates and mitigate competitive pressures from other financial institutions regarding rates, product offerings, and services. Notably, CBD has made considerable strides in streamlining the approval process, significantly reducing turnaround times and minimizing potential risks associated with timely payment obligations. These initiatives reflect CBD's unwavering commitment to providing exceptional client service and maintaining a competitive edge in the market.

Furthermore, CBD implemented a robust system to monitor the daily utilization of customers' working capital facilities. This diligent tracking allowed CBD to proactively identify opportunities for optimizing facility usage. To capitalize on these opportunities, CBD deployed aggressive and targeted marketing strategies, leveraging competitive pricing schemes to incentivize customers to increase their utilization of the facilities.



**CBD  
SUCCESSFULLY  
MANAGED**

**RM5,556.2mil**  
OF FINANCING ASSETS

## CORPORATE BANKING

Consequently, during the fiscal year under review, CBD achieved notable milestones in financing activities, with a total of RM1,146.4 million in approvals and RM614.5 million disbursed. These figures underscore CBD's efficacy in effectively deploying capital and providing financial support to its valued clientele, solidifying its position as a reliable and trusted financial institution committed to fostering economic growth and enabling the realization of business aspirations.

CBD has demonstrated resilient financial performance throughout the period spanning 2020 to 2022. Despite encountering various challenges, CBD has exhibited a commendable track record by consistently upholding total financing assets above the substantial threshold of RM5,500.0 million.

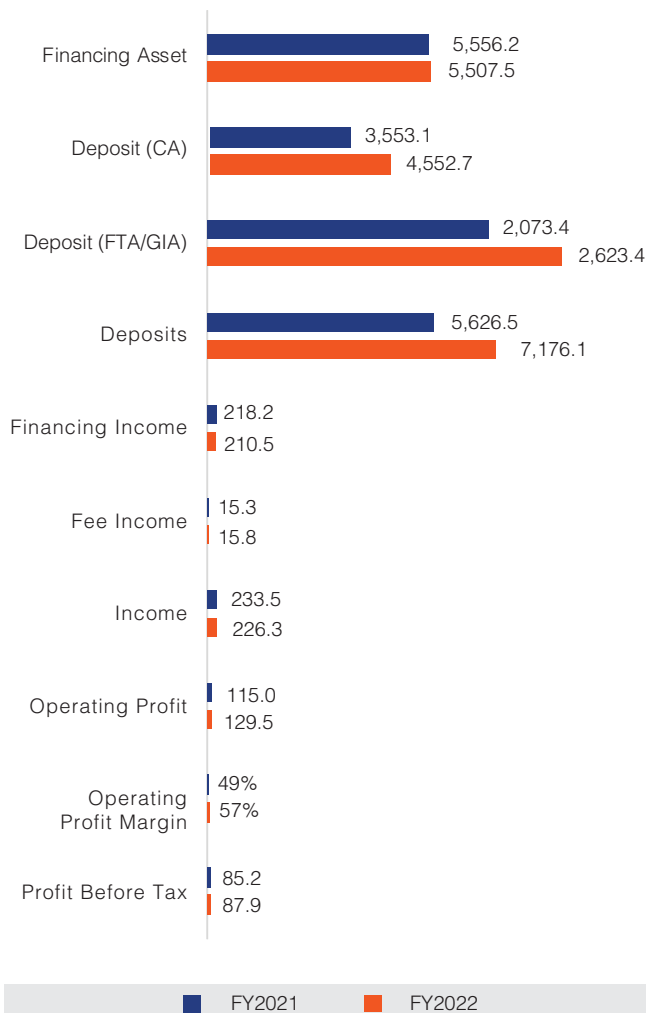
In 2022, CBD maintained a well-balanced financing asset portfolio, with term financing comprising 45% and short-term working capital financing accounting for the remaining 55%. This strategic allocation ensured a sustainable and diversified approach to CBD's financing activities. Furthermore, CBD's financial stability was fortified by a robust total deposit base amounting to RM7,176.1 million. CBD's financial performance in 2022 exhibited noteworthy improvements, with a profit before tax of RM87.9 million. This positive outcome was primarily attributed to the successful execution of a cost measurement exercise, resulting in lower operating costs. Additionally, CBD experienced a stable contribution from fee-based incomes, averaging RM15.0 million annually. This consistent revenue stream further bolstered CBD's financial position. Moreover, CBD witnessed a notable enhancement in its operating profit margin, which increased from 49% in FY2021 to 57% in FY2022. This improvement can be partially attributed to the increase in the overnight policy rate set by Bank Negara Malaysia, which positively impacted CBD's profitability.

In FY2022, CBD witnessed a notable increase in its outstanding exposure to value-based initiatives, which rose from RM2,682.6 million in FY2021 to RM3,011.4 million. This upward trend signifies CBD's commitment to financing initiatives aimed at promoting and elevating the overall standard of living within communities. Among the various categories of value-based initiatives, the financing released under the category "Platform for raising community standard of living" accounted for the largest exposure. By actively engaging in value-based financing initiatives, CBD reaffirms its role as a responsible financial institution dedicated to making a meaningful difference in society.

## REVENUE AND PROFITABILITY

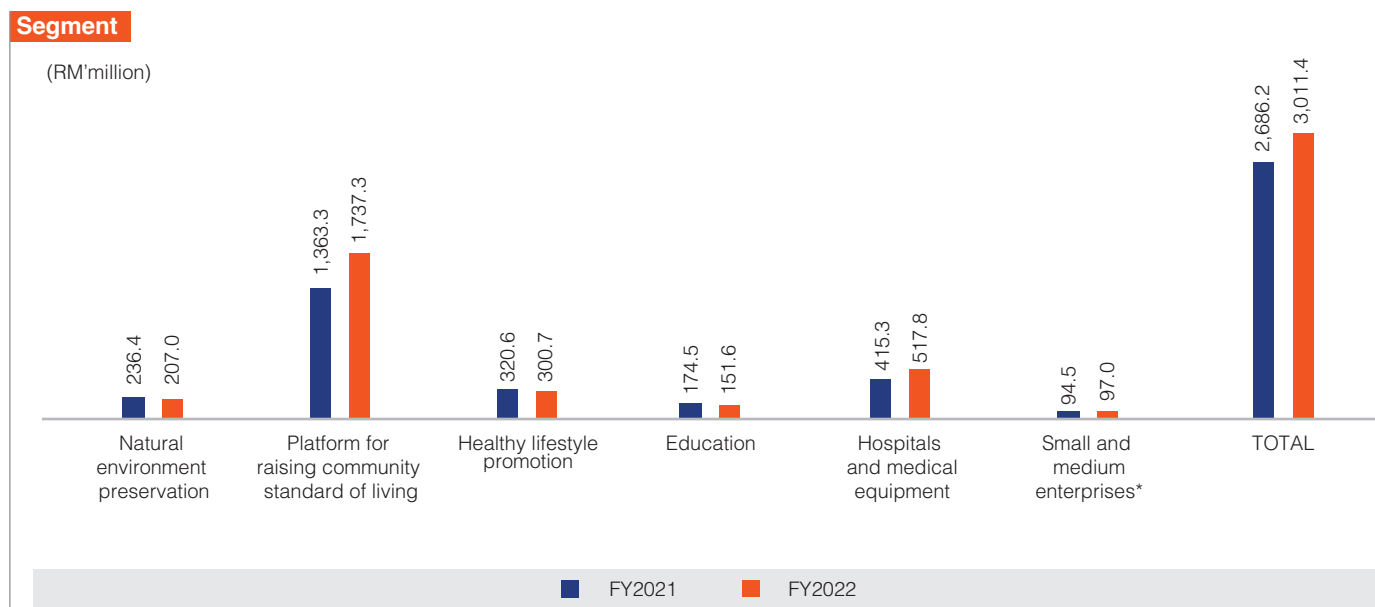
### Portfolio

(RM'million)



Note:  
CA: Cash Account; FTA: Fixed Term Account; GIA: General Investment Account

## VALUE-BASED INITIATIVES



## MOVING FORWARD

CBD remains committed to sustainable growth in alignment with industry standards. Going forward, CBD will concentrate on expanding its term financing portfolio while gradually reducing its working capital financing portfolio. This strategic shift in focus aims to optimize CBD's financing activities and enhance long-term profitability. In line with the government's objectives and the Bank's aspirations, CBD intends to proactively expand its presence in high-impact sectors. Notably, CBD plans to channel its resources and support towards sectors such as halal-based industries, public safety and health, infrastructure and transportation, agro-based industries, and renewable energy in the upcoming year of 2023. By prioritising investments in these sectors, CBD aims to contribute to economic development, foster sustainable practices, and align with the nation's strategic priorities.

CBD has meticulously devised a range of strategies to attain its growth targets. Primarily, CBD will concentrate on delivering secured term financing solutions to cater to customers' present and forthcoming capital expenditures and projects. CBD also aims to expand its customer base by targeting prominent entities such as government-linked companies, government-linked investment companies, and publicly listed companies within the identified high-impact sectors. Furthermore, CBD has placed a strong emphasis on managing its monthly attrition rate to safeguard its short-term assets. By diligently monitoring and mitigating attrition, CBD can uphold the stability of its asset base, ensuring the preservation of its financial resources and defending against potential disruptions.

Another critical strategy pursued by CBD is to enhance efficiency through the improvement and strengthening of its client coverage models. By optimizing these models, CBD aims to maximize its business relationships and actively seek out new customers, thereby expanding its client base. CBD is also determined to re-engineer its origination, assessment, and approval processes. This initiative reflects CBD's commitment to streamlining and optimizing its overall business processes, resulting in increased efficiency and reduced turnaround times. Furthermore, CBD recognizes the potential of data management and analytics in driving growth. By leveraging these tools, CBD aims to harness valuable insights from customer data, enabling targeted cross-selling and product bundling activities. This strategic approach not only enhances customer experience but also facilitates increased product adoption and deepened customer relationships.

CBD's third strategy focuses on the development of leadership and its internal talent pool. Recognizing the crucial role of skilled and capable individuals in sustaining business growth, CBD is committed to nurturing a competent team within its division. To achieve this, CBD will prioritize the implementation of robust leadership development programs to enhance the leadership skills and capabilities of existing managers, equipping them with the necessary tools to effectively guide and inspire their teams. Additionally, CBD will place significant emphasis on staff retention. Collaborating closely with the Human Capital/Resource team, CBD will ensure the retention of high-performing personnel by providing competitive benefits, opportunities for professional growth, and a supportive work environment.



TCM BROUGHT IN A  
TOTAL FOREIGN  
EXCHANGE VOLUME OF

**RM4,700mil**



**2.75%**  
POLICY RATE



TCM RECORDED  
A TOTAL INCOME OF

**RM154.1mil**

# TREASURY AND CAPITAL MARKETS

The Treasury and Capital Markets (“TCM”) manages Shariah-compliant Money Markets, Fixed Income, and Foreign Exchange by managing exposure on the Bank while taking into consideration regulatory requirements, internal risk appetite, and market outlook. As of 31 December 2022, TCM brought in a total Foreign Exchange volume of RM4,700 million, with a superior margin recorded in FY2022.

## PERFORMANCE REVIEW

Despite the encouraging recovery of the domestic economy, 2022 has been a challenging year for TCM in view of the continued volatile global market. As prolonged disruptions in the supply chain cause rising inflationary pressures, central banks have responded by adopting aggressive tightening monetary policies. Throughout the year, Bank Negara Malaysia has adjusted the overnight policy rate four times, with an increase of 100 bps in total and closing the year at 2.75%. Meanwhile, continued aggressive adjustments in the United States’ interest rates have seen a total hike of 425 bps during the year, affecting other major and emerging market currencies, including the Malaysian Ringgit. The USD/MYR rate weakened from 4.1660 to 4.4040, with the highest point at 4.7480 in November 2022. Against this backdrop, TCM was cautious in managing the Bank’s funds while it strived to stay competitive by responding appropriately to the market and expanding its client pool.

The Fixed Income portfolio faced escalating yield curve that will impact its overall portfolio valuation. In order to manage exposure, TCM prudently keep its Fixed Income portfolio with shorter duration. At the end of FY2022, TCM recorded a total funded income of RM157.5 million. As the global financial continued to be uncertain, TCM maintained a conservative approach to managing the Fixed Income portfolio while it focused on expanding the Foreign Exchange portfolio through proactive marketing strategies.



The Foreign Exchange desk is a major contributor to TCM's fee income. For FY2022, TCM proactively expanded its customer reach through aggressive marketing efforts while it continued to tap into its existing Corporates, Commercial, and Small and Medium Enterprise list. Additionally, TCM adopted a strategy of differential pricing for large and small transactions to boost fee income. This has brought in a total Foreign Exchange volume of RM4,700 million, with a superior margin recorded during the year. At the same time, TCM implemented a more conservative risk management approach to ensure a safer and more diversified portfolio, effective liquidity risk management, and reduced exposure to foreign exchange rate volatility.

Despite intense pressure from other financial institutions for wholesale clients, the Money Market desk continued to provide 42% of the Bank's total funding. Through strategic planning, the desk spread the maturities of its funds in order to manage the Bank's overall liquidity position against its long-term financing growth and investment portfolio.

### MOVING FORWARD

TCM anticipates Malaysia's economic growth to moderate in 2023, with the gross domestic product forecasted at 4.0% and the consumer price index marginally increasing to 3.6%. The slowing down of the economy will mainly be driven by the normalization of domestic demand, the continued dampening of inflation, the rising cost of living, and the delayed effects of the increase in interest rates.

As such, TCM intends to maintain a cautious and prudent approach to managing the Bank's investment portfolio while leveraging the elevated yield curve to enhance TCM's funded income. Meanwhile, TCM will continue to create awareness programs and campaigns on foreign exchange remittance as it explores digital channels to continuously provide better value propositions to its customers.

# SUBSIDIARY - MUAMALAT INVEST SDN BHD



**RM5.37bil**

(FY2021: RM2.76 bil)

**ASSETS UNDER  
MANAGEMENT**

(BILLION)



**RM3.71mil**

(FY2021: RM4.37mil)

**TOTAL REVENUE**

Muamalat Invest Sdn. Bhd. (“MISB”) is the Islamic fund management subsidiary of Bank Muamalat, established in 2006 and licensed in 2010. MISB primarily serves institutional and high-net-worth investors by offering them full Shariah-compliant investment management services for a wide range of capital market products, including providing discretionary and non-discretionary mandates, and wholesale and retail fund products for investments in various asset classes like Islamic money market instruments, equities, and Sukuk.

## PERFORMANCE REVIEW

In general, the operating environment for MISB was challenging in 2022 due to external factors that affected the global financial market. The global financial market was in a downturn, and the Malaysian stock market was also down, with the FTSE Bursa Malaysia KLCI Index falling by 4.6% for the year and the broader FTSE Bursa Malaysia Shariah Index declining by 10.8%. The Russia-Ukraine war, the economic slowdown in China, and the global rise in inflation were cited as the main factors contributing to the downturn.

The war between Russia and Ukraine led to a rise in crude oil and gas prices and threatened the global supply chains. Meanwhile, the sharp rise in COVID-19 cases in China had led to a significant deceleration in economic growth in 2022, with the country experiencing its slowest economic expansion since 1976. This is evident from the substantial decline in its gross domestic product growth from 8.1% in 2021 to only 3.0% in 2022.

Both the Russia-Ukraine war and the economic slowdown in China compounded the global inflation threat. For instance, the United States recorded an inflation rate of 6.5% in 2022, significantly above its long-term target of 2.0%. To tackle inflation, the United States Federal Open Market Committee raised the interest rate by 4.25%, the largest increase in history. In this matter, Bank Negara Malaysia responded in a similar way by increasing the overnight policy rate four times in 2022 to 2.75%.

As a result of the mentioned geopolitical shocks and macroeconomic challenges, Malaysian investors shifted away from risky and interest/profit-sensitive investments, causing some speculative growth segments to crash 70%-80% from highs.

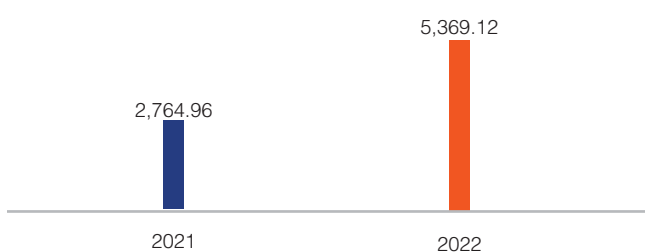
Despite the challenges, MISB continued to diligently grow the money market funds under its management in FY2022. Besides, multiple measures were taken to grow its customer base while retaining existing customers, such as expanding its business into the retail space via Muamalat Invest Islamic Equity Fund.





### Assets Under Management

(RM'Million)



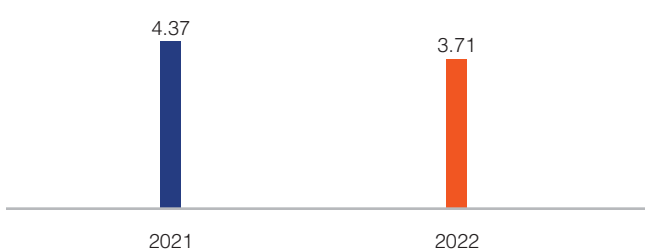
### Profit Before Tax

(RM'Million)



### Revenue

(RM'Million)



As of the end of FY2022, MISB's assets under management have grown significantly by 95% to RM5,370 million from RM2,760 million in FY2021. This growth contributed to a revenue of RM3.71 million and a profit before tax of RM0.02 million to MISB. Notably,

the primary source of business for MISB in FY2022 was from institutional customers investing in wholesale money market funds. The decline in revenue and profit before tax in FY2022 was mainly attributed to the reduction in management fees earned from the retail money market fund following the switch in risk appetite and investment strategies of retail investors in a challenging economic environment, as well as the cessation of income tax exemption incentives for the retail money market fund in 2022.

### MOVING FORWARD

MISB has laid out clear plans and strategies for 2023, taking into consideration the prevailing economic conditions and the changing needs of its customers. In general, MISB has optimistic views about the bond/sukuk market and plans to take advantage of the current environment where inflation rates are declining, interest/profit rates are at their peak. While the equity market's outlook in the short term remains uncertain due to the rapidly changing economic condition, MISB is confident in positioning equity for the longer term. We see 2023 as an opportunity year for a long-term position since the equity market is already in a downtrend since 2021, and some negatives are already priced in by the market.

Moreover, MISB plans to collaborate with reputable partners to expand its product offerings and distribution networks in the coming year to increase customer reach as it recognizes the importance of diversifying its asset classes to meet the evolving needs of its customers.

As a responsible financial institution, MISB is fully committed to the welfare of its stakeholders. The company recognizes the crucial role of environmental, social, and governance considerations in investment decisions. To this end, MISB plans to launch unit trust funds that incorporate the principles of Shariah and value-based intermediation. By doing so, we aim to generate a positive and sustainable impact on the economy, community, and environment through Islamic finance business models. This initiative is in line with MISB's strategic goal of expanding its presence in the retail market.

MISB also plans to launch an online investment platform powered by artificial intelligence to allow customers to invest conveniently and securely from anywhere, demonstrating its commitment to digitalization. These initiatives are part of MISB's strategic plans to continue its growth and success in the years ahead and further enhance its position as an innovator within the fund management industry.

# INVESTMENT BANKING

The Investment Banking (“IB”) division specializes in Islamic Capital Markets deals and oversees the management of the Bank’s private equity investments through its private equity arm, Muamalat Venture Sdn Bhd (“MVSB”). In FY2022, IB experienced significant growth in investment income, primarily driven by the performance of MVSB. The investment income generated from MVSB contributed significantly to the overall performance of IB, recording a notable growth of 13.3% at RM11.1 million compared to the previous fiscal year.

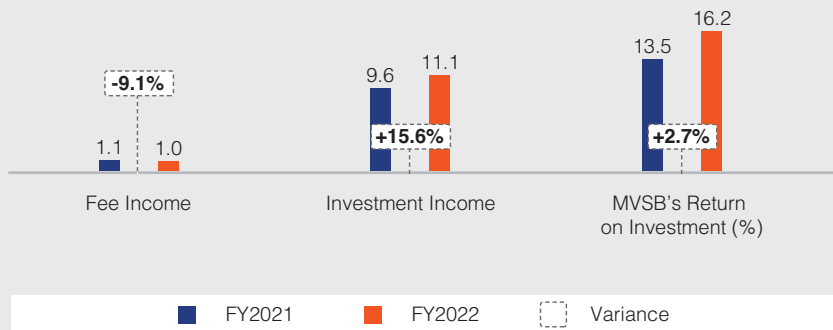
## PERFORMANCE REVIEW

### Investment Banking

In the fiscal year under review, IB generated RM1.0 million in fee income, consisting of arranger fees, agency fees, and management fees stemming from its IB activities. It is important to note that the fee income for FY2022 experienced a decline compared to FY2021. This decline can be primarily attributed to the intensified competition posed by prominent investment banks operating in the market.

#### Type of Income (Actual)

(RM'million)



In contrast, the investment income from MVSB continued to make a significant contribution to IB during the fiscal year. MVSB's investment income saw a notable growth of 15.6%, reaching RM11.1 million in FY2022, compared to RM9.6 million in FY2021. This increase was, in part, due to the higher profit generated from a Musharakah investment carried out by MVSB in an Ar-Rahnu business. As a result, MVSB achieved a 2.7% growth in return on investment, reaching 16.2% in FY2022 compared to 13.5% in FY2021.

In July 2022, IB arranged and managed the subsequent issue of Bank Muamalat's RM300.0 million Subordinated Sukuk Murabahah under the existing RM1,000.0 million Subordinated Sukuk Murabahah Program. The issuance book received a strong market response, with a final bid-to-cover ratio of 2.31 times (pre-final price fixing) and 1.85 times (post-final price fixing) over the issue size. This successful issuance demonstrated investor confidence in the Bank's Sukuk offerings. Furthermore, IB played a key role in managing other notable Sukuk issuances in the market during FY2022. This included overseeing the largest local development

### Investment Banking



**RM11.1mil**  
INVESTMENT INCOME

(FY2021: RM9.6mil)

**2.7%**  
GROWTH IN RETURN  
ON INVESTMENT

### Muamalat Venture Sdn Bhd



**RM11.1mil**  
INVESTMENT INCOME

(FY2021: RM9.8mil)

**RM10.2mil**  
PROFIT BEFORE TAX

(FY2021: RM9.5mil)

financial institution Sukuk issuances in April 2022 and October 2022. These successful Sukuk issuances highlighted IB's expertise and capability in facilitating significant transactions in the Islamic Capital Markets.

IB remains steadfast in its commitment to value-based banking, as exemplified by our strategic investment partnership with a state government-linked company. This partnership involves supporting Ar-Rahnu branches that offer accessible and convenient cash services in rural areas of Kelantan and Sabah. Not only does this initiative generate sustainable returns for the Bank, but it also enables us to extend fair and transparent financial products and services to underserved communities. By actively participating in such value-based ventures, IB furthers its financial objectives and plays a vital role in promoting financial inclusion and socio-economic development in the regions where these services are provided. This aligns with our broader vision of contributing positively to the well-being of the communities we serve while upholding the principles of Shariah-compliant banking.

### MOVING FORWARD

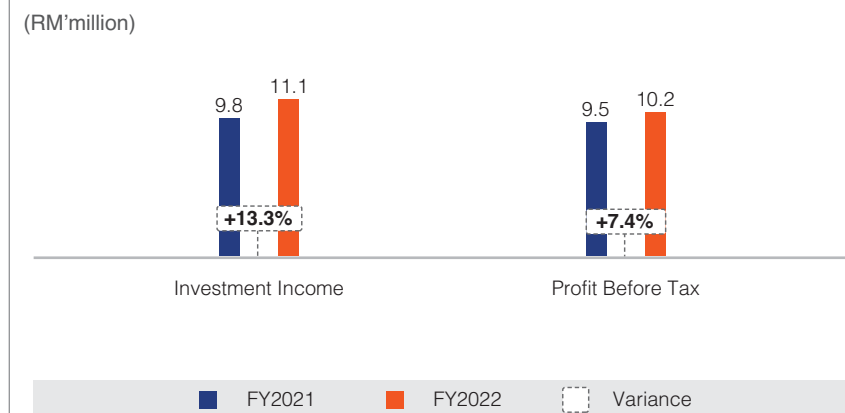
In the context of the Malaysian capital market, 2023 is anticipated to maintain its resilience, yet it will remain sensitive to global dynamics. Volatility could be influenced by the pace of global monetary policy tightening and geopolitical events. Given the uncertain global economic conditions, IB is likely to encounter persistent challenges, including fierce competition arising from limited capital market deals and strong rivalry from prominent investment banks.

Despite the current challenges, IB will concentrate efforts on cultivating vital corporate relationships with prospective Sukuk issuers and other financial institutions to foster a steady influx of transactions in the debt capital markets. Furthermore, IB will persist in engaging in strategic collaborations with partner banks and investment advisory firms for substantial capital market endeavours, while proactively exploring opportunities to expand our portfolio under the private equity investments.

### Muamalat Venture Sdn Bhd

MVSB is an Islamic venture capital management firm specialising in strategic investments in high-growth companies, as well as mezzanine and pre-initial public offering enterprises.

#### Type of Income (Audited)



During the fiscal year 2022, MVSB placed its primary emphasis on a Musharakah venture with a state government-linked company, which constituted over 90% of its total Assets Under Management amounting to RM61.4 million as of 31 December 2022. Owing largely to the notable growth in profit contribution from the Musharakah investment, MVSB achieved a commendable profit before tax of RM10.2 million in FY2022.

Aligning with the Bank's value-based intermediation concept, MVSB remains committed to addressing the needs of underserved communities by upholding an investment partnership with a state government-linked company to operate Ar-Rahnu branches in Kelantan and Sabah. This strategic venture not only generates sustainable returns for MVSB but also enables the Bank to champion equitable and transparent products and services, thus, promoting financial inclusivity within these communities.

### MOVING FORWARD

The dynamic nature of both domestic and global economies, coupled with factors such as global monetary policy tightening and geopolitical developments, will persistently influence the performance of companies across diverse sectors. Given the prevalence of external headwinds, business and economic activities are projected to experience a sluggish trend, consequently impacting investors' returns and contributing to increased investment volatility. In light of these uncertainties and potential downside risks, it becomes imperative for MVSB to exercise heightened caution and maintain a vigilant approach toward income generation and investment management.

To mitigate these risks, MVSB will prioritize consistent engagement with our investee companies to effectively navigate the potential adverse effects of an economic slowdown. Despite the prevailing challenges, MVSB recognizes the presence of lucrative opportunities within its investment portfolio, capable of generating stable recurring income while concurrently mitigating inherent risks. In tandem, MVSB will maintain its focus on optimizing the existing portfolio while actively seeking viable prospective investments and exploring opportunities to expand the Bank's Islamic private equity portfolio. This may include exploring potential partnerships or collaborations with other reputable private equity firms to leverage synergies and enhance the overall investment strategy.



**05**



# SUSTAINABILITY STATEMENT

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# SUSTAINABILITY OVERVIEW



**54.7%**

**OF THE BANK'S  
TOTAL OUTSTANDING  
FINANCING IN FY2022  
HAVE A DIRECT IMPACT  
ON THE ECONOMY,  
SOCIETY AND THE  
ENVIRONMENT**

This Sustainability Statement is prepared with the aim to provide a better picture of the commitment and progress of Bank Muamalat in regard to sustainability. It covers and elaborates on our sustainability approach, sustainability governance, methodology to identify matters that are material to our key stakeholders and businesses, and sustainability performance for FY2022.

## REPORTING SCOPE AND PERIOD

This Sustainability Statement covers the sustainability-related strategies, practices, and performance of the Bank and its subsidiaries in Malaysia for FY2022 starting from 1 January 2022 to 31 December 2022.

## FRAMEWORKS AND BENCHMARKS

Both international and local frameworks and benchmarks were used to guide the preparation of this Sustainability Statement, especially in defining the statement content, disclosures, and quality. The frameworks and benchmarks used include:

- Sustainability Reporting Standards of Global Reporting Initiative (“GRI”)
- Main Market Listing Requirements and Sustainability Reporting Guide (Second Edition) of Bursa Malaysia Securities Berhad
- Sustainable Development Goals (“SDGs”) of the United Nations (“UN”)



# OUR SUSTAINABILITY APPROACH

**At Bank Muamalat, we recognize that our businesses are impacting the economy, environment, and society in various ways. And this is exactly the reason why the Bank constantly incorporates economic, environmental, and social (“EES”) aspects into its decision-making processes. By doing so, the Bank aims to bring long-term benefits to its stakeholders and ensure business continuity.**

Note: The terms EES and environmental, social, and governance (“ESG”) are usually used interchangeably. However, this Sustainability Statement focuses mainly on EES because the governance element is covered extensively in the Governance section of this Annual Report.

As an Islamic financial institution, the Bank employs Maqasid Shariah principles as the underlying principles that guide its operations and decision-making on material sustainability matters. Not only this approach is consistent with the Bank’s vision to become an Islamic bank for all, but it is also in line with the Bank’s commitment to creating long-term values for stakeholders through sustainability as Maqasid Shariah principles emphasize the preservation of order, achievement of benefits, prevention of harm or corruption, promotion of equality among people, compliance with laws, and empowerment of community (ummah).

Moreover, the Bank has also adopted 5 out of the 17 UN SDGs and is committed to contributing to the progress and success of the goals by aligning its operation with these goals. The 5 UN SDGs we adopted are:

- SDG 4 – Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- SDG 8 – Decent Work and Economic Growth: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.
- SDG 10 – Reduced Inequalities: Reduce inequality within and among countries.
- SDG 12 – Responsible Consumption and Production: Ensure sustainable consumption and production patterns.
- SDG 16 – Peace, Justice, and Strong Institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels.

On top of the above internal measures, the Bank also actively collaborates with external organizations, locally and globally, to develop Islamic banking into a positive, viable alternative banking system that contributes to overall societal uplift. Locally, Bank Muamalat is one of the founding members, alongside Bank Negara Malaysia and four other Islamic banks in Malaysia, of the Value-Based Intermediation Community of Practitioners, a collaborative platform for industry players to strategically advance the industry-wide implementation of value-based intermediation agendas. In the international arena, the Bank is an active member of the Global Alliance for Banking on Values, a global network of independent banks that aim to use finance as a means to deliver sustainable EES development.

With Maqasid Shariah principles as fundamental guidelines, UN SDGs as targets, and collaborations and support from other industry players, the Bank is committed to sustainability and confident to create value for stakeholders.



# SUSTAINABILITY GOVERNANCE

Briefly put, our sustainability strategies are overseen by the Board and managed by the Senior Management team. All decided value-based initiatives are then executed by the respective Heads of Departments.

## Who

## Responsibility

<b>Board of Directors</b>	Oversees the overall sustainability strategies of the Bank and advises on sustainability matters when deemed necessary
<b>Management Committee</b> <ul style="list-style-type: none"> <li>• <b>President and Chief Executive Officer</b></li> <li>• <b>Chief Strategy Officer</b></li> <li>• <b>Chief Risk Officer</b></li> <li>• <b>Chief Compliance Officer</b></li> <li>• <b>Chief Internal Audit</b></li> </ul>	Deliberates, oversees, and acts as custodian to all sustainability and value-based initiatives
<b>Head of Business Units</b>	Executes all value-based initiatives
<b>Head of Human Capital Division</b>	Executes all value-based initiatives
<b>Head of Shariah Division</b>	Reviews value-based initiatives and engagement with customers from Shariah perspectives
<b>Head of Customer Service Department</b>	Engages with customers to materialize value-based initiatives
<b>Head of Marketing and Communications Department</b>	Promotes value-based initiatives and their importance internally and externally
<b>Head of Social Finance Department</b>	Strategizes and materializes value of Tabung Mawaddah and Waqf fund to ensure a diversified fund usage

# OUR APPROACH TO STAKEHOLDER ENGAGEMENT

At Bank Muamalat, we believe that engaging with our stakeholders is crucial for building trust, gaining valuable insights, and creating long-term value for them. Therefore, we are committed to engaging with our stakeholders on a regular basis to better understand their needs and expectations, address their concerns, and incorporate their feedback into our decision-making processes. By doing so, we can ensure that our business practices align with their interests and continue to be a responsible and sustainable financial institution.



## SHAREHOLDERS & INVESTORS

### Why we engage:

- To establish transparent and timely communication with them, which will help build and maintain their trust and confidence in our organization while facilitating their investment decisions.
- To receive input from them regarding their investment preferences and expectations to better align our strategy with their needs, ensuring sustained access to capital.

### How we engage:

- Annual reports
- Sustainability statements
- Financial announcements
- Online communications: emails, corporate website, and social media
- Meetings and discussions

### Stakeholders' expectations:

- Sustainable and long-term business strategies, as well as prudent cost management, for sustainable financial returns.
- Proactive management of asset quality and credit risks from exposure to sectors affected by the pandemic.
- Sound balance sheet management.
- Integration of value-based intermediation elements in business operations.
- Ethical and responsible business conduct.
- Strong and experienced management.
- Transparent reporting and disclosure.
- Initiatives to mitigate the effects of the pandemic.

### Our responses:

- Developed a 5-year business strategy plan for long-term, sustainable growth.
- Re-prioritized strategies to adapt to the vulnerable market landscape due to the pandemic.
- Appointed Board members and senior management with vast experience and knowledge.
- Continuously integrated value-based intermediation practices into products and services.
- Ensured transparency in corporate reporting and disclosure through multiple platforms.
- Realigned risk appetite and financing strategies to mitigate the impact of the pandemic on the Bank.

### Related material matters:

- Economic performance
- Responsible financing
- Digital banking
- Energy consumption and environmental impact
- Ethics and integrity

### Related UN SDGs:

- SDG 8
- SDG 12
- SDG 16





**CUSTOMERS**

**Why we engage:**

- To understand their needs and expectations and identify gaps so we can serve them better.
- To promote financial literacy so they can make better informed financial decisions.

**How we engage:**

- Branch representatives
- Digital touchpoints: Internet banking and digital applications
- Online communications: Emails, corporate website, and social media
- Customer service centers
- Call centers
- Customer networking events
- Printed materials
- Customer survey

**Stakeholders' expectations:**

- Innovative financial solutions, products, and services.
- Convenient, continuous, and safe access to banking services during the pandemic.
- Convenient and transparent value-for-banking products and services.
- Secured and safe environment with strict data protection for conducting banking activities, particularly through digital channels.
- Excellent customer service.
- Financial assistance that can ease their financial burden.

**Our responses:**

- Developed innovative financial solutions, products, and services to meet customers' financial needs.
- Enhanced touchpoints, both physical and digital, to maximize customer satisfaction.
- Improved processes to deliver operational excellence and efficiency.
- Drove service excellence through skilled and trained customer service personnel.
- Enhanced end-to-end cyber response and simulation plans to ensure cyber resilience and continuously improve IT security.
- Provided continuous awareness through online communication and digital touchpoints to educate customers and employees on potential fraud and scams.
- Implemented strict standard operating procedures to ensure customers' safety at branches.
- Extended financial assistance such as reliefs and moratoriums to alleviate the impact of the pandemic on customers.

**Related material matters:**

- Economic performance
- Digital banking
- Ethics and integrity
- Entrepreneur development
- Responsible financing
- Financial inclusion
- Customer experience



**Related UN SDGs:**

- SDG 4
- SDG 8
- SDG 10
- SDG 12
- SDG 16






# OUR APPROACH TO STAKEHOLDER ENGAGEMENT



BUSINESS PARTNERS	
<p><b>Why we engage:</b></p> <ul style="list-style-type: none"> <li>To ensure mutual understanding and alignment of goals, objectives, and expectations for better collaboration, more efficient operations, and improved customer service.</li> </ul>	<p><b>How we engage:</b></p> <ul style="list-style-type: none"> <li>Online communications: Emails, corporate website, and social media</li> <li>Formal and informal engagements</li> <li>e-Procurement system</li> </ul>
<p><b>Stakeholders' expectations:</b></p> <ul style="list-style-type: none"> <li>Fair and equal evaluation of vendors and their proposals.</li> <li>Fair conditions for both vendors and the Bank.</li> <li>Effective and timely communication on new policies, guidelines, or strategies to ensure optimal performance.</li> <li>Transparent reporting and disclosure to ensure smooth collaboration with potential partners.</li> </ul>	<p><b>Our responses:</b></p> <ul style="list-style-type: none"> <li>Supported local vendors.</li> <li>Provided convenient access to procurement systems.</li> <li>Conducted engagement sessions to ensure vendors' understanding of the procedures, processes, guidelines, and expectations of deliverables and their quality.</li> <li>Ensured fair procurement practices and transparent vendor selection.</li> <li>Established a dedicated tender committee to ensure the objectives of the engagements are achieved.</li> </ul>
<p><b>Related material matters:</b></p> <ul style="list-style-type: none"> <li>Procurement practices</li> <li>Economic performance</li> <li>Digital banking</li> <li>Ethics and integrity</li> </ul>	<p><b>Related UN SDGs:</b></p> <ul style="list-style-type: none"> <li>SDG 8</li> <li>SDG 16</li> </ul> <div style="display: flex; justify-content: space-around;">   </div>



REGULATORY AGENCIES & STATUTORY BODIES	
<p><b>Why we engage:</b></p> <ul style="list-style-type: none"> <li>To ensure the Bank stays updated on changes and developments that affect the sector, maintains operational efficiency, and complies with legal and regulatory requirements.</li> <li>To collaborate and participate in policy formulation and national development initiatives that have a positive impact on the overall economy.</li> </ul>	<p><b>How we engage:</b></p> <ul style="list-style-type: none"> <li>Updates and reports</li> <li>Regulatory forums, briefings, meetings, conferences, and consultation papers</li> </ul>
<p><b>Stakeholders' expectations:</b></p> <ul style="list-style-type: none"> <li>Compliance with all legal and regulatory requirements.</li> <li>Good corporate governance.</li> <li>Transparent reporting and disclosures.</li> <li>Participation and contribution to industry and regulatory working groups.</li> </ul>	<p><b>Our responses:</b></p> <ul style="list-style-type: none"> <li>Continuously updated our systems and processes to meet current compliance and risk requirements.</li> <li>Ensured compliance delivery, risk management, and governance that meet regulatory requirements.</li> <li>Integrated value-based intermediation elements into risk management practices.</li> <li>Ensured timely and transparent reporting to regulatory agencies and statutory bodies.</li> <li>Actively participated in value-based intermediation working groups to develop a sectoral guide.</li> </ul>
<p><b>Related material matters:</b></p> <ul style="list-style-type: none"> <li>Economic performance</li> <li>Responsible financing</li> <li>Ethics and integrity</li> <li>Energy consumption and environmental impact</li> </ul>	<p><b>Related UN SDGs:</b></p> <ul style="list-style-type: none"> <li>SDG 8</li> <li>SDG 12</li> <li>SDG 16</li> </ul> <div style="display: flex; justify-content: space-around;">    </div>



## LOCAL COMMUNITY

### Why we engage:

- To positively impact our communities through access to financing, service offerings, social initiatives, and community programs.
- To stay connected to developments and trends related to our operations to enhance our relevance in the communities we serve.

### Stakeholders' expectations:

- Financial and value-based intermediation literacy awareness.
- Efforts in tackling common EES issues.
- Feasible and convenient access to advisory on suitable financial solutions.
- Efforts in building a resilient and thriving community.

### Related material matters:

- Community development
- Energy consumption and environmental impact

### How we engage:

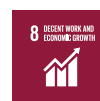
- Community engagement activities
- Online communications: Emails, corporate website, and social media
- Digital touchpoints: Mobile applications, Internet banking, and SMS blasts
- Printed materials

### Our responses:

- Collaborated with various state religious councils and government agencies to address the needs of the local communities.
- Provided access to advisory on suitable financial solutions through digital channels.
- Extended financial relief assistance.
- Continuously implemented corporate social responsibility initiatives.

### Related UN SDGs:

- SDG 4
- SDG 8
- SDG 10
- SDG 12



## EMPLOYEES

### Why we engage:

- To ensure clear communication of the Bank's vision for effective execution and delivery of strategies.
- To address their concerns and keep them engaged and motivated.

### Stakeholders' expectations:

- Fair remuneration, recognition, and effective performance management.
- Balanced work-life environment.
- 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.

### Related material matters:

- Employment
- Diversity and equal opportunity
- Training and education
- Ethics and integrity

### How we engage:

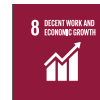
- Internal portal and emails
- Employee dialogue sessions with Chief Executive Officer
- Annual engagement survey
- Social and recreational activities
- Employee engagement events and programs
- Roadshows

### Our responses:

- Enhanced task delegation and improves employee performance management.
- Provided employee remuneration.
- Strengthened employee learning and career development programs to equip them with essential skills for them to be competitive with other peers in the industry.
- Conducted employee engagement and employee satisfaction surveys.
- Developed a career development plan framework and apprenticeship program.

### Related UN SDGs:

- SDG 4
- SDG 8
- SDG 10
- SDG 16



# OUR APPROACH TO MATERIALITY



## 03 PRIORITIZE ...

We prioritize the identified material matters based on their importance to our business and our stakeholders.

## 01 IDENTIFY ...

We identify material matters by reviewing previous material matters, engaging with our stakeholders to understand their expectations, concerns, and needs, and assessing issues relevant to industry best practices such as the GRI Standards and the Integrated Reporting (“<IR>”) Framework.



## OUR 3-STEP MATERIALITY APPROACH

## 02 EVALUATE ...

We evaluate the identified material matters internally, guided by standards such as Bursa Malaysia Securities Berhad’s Main Market Listing Requirements and the International Integrated Reporting Council (“IIRC”) framework, as well as externally by measuring the matters across their impact on our business and relevance to our stakeholders.



As a responsible and sustainable financial institution, the Bank recognizes the importance of identifying and prioritizing the material matters that are most relevant to our stakeholders and our business. To ensure that we create value for our stakeholders in the short, medium, and long term, we have an established 3-step approach to materiality. This approach enables us to identify the most significant EES matters that could impact our operations, financial performance, sustainability, and contribution to our stakeholders. By prioritizing these material matters, we can better allocate our resources, manage risks, seize opportunities, and enhance our decision-making. This approach also helps us to ensure that our sustainability reporting is focused on the matters that are most important to our stakeholders and that we are transparent and accountable about our progress in addressing them.







## OUR IDENTIFIED MATERIAL MATTERS AND OUR COMMITMENT TO THEM

Taking into account the UN SDGs, the Bank has identified the most significant material matters for our business and stakeholders under the three EES pillars as follows:

ECONOMY		
Material Matter	Our Commitment	Relevant Goal and Standard
<p><b>Economic performance</b></p> 	<ul style="list-style-type: none"> <li>Align the Bank's strategic directions, businesses, and operations with Malaysia's economic plan to create direct economic value for society.</li> </ul>	<p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>SDG 8</li> <li>SDG 16</li> </ul>  
<p><b>Entrepreneur development</b></p> 	<ul style="list-style-type: none"> <li>Develop strategies and initiatives to help the underserved segments that drive the local economy, i.e., micro, small, and medium-sized enterprises and entrepreneurs.</li> </ul>	<p><b>Standard:</b></p> <ul style="list-style-type: none"> <li>GRI-103: Management Approach 2016</li> <li>GRI-201: Economic Performance 2016</li> <li>GRI-205: Anti-Corruption 2016</li> <li>GRI-418: Customer Privacy 2016</li> </ul>
<p><b>Responsible financing</b></p> 	<ul style="list-style-type: none"> <li>Increase financing to entities that meet ESG criteria.</li> <li>Avoid financing entities involved in unethical activities.</li> </ul>	
<p><b>Procurement practices</b></p> 	<ul style="list-style-type: none"> <li>Ensure a fair and transparent process for vendor evaluation and onboarding to establish a stable, equitable, and sustainable supply chain.</li> <li>Adopt social procurement to prevent abuse of local and international human rights by vendors and the supply chain.</li> </ul>	
<p><b>Ethics and Integrity</b></p> 	<ul style="list-style-type: none"> <li>Ensure compliance with all applicable laws and regulations by Bank Negara Malaysia, the Companies Commission of Malaysia, and other relevant local authorities, including the Islamic Financial Services Act, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act, Personal Data Protection Act, and more.</li> <li>Adhere to the capital adequacy and liquidity guidelines stipulated by Basel III.</li> <li>Uphold a commitment to ethical conduct and behavior throughout the organization, from directors to officers.</li> </ul>	

# OUR APPROACH TO MATERIALITY






ECONOMY		
Material Matter	Our Commitment	Relevant Goal and Standard
<p><b>Customer experience</b></p> 	<ul style="list-style-type: none"> <li>Improve service delivery while adhering to all applicable laws and regulations regarding customer confidentiality.</li> <li>Provide enjoyable, reliable, and memorable customer journeys while striking the right balance between digital and traditional approaches.</li> </ul>	<p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>SDG 8</li> <li>SDG 16</li> </ul>   <p><b>Standard:</b></p> <ul style="list-style-type: none"> <li>GRI-103: Management Approach 2016</li> <li>GRI-201: Economic Performance 2016</li> <li>GRI-205: Anti-Corruption 2016</li> <li>GRI-418: Customer Privacy 2016</li> </ul>
<p><b>Digital banking</b></p> 	<ul style="list-style-type: none"> <li>Drive digital transformation and builds internal capability for greater customer experience, accessibility, and efficiency.</li> </ul>	



ENVIRONMENT		
Material Matter	Our Commitment	Relevant Goal and Standard
<p><b>Energy consumption and environmental impact</b></p> 	<ul style="list-style-type: none"> <li>Efficiently manage the consumption of natural resources such as fuel, electricity, and water in operations while striving to reduce waste and pollution.</li> <li>Improve the environment through various activities.</li> </ul>	<p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>SDG 12</li> </ul>  <p><b>Standard:</b></p> <ul style="list-style-type: none"> <li>GRI-103: Management Approach 2016</li> <li>GRI-302: Energy 2016</li> <li>GRI-303: Water and Effluents 2018</li> </ul>





SOCIETY		
Material Matter	Our Commitment	Relevant Goal and Standard
<p><b>Employment</b></p> 	<ul style="list-style-type: none"> <li>Enhance hiring, recruitment, and retention processes to attract and retain top talent.</li> <li>Develop and implement programs to support employee well-being, including physical and mental health, work-life balance, and career development opportunities.</li> </ul>	<p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>SDG 4</li> <li>SDG 8</li> <li>SDG 10</li> </ul>   
<p><b>Diversity and equal opportunity</b></p> 	<ul style="list-style-type: none"> <li>Ensure equal treatment and fair evaluation of employees based on individual merit.</li> <li>Prevent all forms of discrimination and harassment in the workplace.</li> </ul>	<p><b>Standard:</b></p> <ul style="list-style-type: none"> <li>GRI-103: Management Approach 2016</li> <li>GRI-401: Employment 2016</li> <li>GRI-403: Occupational Health and Safety 2018</li> <li>GRI-404: Training and Education 2016</li> <li>FS7: Monetary Value of Products and Services Designed to Deliver a Specific Social Benefit for Each Business Line Broken Down by Purpose</li> <li>FS13: Access Points in Low-Populated or Economically Disadvantaged Areas by Type</li> <li>FS14: Initiatives to Improve Access to Financial Services for Disadvantaged People</li> </ul>
<p><b>Training and education</b></p> 	<ul style="list-style-type: none"> <li>Develop and equip employees with necessary knowledge and skills through training and education programs.</li> </ul>	
<p><b>Community development</b></p> 	<ul style="list-style-type: none"> <li>Empower communities through sustainable development programs that create positive impacts.</li> <li>Collaborate with communities to identify their needs and design programs accordingly.</li> <li>Foster economic growth and social well-being through community development initiatives.</li> </ul>	
<p><b>Financial inclusion</b></p> 	<ul style="list-style-type: none"> <li>Develop affordable and accessible products and services to promote financial inclusion in the nation.</li> </ul>	

# OUR PROGRESS AND OUTPUT IN SUSTAINABILITY



## ECONOMY

### ECONOMIC PERFORMANCE

As Malaysia transitioned from the pandemic into the endemic phase on 1 April 2022, businesses have been slowly resuming their operations. However, they are facing a challenging environment with volatile market conditions due to higher inflation and a higher interest/profit rate environment. These conditions have resulted in mixed consumer appetites, making it difficult for businesses to plan and execute their strategies. Despite these challenges, the Bank remained resilient and adept at harnessing opportunities to continue serving its customers and growing its business.

Refer to the Our Strategic Direction section of this annual report for more information on RISE26+.

In response to the challenging economic environment, a few strategies were implemented throughout 2022. The Bank has revamped its 5-year business plan for greater relevance and resilience in the post-pandemic era. In addition, the Bank has provided financial assistance to small businesses in the community to stimulate the economy. Products and services were also offered to customers from different income groups, including B40, Asnaf, gig workers, affluent, and professional workers, demonstrating the Bank's commitment to promoting financial inclusion and supporting economic growth in Malaysia.

**By the end of FY2022, the Bank's collective efforts have generated RM1,339.9 million in economic value, with RM990.0 million disbursed and RM349.9 million retained.** This represents a significant increase from the previous fiscal year, in which the Bank generated RM1,100.0 million in economic value, disbursed RM828.3 million, and retained RM310.7 million. These results demonstrate the Bank's continued commitment to sustainable economic growth and creating value for all our stakeholders.

Benefited stakeholder Shareholders and Investors, Local community, Customers.



## ENTREPRENEUR DEVELOPMENT

The Bank continued its active role in supporting the Malaysian Government's agenda to boost micro, small, and medium-sized enterprises, with the target of having 50% of the gross domestic product contributed by micro, small, and medium-sized enterprises by 2030.

In FY2022, the Bank's initiatives mainly include providing financial assistance and microfinancing, as well as leveraging partially secured guarantees from the government for identified vendors and business partners. These efforts have been instrumental in supporting the growth and sustainability of micro, small, and medium-sized enterprises in Malaysia, which in turn, drives economic growth and job creation in the nation.

In particular, the Bank **continued its collaboration with Syarikat Jaminan Perniagaan Berhad and approved a total of RM221.3 million in FY2022**, with RM220.8 million disbursed by the end of the year. In addition, the Bank **continued to offer the Teraju Bumiputera Healthcare Supply Chain Financing Program, which approved RM14.5 million and disbursed RM10.5 million of financing** in the same year.

## OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

### RESPONSIBLE FINANCING

#### Benefited stakeholder

Shareholders and Investors, Local Community, Customers, Employees.

In today's global economy, where there is increasing scrutiny on the role of financial institutions in addressing social and environmental challenges, the Bank recognizes the importance of this commitment and takes it seriously. This constitutes the Bank's commitment to responsible financing, which is the practice of providing financial services in a way that is sustainable, ethical, and responsible. The adoption of responsible financing principles is crucial for promoting social and environmental sustainability, as well as long-term economic growth. It ensures that the Bank operates in a manner that takes into account the impact of its decisions on the wider community and the environment, while also creating value for its stakeholders.

The Bank also **continued to emphasize value-based financing and disbursed a total of RM4,337.4 million to value-based intermediation sectors in FY2022**. This included RM268.0 million for natural environment preservation, RM2,316.3 million for the platform for raising community standard of living, RM300.7 million for healthy lifestyle promotion, RM152.6 million for education, RM520.8 million for hospital and medical providers, and RM779.0 million for small and medium-sized enterprises. Overall, the Bank **maintained 51.8% outstanding retail financing for facilities that are recognized to directly impact the environment and society**.

Furthermore, the Bank **continued to provide financing to first-time homebuyers in the lower to medium-income segment** to purchase affordable houses priced up to RM250,000 in Peninsular Malaysia and RM300,000 in Sabah and Sarawak. **Two new products – SMART Mortgage Solution and SMART Home Package were launched** in 2022 to assist first-time home buyers.

In 2022, the Bank **organized a total of 61 events focused on**

**debt management and financial planning, benefiting 211 organizations** including those under the Employer Empanelment Program ("EEP"), government agencies, and the army. The primary objective of these events was **to enhance the financial literacy and debt management capability of the participants, empowering them to make informed financial decisions**.

The Bank's unwavering dedication to sustainable development as a responsible Islamic financial institution is demonstrated through its active engagement with sustainability and value-based intermediation-related organizations at national and international levels. **In addition to participating in the Sustainability Working Group of the General Council for Islamic Banks and Financial Institutions ("CIBAFI"), the Bank is also a member of the Community of Practitioners of Value-Based Intermediation ("VBI")**. Additionally, the Bank **was actively involved in the publication of the second cohort of the Value-Based Intermediation Financing and Investment sectoral guides**, released in February 2022, which covered the oil and gas, construction, infrastructure, and manufacturing sectors. Continuing its commitment to advancing industry knowledge, the Bank is **currently participating in the development of the third cohort of the sectoral guides, covering the agriculture sector**, with a scheduled release in the fourth quarter of 2023.

Lastly, as part of its continuous support for its staff, the Bank offered staff financing at a competitive rate as part of the employee benefits package to facilitate employees in fulfilling their basic needs. In FY2022, the Bank **approved RM4.8 million in staff financing** for 162 employees. Through these initiatives, the Bank has demonstrated its commitment to responsible financing, creating a positive impact on society and the environment while ensuring sustainable growth.

### PROCUREMENT PRACTICE

#### Benefited stakeholder

Business partners.

As one of the leading Islamic banks in Malaysia, the Bank recognizes the critical importance of responsible procurement practices in ensuring sustainable and ethical operations. Therefore, the Bank has established a comprehensive procurement policy and governance framework to ensure that its procurement practices align with the Bank's sustainability goals and values, as well as comply with the relevant laws and regulations. The Bank's commitment to responsible procurement practices includes implementing ethical and fair procurement processes, promoting local and sustainable sourcing, and fostering long-term partnerships with vendors.

To ensure the Bank's procurement practices are copiously complying with all the applicable laws and regulations, including the Guideline on Outsourcing of Banking Operations, we **restructured our tender committee for non-IT procurements in 2022 to include the Regulatory Advisory and Compliance**

**Division**. The Bank also **implemented relevant measures to ensure vendors are complying with the Bank's guidelines**, such as requiring onboarding vendors to sign non-disclosure agreements, vendor code of conduct, and declarations of interest, providing vendors with relevant guidelines outlined in the Service Level Agreement, and performing annual reviews on vendors. Additionally, the Bank has mandated business units to monitor vendors' performance regularly based on assigned projects and tasks. Furthermore, the Bank **incorporated ESG criteria as part of the vendor selection process**. On our part, we **continued to collaborate with vendors that employ disabled persons and single mothers** to promote diversity and inclusion.

In FY2022, the Bank **approved 82% of proposals through its digital procurement system**, an increase from 78% in FY2021, demonstrating its commitment to efficiency and sustainability in procurement practices.

**ETHICS AND INTEGRITY**

**Benefited stakeholder**

*Shareholders and Investors, Regulatory Agencies and Statutory Bodies.*

The Bank is committed to upholding high ethical standards and has adopted a "zero tolerance" approach towards all forms of bribery. To reinforce this commitment, the Bank implemented a series of initiatives based on the Guideline on Adequate Procedure of Section 17A Corporate Liability (Amendment 2018) Malaysian Anti-Corruption Commission Act 2009. This guideline provides a T.R.U.S.T. framework (which stands for Top Level Commitment, Risk Assessment, Undertake Control Measures, Systematic Review, Monitoring, and Enforcement, and Training and Communication) for businesses to establish and maintain adequate procedures to prevent corrupt practices. By adhering to these principles, the Bank aims to establish a robust system to prevent corrupt practices and maintain its reputation as a trusted Islamic financial institution.

**OUR INITIATIVES  
BASED ON THE  
T.R.U.S.T. FRAMEWORK**

**TOP-LEVEL COMMITMENT**



Spearheaded the establishment of the Organizational Anti-Corruption Plan.

Enhanced Policy on Anti-Bribery and Corruption and related guidelines.

Allocated training budget for anti-bribery and corruption training.

Mandated periodic reporting on integrity management activities to the Board and Management.

Practiced semi-annual reporting to the Agency Integrity Management Division of the Malaysian Anti-Corruption Commission through our Integrity and Governance Unit.

**RISK ASSESSMENT**

Conducted Bank-wide risk assessment and action plan via the Organizational Anti-Corruption Plan.



**SYSTEMATIC REVIEW,  
MONITORING, AND ENFORCEMENT**

Administered the bribery and corruption reporting channel and advisory platform.

Required periodic reporting to the Board and Management on Anti-Bribery and Corruption programs.

Obligated monthly monitoring of gift and entertainment declarations by the Bank's staff.  
Enforced donation and sponsorship application review and monitoring.

Imposed monitoring of vendors' conflict of interest through Vendor Code of Conduct acknowledgment.

Reviewed standard operating procedures and policies to include integrity-related matters wherever applicable.

Assessed the understanding of the Bank's staff via Anti-Bribery and Corruption e-learning.



**UNDERTAKE CONTROL MEASURES**

Enhanced Integrity-related documents, i.e., Policy on Anti-Bribery and Corruption, Anti-Bribery and Corruption Guideline on Gift and Entertainment, Anti-Bribery and Corruption Guideline on Donation and Sponsorship, and Anti-Bribery and Corruption Handbook.



**TRAINING AND COMMUNICATION**

Mandated Anti-Bribery and Corruption training to all staff through e-learning and the Organizational Anti-Corruption Plan workshop.

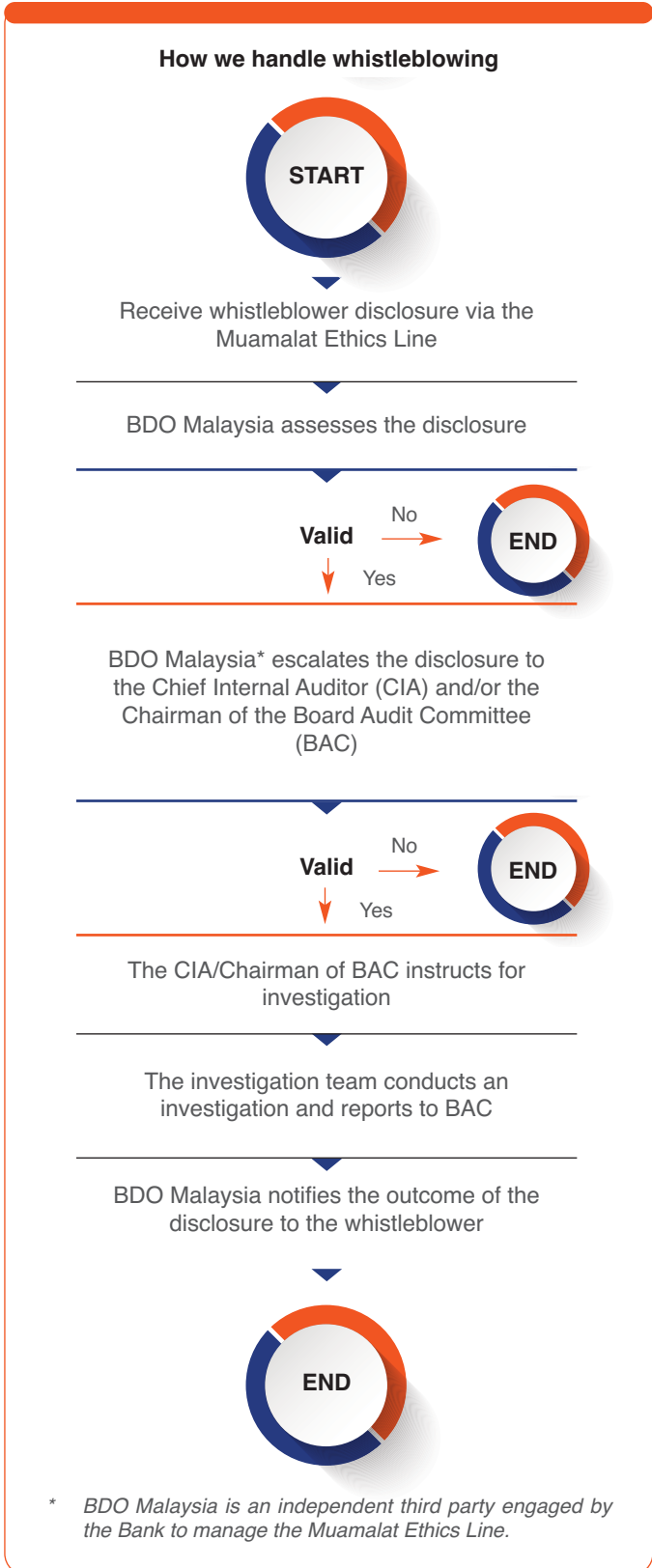
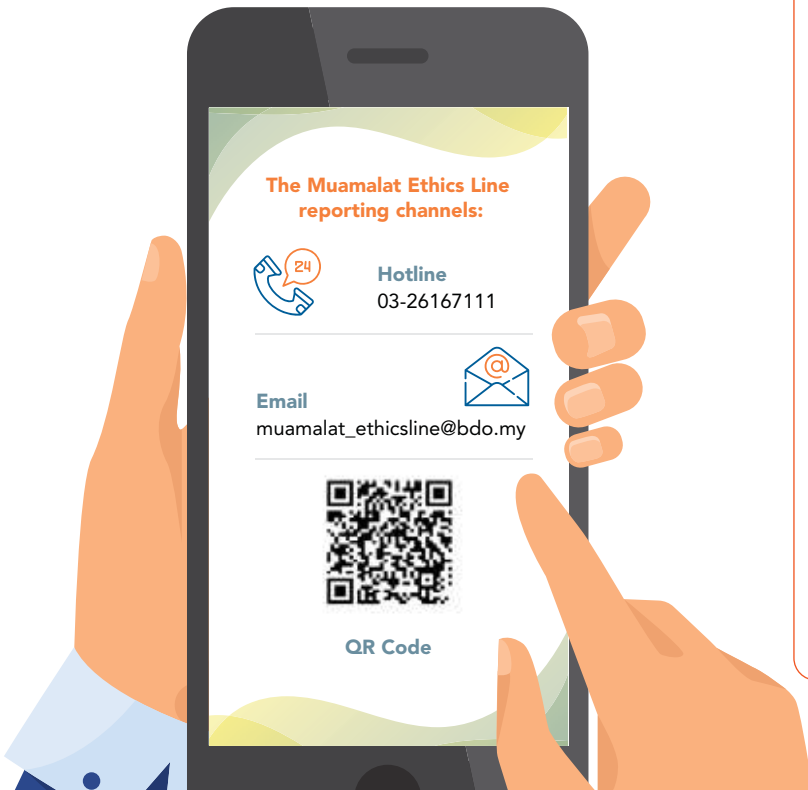


Implemented Integrity Internal Alerts and Integrity Newsletters.

## OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

In 2022, the Bank **made significant strides in promoting a culture of integrity and compliance by organizing four comprehensive anti-bribery and anti-corruption training programs.** A total of 453 employees successfully completed these training programs, demonstrating their commitment to acquiring essential knowledge in this critical area. This represents a substantial increase compared to 2021, where the Bank conducted two training programs and witnessed the participation and completion of 58 employees. The Bank's dedication to enhancing awareness and understanding of anti-bribery and anti-corruption practices among its workforce is evident in these remarkable achievements.

The Bank also **took proactive measures to enhance its Whistleblowing Policy in 2022, ensuring its alignment with relevant regulatory requirements.** Additionally, the Bank **continued to promote and enforce the use of the Muamalat Ethics Line**, a dedicated whistleblowing channel managed by an independent third party. This channel serves as **a robust, transparent, and secure platform for employees, suppliers, vendors, stakeholders, and customers to confidentially report any actual or potential wrongdoings that may compromise the Bank's social and corporate responsibilities.** By promptly addressing these concerns, the Bank aims to maintain trust and support from employees and stakeholders. To raise awareness and understanding of the Muamalat Ethics Line, nine Bankwide awareness sessions were conducted. The Bank received a total of nine whistleblowing reports via the channel which include staff misconduct and negligence throughout the year 2022. Investigations were conducted and completed. All whistleblowing reports were presented to the BAC in a timely manner.



## CUSTOMER EXPERIENCE

Improving the customer experience has become a key priority for businesses in the financial industry, and Bank Muamalat is no exception. As a customer-focused bank, we understand that providing a secure, seamless, and satisfactory experience to our customers is crucial to building trust and loyalty. In line with its commitment to continuously enhance its service offerings, the Bank has implemented several initiatives to ensure that its customers always receive the best possible service.

The Bank has taken significant steps in 2022 to improve customer experience by prioritizing both cybersecurity and customer service. On the cybersecurity front, the Bank **established a comprehensive Framework for Technology Risk Management to manage information technology and cyber risks** effectively. On top of that, a **Cybersecurity Strategic Plan was implemented to ensure agility in business growth, facilitate risk management, and enhance stakeholder confidence** through robust cybersecurity capabilities, expertise, collaboration, information sharing, and comprehensive oversight. Additionally, the Bank has **renewed its existing security technology components, deployed new security technology, and strengthened all lines of defense with a cybersecurity awareness monthly program and simulation test to safeguard customer data and assets**. The Bank also **conducted an annual review of customer data access control to ensure that customer data is accessed only based on role and responsibility**.

In terms of customer service, the Bank **continuously monitored branch performance through our Queue Management Service and conducted regular engagement with branches** to enhance employees' customer service standards and product knowledge. Our goal was to surpass the standard target of serving 80% of

## DIGITAL BANKING

Digital banking has become an essential part of modern banking, providing customers with convenient and secure access to banking services from anywhere at any time. This is especially true in the post-pandemic era. As technology continues to advance, banks are increasingly investing in digital banking solutions to enhance the customer experience and stay competitive in the industry. Likewise, the Bank recognizes the importance of digital banking and is committed to providing innovative and seamless digital solutions that meet the evolving needs of customers. With a focus on convenience, security, and user-friendly design, the Bank's digital banking initiatives aim to provide customers with a comprehensive suite of services accessible through a variety of digital channels.

The Bank **established the Digital Banking Department to manage all digital initiatives and implemented various digital solutions** to enhance customer experience. Among these efforts, the Bank **implemented the Electronic Know-Your-Customer (e-KYC) system** to verify customer identity for Savings Account-i applications. In FY2022, the Bank **processed 434 Saving**

**Benefited stakeholder** Customers.

customers within a 10-minute timeframe, reflecting our commitment to delivering efficient and satisfactory experiences to our valued customers. We also **sent out e-birthday and festival greetings** to targeted customers and **conducted customer appreciation days or weeks** with drinks and finger food for affluent customers to recognize and appreciate their patronage and strengthen customer relationships. Moreover, to create a welcoming and friendly atmosphere and improve customer experience, **touchpoint employees were required to wear a badge with messages like "Hello, How May I Assist You?"** The Bank also **conducted Customer Satisfaction Surveys to evaluate customer satisfaction levels and obtain feedback for continuous service delivery improvement**.

The Bank's efforts in improving customer service have led to impressive results. In FY2022, the Bank **served 93% of its customers within 10 minutes**, an increase from 87% in FY2021. This outstanding outcome can be attributed to the enhancements made to our Queue Management Service. The customer **satisfaction level was maintained at over 80.0%** since FY2021, with a rate of 82.8% in 2022 (FY2021: 89.4%). The Bank also **resolved 87.5% of complaints within 2 working days** and **served 417,332 phone calls** out of the total 613,883 phone calls received. Our **effective abandonment call rate was 8.4%**, in line with the **industry standard**. It is worth noting that compared to FY2021, there was a **6.6% increase in phone call inquiries about our products and services**, indicating a growing interest among customers. The Bank's dedication to enhancing the customer experience has evidently yielded positive results, as reflected in the high levels of customer satisfaction and retention. Moving forward, we will remain steadfast in our efforts to further enhance our services and maintain our commitment to superior customer experience.

**Benefited stakeholder** Shareholders and Investors, Customers.

**Account-i applications using e-KYC. The Muamalat Digital Solution was also deployed to digitize branch documentation**, enabling paperless account opening and onboarding processes. These various efforts **resulted in a notable 50% reduction in branch and back-office processing time for savings and current accounts**. Furthermore, all Policies and Procedures (P&P) in the Bank are now vetted and approved via a newly launched comprehensive digital process flow and document management system that is 100% paperless.

Additionally, Robotic Process Automation (RPA) was implemented on selected financing processes to increase overall operational efficiency and has reduced both average handling time (AHT) and the total number of resources required to perform these processes. The Bank also **launched EasiGold**, a digital gold investment platform, and **iFast Barakah**, a digital Islamic investment fund. To foster innovation, employees across the Bank were encouraged to submit digitalization ideas. These efforts demonstrate the Bank's commitment to embracing digital banking and providing high-quality digital services to customers.

## OUR PROGRESS AND OUTPUT IN SUSTAINABILITY



# ENVIRONMENT

### ENERGY CONSUMPTION AND ENVIRONMENTAL IMPACT

As a responsible Islamic financial institution and corporate citizen, the Bank not only recognizes the need to reduce its carbon footprint but also its role in promoting green financing for a sustainable future. As such, it has committed to implementing environmentally sustainable practices, minimizing energy consumption, and reducing waste.

To fulfill its commitment to supporting the climate and environmental objectives, the Bank conducted a gap analysis exercise to identify potential gaps and challenges in the Bank's regulatory policies and developed action plans to ensure compliance with all applicable regulatory policies, including reviewing the internal policies prudently and transparently to ensure changes in applicable policies are implemented properly. In particular, the Bank **incorporated the Climate Change Principle-Based Taxonomy classification into its financial assessment for non-retail financing** and **implemented Climate Change scoring for financing applications to support Bank Negara Malaysia's agenda for green financing**. To ensure all employees are aware of policy changes, the Bank conducted training and effective communication across the organization.







The **Cost Saving Initiative**, which leverages digitalization and innovation in operations, **remained one of the Bank's primary initiatives** in 2022. Besides, the Bank **centralized and shared printing units** to reduce printing costs and **opted to upgrade laptops whenever possible** (instead of replacing them with new units altogether) to minimize the consumption of natural resources. Our continuous commitment to the paperless initiative has contributed to a **70% reduction in paper usage from financing applications as most retail applications can now be made through the Muamalat Application Platform (MAP)**. For the year, we have reduced the usage of paper to 85 rims as compared to 283 rims in FY2021.

However, the Bank's consumption of electricity, water, petrol, and diesel increased in 2022 as employees started returning to offices and our sales teams conducted more customer visits following the country's transition into the endemic phase. In detail, the Bank consumed 8,166,063 kWh of electricity (FY2021: 8,065,242 kWh), 141,156 m<sup>3</sup> of water (FY2021: 114,014 m<sup>3</sup>), 388,459 liters of petrol (FY2021: 304,719 liters), and 52,395 liters of diesel (FY2021: 16,674 liters). Despite these challenges, the Bank pledges to continue reducing its environmental impact and promoting sustainable practices in its operations.

## OUR PROGRESS AND OUTPUT IN SUSTAINABILITY



# SOCIETY

### EMPLOYMENT

Employees are a vital asset to any organization, and the Bank acknowledges the importance of having a motivated and skilled workforce. As such, the Bank has a strong dedication to creating a work environment that promotes the satisfaction, engagement, and growth of our people. From providing competitive benefits packages to offering opportunities for professional development, the Bank recognizes that investing in its employees ultimately benefits the organization as a whole.

In 2022, the Bank continued its commitment to its employees by implementing various programs and initiatives aimed at enhancing the employee experience. One such initiative was **the Employee Engagement Survey**, which was conducted to obtain feedback from employees. To promote teamwork and camaraderie among employees, the Bank organized **Friendship Games**, such as **bowling**, through the Internal Communication Agent - our culture transformation committee of the Bank. The Bank also **conducted Teh Tarik sessions with the President and Chief Executive Officer and Heads of Divisions** to provide a casual and shared space for the team to share thoughts and ideas. Furthermore, **the Safety and Health Committee and Hazard Identification, Risk Assessment and Risk Control ("HIRARC")** collaborated to conduct a comprehensive program in 2022 aimed at promoting **effective safety and health management in the workplace**. The program garnered the participation of 34 employees, fostering a culture of safety and well-being within the organization. **The Bank's focus on employee welfare and satisfaction is reflected in the lower turnover rate of 5.5%**, down from 13.7% in the previous year.





## DIVERSITY AND EQUAL OPPORTUNITY

The Bank's commitment to employee welfare is also evident in the employment opportunities provided, with a total of 2,357 jobs offered, of which 565 were new positions. In addition to providing full-time employment opportunities, the Bank extended its support to students by offering a total of 70 internship positions across various universities. These universities included Universiti Teknologi MARA, Universiti Kebangsaan Malaysia, Universiti Malaya, Universiti Malaysia Sabah, Universiti Tenaga Nasional, Universiti Kuala Lumpur, Universiti Multimedia, Kolej Universiti Islam Selangor, Kolej Universiti Poly-Tech MARA, and Kolej Vokasional. This initiative demonstrates the Bank's commitment to nurturing and empowering the next generation of professionals.

Promoting diversity and equal opportunity in employment is a crucial aspect of modern business, as it ensures a fair and inclusive work environment for all employees regardless of their backgrounds, identities, or beliefs. This approach recognizes the value of a diverse workforce and acknowledges that individuals with different experiences, skills, and perspectives can bring innovative ideas and solutions to the table.

The Bank recognizes the importance of diversity and equal opportunity in the workplace and is committed to creating a work environment that fosters mutual respect, inclusivity, and dignity for all employees. In 2022, the Bank continued its efforts in this area by maintaining a balanced gender ratio among employees. Since FY2021, the Bank has **achieved a gender ratio of 49% male to 51% female**, which is a testament to the Bank's commitment to promoting gender diversity in the workplace.

## OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

### TRAINING AND EDUCATION

Benefited stakeholder Employees.

In today's ever-changing business landscape, employee training and education are crucial in enhancing the skills and knowledge of the workforce, which in turn, drives growth and development. Through proper training and education, employees can improve their performance and productivity, stay abreast with industry trends, and develop new capabilities that contribute to the success of the organization. As a leading Islamic financial institution, the Bank recognizes the importance of investing in its employees' professional development to provide high-quality products and services to its customers.

The Bank **focused on providing leadership and Shariah knowledge training and education** to employees in 2022, which included the Chartered Institute of Islamic Finance

Professionals Chartered Fast-Track Masterclass, Tashkent International Investment Forum Program 2022, Problem-Solving and Decision-Making Program, Associate Qualification in Islamic Finance, and Intermediate Qualification in Islamic Finance. The Bank's commitment to professional development was reflected in the extensive training conducted throughout the year. A total of **69 training sessions were organized, attracting 548 participants from various levels of management**, including middle, senior, and top management. This collective effort **amounted to an impressive 145,783 training hours**, resulting in an average of 62 training hours per employee. These endeavors exemplify the Bank's dedication to re-skilling and upskilling its workforce to ensure a highly knowledgeable and proficient team.

### SOMETHING ABOUT OUR TRAINING AND EDUCATION PROGRAMS:

#### Chartered Institute of Islamic Finance Professionals Chartered Fast-Track Masterclass:

Formerly known as the Chartered and Fellowship Masterclass, this program provides qualified and experienced leaders in Islamic finance with an opportunity to gain professional recognition from the Chartered Institute of Islamic Finance Professionals (CIIF). It offers a specialized curriculum to enhance their expertise and elevate their professional standing in the industry.

#### Tashkent International Investment Forum Program 2022:

This program is designed to attract leaders from major foreign investment, financial, and economic organizations and companies who are interested in integrating into the dynamically developing market of Uzbekistan. It provides valuable insights into the investment landscape and facilitates networking opportunities with key stakeholders in Uzbekistan.

#### Associate Qualification in Islamic Finance & Intermediate Qualification in Islamic Finance:

These programs are specifically tailored to enhance competencies, skills, and knowledge in the field of Islamic finance. They cover essential topics and principles of Islamic finance, enabling participants to deepen their understanding and excel in their roles within the industry.

#### Problem-Solving and Decision-Making Program:

This comprehensive training program equips participants with the essential knowledge to effectively solve complex problems and make sound decisions in a dynamic business environment.

## COMMUNITY DEVELOPMENT

Benefited stakeholder Local community.

As a financial institution, the Bank understands the crucial role it plays in society and the responsibility it holds in contributing to the well-being of the communities it serves. This is why the Bank is committed to community development initiatives that aim to create positive impacts in various aspects, such as education, health, and social welfare. By investing in community development, the Bank is not only fulfilling its social responsibility but also helping to create a more sustainable and inclusive future.

The Bank continued its commitment to community development in 2022 through various initiatives. One of the significant efforts was the **#eDuitDesa program** conducted at Felda Pasak, Kota Tinggi, Johor, in collaboration with Bank Negara Malaysia. This program **aimed at promoting cashless payment methods** like DuitNow QR and MyDebit card **and facilitating remote account opening to provide full-fledged banking facilities and services** to the participants. Moreover, this initiative was accompanied by the **inclusion of the e-Duit logo and branding on promotional and collateral materials, a first in Malaysia.**

The Bank also **launched Wakaf Muamalat** in partnership with State Islamic Religious Councils to manage the cash waqf fund through a Joint Management Committee. The **waqf fund collection reached RM33,778,184.3** in FY2022, and

**RM25,732,687.4 was approved from the fund to support 132 nationwide projects** in education, health, and investment. In addition, the Bank **disbursed a total of RM949,560.4 of its Tabung Mawaddah Fund and expanded the usage of the fund to aid selected Asnaf and non-Asnaf recipients on social, education, and health-related matters.**

Furthermore, the Bank collaborated with five selected non-government organizations to **initiate 16 health, education, and economic empowerment campaigns under Jariah Fund crowdfunding portal and collected a total of RM86,809 through this initiative.** The Bank also **resumed its Corporate Social Responsibility programs** that were halted due to the unprecedented pandemic, including Majlis Berbuka Puasa bersama Anak Yatim di 5 Wilayah bersama Bank Muamalat Malaysia Berhad, Rewang Bubur Lambuk Ramadan Bank Muamalat, and blood donation program. These initiatives resulted in a **contribution of RM60,000 benefiting 317 orphans, Asnaf, and tahfiz students, a distribution of 16,000 packs of bubur lambuk, and a collection of more than 1,500 packs of blood.** In addition, the Bank's sponsorship program has provided support to more than 70 institutions, including welfare homes, educational institutions, non-governmental organizations, and other deserving causes.

## FINANCIAL INCLUSION

Benefited stakeholder Local community.

In line with its vision to become a high-performing Islamic bank for all, the Bank is committed to promoting financial inclusion, which aims to ensure that individuals and businesses, regardless of their socioeconomic status, have access to a wide range of affordable and high-quality financial services. This is crucial in reducing poverty and inequality, promoting economic growth and stability, and building a more inclusive society. By enabling more people to participate in the financial system, financial inclusion can also help individuals and businesses manage their finances better, increase their resilience to economic shocks, and achieve their financial goals.

The Bank implemented several initiatives to ensure that people in underserved areas, particularly micro-entrepreneurs, have access to affordable financial services. One of the Bank's major achievements was the **approval of 751 applications for the i-PUSH microfinancing program**, which was launched as part of the expanding iTEKAD program in collaboration with the Pahang

State Government. The Bank also **onboarded 20 entrepreneurs under the iTEKAD Mawaddah program, providing them with RM149,709.1 of working capital and RM126,680.0 in training fees.** For FY2022, a total of RM6.51 million has been under iTEKAD program. Additionally, the Bank **received RM85,000 as a Government Grant facilitated by Bank Negara Malaysia. The grant is specifically allocated to provide "seed capital" to iTEKAD's entrepreneurs, enabling them to acquire essential business assets.**

In addition, the Bank **launched Bank Bergerak in August 2022**, a service that offers banking services in rural areas, including Ar-Rahnu financing, inter-bank fund transfer, financing payment, and cash deposit and withdrawal. Through the Bank Bergerak initiative, a total of **RM2.4 million in financing** was processed, and **286 current and savings accounts were opened** to serve our valued customers.

# DATA ON MATERIAL MATTERS

## CUSTOMER EXPERIENCE

### Complaint

The Bank received a total of 5,785 complaints in FY2022.

Complaints by category		
Category	Number of Complaints	Percentage (%)
Internet Banking	1,993	34.5
Self-Service Terminals	58	1.0
Fraud	2,816	48.7
Branch Services	59	1.0
Delay in Preparing Home Financing Statement for EPF Withdrawal	15	0.3
Others	844	14.6
<b>Total</b>	<b>5,785</b>	<b>100.0</b>

Turnaround time for resolution of complaints		
Turnaround Time	Number of Complaints	Percentage (%)
0-2 Working Days	5,060	87.5
3-5 Working Days	272	4.7
> 5 Working Days	453	7.8
<b>Total</b>	<b>5,785</b>	<b>100.0</b>

## Phone Call

Phone calls received in FY2022	
Category	Number of Phone Calls
Total Call Received	613,883
Total Call Answered	417,332
Percentage of Call Answered (%)	68.0

Phone calls by category – Total Call Received	
Category	Number of Phone Calls
Internet Banking	250,309
Product and General	239,708
Financing Application	64,027
Debit Direct Queue	41,443
Lost or Stolen Card	14,272
Scam Hotline	4,124

## Customer Satisfaction Survey

The Bank achieved an overall customer satisfaction score of 82.8% in FY2022.

Customer satisfaction scores by touchpoint		
Touchpoint	Customer Satisfaction Score	Number of Interactions
Branches	84.7%	307
Self-service Terminals	81.5%	150
Contact Centers	84.7%	243
Internet Banking	82.5%	297
Mobile Banking	81.8%	239
Social Media	84.6%	66
Website	80.9%	99

## DATA ON MATERIAL MATTERS

### EMPLOYMENT

The Bank has a total of 2,357 employees as of 31 December 2022. In FY2022, the Bank employed 565 new employees and had a turnover rate of 5.5%.

New hires and turnover rates by gender				
Gender	Number of New Hires	Percentage of New Hire (%)	Turnover	Turnover Rate (%)
Male	272	48.0	67	52.0
Female	293	52.0	63	48.0
<b>Total</b>	<b>565</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>

New hires and turnover rates by age group				
Age Group	Number of New Hires	Percentage of New Hire (%)	Turnover	Turnover Rate (%)
Under 30 years old	345	61.0	90	69.0
30-50 years old	215	38.0	39	30.0
Over 50 years old	5	1.0	1	1.0
<b>Total</b>	<b>565</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>

New hires and turnover rates by location				
Location	Number of New Hires	Percentage of New Hire (%)	Turnover	Turnover Rate (%)
Headquarter	188	33.0	24	18.0
Branches	377	67.0	106	82.0
<b>Total</b>	<b>565</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>

Employees by Location		
	Male	Female
HQ	555	535
Branches	596	671



Employees by position level						
Position Level	Number of Employees					
	Under 30 Years Old		30-50 Years Old		Over 50 Years Old	
	Male	Female	Male	Female	Male	Female
Management	0	0	8	2	3	1
Managerial	6	2	304	280	117	56
Executive	195	255	356	505	63	28
Non-Executive	17	20	62	52	20	5

Employee benefits				
Benefit	Management	Managerial	Executive	Non-Executive
Group Term Takaful <sup>1</sup>	/	/	/	/
Healthcare <sup>2</sup>	/	/	/	/
Disability and invalidity coverage <sup>3</sup>	/	/	/	/
Parental leave <sup>4</sup>	/	/	/	/
Retirement provision <sup>5</sup>	/	/	/	/
Stock ownership	N/A	N/A	N/A	N/A
Compassionate leave <sup>6</sup>	/	/	/	/
Other types of leave <sup>7</sup>	/	/	/	/
Flexible work arrangement <sup>8</sup>	/	/	/	/
Other allowance <sup>9</sup>	/	/	/	/
Membership with professional body <sup>10</sup>	/	/	N/A	N/A
Staff financing <sup>11</sup>	/	/	/	/

## Note:

- <sup>1</sup> Includes Group Term Takaful (only applicable to senior management and managerial staff).
- <sup>2</sup> Includes medical benefits, dental benefits, optical benefits, executive health screening, and child delivery charges.
- <sup>3</sup> Includes Group Personal Accident, SOCSO, and Employee Insurance Scheme (EIS).
- <sup>4</sup> Includes maternity leave and paternity leave.
- <sup>5</sup> Includes additional employer contribution to Employee Provident Fund, early retirement, and pre-retirement leave (only applicable to executives and non-executives).
- <sup>6</sup> Includes death of family members, natural disaster, and hospitalization of immediate family members.
- <sup>7</sup> Includes annual leave, sick leave, hospitalization leave, prolonged illness leave, marriage leave, hajj leave, and examination leave.
- <sup>8</sup> Includes staggered work hours and reduced work hours.
- <sup>9</sup> Includes warm clothing allowance for traveling to temperate countries, acting/relief allowance, regional allowance (only applicable to East Malaysia), and outstation duty allowance.
- <sup>10</sup> Includes professional membership (only applicable to senior management and managerial staff).
- <sup>11</sup> Includes Staff Sundry Financing, Staff Structured Personal Financing, Staff Bicycle Financing, Staff Vehicle Financing, Muamalat Car Scheme (VP and above), Staff House Financing, and Staff ASB Financing.

## DATA ON MATERIAL MATTERS

### TRAINING AND EDUCATION

#### Training hours

Employee training hours by gender		
	Male	Female
Number of employees (headcount or full-time equivalent)	1,151	1,206
Number of training hours provided	68,715	77,068
Average training hours per employee	60	64

Employee training hours by position level				
	Management	Managerial	Executive	Non-Executive
Number of employees (headcount or full-time equivalent)	14	765	1,402	176
Number of training hours provided	3910	45,159	86,793	9,923
Average training hours per employee	279	59	62	56

#### Regular performance and career development reviews

Number of employees who received regular performance and career development reviews by gender		
	Male	Female
Total number of employees	1,151	1,206
Number of employees who received regular performance and career development reviews	1,082	1,138
Percentage of employees who received regular performance and career development reviews (%)	94.0	94.0

Number of employees who received regular performance and career development reviews by position level			
	Managerial	Executive	Non-Executive
Total number of employees	779	1,402	176
Number of employees who received regular performance and career development reviews	750	1,297	173
Percentage of employees who received regular performance and career development reviews (%)	96.0	93.0	98.0

## DIVERSITY AND EQUAL OPPORTUNITY

The Bank has a total of 2,357 employees as of 31 December 2022.

Employees by gender		
Gender	Number of Employees	Percentage (%)
Male	1,151	49.0
Female	1,206	51.0
<b>Total</b>	<b>2,357</b>	<b>100.0</b>

Employees by ethnicity		
Ethnicity	Number of Employees	Percentage (%)
Malay	2,215	94.0
Indian	27	1.0
Chinese	44	2.0
Others	71	3.0
<b>Total</b>	<b>2,357</b>	<b>100.0</b>

Employees by position level and ethnicity				
Position Level	Number of Employees (Percentage)			
	Malay	Indian	Chinese	Others
Managerial	707 (91.0%)	16 (2.0%)	32 (4.0%)	24 (3.0%)
Executive	1,341 (95.6%)	8 (0.6%)	10 (0.7%)	43 (3.1%)
Non-Executive	167 (95.0%)	3 (2.0%)	2 (1.0%)	4 (2.0%)

Governance bodies by gender		
Governance Bodies	Male	Female
Board of Directors	7 (87.5%)	1 (12.5%)
Shariah Committee	5 (100.0%)	0 (0.0%)
Management Committee	11 (79.0%)	3 (21.0%)

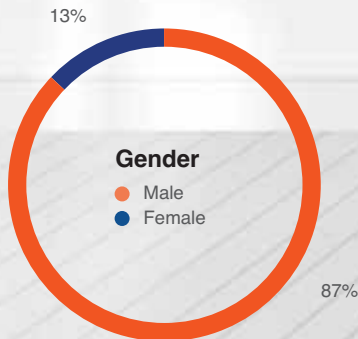
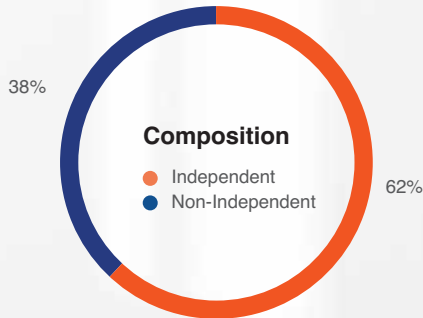




# GOVERNANCE

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# OUR BOARD DIVERSITY

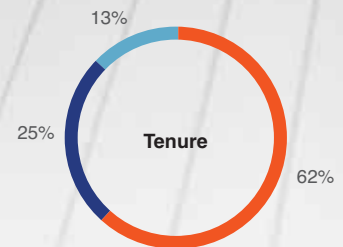
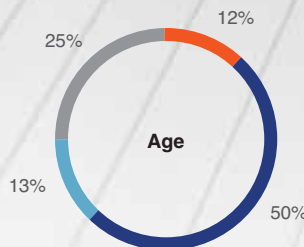


*Sitting left to right*

Ainol Roznain Yaacob  
Tan Sri Tajuddin Atan  
Roshidah Abdullah

*Standing from left to right*

Md Khairuddin Haji Arshad  
Mohd Razlan Mohamed  
Dato' Ibrahim Taib  
Tan Sri Che Khalib Mohamad Noh  
Johari Abdul Muid



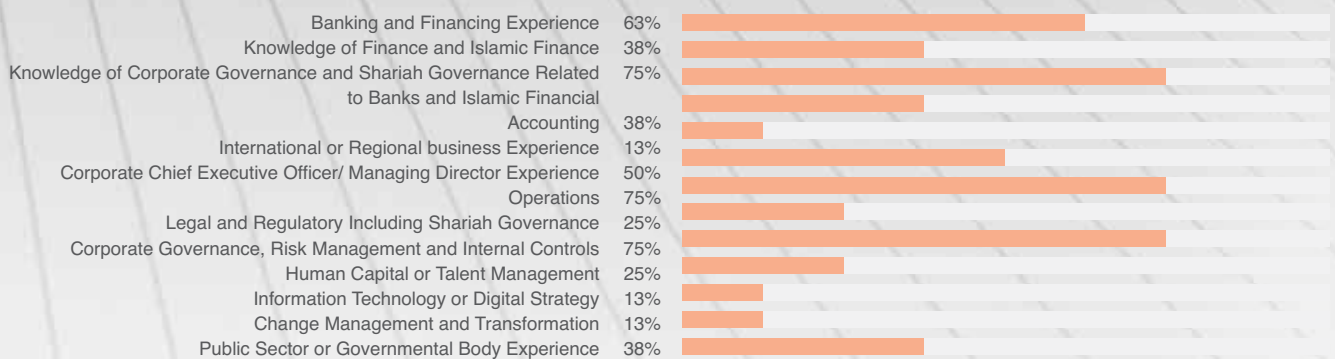
- 50 to 55
- 56 to 60
- 61 to 65
- 66 to 70

- Less than 3 Years
- 3 - 9 years
- Above 9 years



**Industry Knowledge/Experience**

**Board Average Rating**



## BOARD OF DIRECTORS' PROFILE



TAN SRI  
TAJUDDIN  
ATAN

Chairman

**Nationality / Age / Gender**  
Malaysian / 64 / Male

**Date of Appointment**  
6 May 2020

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.

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.





## JOHARI ABDUL MUID

Senior Independent

Non-Executive Director

### Nationality / Age / Gender

Malaysian / 66 / Male

### Date of Appointment

10 November 2020

Johari Abdul Muid was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 10 November 2020 and re-designated as Senior Independent on 27 June 2022. 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 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



TAN SRI CHE  
KHALIB  
MOHAMAD  
NOH

Non-Independent

Non-Executive Director

**Nationality / Age / Gender**

Malaysian / 58 / Male

**Date of Appointment**

27 August 2012

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.



## DATO' IBRAHIM TAIB

Non-Independent

Non-Executive Director

### Nationality / Age / Gender

Malaysian / 69 / Male

### Date of Appointment

29 March 2018

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.

## BOARD OF DIRECTORS' PROFILE



AINOL  
ROZNAIN  
YAACOB

Non-Independent

Non-Executive Director

**Nationality / Age / Gender**

Malaysian / 54 / Male

**Date of Appointment**

1 October 2022

Ainol Roznain Yaacob was appointed as Non-Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 October 2022. He is a member of the Board Nomination & Remuneration and Board Audit Committees.

Ainol joined Khazanah in March 2021 as Head of Transformation and leads the strategic transformation for Finance covering key areas such as technology, ways of working and talent development. He is also Head of Tax Planning and Advisory and provides leadership on tax policy and strategy that is focused and aligned with Khazanah's strategic imperatives

Prior to Khazanah, Encik Ainol spent 8 years with BP Malaysia initially as Global Head of Compliance and Reporting Director and from 2017 as Head of Country, Malaysia. As part of his role, he provides leadership to BP's business transformation and change management for Malaysia and supports the Asian region. He also implemented a program framework for BP Plc's global statutory audit covering key regions such as the UK, EMEA, Oceania and parts of Africa, and in 2020 was part of the leadership team involved in investments and divestments of BP's global key assets in the region.

He started his career in audit with KPMG London before moving to Corporate and International Tax within KPMG and later with Deloitte specializing in risk management and controls. Encik Ainol spent almost 20 years working in London prior to his return to Malaysia with Ernst & Young. One of his passions is developing and empowering talents as future leaders who can easily adapt to the evolving business needs and environment. He is also a firm believer that the key success for business is to provide a respectful, inclusive and diverse workplace for employees.



## MD KHAIRUDDIN HJ ARSHAD

Independent

Non-Executive Director

### Nationality / Age / Gender

Malaysian / 57 / Male

### Date of Appointment

10 September 2019

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.

## BOARD OF DIRECTORS' PROFILE



MOHD  
RAZLAN  
MOHAMED

Independent

Non-Executive Director

**Nationality / Age / Gender**

Malaysian / 57 / Male

**Date of Appointment**

1 September 2021

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

### Nationality / Age / Gender

Malaysian / 56 / Female

### Date of Appointment

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 organizations 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 organizations.

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 Bachelor 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:

- ① 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.
- ② 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.
- ③ 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.
- ④ 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.
- ⑤ Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.
- ⑥ Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- ⑦ Scrutinize and endorse the annual financial report of the Bank.

## TN. HAJI AZIZI CHE SEMAN

Chairman,  
Shariah Committee



Date joined BMMB: 1 April 2005

### Other Current Position:

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

### Qualification

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

### Relevant Working Experiences

- Lecturer, Islamic Studies Academy, Universiti Malaya (UM).



## DR. MOHD SHAHID MOHD NOH

Member,  
Shariah Committee



Date joined BMMB: 1 March 2019

### Other Current Position:

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

### Qualification

- 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 Specialization from Maahad Qiraat Shoubra Al-Azhar, Egypt.

### Relevant Working Experiences

- Lecturer, Academy of Islamic Studies, Universiti Malaya (UM).

## DR. YUSRI MOHAMAD

Member,  
Shariah Committee



Date joined BMMB: 1 April 2019

### Other Current Position:

- Member, Islamic Religious Council of Federal Territory.
- Member, Fatwa Council of Federal Territory.
- Chairman, Shariah Committee at FWD Takaful.
- Legal Assistant, Nuaim Razak and Partners.
- Chairman of Kolej Professional Baitulmal Kuala Lumpur.
- Board of Director, Pusat Wakaf Majlis Agama Islam Wilayah Persekutuan (MAIWP).

### Qualification

- Ph.D in Islamic Jurisprudence from International Islamic University of Malaysia (IIUM).
- Masters in Law (LLM) 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 Experiences

- Former Assistant Professor, 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, Board of Director & Shariah Committee, Zurich Takaful Berhad.

## SHARIAH COMMITTEE PROFILE

### DR. AHMAD ZAKIRULLAH MOHAMED SHAARANI

Member,  
Shariah Committee



Date joined BMMB: : 1 April 2021

#### Other Current Position:

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

#### Qualification

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

#### Relevant Working Experiences

- 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 BMMB: 1 April 2021

#### Other Current Position:

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

#### Qualification

- 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 Experiences

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

# SENIOR MANAGEMENT PROFILE



## **KHAIRUL KAMARUDIN**

**President and Chief Executive Officer**

Date joined BMMB: 7 Feb 2019

### **Appointment to Current Position**

1 November 2019

### **Key Responsibilities**

- Ensures the implementation and achievement of the Bank's current and future strategic direction set by the Board.
- Ensures the delivery of corporate strategy, financial, and operational key performance results, including outcomes across the Bank.
- Accountable for developing new business opportunities and sustaining valuable relationships with stakeholders to ensure the continuous expansion and growth of the Bank.
- Acts as the public face of the Bank and is the main point of communication between the Board with the company management and operations team.

### **Qualifications**

- Bachelor of Laws (LLB) (Hons), Anglia Ruskin University, United Kingdom.
- Member, The Association of Chartered Islamic Finance Professionals, Malaysia.

### **Experience**

- Chief Executive Officer, Bank Islam Malaysia Berhad.
- Director, BIMB Investment Management Berhad.
- Pengurusan Danaharta Nasional Berhad.
- PricewaterhouseCoopers (PwC), Malaysia.

## SENIOR MANAGEMENT PROFILE



**AMIRUL NASIR  
ABDUL RAHIM**  
Chief Financial Officer

Date joined BMMB: 1 September 2021

**Appointment to Current Position** 1 September 2021

### Key Responsibilities

- Responsible for Group's financial, capital, balance sheet, and funding management.
- Oversees Finance, Financial Planning and Analysis, Corporate Treasurer and Asset Liability Management, Capital Management, Strategic Procurement, Strategic Data Management, Investor Relations, Economics and Market Analysis, Social Finance, and Shariah.

### Qualifications

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

### Experience

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



**HAMIDI  
A. RAZAK**  
Acting Chief Risk Officer

Date joined BMMB: 3 February 2020

**Appointment to Current Position** 1 September 2021

### Key Responsibilities

- Oversees the Bank's risk governance framework and risk appetite.
- Implement all risk policies approved by the Board.
- Oversees Credit Assessment, Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Cyber Risk, Technology Risk, Shariah Risk and Enterprise Risk.

### Qualifications

- Master of Business Administration (with Distinction), Universiti Malaya, Malaysia.
- Bachelor of Science (Actuarial Science), Universiti Kebangsaan Malaysia.
- Lean Six Sigma Black Belt.

### Experience

- Assistant Vice President, Financial Risk Management, Bursa Malaysia.
- Manager, Prudential Financial Policy Department, Bank Negara Malaysia.
- Executive, Credit Risk Analytics, Cards and Unsecured Lending, Maybank.
- Executive, Credit Risk, Bank Kerjasama Rakyat Malaysia.
- Executive, Customer Fulfillment, Integrated Supply Chain, International Business Machine (IBM).

## MOHAMAD MUHSIN MOHD ANAS

Chief Compliance Officer



Date joined BMMB: 15 May 2019

**Appointment to Current Position** 15 May 2019

### Key Responsibilities

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

### Qualifications

- Bachelor of Science (Hons) in Accounting and Financial Analysis, The University of Warwick, United Kingdom.
- Certified Anti-Money Laundering and Counter Financing of Terrorism Compliance Officer (CAMCO), AICB.

### Experience

- Worked in Bank Negara Malaysia in various capacities and departments at the middle and senior management levels from 1998 to 2018.
- Director, Internal Auditor Department, Bank Negara Malaysia.
- Deputy Director in Banking Supervision Department, Bank Negara Malaysia.
- Project Manager in Bumiputra Rehabilitation Fund Unit, Bank Negara Malaysia.
- Bank Supervisor, Bank Negara Malaysia.

## FAIDZUEL ZAIN

Chief Internal Auditor



Date joined BMMB: 4 July 2011

**Appointment to Current Position** 1 October 2022

### Key Responsibilities

- Responsible for effectively managing the Internal Audit activity of the Bank in accordance with the Internal Audit Charter, the requirements set by Bank Negara Malaysia and mandatory elements of the International Professional Practices Framework.
- Engages directly with the Board, Board Audit Committee, and Senior Management.

### Qualifications

- Bachelor of Accountancy (Hons), Universiti Teknologi MARA, Malaysia.
- 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, Bank Muamalat Malaysia Berhad.
- Head of Forensic Audit Section, Bank Muamalat Malaysia Berhad.
- Head of Credit Audit Section, Bank Muamalat Malaysia Berhad.
- Internal Audit Manager, EON Bank Berhad.
- Audit Supervisor/Team Leader, Maybank.

## SENIOR MANAGEMENT PROFILE

### MOHAMMAD FAIRUZ MOHD RADI

Chief Strategy Officer  
Director, Transaction Banking



Date joined BMMB: 1 December 2020

**Appointment to Current Position** 1 December 2020

#### Key Responsibilities

- Accountable for the Strategic Planning and Transformation functions, which set the Bank's vision and aspiration via the 5-Year RISE26+ Strategic Blueprint and Transformation roadmap.
- Accountable for the Corporate Finance and Strategic Investment functions, overseeing all Mergers and Acquisitions (M&A), strategic partnerships, and collaboration activities.
- Establishes Transaction Banking, which offers Islamic Trade Finance, Supply Chain and Cash Management solutions digitally targeting non-retail clients.

#### Qualifications

- Master of Science in Technologies for Broadband Communication, University College London, United Kingdom.
- Bachelor of Science in Electrical Engineering, Pennsylvania State University, USA.

#### Experience

- Over 12 years of experience in driving Strategic growth for Banking and Financial institutions.
- Chief Strategy Officer and Head of CEO's Office for Maybank Kim Eng.
- Head of Strategy for Community Financial Services (Consumer Banking), Maybank.
- Chief Strategy Officer, Sime Darby Property.

### ZURY RAHIMEE ZAINAL ABIDEN

Director, Retail Banking



Date joined BMMB: 22 April 2019

**Appointment to Current Position** 1 September 2021

#### Key Responsibilities

- Responsible for planning, monitoring, coordinating, and managing Retail Banking activities.
- Oversees the development and expansion of retail financing assets, retail deposit and fee-based activities by focusing on good-rating customer segments.
- Formulates and implements strategic plans, new product research and development, staff up-skilling, and performance management.
- Embeds risk and compliance culture within the division.

#### Qualifications

- Bachelor's Degree (Hons) in Marketing, Universiti Teknologi MARA, Malaysia.

#### Experience

- Over 18 years of experience in the retail banking industry.
- Head, Deposit and Cash Management Division, Bank Islam Malaysia Berhad.
- Assistant General Manager, Consumer Banking Division, Bank Islam Malaysia Berhad.

## NOR HAMIDAH ABU BAKAR

Head, Investment Banking



Date joined BMMB: 25 August 2010

**Appointment to Current Position** 3 January 2023

### Key Responsibilities

- Plans, monitors, coordinates, and manages Investment Banking activities as well as oversees the development and expansion of Investment Banking.
- Embeds risk and compliance culture within the division while formulating and implementing strategic plans, new product research and development, staff up-skilling, and performance management.
- Coordinates the marketing strategies for the Bank's wholesale customers.

### Qualifications

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

### Experience

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

## DATO' MOHAMED NAZIR NOR MOHAMED

Director,  
Commercial Banking



Date joined BMMB: 8 February 2021

**Appointment to Current Position** 1 September 2021

### Key Responsibilities

- Manages the operations of Commercial, SME, and Leasing under Commercial Division.
- Spearheads growth strategies and the execution of strategies for the division, in line with aspiration of the Board.
- Markets the Bank's products, and spearheads high-level discussions and negotiations with potential partners such as Government Agencies and Cooperatives.

### Qualifications

- Bachelor of Science (Hons) in Electronics, Middlesex University London, United Kingdom.

### Experience

- Group Managing Director, Chase Perdana Sdn Bhd.
- Group CEO, Turiya Berhad.
- CEO, Laksamana Warisan Sdn Bhd (Inai Kiara Group).
- Deputy General Manager, Johor Corporation.
- Assistant Vice President I – Strategy and Business Development, Sime Darby Energy and Utilities.
- Assistant Vice President II – Capital Management, Group Strategy and Business Development, Sime Darby Berhad.
- Associate – Bonds Origination, Debt Capital Market, CIMB Investment Bank Berhad.
- Senior Client Manager, Debt Capital Market and Oil and Gas, Bumiputra-Commerce Bank Berhad.

## SENIOR MANAGEMENT PROFILE

### AMIREZA MOHD KHALID

Director, Treasury & Capital Markets



Date joined BMMB: 16 April 2013

**Appointment to Current Position** 1 September 2021

#### Key Responsibilities

- Manages overall bank liquidity and oversees the operations of the Treasury and Capital Market Division, which encompasses Treasury, Correspondent Banking, Investment Banking, and Labuan Offshore Branch.

#### Qualifications

- Advanced Diploma in Accountancy, Universiti Teknologi MARA, Malaysia.
- Active member and licensed dealer, Financial Market Association Malaysia.

#### Experience

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

### NOR HAFIZAH AHMAD MARZUKI

Head, Human Capital Division



Date joined BMMB: 15 June 2022

**Appointment to Current Position** 15 June 2022

#### Key Responsibilities

- Develops Human Resources (HR) strategies that are aligned with the Bank's Transformation Strategy.
- Responsible for driving the People agenda and helps transform the Bank into a High Performing Organization by adopting and executing best practice strategies to help foster employee engagement and culture, hence improving employee retention.
- Responsible for developing HR capabilities to become the strategic partner to meet business requirements in driving business results through people.

#### Qualifications

- Master of Business Administration and Bachelor of Laws (LLB) from The University of Hertfordshire, United Kingdom.
- Certified in several Leadership Psychometric Tools and Professional Development programs, including Prince2 Project Management, and Internal QMS Auditor.
- Certified in "Brain-Based Coaching" by the Neuro Leadership Institute.

#### Experience

- Human Resources professional with over two decades of demonstrated experience across sectors such as Consulting, Oil and Gas, FMCG, Professional Services, and Financial Services.
- Mentors and coaches individuals on leadership transitions, career development, and personal growth.
- Leads successful initiatives to institutionalize Talent Management frameworks and processes to transform Organizations.



## NUR AZRINA ABDUL SAMAD

Head, Legal &  
Secretarial Division



Date joined BMMB: 16 February 2012

**Appointment to Current Position** 24 August 2020

### Key Responsibilities

- Supervises the Legal and Corporate Secretariat Departments respectively.
- Renders sound legal advice to all stakeholders of the Bank and its subsidiaries.
- Safeguards the interests of the Bank and manages legal risks, the objectives and business plans are fulfilled and considered.
- Ensures the secretarial matters are managed and attended to accordingly.

### Qualifications

- Master of Business Administration, University of New England, Australia.
- Bachelor of Laws (LLB) (Hons), International Islamic University, Malaysia.
- Admitted to practice in the High Courts of Malaya.
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals.
- Member of Malaysian Association of Company Secretaries.

### Experience

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

## MOHD IZUWAN MAHYUDIN

Head, Shariah



Date joined BMMB: 15 December 2008

**Appointment to Current Position** 27 July 2020

### Key Responsibilities

- Responsible for managing the Bank's Shariah Committee and performing the secretariat function for the Shariah Committee.
- Accountable for providing Shariah advisory and consultancy functions to the Board and Management, including but not limited to the Bank's products, businesses, services, operation, risk management, credit, recovery, corporate planning, IT system, human resources, Zakat payment, and financial statements.
- Provides expert input and materials on research, advisory, and training development on all Shariah matters of the Bank.

### Qualifications

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

### Experience

- Secretary of Shariah Committee, Bank Muamalat Malaysia Berhad.
- Head of Advisory and Secretariat Section, Bank Muamalat Malaysia Berhad.
- Head of Shariah Compliance and Review Section, Bank Muamalat Malaysia Berhad.
- Head of Shariah Training and Awareness Section, Bank Muamalat Malaysia Berhad.
- Acting Head, Product Development and Innovation, Bank Muamalat Malaysia Berhad.
- Acting Head, Social Finance Department, Bank Muamalat Malaysia Berhad.

## SENIOR MANAGEMENT PROFILE

### MUHAMAD RADZUAN AB RAHMAN

Head, Banking Operations



Date joined BMMB: 13 February 2006

**Appointment to Current Position** 1 January 2021

#### Key Responsibilities

- Responsible for maintaining control of diverse operations segments with the main objective of securing the functionality of the business to drive extensive and sustainable growth in accordance with the strategic plan and operating and budget.

#### Qualifications

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

#### Experience

- Head, Credit Management Division, Bank Muamalat Malaysia Berhad.
- Head, Financing Supervision and Rehabilitation, Bank Muamalat Malaysia Berhad.
- Head, Retail Approving Centre, Bank Muamalat Malaysia Berhad.
- Branch Manager, Jalan TAR Branch, Bank Muamalat Malaysia Berhad.
- Credit Manager (Mortgage Approval Team Leader), Credit Approval Centre, Southern Bank Berhad.
- Branch Manager, S17 PJ and 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 BMMB: 3 August 2020

**Appointment to Current Position** 1 September 2021

#### Key Responsibilities

- Manages the financial institution's information assets and ensures technologies are adequately protected, which includes developing and overseeing the IT Strategic Plan and budget.
- Plans, deploys, and maintains IT systems and operations.
- Manages the organization's software development needs. Develops IT policies, procedures, and best practices.
- Monitors IT trends and emerging technologies.
- Develops and enforces IT best practices across the organization.
- Formulates IT strategies and processes that support bank-wide goals.
- Oversees relationships with vendors, contractors, and service providers.
- Stakeholder management and reports to the Board and other executives on the benefits and risks of new IT-related projects.

#### Qualifications

- Bachelor of Commerce (Accountancy), The University of Queensland, Australia.
- Professional Technologist in Cyber Security Technology, Malaysia Board of Technologist.
- Business Continuity Professional (Pending Certification Submission for CBCP), Disaster Recovery Institute.

#### Experience

- Over 21 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 and Chemical.

# AN OVERVIEW OF CORPORATE GOVERNANCE

**Bank Muamalat Malaysia Berhad ("Bank Muamalat/Bank") is fully committed to maintaining high standards of corporate governance and establishing a strong framework for the regulation and management of the Group's operations.**

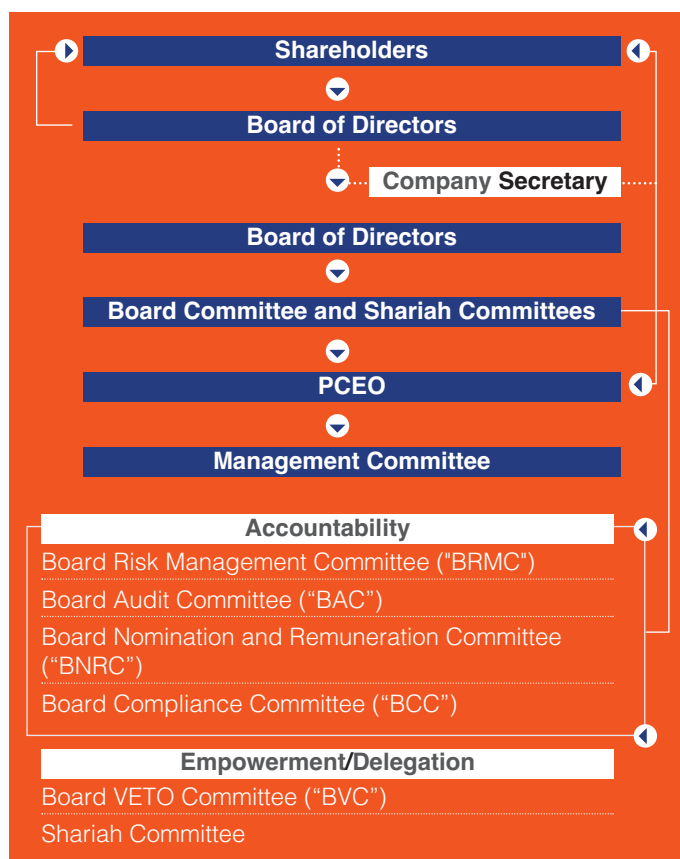
The Board acknowledges the utmost significance of establishing a strong governance culture for the sustained prosperity of the Group. Our fundamental principles underlie our governance culture and highlight the conduct that enables Bank Muamalat to thrive in its pursuits. The governance structure is formulated to facilitate the Board, under the leadership of the Chairman, to oversee the durability of the business model, progress in accordance with the strategy, and identify and address emerging opportunities and challenges. While assessing performance against the strategy, the Board ensures that it remains consistent with the Group's culture and contributes to the long-term success of the Group and its stakeholders.

## PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

### OUR GOVERNANCE FRAMEWORK

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

- Companies Act 2016 ("CA 2016")
- Islamic Financial Services Act 2013 ("IFSA 2013")
- Policy Document on Corporate Governance issued by BNM ("BNM CG")
- Policy Document on Shariah Governance
- Malaysian Code on Corporate Governance issued by Securities Commission Malaysia ("MCCG 2021")
- Relevant requirements as outlined under the respective guidelines by BNM and other regulators.



### BOARD CHARTER

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

The powers of the Chairman, Non-Executive Directors and President & Chief Executive Director ("PCEO") 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 summarizes 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 the appointment and removal of any member of the Board, the Company Secretary, 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 a conflict of the Director's interest
- Disclosure of financial information/reports for publication and presentation to Shareholders or disclosure on material information that may affect the image of the Bank
- Policy governing the Board meetings
- Payment by the Bank arising out of legal dispute/legal settlement exceeding RM100,000

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

## AN OVERVIEW OF CORPORATE GOVERNANCE

### THE BOARD

The Board comprises eight Directors, of whom five are Independent Non-Executive Directors (INEDs) and three are Non-Independent Non-Executive Directors (NINED).

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

#### i. Appointment and Re-appointment of Directors

The Bank adheres to the BNM CG in relation to the nomination of new Directors and the renewal of tenures of existing Directors upon their expiration, as authorized by BNM. All nominations and renewals of Director positions are contingent on the endorsement of BNM.

The Board Nomination & Remuneration Committee (BNRC) has been assigned the primary duty of evaluating potential candidates for new appointments or re-appointments of existing Directors. BNRC further ensures that each candidate/Director fulfills the necessary prerequisites of a Director in terms of expertise and fundamental competencies and meets the standards of being fit and proper to be appointed/re-appointed as a Director in accordance with the criteria outlined by BNM. Following the assessment, BNRC will subsequently propose the appointment of the candidate as a Director for approval by the Board.

The Directors have demonstrated exceptional commitment and dedication in fulfilling their duties and responsibilities, as evidenced by their attendance record that surpasses the prescribed criteria outlined in the Charter. Moreover, the Directors have fully complied with the attendance requirements of at least 75 percent, as per the BNM CG. The table below provides the attendance record of each Director at the Board and Committee meetings held in 2022:

Name of Director	Board	BAC	BRMC	BNRC	BVC	BCC
Tan Sri Tajuddin Atan	12/12	-	-	-	-	-
Johari Abdul Muid	12/12	11/12	13/15	8/8	10/12	-
Tan Sri Che Khalib Mohamad Noh	11/12	-	-	7/8	11/12	-
Dato' Ibrahim Taib	12/12	-	15/15	-	-	5/5
Iwan Rashman Gulamoydeen <sup>1</sup>	8/9	9/9	-	4/5	-	-
Ainol Roznain Yaacob <sup>2</sup>	3/3	3/3		3/3	-	-
Md Khairuddin Hj Arshad	12/12	12/12	15/15	-	11/12	5/5
Roshidah Abdullah	12/12	12/12	-	8/8	-	5/5
Mohd Razlan Mohamed	12/12	-	15/15	8/8	12/12	-

Notes:

1 Resigned as Director on 30 September 2022

2 Appointed as Director on 1 October 2022

## 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 have been the 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.

Tan Sri Tajuddin Atan, Tan Sri Che Khalib Mohamad Noh, and Dato' Ibrahim Taib are retiring by rotation in accordance with Clause 76 of Bank Muamalat's Constitution and being eligible, have offered himself for re-election.

In respect of the new appointment to the Board for the Financial Year, Ainol Roznain Yaacob shall retire at the forthcoming AGM in accordance with Clause 63(2) of Bank Muamalat's Constitution, and being eligible, has offered themselves for re-election.

The retiring Directors mentioned above have satisfied the performance standards of an efficient and high-performing Board, as assessed by the Board's Annual Evaluation, which encompasses Self and Peer Assessment.

After assessing their professionalism, extensive experience, significant relationships, expertise, dedication, and individual contributions in carrying out their respective responsibilities, the Board and BNRC have determined that all Directors standing for re-election at the upcoming AGM have met the Board's expectations by consistently fulfilling their duties with diligence as Directors of the Bank.

Based on BNRC's evaluation, the Board has decided to endorse and propose the re-election of each retiring Director at the forthcoming AGM.

## iii. Tenure of Independent Directors

The maximum tenure for an Independent Director is nine years, which can either be served consecutively or cumulatively with intervals. The tenure will conclude either upon the expiration of the current term as authorized by BNM or the later date of the two options.

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 distinctly separate, and the Chairman has not previously held the position of PCEO in Bank Muamalat. The Chairman's main responsibility is to provide significant guidance to the Board to ensure that the Board carries out its duties effectively. On the other hand, the PCEO is primarily accountable for managing day-to-day business operations in line with the Board's strategy and key performance indicators.

The specific duties and responsibilities of the Chairman and PCEO are outlined in the Charter.

The Management Committee supports the PCEO in managing the Group's operations by establishing performance targets, executing the Group's strategy, overseeing critical objectives and commercial plans to assist in achieving the Group's targets, and evaluating new business initiatives and opportunities.

## AN OVERVIEW OF CORPORATE GOVERNANCE

### ii. Board Committees

There are five Board Committees established by the Board: the Board Audit Committee, Board Risk Management Committee, Board Nomination and Remuneration Committee, Board VETO Committee, and Board Compliance 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. The membership of these Committees is reviewed as and when required, with specific emphasis on updates in governance requirements and efficiency of the Committees.

Each Committee comprises a minimum of three (3) Directors, with a majority of Independent Directors, and the Directors possess the skills, knowledge, and experience necessary to fulfill the responsibilities of the corresponding 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.

In light of the progress achieved and the implementation of Bank Muamalat's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures, the Board has resolved to dissolve the Board Compliance Committee. In its place, the Board Risk Management Committee will assume responsibility for overseeing the Bank's compliance management, ensuring regulatory compliance risk, and overseeing AML/CFT measures.

Bank Muamalat has established a Board Technology Committee to oversee the implementation of its IT Strategic Plan and RISE26+ transformation to accelerate growth and unlock value through innovative digital offerings and modernized digital operations and platforms. This move is in line with Bank Muamalat's mission to embark on digital banking.

The sources of Authority/Roles and Responsibilities include:

- 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 (BNRC)	
<b>Members</b>	<p>Johari Abdul Muid (Chairman)</p> <hr/> <p>Tan Sri Che Khalib Mohamed Noh</p> <hr/> <p>Iwan Rashman Gulamoydeen (IRG) <sup>1</sup></p> <hr/> <p>Ainol Roznain Yaacob (ARY) <sup>2</sup></p> <hr/> <p>Roshidah Abdullah</p> <hr/> <p>Mohd Razlan Mohamed</p>
	<p><sup>1</sup> IRG ceased to be a member on 30 September 2022</p> <p><sup>2</sup> ARY became a member on 1 October 2022</p>
<b>Roles</b>	Provides a formal and transparent procedure for the appointment and remuneration of directors, CEO, and members of Shariah Committee, as well as assessment of the effectiveness of the Board as a whole, Shariah Committee members, and performance of CEO and key Senior Management Officers
<b>Focus Areas</b>	<p>BNRC focuses on reviewing and recommending:</p> <ul style="list-style-type: none"> <li>• The appointment and re-appointment of Independent and Non-Independent Non-Executive Directors.</li> <li>• The appointment and re-appointment of Shariah Committee members.</li> <li>• The revised composition of the Board Committees.</li> <li>• The new appointment/renewal/revision of the contract of service of Senior Management and their remunerations.</li> <li>• The annual Corporate Scorecard and KPIs for Senior Management and their respective performance and reward.</li> <li>• The remuneration of the Non-Executive Directors.</li> </ul>

Board Veto Committee (BVC)	
<b>Members</b>	Mohd Razlan Mohamed (Chairman) <sup>1</sup>
	Johari Abdul Muid
	Tan Sri Che Khalib Mohamed Noh
	Md Khairuddin Hj Arshad
	<sup>1</sup> MRM became Chairman on 1 September 2022
<b>Roles</b>	Reviews of financing and/or investment proposals approved by the Credit Committee (“CC”) based on the limits determined by the Board. In the event of significant modification of the terms and conditions, the appeal has to be reverted to the Board Veto Committee.

### iii. Company Secretary

During Board meetings, the Company Secretary is present and responsible for documenting key deliberations and decisions made. Additionally, the Company Secretary serves as a liaison between the Board, its committees, and management, and provides support to Directors in fulfilling their duties. The Company Secretary also aids in the orientation of new Directors and helps to facilitate the ongoing professional development of all Directors.

## BOARD EFFECTIVENESS

### i. Board Effectiveness Evaluation

On an annual basis, Board Effectiveness Evaluations (BEE) are carried out to identify areas where efficiency can be improved, strengths can be maximized, and areas that require improvement. If necessary, professional consultants are hired to conduct the assessment. The BNRC Chairman oversees the overall evaluation process, while BNRC reviews and analyzes the responses. The assessment results are then presented to the Board.

Following the recommendation in the BNM CG, the Board conducted the Board Effectiveness Evaluation (BEE) for the year 2022. In compliance with the BNM PD on Shariah Governance, the 2022 BEE also assessed the performance of the Shariah Committee and its members.

The categories of assessment embedded in the 2022 BEE questionnaires were:

- Board Assessment to assess among others, 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 Director’s Assessment (including Independent Directors) to assess among 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 the 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 among 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, responsibilities, and the effectiveness of the Board Committee including its Terms of Reference, processes, and reporting line.
- Individual Board Committee Member’s Assessment (including Shariah Committee) to assess among others, the Committees’ dynamics, participation, and Fit and Proper criteria.

## AN OVERVIEW OF CORPORATE GOVERNANCE

### ii. Board Meetings and Access to Information

The agenda of Board meetings is drawn up upon consultation between the Chairman, PCEO, and Company Secretary. The agenda and Board papers are circulated to Board Members via meeting software that allows the Directors to access, read, and review Board/Committee Documents securely.

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 preset agendas.

Directors participate in Board and Committee meetings in person, or via virtual platforms such as Zoom or Teams. Directors utilize digital means to participate in meetings that are effectively held. Minutes of the meetings, together with a summary of the action items are circulated to all members of the Board prior to meetings.

During each meeting, the respective Chairmen/representatives of the Board Committees provide updates to the Board on matters discussed in the committees, as well as on matters that require the Board's attention. Other Heads of Division and external advisers may be invited to attend the meeting to advise the Board on specific matters. Directors have the opportunity to discuss these matters and challenge the ideas presented if necessary. The Chief Financial Officer is invited to attend all Board meetings, while relevant Senior Management Officers of Bank Muamalat are invited to attend to provide briefings and details to the Directors on recommendations or reports submitted to the Board.

The PCEO and Heads of Business, Operations, Support, and Control functions update the Board on the Bank's business and operations, regulatory and compliance updates, as well as industry trends and developments. The Chief Financial Officer presents the financial performance and significant financial highlights. The minutes of the Board meetings record all important deliberations, decisions, and conclusions.

The management takes note of the comments and feedback from the Directors and receives guidance from the Board. They agree with the Directors on proposed actions to be taken, including decisions made. For matters in the ordinary course of business, Board approvals can be obtained through written resolutions outside of Board meetings. Ad-hoc meetings are held when necessary. Directors have direct access to Senior Management and can request additional information from them. The Company Secretary is available to the Directors at all times.

### iii. Board Induction and Succession Planning

Upon appointment, each new Director will be required to undergo an onboarding exercise to facilitate their familiarization with the Bank's operating environment, business strategy, and operations. All new Directors must attend an induction program tailored to their specific needs as soon as practicable, but no later than three months after their appointment to the Board.

Attendance at the induction program or similar sessions that may assist in achieving the intended outcome is mandatory for all new Directors. The Company Secretary is responsible for facilitating the induction of newly appointed Directors.

BNRC is accountable for developing succession plans and identifying and recommending candidates to the Board to ensure that it comprises directors with suitable skills, experience, expertise, and diversity. BNRC also oversees the appointment and succession planning for key Senior Management positions.

### iv. Training and Development of Directors

The Board has implemented measures to ensure that its members have ongoing access to appropriate and relevant continuing education programs. A reasonable budget has been allocated for this purpose. Directors are strongly encouraged to attend talks, briefings, and workshops, and utilize online learning tools, reading materials, and training programs in areas that would benefit them in their roles and responsibilities.

It is mandatory for all Directors of Bank Muamalat to register for the director's core training program under the Financial Institutions Directors' Education (FIDE) Program) within a year of their appointment, and the Islamic Finance for Board within two years of their appointment.



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

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

- FIDE CORE Program - Module A & Module B
- BNM-FIDE FORUM MyFintech Week Masterclasses
- FIDE Elective Program: Market Risk Management - Banking Sector
- ICDM PowerTalk #14 | Talent Uprising – How Boards Should Rethink Their Talent Strategy in this Era of Opportunity
- FIDE Elective Program - Climate Change: Impact on Banks & Role of the Board
- BMMB Shariah Structured Training: Shariah Non-Compliance Risk Management in Islamic Banking & Finance
- Islamic Finance for Board of Directors (IF4BOD)
- Board Effectiveness Evaluation - Post Launch Workshop (session 1)
- Governance in Audit Conference 2022 – Auditing in This New Governance Era
- BMMB Shariah Structured Training: Latest Product Development & New Offering to the Market
- Khazanah Megatrends Forum (KMF) 2022
- Global Islamic Finance Forum (GIFF) 2022
- FIDE FORUM: The Emerging Trends Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment System
- Cybersecurity Awareness - "Strategic Cybersecurity Leadership Program"
- CMDP Module 2B: Business Challenges and Regulatory Expectations – What Directors Need to Know
- CMDP Module 3: Risk Oversight and Compliance - Action Plan for Board of Directors
- CMDP Module 4: Emerging and Current Regulatory Issues in the Capital Market
- BCM Awareness

## v. Ethical Business Conduct and Whistleblowing

The Board of Bank Muamalat places significant importance on promoting a culture of good corporate governance that upholds the values of integrity, ethics, and transparency in all aspects of its operations.

To ensure compliance with these values, the Board has established a Code of Business Conduct (CoBC) that lays out the expected conduct of all employees, directors, and third-party entities involved in business dealings with Bank Muamalat. The CoBC encompasses various procedures related to non-discrimination, whistleblowing, asset and property protection, confidential information, personal data protection, insider trading, fraud, conflict of interest, bribery, and anti-corruption.

All directors and employees of Bank Muamalat are expected to adhere to the CoBC. Recently, the CoBC has been updated to incorporate fundamental principles on Competence, Integrity, Fairness, Confidentiality, and Objectivity, aligning with the Professional Code developed by the Financial Services Professional Board (FSPB), guidelines from relevant Acts, and regulatory requirements. The CoBC aims to mitigate the impact of changes resulting from the Industrial Revolution 4.0, such as IT device utilization, social media usage, and cybersecurity threats.

Bank Muamalat has a zero-tolerance policy toward any conduct that constitutes malpractice, including breaches of ethics, conflict of interests, bribery and corruption, money laundering, terrorism financing, and fraudulent acts, as described in its Anti Bribery Code and other relevant documents.

In line with the requirements of the BNM CG and the CA 2016, the Board has established a Whistleblowing Policy that 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 behavior, including suspected fraud, bribery, corruption, and criminal activity.

## AN OVERVIEW OF CORPORATE GOVERNANCE

### REMUNERATION

#### i. Non-Executive Director's Remuneration

The Non-Executive Directors are remunerated through fixed monthly fees, meeting allowances, and benefits-in-kind, inclusive of the reimbursement of utility bills and business peripherals.

The level of remuneration of Non-Executive Directors reflects the current demanding challenges in discharging their fiduciary duties, roles, and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry. The Non-Executive Directors' remuneration/benefits remain unchanged since 2017.

#### ii. Disclosure of Directors' Remuneration

Details of each Director's remuneration for the Financial Year ended 31 December 2022:

Group 31 December 2022	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	
<b>Non-Executive Directors:</b>						
Tan Sri Tajuddin Atan	-	240	-	78	72	390
Tan Sri Che Khalib Mohamad Noh	-	120	-	78	-	198
Dato' Ibrahim Taib	-	120	-	96	-	216
Md. Khairuddin Hj. Arshad	-	120	-	164	-	284
Johari Abdul Muid	-	120	-	157	-	277
Mohd Razlan Mohamed	-	120	-	137	-	257
Roshidah Abdullah	-	120	-	111	-	231
Ainol Roznain Yaacob <sup>1</sup>	-	-	-	-	-	-
Iwan Rashman Gulamoydeen <sup>1</sup>	-	-	-	-	-	-
<b>Directors - subsidiaries:</b>						
Fakihah Azahari	-	20	-	7	-	27
Dato' Adnan Alias	-	20	-	7	-	27
Roshidah Abdullah	-	9	-	1	-	10
Md. Khairuddin Hj. Arshad	-	9	-	1	-	10
<b>Total Directors' remuneration</b>	-	1,018	-	837	72	1,927

Notes:

1. No Director's Fees and Meeting Allowances paid to Khazanah Nasional Berhad, in lieu of Khazanah's waiver to its Nominee Director who is a Khazanah employee.

In order to attract and retain qualified individuals to lead Bank Muamalat, the Board has delegated responsibility to BNRC to oversee and recommend the structure of the remuneration policy and frameworks for Directors and Senior Management.

The remuneration structure for Non-Executive Directors is based on relevant factors, such as function, workload, responsibilities, and time spent preparing for the Board and Board Committee meetings. It includes fees, meeting allowances, and benefits-in-kind. The Chairman of the Board and Board Committees receives a premium due to their additional role in guiding and managing the Board and Board Committees.

BNRC reviews and tracks the PCEO's Corporate Scorecard and PCEO-1's Key Performance Indicators annually.

## INTRODUCTION

The Remuneration Policy for Senior Management and Material Risk Takers (MRTs) is a key component of Bank Muamalat's overall risk management framework. Bank Muamalat recognizes the critical importance of attracting, retaining, and motivating the right talent to achieve its business objectives while ensuring that the remuneration structure is aligned with Bank Muamalat's risk appetite and promotes a sound risk culture.

The objective of this policy is to provide guidance on the principles, governance, and procedures that Bank Muamalat will follow in determining the remuneration of its Senior Management and MRTs in a manner that is consistent with regulatory requirements and best practices.

## PRINCIPLES

### A Equitable

The remuneration structure must be transparent, equitable, and non-discriminatory. Bank Muamalat will ensure that its remuneration practices are consistent with its commitment to market/industry practices.

### B Performance-based

The remuneration structure is linked to performance, taking into account both financial and non-financial measures. Bank Muamalat will establish clear and objective performance criteria for Senior Management and MRTs that reflect Bank Muamalat's overall strategy, values, and long-term interests.

### C Risk Alignment

The remuneration structure should be aligned with Bank Muamalat's risk appetite, promoting a sound risk culture and discouraging excessive risk-taking. Bank Muamalat will ensure that the remuneration structure does not incentivize Senior Management and MRTs to take risks that are inconsistent with Bank Muamalat's overall risk profile.

### D Sustainability

The remuneration structure should be sustainable, taking into account Bank Muamalat's long-term interests and stakeholders' expectations. Bank Muamalat will ensure that its remuneration practices are consistent with its commitment to corporate social responsibility and environmental sustainability.

## GOVERNANCE

### A Board Oversight

The Board of Directors will oversee the Remuneration Policy and ensure its compliance with regulatory requirements. The Board will also ensure that Bank Muamalat's remuneration practices are consistent with Bank Muamalat's overall strategy, values, and long-term interests.

### B Remuneration Committee

The Remuneration Committee will be responsible for reviewing and approving the remuneration of Senior Management and MRTs, ensuring that it is consistent with the policy's principles and objectives. The Remuneration Committee will also ensure that Bank Muamalat's remuneration practices are consistent with regulatory requirements and best practices.

### C Independent Review

Bank Muamalat will conduct an independent review of its remuneration practices periodically to ensure that they remain aligned with the policy's principles and regulatory requirements. The independent review will be conducted by external experts with the requisite expertise and experience.

## PROCEDURES

### A Performance Assessment

Bank Muamalat will conduct a comprehensive performance assessment of Senior Management and MRTs, taking into account both financial and non-financial measures. Bank Muamalat will ensure that the performance assessment process is objective, fair, and consistent across all business units.

### B Remuneration Mix

The remuneration mix for Senior Management and MRTs will be designed to balance fixed and variable pay, with the variable component being subject to deferral and performance-based vesting. Bank Muamalat will ensure that the variable component of the remuneration mix is aligned with Bank Muamalat's risk appetite and promotes a sound risk culture.

## AN OVERVIEW OF CORPORATE GOVERNANCE

### C Clawback and Malus

Bank Muamalat will include clawback and malus provisions in the remuneration agreements of Senior Management and MRTs to enable Bank Muamalat to recover variable pay in the event of misconduct, poor performance, or material risk events. The clawback and malus provisions will be designed to ensure that Senior Management and MRTs are held accountable for their actions.

### D Disclosure

Bank Muamalat will disclose information on its remuneration practices for Senior Management and MRTs in its annual report, ensuring transparency and accountability to stakeholders. The disclosure will include information on the remuneration structure, performance criteria, and the link between remuneration and risk.

### CONCLUSION

The Remuneration Policy for Senior Management and MRTs is essential to Bank Muamalat's overall risk management framework. The policy ensures that Bank Muamalat's remuneration practices are consistent with its risk appetite, promote a sound risk culture, and are aligned with Bank Muamalat's long-term interests.

Bank Muamalat is committed to ensuring that its remuneration practices are transparent, equitable, and sustainable, reflecting its commitment to diversity and inclusion, corporate social responsibility, and environmental sustainability.

### ADDITIONAL INFORMATION

The selection of MRTs is a crucial aspect of Bank Muamalat's remuneration policy. Bank Muamalat will identify MRTs based on the following criteria:

#### A Job Function

Bank Muamalat will identify job functions that have a material impact on Bank Muamalat's risk profile, such as risk management, investment banking, trading, and financing.

#### B Decision-Making Authority

Bank Muamalat will identify employees with decision-making authority over critical areas that could materially impact Bank Muamalat's risk profile, such as credit approvals, investment decisions, risk assessments, and trading positions.

### C Compensation

Bank Muamalat will identify employees who is eligible to receive a level of compensation that is comparable to Senior Management, including both fixed and variable components such as bonuses, stock options, and other incentives.

### D Performance

Bank Muamalat will identify employees whose performance is directly linked to Bank Muamalat's risk profile, such as traders who generate a significant portion of Bank Muamalat's revenues or risk managers who oversee Bank Muamalat's risk management activities.

Bank Muamalat will establish a process for identifying MRTs that is consistent with regulatory requirements and best practices. The process will include the following steps:

#### A Identification

Bank Muamalat will identify employees who meet the criteria for MRTs based on the job function, decision-making authority, compensation, and performance.

#### B Review and Approval

Bank Muamalat's Remuneration Committee will review and approve the list of potential MRTs, ensuring that the criteria for selection are objective and consistent across all business units.

#### C Notification

Bank Muamalat will notify the employees identified as MRTs and explain the reasons for their inclusion in the list. The notification will also explain the impact of being an MRT on their compensation and performance assessment.

#### D Regular Review

Bank Muamalat will review the list of MRTs regularly, taking into account any changes in the employees' job functions, decision-making authority, compensation, and performance. The Remuneration Committee will approve any changes to the list of MRTs.

Bank Muamalat will ensure that the process for identifying MRTs is transparent, objective, and consistent across all business units. Bank Muamalat will also ensure that the list of MRTs is subject to regular review and approval by the Remuneration Committee and that any changes to the list are communicated promptly and transparently to the affected employees.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**
**BOARD ACCOUNTABILITY**
**i. Board Audit Committee (“BAC”)**

The Board Audit Committee (BAC) has effectively fulfilled its obligations and responsibilities as stipulated in the Terms of Reference, and has efficiently assisted the Board in making informed decisions related to quarterly results, year-end financial statements, evaluation of external auditors, and the internal audit function.

BAC conducts an annual review of the suitability, objectivity, and independence of Ernst & Young PLT (“EY”), the Bank’s auditor, and the results are presented to the Board for approval.

The BAC Report provides an overview of Bank Muamalat’s internal control systems and financial reporting adequacy and integrity, adherence to internal policies and procedures, and compliance with external rules and regulations.

Further details can be found on pages 147 to 149 of this Annual Report.

**ii. 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.

**iii. Board Risk Management Committee (“BRMC”)**

<b>Members</b>	<p>Md Khairuddin Hj Arshad (Chairman)</p> <hr/> <p>Johari Abdul Muid</p> <hr/> <p>Dato’ Ibrahim Taib</p> <hr/> <p>Mohd Razlan Mohamed</p>
<b>Roles</b>	<p>Responsible for overseeing the 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. BRMC is assisted by the PCEO, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.</p>
<b>Focus Areas</b>	<p>BRMC focuses on the following areas:</p> <ul style="list-style-type: none"> <li>• Review the risk management report covering market risk, credit risk, operational risk, Shariah non-compliance risk, and emerging risk.</li> <li>• Review compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance, and update on new policies and regulations.</li> <li>• 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.</li> <li>• Review and recommend to the Board the stress test scenario and its methodology.</li> <li>• Review the implementation of the Internal Capital Adequacy Assessment Process (“ICAAP”) for the Bank.</li> <li>• Review and deliberate new products/services and product programs proposed by the business units to ensure they are in line with the target risk profile and risk acceptance criteria for the Bank.</li> <li>• Review and deliberate significant business and operating risk-related policies of the Bank.</li> </ul>

## AN OVERVIEW OF CORPORATE GOVERNANCE

The composition of BRMC is in line with Paragraph 12.3 (c) of the 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 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 the business continuity management of Bank Muamalat.

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. Further details can be found on pages 153 to 157 of this Annual Report.

### iii. Board Compliance Committee (disbanded on 1 March 2023)

Roles	
	<ul style="list-style-type: none"> <li>• To provide oversight and advice to the Board of Directors and Management in respect of the management of compliance risks, including AML/CFT, bribery, and corruption.</li> <li>• To evaluate the adequacy and effectiveness of the Bank's overall management of compliance risks (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.</li> <li>• To review and assess compliance and AML/CFT emerging issues/concerns, and ensure such issues/concerns are resolved effectively and expeditiously.</li> <li>• To review the findings of major investigations, routine audit findings, and internal controls related to regulatory compliance issues identified by internal, external, and regulators, and to ensure that appropriate and prompt remedial actions are taken by the management.</li> <li>• To ensure the Bank closely monitors the progress of all remedial action plans tabled to the Committee in managing the compliance risks and that such remedial measures are effectively implemented in addressing the regulators' concerns and expectations.</li> <li>• To review, assess, and recommend to the Board the corrective measures to address compliance risks and concerns, as highlighted by the Regulatory Advisory and Compliance Division and various regulatory authorities, where relevant.</li> </ul>

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### COMMUNICATION WITH STAKEHOLDERS

Stakeholders are crucial in ensuring the sustainability of our business. Bank Muamalat engages with both internal and external stakeholders on a regular basis through various touchpoints, formal and informal, to better comprehend their expectations and concerns. Our corporate website serves as a convenient platform for stakeholders to access comprehensive and up-to-date information about Bank Muamalat.

### GENERAL MEETINGS

The Board ensures that shareholders are given sufficient notice to consider resolutions that will be discussed and decided in General Meetings. The General Meeting notice includes details of the resolutions proposed along with any relevant information and reports.

# SHARIAH COMMITTEE

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013, which prescribed the setting up 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, Islamic Financial Services Act 2013 (IFSA) and the Policy Document on Shariah Governance (“Laws and Regulations”).

Duties, Responsibilities & Accountability of the Shariah Committee are as follows:

- |   |  |
|---|--|
| <p>i. Responsibility and accountability</p> <p>The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, and responsible and accountable for all Shariah decisions, opinions and views provided by them.</p>                                  | <p>vi. Assist related parties on Shariah matters</p> <p>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.</p>  |
| <p>ii. Advise to the Board and Bank including the Bank’s subsidiaries</p> <p>The Shariah Committee is expected to 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.</p>   | <p>vii. Shariah Advisory Council, Bank Negara Malaysia</p> <p>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.</p>   |
| <p>iii. Endorse Shariah policies and procedures</p> <p>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.</p>  | <p>viii. Provide Written Shariah Opinions</p> <p>The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank make reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.</p>  |
| <p>iv. Endorse and validate relevant documentations</p> <p>To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:</p> <p>a. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and</p> <p>b. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.</p> | <p>ix. Provide the Bank with guidelines and advice on religious matters to ensure that the Bank’s overall activities are in line with Shariah.</p>   |
| <p>v. Assess work carried out by Shariah review and Shariah audit</p> <p>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.</p>   | <p>x. Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.</p> <p>xi. Report to the shareholders and the depositors that all the Bank’s activities are in accordance with Shariah.</p> <p>xii. Provide Shariah advisory and consultancy services in all matters relating to Bank’s products, transactions and activities as well as other businesses involving the Bank.</p> <p>xiii. Scrutinize and endorse the annual financial report of the Bank.</p> <p>xiv. Provide training to the staff as well as notes or relevant materials for their reference.</p> <p>xv. Represent the Bank or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.</p> |

## SHARIAH COMMITTEE

xvi. The Shariah Committee shall maintain the confidentiality of the BMMB's internal information and shall responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorized 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 Policy Document on Shariah Governance (PDSG), the composition of Shariah Committee at minimum must comprise of at least five (5) members and the member must not accept any appointment in more than one licensed Islamic bank, one licensed takaful operator and one prescribed institution. Furthermore, a Shariah Committee member must not serve the same Islamic Financial Institutions (IFI) for more than nine (9) years starting 1st April 2023. Therefore the Bank has exercised the plan to appoint new members as replacement and target to be appointed by January 2023. Currently, Shariah Committee of BMMB comprises of five (5) members; where they are based on renewal up to three (3) years term. For this year, there is no SC will due for renewal.

### 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 its Nomination Committee, 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, section 33(2) and 34(1) of the IFSA 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:

- a. be an executive of the Bank during the tenure of his appointment or within the last two (2) years of his proposed appointment as a Shariah committee member;
- b. be a substantial shareholder, executive director or senior officer of the Bank or any of its affiliates; or
- c. 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:

- a. the Shariah Committee is kept sufficiently in touch with the business of the Bank;
- b. 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 2022, 13 SC meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units:

No.	Meeting	Date
1.	1 <sup>st</sup> Monthly SC Meeting 2022	20 January 2022
2.	2 <sup>nd</sup> Monthly SC Meeting 2022	17 February 2022
3.	1 <sup>st</sup> Special SC Meeting 2022	22 February 2022
4.	3 <sup>rd</sup> Monthly SC Meeting 2022	24 March 2022
5.	4 <sup>th</sup> Monthly SC Meeting 2022	21 April 2022
6.	5 <sup>th</sup> Monthly SC Meeting 2022	19 May 2022
7.	6 <sup>th</sup> Monthly SC Meeting 2022	30 June 2022
8.	7 <sup>th</sup> Monthly SC Meeting 2022	4 August 2022
9.	8 <sup>th</sup> Monthly SC Meeting 2022	1 September 2022
10.	9 <sup>th</sup> Monthly SC Meeting 2022	29 September 2022
11.	10 <sup>th</sup> Monthly SC Meeting 2022	20 October 2022
12.	2 <sup>nd</sup> Special SC Meeting 2022	8 November 2022
13.	11 <sup>th</sup> Monthly SC Meeting 2022	15 December 2022

The Shariah Committee member is expected to contribute and allocate adequate time and efforts to discharge his 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 2022, Shariah Committee attendance for 13 meetings held are as follows:

Shariah Committee Member	Attendance	%
Tn. Hj. Azizi Che Seman	13/13	100
Dr. Mohd Shahid Mohd Noh	13/13	100
Dr. Yusri Mohamad	13/13	100
Dr. Muhamad Azhari Wahid	13/13	100
Dr. Ahmad Zakirullah Mohamed Shaarani	13/13	100

It is concluded that all members of Shariah Committee complied the attendance of not less than 75% to the meeting.

## SHARIAH COMMITTEE

### TRAINING PROGRAMME FOR SHARIAH COMMITTEE:

The Shariah Committee assumes the responsibility to further enhance the skills and knowledge on the 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 January to December 2022 include the following:-

Shariah Committee Member	Training Programme
<b>Tn. Hj. Azizi Che Seman</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur Islamic Finance Forum (KLIFF) 2022</li> <li>• Muzakarah KLIFF kali Ke-17 2022</li> <li>• Muzakarah Cendekiawan Syariah Nusantara 2022 Ke-16</li> <li>• 17th International Shari'ah Scholars Forum (ISSF 2022)</li> <li>• Bank Rakyat International Shariah Scholar Roundtable (iSHAR)</li> <li>• Training Islamic Treasury Products and Its Operations</li> <li>• ESG Disclosures: Improving the Quality of ESG Data and its Impact</li> <li>• A-Z Practical Knowledge on Sukuk Structuring</li> <li>• Board Structured Training: Shariah Non-Compliance Risk Management in Islamic Banking &amp; Finance</li> <li>• Board Structured Training: Latest Product Development &amp; New Offering to the Market</li> <li>• Familiarization Program on Retail Investment Department</li> <li>• Familiarization Program on Home Financing Department</li> <li>• Familiarization Program on Auto Financing Department</li> <li>• Familiarization Program on Product Development and Innovation Department</li> <li>• Familiarization Program on Muamalat Gold-i</li> </ul>
<b>Dr. Mohd Shahid Mohd Noh</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur Islamic Finance Forum (KLIFF) 2022</li> <li>• Muzakarah KLIFF kali Ke-17 2022</li> <li>• Muzakarah Cendekiawan Syariah Nusantara 2022 Ke-16</li> <li>• 17th International Shari'ah Scholars Forum (ISSF 2022)</li> <li>• Bank Rakyat International Shariah Scholar Roundtable (iSHAR)</li> <li>• Islamic Fintech Leaders Summit</li> <li>• Fintech: Cryptocurrency, Machine Learning and Digital Banking</li> <li>• Training Islamic Treasury Products and Its Operations</li> <li>• A-Z Practical Knowledge on Sukuk Structuring</li> <li>• Capital Market Director Programme (CMDP) Module 2A: Business Challenges and Regulatory Expectations - What Directors Need to Know (Equities &amp; Future Broking)</li> <li>• Capital Market Director Programme (CMDP) Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management)</li> <li>• Board Structured Training: Shariah Non-Compliance Risk Management in Islamic Banking &amp; Finance</li> <li>• Board Structured Training: Latest Product Development &amp; New Offering to the Market</li> <li>• Familiarization Program on Retail Investment Department</li> <li>• Familiarization Program on Home Financing Department</li> <li>• Familiarization Program on Auto Financing Department</li> <li>• Familiarization Program on Product Development and Innovation Department</li> <li>• Familiarization Program on Muamalat Gold-i</li> </ul>

Shariah Committee Member	Training Programme
<b>Dr. Yusri Mohamad</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur Islamic Finance Forum (KLIFF) 2022</li> <li>• Muzakarah KLIFF kali Ke-17 2022</li> <li>• Muzakarah Cendekiawan Syariah Nusantara 2022 Ke-16</li> <li>• Training Islamic Treasury Products and Its Operations</li> <li>• Kursus Fatwa di Darul Ifta' Mesir</li> <li>• A-Z Practical Knowledge on Sukuk Structuring</li> <li>• Capital Market Director Programme (CMDP) Module 2A: Business Challenges and Regulatory Expectations - What Directors Need to Know (Equities &amp; Future Broking)</li> <li>• ESG Disclosures: Improving the Quality of ESG Data and its Impact</li> <li>• Board Structured Training: Shariah Non-Compliance Risk Management in Islamic Banking &amp; Finance</li> <li>• Board Structured Training: Latest Product Development &amp; New Offering to the Market</li> <li>• Familiarization Program on Retail Investment Department</li> <li>• Familiarization Program on Home Financing Department</li> <li>• Familiarization Program on Auto Financing Department</li> <li>• Familiarization Program on Product Development and Innovation Department</li> <li>• Familiarization Program on Muamalat Gold-i</li> </ul>
<b>Dr. Ahmad Zakirullah Mohd Shaarani</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur Islamic Finance Forum (KLIFF) 2022</li> <li>• Muzakarah KLIFF kali Ke-17 2022</li> <li>• Training Islamic Treasury Products and Its Operations</li> <li>• AAOIFI Certified Shariah Adviser and Auditor (CSAA)</li> <li>• A-Z Practical Knowledge on Sukuk Structuring</li> <li>• Capital Market Director Programme (CMDP) Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management)</li> <li>• Board Structured Training: Shariah Non-Compliance Risk Management in Islamic Banking &amp; Finance</li> <li>• Board Structured Training: Latest Product Development &amp; New Offering to the Market</li> <li>• Familiarization Program on Retail Investment Department</li> <li>• Familiarization Program on Home Financing Department</li> <li>• Familiarization Program on Auto Financing Department</li> <li>• Familiarization Program on Product Development and Innovation Department</li> <li>• Familiarization Program on Muamalat Gold-i</li> <li>• Familiarization Program for SC Reappointment on Product Approved and Issues in 2022</li> </ul>

## SHARIAH COMMITTEE

Shariah Committee Member	Training Programme
<b>Dr. Muhamad Azhari Wahid</b>	<ul style="list-style-type: none"> <li>• Kuala Lumpur Islamic Finance Forum (KLIFF) 2022</li> <li>• Muzakarah KLIFF kali Ke-17 2022</li> <li>• Muzakarah Cendekiawan Syariah Nusantara 2022 Ke-16</li> <li>• Capital Market Director Programme (CMDP) Module 2A: Business Challenges and Regulatory Expectations - What Directors Need to Know (Equities &amp; Future Broking)</li> <li>• Capital Market Director Programme (CMDP) Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management)</li> <li>• Capital Market Director Programme (CMDP) Module 4: Emerging and Current Regulatory Issues in the Capital Market</li> <li>• Board Structured Training: Shariah Non-Compliance Risk Management in Islamic Banking &amp; Finance</li> <li>• Board Structured Training: Latest Product Development &amp; New Offering to the Market</li> <li>• Familiarization Program on Retail Investment Department</li> <li>• Familiarization Program on Home Financing Department</li> <li>• Familiarization Program on Auto Financing Department</li> <li>• Familiarization Program on Product Development and Innovation Department</li> <li>• Familiarization Program on Muamalat Gold-i</li> <li>• Familiarization Program for SC Reappointment on Product Approved and Issues in 2022</li> </ul>

In equipping the role of Shariah Committee, Shariah Department is to provide secretariat function, including inputs on banking operations and in-depth research on Shariah matters for Shariah Committee. 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 SC members.

# BOARD AUDIT COMMITTEE REPORT

## BOARD AUDIT COMMITTEE

### Chairman

Roshidah Abdullah

### Members

- Ainol Roznain Yaacob (*appointed as member on 1 October 2022*)
- Johari Abdul Muid
- Md Khairuddin Hj Arshad

### Former member

- Iwan Rashman Gulamoyden (*resigned as member on 30 September 2022*)

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.

BAC is chaired by Roshidah Abdullah with over 25 years's experience in financial management, corporate strategy development, governance and risk management in various organizations 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).

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.

Ainol Roznain Yaacob was appointed as a member on 1 October 2022 to replace Iwan Rashman Gulamoydeen as a representative from Khazanah Nasional Berhad. He started his career in audit with KPMG London before moving to Corporate and International Tax within KPMG and later with Deloitte specialising in risk management and controls.

## 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.

## MEETINGS

Twelve BAC meetings were held during the financial year ending on 31 December 2022.

Members	Attendance of Meetings
Roshidah Abdullah	12/12
Johari Abdul Muid	11/12
Iwan Rashman Gulamoydeen	9/9
Ainol Roznain Yaacob	3/3
Md Khairuddin Hj Arshad	12/12

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, Chief Internal Auditor and Chief Financial Officer 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.

## BOARD AUDIT COMMITTEE REPORT

### Key BAC activities

The key activities undertaken in 2022:

<b>01</b>	Reviewed and approved the Annual Audit Plan FY2022 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.	<b>09</b>	Reviewed the ongoing monitoring and measurement analyses update on the Internal Audit performance metrics and achievement.
<b>02</b>	Reviewed and deliberated the audit reports including recommendations and action plans by Management. Where necessary, directed the Management to implement the remedial action plans to strengthen the internal control system.	<b>10</b>	Deliberated with the external auditor the results of the audit of the annual financial statements for the financial year ended 31 December 2021 and the Report to the BAC.
<b>03</b>	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.	<b>11</b>	Reviewed the overall performance and effectiveness of the external auditor for the period from 1 January 2021 to 31 December 2021.
<b>04</b>	Reviewed and endorsed the Balanced Scorecard of the Chief Internal Auditor for FY2022.	<b>12</b>	Reviewed the re-appointment proposal of the external auditor for the Company and recommended the re-appointment for Board approval.
<b>05</b>	Reviewed the Internal Audit Policy, Board Audit Committee Charter and Internal Audit Charter and recommended to the Board for approval.	<b>13</b>	Reviewed the Annual Audit Plan for the financial year ended 31 December 2022.
<b>06</b>	Reviewed and endorsed the Corporate Governance Disclosure for inclusion in the Bank's Annual Report FY2021.	<b>14</b>	Reviewed and endorsed the external auditors' scope of work.
<b>07</b>	Reviewed the External Quality Assessment Review report on the Internal Audit activity conducted by the Institute of Internal Auditors Malaysia.	<b>15</b>	Reviewed and endorsed quarterly unaudited financial results of Bank Muamalat.
<b>08</b>	Reviewed and deliberated on the internal quality assessment review reports, including the recommendations for Internal Audit improvement.	<b>16</b>	Reviewed and endorsed the Audited financial statement of Bank Muamalat Group for the financial year ended 31 December 2021 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.
		<b>17</b>	Reviewed write off and related party transactions before making recommendations to the Board for approval.

### INTERNAL AUDIT FUNCTION

#### Organizational

Internal Audit is uniquely positioned to assist the Bank in protecting and enhance its value, as well as supporting operational sustainability.

For Internal Audit to be effective, it has an independent reporting line to the Board Audit Committee (BAC), ensuring the internal auditors have the requisite authority to access all areas of the Bank as reflected in the Internal Audit Charter approved by the Board.

The Internal Audit function is managed by Faizdual Zain, the Chief Internal Auditor, appointed in September 2021. He holds a Degree in Bachelor of Accountancy and has over 23 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 Business, Certified System Investigators, and Certified Fraud Examiner.

### Responsibility, Scope and Methodology

The Internal Audit activity is guided by the Internal Audit Charter and governed by the relevant regulatory guidelines, and the International Professional Practices Framework of the Institute of Internal Auditors (IIA).

Internal Audit engagement results are communicated through the audit reports to Management and the BAC, including the audit objectives, scope, issues, associated risks, root causes, recommendations, and Management's action plans. Progress of outstanding audit issues is tracked and 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 on action plans earlier committed for approval.

To embrace change and remain relevant, Internal Audit reviewed and revised its audit rating methodology. Internal Audit uses a rating system when issuing audit reports as a tool for delivering the significance of individual audit issues, which will generally impact the overall engagement conclusion and could assist Management with prioritizing their remedial action plans. The fine-tuned rating methodology considered the criteria used to draw the conclusions and the rating process to be applied in relation to each issue and was influenced by the maturity, culture, and stakeholder expectations in the delivery of Internal Audit results.

To support the design and effective function of Internal Audit activity, Internal Audit continuously maintained a Quality Assurance and Improvement Program through ongoing monitoring and periodic assessments. Any weaknesses or areas for improvement noted were communicated to the Internal Audit staff and followed by rectification action. The results of both elements 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. The latest result of the external quality assessment by IIA Malaysia in 2021 accorded the Internal Audit activity with General Conforms to the Standards.

### Resources

As of 31 December 2022, Internal Audit has a staff strength of 43 auditors, with relevant backgrounds, experience, and qualifications. 71% of auditors obtained at least 1 certification related to banking, risk management, compliance, Shariah, and IT. All auditors are encouraged to pursue professional certifications to enhance their competency. The auditors also attended trainings on various areas organized in-house and online webinars offered by external training providers and professional bodies. The overall costs of nearly RM 6 million were incurred to maintain the Internal Audit function for the financial year 2022.

### Key Internal Audit Activities

Key activities by Internal Audit in 2022 are as follows:

<b>01</b> Developed and presented to the BAC a risk-based Annual Audit Plan and its Revision for 2022.	<b>07</b> Presented the revised Whistleblowing Policy to the BAC.
<b>02</b> Presented the proposed Key Performance Indicators of Internal Audit in the Scorecard of the Chief Internal Auditor for 2022 and 2023 to the BAC.	<b>08</b> Conducted and communicated the periodic internal quality assessment review reports on Internal Audit activity to the BAC.
<b>03</b> Conducted audit and investigation engagements and communicated the reports to the BAC and Management.	<b>09</b> Presented the revision of the Internal Audit Rating methodology to the BAC.
<b>04</b> Monitored and presented the progress of remedial action plans by Management to the BAC.	<b>10</b> Presented the half-year Internal Audit Activities Achievement for 2022 to the BAC.
<b>05</b> Presented to the BAC the Internal Audit Annual Assertion on the Internal Audit Standards and Code of Ethics for the year 2021.	<b>11</b> Presented relevant analyses and information on the Internal Audit performance metrics to the BAC.
<b>06</b> Prepared the write-up on the Internal Audit function and assisted in reviewing the consolidated BAC report for inclusion in the Bank's Annual Report 2021.	<b>12</b> Delivered 74 awareness sessions to the audited units on audit-related topics, including common and recurring audit issues, AML/CFT-related processes, and Shariah compliance risk structure.

# STATEMENT ON COMPLIANCE

Regulatory compliance risk is defined as risk of failure by an organization to comply with applicable Legal, Shariah and Regulatory requirements, as well as to promote and safeguard consumer protection which could result in fine or penalty or imposition of enforcement action by the regulator. In managing such risk, Bank Muamalat has established clear roles and responsibilities to embed strong compliance risk management practices throughout the Bank.

In establishing and operationalizing the compliance risk management and internal control systems, the Regulatory Advisory and Compliance team are committed to carry out and maintain a robust compliance programme as the foundation for the delivery of effective risk management. Instilling a strong compliance culture across all functions will reduce the risks faced by the Bank, including those that would threaten its business model, solvency, liquidity, customers trust and confidence, as well as the business performance sustainability.

The Board, President & Chief Executive Officer and Senior Management are responsible in setting the tone from the top outlining the Bank's overall compliance management program consistent with the objectives of the regulations and for the betterment of the society as a whole. The Board, through the Board Risk Management Committee and the Board Compliance Committee, oversees and guides the overall compliance management agenda such as system, processes, competencies and capabilities. The objective is to ensure all staff are cognizant of this agenda and at the same time the Bank has adequate safeguards 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 MANAGEMENT PROGRAM

The compliance management program is monitored and implemented through a dedicated Regulatory Advisory & Compliance function established to manage Bank Muamalat's compliance risk including AMLA and Shariah related matters. This is achieved via undertaking the Compliance Transformation Program that cut across all Bank Muamalat's operations ensuring that regulatory compliance risk management is sufficiently integrated in the Bank's business activities.

There are four (4) pillars of Compliance Transformation Program, which consists of the following:

### FOUR (4) PILLARS OF COMPLIANCE

#### 1 RISK IDENTIFICATION

- Gap analysis is done on new and existing regulatory requirements to identify regulatory compliance risk and necessary action plan to be taken to address the gaps identified.
- Analyze compliance incident reporting in Muamalat Operational Risk Solution (MORIS).
- Monitor compliance issues raised by Internal Audit, Compliance Review, Regulators and external auditors.

#### 2 RISK ASSESSMENT

- Compliance Risk Assessments (CRA) are conducted to assess the level of compliance risks pertaining to regulatory guidelines, AML, Shariah, and Fraud.
- Adequate policies and procedures are established, revised, and communicated as control mechanism to ensure compliance risk is well managed.

#### 3 RISK REPORTING

- Reports on material compliance indicators and incidence are discussed at the Board, Board Compliance Committee, Executive Risk Management Committee, and Shariah Committee for deliberation and ensure adequate action taken.
- Establish channel for reporting of potential non-compliance incidence to Compliance.
- Regular DCO forum, Compliance Working Committee and Project Working Committee are established as avenues to discuss compliance related matters.

#### 4 RISK MONITORING

- Annual review plans are established (i.e., Compliance review, Shariah review, AML review, Independent Credit review) to facilitate on-going assurance of adequacy and effectiveness of control mechanism.
- Continuous system enhancement and risk profiling are carried out to ensure proper oversight on regulatory compliance.



### **Regulatory Advisory and Gap Analysis**

During the year, various operational guidance and training programs on key regulatory matters have been developed and reviewed to benchmark against the industry best practices and elevate staff understanding and competencies with emphasis on a number of focus areas particularly pertaining to Management Customer Information and Permitted Disclosure (MCIPD), Anti Money Laundering/Counter Financing Terrorism (AML/CFT), Fair Treatment for Financial Consumer (FTFC) as well as Foreign Exchange Policy rule (FEP). The internal Policy and Guidelines are established to provide key principles and guidance in managing FEP related transactions within BMMB. Necessary Policy was also enhanced to provide guidance and safeguard customer information. Continuous training programs were provided on various prudential and market conduct regulations e.g., FEP, AML/CFT, MCIPD and FTFC to ensure financial consumers are safeguarded and the Bank acts fairly in dealings with financial consumers.

The Regulatory Advisory function plays a vital role in achieving the objective of ensuring compliance by providing necessary advisory for activities and products initiated by the Bank. Gap Analysis for the new and significant regulations are performed by the Bank to proactively identify necessary action plans in meeting existing and new regulatory requirements. Throughout the year, the Bank has conducted gaps analysis in relation to BNM Policy Document on Merchant Acquiring Services, BNM requirements on Measures to Combat Fraud Monetized via Internet Banking and Mobile Banking as well as Fair Redress in Managing Complaints on Unauthorized Fraudulent Transactions. As an effort to manage compliance risk related to technology, the Bank also conducted gaps analysis on Consolidated List of Requirements Relating to Technology and Cyber Risks.

### **Compliance and Shariah review**

Compliance Review is responsible for assessing the effectiveness of overall management BMMB's compliance risk. In discharging this responsibility, on yearly basis, reviews are being conducted to assess the adequacy and effectiveness of internal control. The Bank conducts periodic risk profiling exercises on Regulatory and AML/CFT guidelines to identify, assess and understand material risk to ensure higher risk areas are given proper focus and emphasis.

Shariah Review is responsible for assessing on the overall level of Shariah compliance of the Bank through Shariah review exercises as required by BNM Shariah Governance Policy Document. A 3-year Shariah Review Masterplan has been formulated based on the Shariah Compliance Risk Analysis. The review focus on end-to-end product review and Shariah policy document. Any identified Shariah non-compliance incidents is managed and monitored by the Bank in accordance with the established BMMB internal guideline. Ultimately, any recommendation highlighted is intended to provide added value and enhancement of policies and procedures of BMMB, where appropriate. Additionally, the Bank has implemented Shariah Review Self-test exercise as the first line of defense to elevate their awareness on Shariah requirements and serves as a detection tool for early identification of potential non-compliance incident.

The results of the review activities are tabled to Management Committee, Shariah Committee and the respective Board Committees for deliberation and endorsement.

## STATEMENT ON COMPLIANCE

### **Financial crime**

As an effort to ensure that the implementation of AML/CFT compliance measures are robust and targeting the material business operations, the Bank conducts Institutional Risk Assessment (IRA) on periodic basis. The Bank has established the Risk Appetite Statement which outline BMMB ML/TF risk appetite and level of tolerance to ML/TF risks.

Enhancement of AML/CFT solution has been made to support the transactional monitoring and screening process to ensure the Bank products and services are not being used as a conduit for ML/TF activities. Consequence Management particularly on AML/CFT that outlines the systematic and clear consequence process to manage AML/CFT non-compliance by employees has been enhanced and communicated to all employees.

In managing cybercrimes that currently on the rise, the Bank is continually improving its security standards and fraud management programs as per the new requirements set forth by BNM. The Bank actively engages with the National Scam Response Center, which is established as a command hub to coordinate swift action for online financial scams.

Relevant Anti-Bribery & Corruption policies and procedures have been enhanced to heighten the Bank's commitment in adopting zero tolerance approach against all forms of bribery and corruption. The Corruption Risk Assessment is developed to identify potential issues and threats associated to integrity and anti-corruption. Ultimately, results of the CRA is culminated into the development of the Bank's Organisational Anti-Corruption Plan.

### **Training and engagement**

Acknowledging that effective implementation is a key, the Bank continues to enhance its compliance risk management capabilities across the business operations and process by strengthening the three lines of defence. In this model, the business units are expected to be fully aware of the compliance risk in every business decision and embed sufficient control measures to manage the exposure. BMMB has adopted a holistic approach to instill compliance culture by establishing a designated compliance officer (DCO) function at Business Unit and Branches. A DCO is the reference point who has the primary responsibility to ensure compliance with the regulatory requirements in the operations of their department.

Compliance training is the continuous effort to ensure employees understand the relevant laws, regulations, and internal policies. A structured compliance training strategy based on Awareness, Communication and Education (A.C.E) are implemented to enhance staff competency and strengthening first line of defence. With the establishment of Compliance Digital Library, it benefit staff to access compliance materials, training deck and assessment at any time including from their mobile device.

# STATEMENT ON RISK MANAGEMENT

## RISK MANAGEMENT

The Bank adopts a prudent approach towards risk management and has emplaced appropriate control frameworks to support sustainable business growth. Key control mechanisms include timely identification and escalation of current and emerging risks and enhanced oversight to ensure growth is within the Bank's established risk appetite and driven by risk-informed decision-making.

### Board Responsibility

The Board plays a vital role in providing risk oversight and determining the Bank's risk appetite with regards to the levels and types of risk that the Bank is willing to take towards achieving its strategic objectives. It is therefore committed to its overall responsibility in implementing and ensuring that a sound risk management and internal control system are maintained within the Bank.

The Board's responsibilities include reviewing the adequacy and effectiveness of the risk management and internal control systems that are being used in identifying, assessing, monitoring and mitigating risks. Thus, the Board has ensured that the key processes for reviewing the effectiveness, adequacy and integrity of the Bank's system of risk management and internal controls are firmly established and monitored.

The control structure and processes, which incorporate elements of financial, operational, risk and compliance management, have been instituted throughout the Bank. From time to time, the control structure and processes are reviewed 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 risk exposures. The roles of the Management include:

- identify and evaluate the risks relevant to the Bank's business and achievement of its business objectives and strategies;
- design and implement the risk management framework in accordance to the Bank's strategies and risk appetite;
- formulate relevant policies and procedures to manage these risks in accordance to the Bank's strategic vision and overall risk appetite; and
- report in a timely manner to the Board on any changes to the current risks or of any emerging risks and the appropriate actions taken.

### 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) to directly oversee matters relating to risk. The BRMC updates the Board on monthly basis of their key deliberations and decisions.

## STATEMENT ON RISK MANAGEMENT

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 ensures that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework		
BOARD RISK COMMITTEES		
<p><b>Board Risk Management Committee (BRMC)</b></p> <p>Ensure effective management of risks and enforcement of approved risk tolerances and limits.</p> <p>Review and assess the existing risk management framework for its continued efficacy.</p> <p>Ensure robust infrastructure and systems as well as resources</p>	<p><b>Board Veto Committee (VETO)</b></p> <p>Review approvals of large financing granted by Credit Committee (management level).</p>	<p><b>Shariah Committee (SC)</b></p> <p>Serve as advisory to the Board and Management team on all Shariah matters.</p>
EXECUTIVE LEVEL-RISK MANAGEMENT COMMITTEES		
<p><b>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)</b></p> <ul style="list-style-type: none"> <li>Undertake the execution and implementation of Bank's strategies, policies and methodologies in line with the Board's vision.</li> <li>Identify, evaluate, measure and monitor the strategic and business plans, capital plan and risk appetite statement as per the Board's approval.</li> </ul>		
<p style="text-align: center;"><b>1st Line (Business Units)</b></p> <ul style="list-style-type: none"> <li>Risk are directly undertaken and assumed in the day-to-day business activities and operations.</li> <li>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.</li> </ul>	<p style="text-align: center;"><b>2nd Line (Risk Management Control &amp; Compliance)</b></p> <ul style="list-style-type: none"> <li>Ensure independent oversight and management of all material risks undertaken by the Bank.</li> <li>Provide specialized resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control.</li> <li>Provide the control function, which monitors the risk by using various key indicators and reports, guided by established risk appetite and tolerance limits.</li> </ul>	<p style="text-align: center;"><b>3rd Line (Internal Audit)</b></p> <ul style="list-style-type: none"> <li>Provide independent review and assurance on adequacy of risk management process and effectiveness of the first two lines of defence in fulfilling their mandates.</li> </ul>

## Risk Culture

The Bank continues to enhance and strengthen its risk management capability by reinforcing and embedding a strong risk culture throughout the organization. The Board plays an active role in establishing and maintaining the Bank's culture through continuous emphasis on the "tone at the top" and holding management accountable for maintenance of high ethical standards and effective policies and practices.

The Bank acknowledges that continuous communication of its core values and sound risk practices are essential in order to embed a robust risk culture for its long-term sustainability. The Management is therefore committed in driving the established risk and compliance programmes which include reinforcement of shared values, engagement sessions, e-learning and roadshows. Focus is on fostering a strong and coherent risk culture among all staff and on building and sustaining long-term relationships with customers by enhancing customer experience and building trust and brand value of the Bank.

## Risk Appetite

The risk appetite serves as a foundation and reference for the Bank's aspired risk culture and is integral in providing the necessary guidance and parameters for all business and risk-taking activities and decision-making.

The Bank defines its risk appetite by the amount and types of risk that it is willing to accept in pursuit of its strategic and business objectives. The Board reviews and approves the Bank's risk appetite annually and is kept updated on its status on a monthly basis.

## Risk Management Process

The Bank has established a continuous risk management approach that facilitates systematic identification, measurement, control, and monitoring of risk exposures and produces appropriate and accurate risk reporting to enable management to make informed risk decisions.

### RISK MANAGEMENT PROCESS

#### 1 IDENTIFY

- Identify and understand risks inherent in products and business activities.
- Identify emerging trends and risks to ensure steps are taken to minimize Bank's exposure.

#### 3 MITIGATE & CONTROL

- Establish quantitative and qualitative controls to oversee and manage the identified risk exposures.
- Implement risk mitigation measures to minimize existing risks or prevent new or emerging risks from occurring.

#### 2 ASSESS & MEASURE

- Assess and measure risk exposures in terms of risk types, quantum, impact severity, and occurrence probability as well as the short and long-term impact.
- Implement quantitative and qualitative risk measurement approaches to measure and assess risks and ensure the continual reassessment and identification of risks.

#### 4 MONITOR & REPORT

- Monitor key risk indicators and early warning signals to ensure that sufficient and timely action are taken to mitigate any potential risk.
- Monitor potential impact to business strategies and propose corrective measures, where necessary.
- Report to the Management and Board level risk committees as well as to the Board on a regular basis.

## STATEMENT ON RISK MANAGEMENT

### Credit Risk Management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations. The credit management policies, guidelines, and credit underwriting standards are outlined in the Bank's Credit Risk Policy (CRP) and Guideline to Credit Risk Policies (GCRP) documents. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

The Bank adopts a holistic risk management approach to ensure sustainable growth and market share retention while operating within the established risk appetite and tolerance parameters. Regular portfolio reviews and stress tests are performed on identified high risk sectors and vulnerable customer segments, taking into consideration potential emerging risks, to ensure remedial actions are appropriately and timely initiated.

Several initiatives have been 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.

The Bank has also established clear target markets and risk acceptance criteria for customer onboarding, including financing parameters and risk-return expectations, to ensure that risk-returns are maintained within the risk appetite and parameters.

### 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, 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 book portfolios are reviewed and updated to be in line with the latest regulatory expectation and industry practices.

In view of the ongoing volatility in the financial markets, the Bank undertakes periodic stress tests to assess the impact of the movements in market rates to the Bank's earning at risk (EaR) and economic value of equity (EVE).

### 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 proactively assess all cash inflows against outflows to identify any potential net shortfall going forward, including for those involving off-balance sheet commitments. The measurements and limits used to monitor and manage liquidity risk are as prescribed under the Bank Negara Malaysia's (BNM's) liquidity framework, i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank has also 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 implications.

The risk management framework has been enhanced to incorporate improvements to risk and control assessment approaches and risk reporting with the inclusion of 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 head office departments.

### **Business Continuity Management (BCM)**

Recent global events such as the Covid-19 pandemic has demonstrated the importance of having effective business continuity management to ensure uninterrupted business operations. The Bank's BCM, which entails enterprise-wide planning, coordination and mobilization of key resources and processes under a broad spectrum of business disruption scenarios, arising from both internal and external events, has enabled the Bank to respond and continue to operate critical business functions under various prolonged adverse conditions.

The business continuity plan is reviewed annually based on detailed 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.

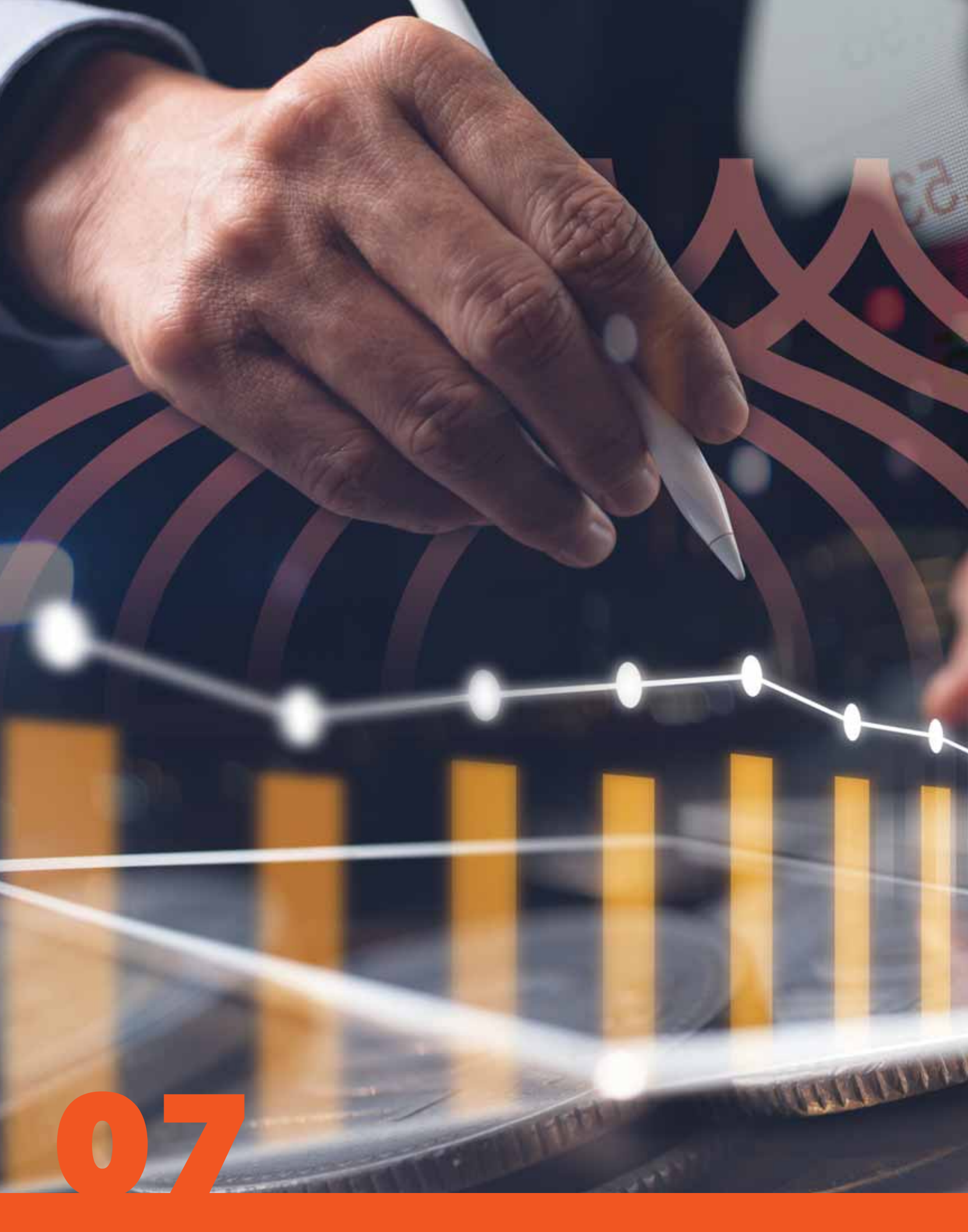
Management of shariah non-compliance risk is guided via established policies and guidelines on Shariah risk management as well as governance and oversight processes. These include the approaches for identification and assessment of Shariah non-compliance risks in business activities, products and services, 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. Continuous training and awareness program on Shariah risk are conducted to promote a cohesive Shariah compliance risk culture.

### **Technology and Cyber Risk Management**

Risk arising from technology vulnerabilities could result in financial loss, disruptions to infrastructure and operations, and reputational harm while cybersecurity risk relate to the loss of confidentiality, integrity, or availability of information emanating from cyber threats that could lead to adverse impacts to organizational operations such financial loss, reputational damage, business disruption or customer dissatisfaction due to system compromised.

The Bank continuously ensures that BNM's policy on Risk Management in Technology (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 are aligned with the risk profile.

In addition, 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 BNM's RMIT, PayNet's requirements and international best practices. These controls are constantly reviewed to ensure its continuous relevance.



07





# FINANCIAL STATEMENTS

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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 2022.

## 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	306,725	300,510
Zakat	(2,692)	(2,254)
Taxation	(81,255)	(78,818)
<b>Profit for the year</b>	<b>222,778</b>	<b>219,438</b>

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.

## 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	
Md. Khairuddin Hj Arshad	
Johari Abdul Muid	
Mohd Razlan Mohamed	
Roshidah Abdullah	
Ainol Roznain Yaacob	(appointed on 1 October 2022)
Iwan Rashman Gulamoydeen	(resigned on 30 September 2022)

## DIRECTORS OF THE SUBSIDIARY COMPANIES

The directors of the Bank's subsidiaries who have held 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	
Md. Khairuddin Hj Arshad	(appointed on 12 July 2022)
Roshidah Abdullah	(appointed on 12 July 2022)

### Muamalat Venture Sdn Bhd

Khairul Kamarudin	
Amirul Nasir Abdul Rahim	(appointed on 30 September 2022)
Mohamed Rezwan Abdullah Ismail	(resigned on 1 October 2022)

### Muamalat Nominees (Asing) Sdn Bhd

Khairul Kamarudin	
Amirul Nasir Abdul Rahim	(appointed on 30 September 2022)
Mohamed Rezwan Abdullah Ismail	(resigned on 1 October 2022)

### Muamalat Nominees (Tempatan) Sdn Bhd

Khairul Kamarudin	
Amirul Nasir Abdul Rahim	(appointed on 30 September 2022)
Mohamed Rezwan Abdullah Ismail	(resigned on 1 October 2022)

## 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	Acquired	Disposed	As at 31.12.2022
Interest in DRB-HICOM Berhad, holding company:				
<u>Indirect Interest</u>				
Tan Sri Che Khalib Mohamad Noh	3,500 <sup>^</sup>	-	-	3,500 <sup>^</sup>

<sup>^</sup> 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 2022 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 RM20.0 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 RM225,000.

### 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 2022

The reopening of the economy post COVID-19 pandemic has spurred Malaysia's economy into positive territory and consequent recovery in private consumption has given Malaysia's GDP performance a boost, i.e. at 8.7% growth.

In the Banking industry, higher profit rates and a firm economic recovery has enhanced Malaysian banks' revenue and profitability prospects despite the anticipation of the rise in credit impairments, which is expected to remain manageable.

Against this backdrop, Bank Muamalat Malaysia Berhad ("BMMB" or "the Bank") and its subsidiaries ("the Group") registered a record profit before taxation and zakat of RM306.7 million for the financial year ended 31 December 2022, a growth of 20.3% from RM254.9 million (restated) registered last year. This growth in profit primarily attributed to higher distributable income by 19.6%, as a result of increase in total gross financing asset. Total overheads and expenditures increased by 12.8% to RM452.8 million in tandem with the Group's business growth.

The Group's total assets expanded by 14.4% to RM31.5 billion as at 31 December 2022 as compared to RM27.6 billion last year. This was mainly contributed by 16.2% growth in total financing to customers from RM20.7 billion to RM24.0 billion as at 31 December 2022.

Gross impaired financing stood at 0.85% as at 31 December 2022, a marginal increase of 0.02% as compared with 0.83% registered as at 31 December 2021.

The Group's Common Equity Tier-1 Ratio and Total Capital Ratio remain stable, stood at 12.5% and 17.6%, well above the regulatory requirements.

## DIRECTORS' REPORT

### PROSPECTS

The World Bank in its January 2023 issue of the Global Economic Prospects report has projected a moderate global economic growth from 2.9% in 2022<sup>1</sup> to 1.7% in 2023, reflecting weakening performance in major economies such as US, the Euro area and China. Expectation of worsening financial conditions, more tightening monetary policies to curb high inflations and continued disruptions from the Russian-Ukraine invasion could potentially push the global economy into recession.

Mirroring the same expectation, the World Bank also projected Malaysia's GDP to moderate to 4.0% in 2023 from 8.7% in 2022. Despite the slower growth forecast, Malaysia's economy will be supported by expansion in domestic demand, driven by household spending amidst improved employment and income prospects, positive development in tourism-related sectors as well as realisation of multi-year infrastructure projects that continue to support investment activities<sup>2</sup>. With the lower growth projected, downside risks to the development of domestic economy is expected to stem from the volatile global economic condition, more aggressive monetary policy tightening in major economies as well as the re-emergence of supply chain disruptions.

Adapting to the vast changes in the financial landscape, the Group has placed greater emphasis on strengthening its business especially in delivering sustainable shareholders' return through its revenue generating strategic initiatives across its operations. Aiming to enable Islamic bank for all, the Bank plans to diversify its customer base through its digital propositions, effective channel management and expansion in its products and capabilities. Committing to its sustainability plan especially in combating climate change, the Bank will continue to promote transition to low carbon economy and embedding environmental consideration into its business strategies.

In anticipation of any emerging risks associated with the current economic conditions, the bank has taken necessary steps to continue to operate efficiently while maintaining prudent risk management and sound corporate governance. Effective risk and compliance management programmes will be rolled out for a more robust enforcement of regulatory requirements throughout its operations. The Bank will also proactively address any potential negative impacts on asset quality and continue to practice efficient liquidity management.

Moving forward, the Bank forecasts a positive business growth for financial year 2023, despite the anticipated challenging business environment. The positive growth will be driven by its continuous transformation programme, leveraging on digital and technology capabilities.

### RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating
RAM Rating Services Berhad	June 2022	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysian Rating Corporation Berhad	June 2022	Long term	A+
		Short term	MARC-1
		Senior Sukuk	A+
		Outlook	Stable

<sup>1</sup> Global Economic Prospects, January 2023, World Bank

<sup>2</sup> Monetary Policy Statement, January 2023, Bank Negara Malaysia

## 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 Shariah Governance Policy Document ("SGPD") issued by Bank Negara Malaysia ("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 regard 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 the SC judgement and be free from associations or circumstances that may impair the exercise of professional objectivity. In fulfilling the responsibility, a SC member must ensure that the judgement in arriving at a Shariah decision or advice is not affected by other professional commitments.
- (k) To devote sufficient time to prepare for and attend SC meetings.
- (l) To ensure consistency in providing the SC views and must not act in manner undermine the rulings of the SAC or any decisions of the SC that they represent.
- (m) To disclose the nature and extent of the SC 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 SC circumstances that may affect SC 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 2022, the Group and the Bank have allocated an amount of RM5.11 million and RM4.66 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 2023.

**Tan Sri Tajuddin Atan**  
Chairman

**Roshidah Abdullah**  
Director

Kuala Lumpur, Malaysia



## 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 175 to 360 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 2022 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 2023.

**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 175 to 360 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 2023.

**Amirul Nasir Abdul Rahim**

Before me,

Commissioner for Oaths

# 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 2022. 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 and Securities Commission Malaysia, as well as Shariah decisions made by us.

We, the members of the Shariah Committee as established under the Bank, are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

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 2022 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; and
- (d) the financial statements of the Bank for the year ended 31 December 2022 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 2022 are in compliance with Shariah principles but it has come to the Shariah Committee's attention that one (1) Shariah non-compliance event has occurred and has been rectified, detail as follows:

Nature of event	Measures undertaken	Status
Delay in allocating the gold to a Muamalat Gold-i account due to system error (non financial loss) as disclosed in Note 52;	<ol style="list-style-type: none"> <li>1. Implement auto-reconciliation program</li> <li>2. Restructure the architecture system flow for execution of buy and sell the Muamalat Gold-i between all related systems.</li> </ol>	Completed In Progress

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

**Dr. Mohd Shahid Mohd Noh**  
Member of Shariah Committee

Kuala Lumpur, Malaysia  
28 March 2023

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD  
(Incorporated in Malaysia)

## 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 2022 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 175 to 360.

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 2022, and of their financial performances 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.

### *Key audit matter*

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Bank for the current year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matter below, provided the basis of our audit opinion on the accompanying financial statements.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

### Key audit matter (cont'd.)

Risk area and rationale	Our response
<p><u>Expected credit losses of financing of customers and investments not carried at fair value through profit or loss</u></p> <p>As at 31 December 2022, the financing of customers represent 76% of the total assets of the Group and of the Bank and the investments carried at amortised cost and fair value through other comprehensive income represent 16% of the total assets of the Group and of the Bank.</p> <p>MFRS 9 Financial Instruments ("MFRS 9") requires the Group and the Bank to account for the impairment of these assets with a forward-looking Expected Credit Losses ("ECL") approach.</p> <p>The measurement of ECL requires the application of significant judgement and increased complexity which includes the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. Management overlays have been applied amid COVID-19 environment with remaining uncertainties and emerging risks.</p> <p>Refer to summary of significant accounting policies in Note 2.3(b)(iv), significant accounting judgements, estimates and assumptions in Notes 3.3 and the disclosures of financing of customers and financial investments, allowances for impairment losses, and credit risk management in Notes 5, 7, 30, 31 and 46(a) to the financial statements.</p>	<p>Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the financing of customers and the investments not carried at fair value through profit or loss.</p> <p>We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL.</p> <p>For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group and the Bank's credit risk management practices.</p> <p>For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model inputs, model design and model performance for significant portfolios. We challenged whether historic experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios.</p> <p>We evaluated if changes in modeling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions.</p> <p>In assessing the management overlays applied in the ECL amid COVID-19 environment with remaining uncertainties and emerging risks, we performed scenario analysis to cross-check the impacts and challenged reasonableness of the basis applied by the management, particularly for the assets under Stages 1 and 2.</p>

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD  
(Incorporated in Malaysia)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matter (cont'd.)

Risk area and rationale	Our response
<p><u>Expected credit losses of financing of customers and investments not carried at fair value through profit or loss (cont'd.)</u></p>	<p>With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of financing of customers and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. For cases where impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available, including the management overlays applied amid COVID-19 environment with remaining uncertainties and emerging risks.</p> <p>We also assessed whether the financial statement disclosures are adequately and appropriately reflect the Group's and the Bank's exposures to credit risk.</p> <p>We involved our credit modelling specialists and IT specialists in the performance of these procedures where their specific expertise was required.</p>

#### 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, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the 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.

## 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  
(Incorporated in Malaysia)

### 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### *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 2023



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

		Group		
		31 December	31 December	1 January
	Note	2022	2021	2021
		RM'000	RM'000	RM'000
			(Restated)	(Restated)
			(Note 53)	(Note 53)
<b>Assets</b>				
Cash and short-term funds	4 (a)	1,235,454	1,142,291	2,933,172
Cash and placements with financial institutions	4 (b)	21,747	31,184	30,417
Financial investments at fair value through profit or loss ("FVTPL")	5 (i)	182,089	152,891	148,085
Financial investments at fair value through other comprehensive income ("FVOCI")	5 (ii)	5,211,651	5,035,155	3,964,217
Financial investments at amortised cost	5 (iii)	113,589	107,109	105,544
Islamic derivative financial assets	6	4,247	5,437	47,820
Financing of customers	7	24,017,067	20,671,306	18,115,817
Other assets	9	44,691	33,700	113,171
Statutory deposits with Bank Negara Malaysia	10	417,091	130,148	95,255
Investment properties	12	56,564	56,564	55,889
Right-of-use assets ("ROU")	15.1 (d)	35,068	29,423	37,746
Intangible assets	13	110,843	76,671	65,193
Property, plant and equipment	14	47,674	52,008	55,191
Deferred tax assets	16	36,442	42,504	352
<b>Total assets</b>		<b>31,534,217</b>	<b>27,566,391</b>	<b>25,767,869</b>
<b>Liabilities</b>				
Deposits from customers	17	26,320,609	23,113,166	21,501,366
Investment account of customers	18	301,158	216,978	-
Deposits and placements of banks and other financial institutions	19	303,388	291,866	98,346
Bills and acceptances payable	20	20,218	7,755	6,310
Islamic derivative financial liabilities	6	23,111	61,543	167,334
Other liabilities	21	96,123	156,539	88,541
Lease liabilities	15.1 (a)	37,433	31,751	41,641
Provision for zakat and taxation	22	5,803	6,664	4,378
Recourse obligation on financing sold to Cagamas	23	733,174	427,466	444,141
Deferred tax liabilities	16	-	-	11,826
Subordinated sukuk	24	806,596	499,876	250,642
Senior sukuk		-	-	502,692
<b>Total liabilities</b>		<b>28,647,613</b>	<b>24,813,604</b>	<b>23,117,217</b>

The accompanying notes form an integral part of the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H) (CONT'D.)

	Note	31 December 2022 RM'000	Group 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
<b>Shareholders' equity</b>				
Share capital	25	1,195,000	1,195,000	1,195,000
Reserves	26	1,691,604	1,557,787	1,455,652
<b>Total shareholders' equity</b>		<b>2,886,604</b>	<b>2,752,787</b>	<b>2,650,652</b>
<b>Total liabilities and shareholders' equity</b>		<b>31,534,217</b>	<b>27,566,391</b>	<b>25,767,869</b>
<b>Restricted investment accounts</b>	18	<b>79</b>	<b>132</b>	<b>-</b>
<b>Total Islamic banking asset and asset under management</b>		<b>31,534,296</b>	<b>27,566,523</b>	<b>25,767,869</b>
<b>Commitments and contingencies</b>	45	<b>4,781,643</b>	<b>5,291,782</b>	<b>6,917,484</b>
<b>Capital adequacy *</b>	50			
CET 1 and Tier 1 capital ratio		<b>12.529%</b>	13.582%	15.212%
Total capital ratio		<b>17.572%</b>	17.222%	17.681%

\* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

		<b>Bank</b>	
	<b>31 December</b>	<b>31 December</b>	<b>1 January</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>	<b>(Restated)</b>
		<b>(Note 53)</b>	<b>(Note 53)</b>
<b>Assets</b>			
Cash and short-term funds	4 (a)	1,235,454	1,142,291
Cash and placements with financial institutions	4 (b)	21,747	31,184
Financial investments at fair value through profit or loss ("FVTPL")	5 (i)	179,544	152,891
Financial investments at fair value through other comprehensive income ("FVOCI")	5 (ii)	5,211,651	5,032,649
Financial investments at amortised cost	5 (iii)	113,589	107,109
Islamic derivative financial assets	6	4,247	5,437
Financing of customers	7	24,006,413	20,661,618
Other assets	9	44,193	33,101
Statutory deposits with Bank Negara Malaysia	10	417,091	130,148
Investment in subsidiaries	11	13,159	13,159
Investment properties	12	56,564	56,564
Intangible assets	13	110,491	76,367
Right-of-use assets ("ROU")	15.1 (d)	35,068	29,423
Property, plant and equipment	14	47,622	51,962
Deferred tax assets	16	36,442	42,504
<b>Total assets</b>		<b>31,533,275</b>	<b>27,566,407</b>
<b>Liabilities</b>			
Deposits from customers	17	26,340,353	23,128,717
Investment account of customers	18	301,158	216,978
Deposits and placements of banks and other financial institutions	19	303,388	291,866
Bills and acceptances payable	20	20,218	7,755
Islamic derivative financial liabilities	6	23,111	61,543
Other liabilities	21	94,425	155,971
Lease liabilities	15.1 (a)	37,433	31,751
Provision for zakat and taxation	22	4,655	6,197
Recourse obligation on financing sold to Cagamas	23	733,174	427,466
Deferred tax liabilities	16	-	-
Subordinated sukuk	24	806,596	499,876
Senior sukuk		-	-
<b>Total liabilities</b>		<b>28,664,511</b>	<b>24,828,120</b>

The accompanying notes form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H) (CONT'D.)

	Note	31 December 2022 RM'000	Bank 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
<b>Shareholders' equity</b>				
Share capital	25	1,195,000	1,195,000	1,195,000
Reserves	26	1,673,764	1,543,287	1,447,539
<b>Total shareholders' equity</b>		<b>2,868,764</b>	2,738,287	2,642,539
<b>Total liabilities and shareholders' equity</b>		<b>31,533,275</b>	27,566,407	25,765,359
<b>Restricted investment accounts</b>	18	79	132	-
<b>Total Islamic banking asset and asset under management</b>		<b>31,533,354</b>	27,566,539	25,765,359
<b>Commitments and contingencies</b>	45	<b>4,781,643</b>	5,291,782	6,917,484
<b>Capital adequacy *</b>	50			
CET 1 and Tier 1 capital ratio		12.415%	13.463%	15.110%
Total capital ratio		17.471%	17.110%	17.583%

\* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000 (Restated) (Note 53)	2022 RM'000	2021 RM'000 (Restated) (Note 53)
Income derived from investment of depositors' funds and others	27	1,300,612	1,116,514	1,300,612	1,116,514
Income derived from investment of investment account funds	28	11,395	-	11,395	-
Income derived from investment of shareholders' funds	29	27,878	20,716	20,426	9,862
Allowance for impairment on financing	30	(41,010)	(53,944)	(41,010)	(53,944)
(Allowance for)/write-back of impairment losses on financial investments, net	31	(4,371)	296	(4,371)	296
Allowance for impairment losses on other financial assets, net	32	(38)	(394)	(38)	(394)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(26,602)	(22,726)	(26,602)	(22,726)
<b>Total distributable income</b>		<b>1,267,864</b>	<b>1,060,462</b>	<b>1,260,412</b>	<b>1,049,608</b>
Income attributable to depositors	33	(453,026)	(338,304)	(453,279)	(338,505)
Income attributable to investment account holders		(205)	(22)	(205)	(22)
<b>Total net income</b>		<b>814,633</b>	<b>722,136</b>	<b>806,928</b>	<b>711,081</b>
Personnel expenses	34	(271,632)	(239,569)	(269,377)	(237,450)
Other overheads and expenditures	37	(181,162)	(161,770)	(181,927)	(161,883)
Finance costs	38	(55,114)	(65,929)	(55,114)	(65,587)
<b>Profit before zakat and taxation</b>		<b>306,725</b>	<b>254,868</b>	<b>300,510</b>	<b>246,161</b>
Zakat	39	(2,692)	(6,447)	(2,254)	(6,043)
Taxation	40	(81,255)	(91,070)	(78,818)	(89,154)
<b>Profit for the year</b>		<b>222,778</b>	<b>157,351</b>	<b>219,438</b>	<b>150,964</b>
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	18.64	13.17		

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000 (Restated) (Note 53)	2022 RM'000	2021 RM'000 (Restated) (Note 53)
<b>Profit for the year</b>		<b>222,778</b>	157,351	<b>219,438</b>	150,964
<b>Other comprehensive loss:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Net loss on financial investments at fair value through other comprehensive income		(40,339)	(44,968)	(40,339)	(44,968)
- Net loss on change in fair value		(39,342)	(61,399)	(39,342)	(61,399)
- Changes in expected credit losses	5 (ii)	(60)	35	(60)	35
- Income tax effect	16	1,069	18,407	1,069	18,407
- Realised gain transferred to profit or loss on disposal of debts instruments	27 & 29	(2,006)	(2,011)	(2,006)	(2,011)
Exchange fluctuation reserve		2,417	1,617	2,417	1,617
<b>Items that may not be reclassified subsequently to profit or loss</b>					
Net unrealised loss on equity securities at fair value through other comprehensive income		(51,039)	(11,865)	(51,039)	(11,865)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(88,961)</b>	(55,216)	<b>(88,961)</b>	(55,216)
<b>Total comprehensive income for the year</b>		<b>133,817</b>	102,135	<b>130,477</b>	95,748

The accompanying notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

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	
<b>At 1 January 2022, as previously stated</b>	1,195,000	28,079	649	(40,014)	1,569,073	2,752,787
Effect of reclassification of financial asset (Note 53)	-	-	-	83,388	(83,388)	-
<b>At 1 January 2022, as restated</b>	1,195,000	28,079	649	43,374	1,485,685	2,752,787
Profit for the year	-	-	-	-	222,778	222,778
Other comprehensive loss for the year	-	-	2,417	(91,378)	-	(88,961)
Total comprehensive income for the year	-	-	2,417	(91,378)	222,778	133,817
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	46,662	(46,662)	-
Transfer to regulatory reserve	-	66,160	-	-	(66,160)	-
<b>At 31 December 2022</b>	1,195,000	94,239	3,066	(1,342)	1,595,641	2,886,604
<b>At 1 January 2021</b>	1,195,000	45,411	(968)	18,240	1,392,969	2,650,652
Effect of reclassification of financial asset (Note 53)	-	-	-	81,680	(81,680)	-
<b>At 1 January 2021, as restated</b>	1,195,000	45,411	(968)	99,920	1,311,289	2,650,652
Profit for the year	-	-	-	-	157,351	157,351
Other comprehensive loss for the year	-	-	1,617	(56,833)	-	(55,216)
Total comprehensive income for the year	-	-	1,617	(56,833)	157,351	102,135
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	287	(287)	-
Transfer from regulatory reserve	-	(17,332)	-	-	17,332	-
<b>At 31 December 2021</b>	1,195,000	28,079	649	43,374	1,485,685	2,752,787

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

Bank	← 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	
<b>At 1 January 2022, as previously stated</b>	1,195,000	28,079	650	(40,014)	1,554,572	2,738,287
Effect of reclassification of financial asset (Note 53)	-	-	-	83,388	(83,388)	-
<b>At 1 January 2022, as restated</b>	1,195,000	28,079	650	43,374	1,471,184	2,738,287
Profit for the year	-	-	-	-	219,438	219,438
Other comprehensive loss for the year	-	-	2,417	(91,378)	-	(88,961)
Total comprehensive income for the year	-	-	2,417	(91,378)	219,438	130,477
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	46,662	(46,662)	-
Transfer to regulatory reserve	-	66,160	-	-	(66,160)	-
<b>At 31 December 2022</b>	1,195,000	94,239	3,067	(1,342)	1,577,800	2,868,764
<b>At 1 January 2021</b>	1,195,000	45,411	(967)	18,240	1,384,855	2,642,539
Effect of reclassification of financial asset (Note 53)	-	-	-	81,680	(81,680)	-
<b>At 1 January 2021, as restated</b>	1,195,000	45,411	(967)	99,920	1,303,175	2,642,539
Profit for the year	-	-	-	-	150,964	150,964
Other comprehensive loss for the year	-	-	1,617	(56,833)	-	(55,216)
Total comprehensive income for the year	-	-	1,617	(56,833)	150,964	95,748
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	287	(287)	-
Transfer from regulatory reserve	-	(17,332)	-	-	17,332	-
<b>At 31 December 2021</b>	1,195,000	28,079	650	43,374	1,471,184	2,738,287

The accompanying notes form an integral part of the financial statements.



# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000 (Restated) (Note 53)	2022 RM'000	2021 RM'000 (Restated) (Note 53)
<b>Cash flows from operating activities</b>					
Profit before zakat and taxation		<b>306,725</b>	254,868	<b>300,510</b>	246,161
Adjustment for:					
(Unwinding of)/fair value gain of financial liabilities	29 (a)	<b>4,690</b>	(19,678)	<b>4,690</b>	(19,678)
Amortisation of intangible assets	37	<b>24,711</b>	20,967	<b>24,678</b>	20,967
Depreciation of property, plant and equipment	37	<b>11,201</b>	12,057	<b>11,183</b>	12,047
Gain from termination of ROU asset	29	<b>(47)</b>	(1,654)	<b>(47)</b>	(55)
Depreciation of right-of-use assets	37	<b>10,736</b>	10,471	<b>10,736</b>	10,056
Amortisation of cost on subordinated sukuk and senior sukuk issued		<b>369</b>	406	<b>369</b>	406
Property, plant and equipment written off	37	<b>38</b>	10	<b>38</b>	10
Intangible assets written off	37	-	216	-	216
Amortisation of premium (net)	27 & 29	<b>47,287</b>	44,095	<b>47,287</b>	44,095
Return/(loss) of a financial investment at fair value through other comprehensive income	29	<b>(10,552)</b>	2,882	<b>(10,552)</b>	2,882
Net gain from sale of financial investments at fair value through other comprehensive income	27 & 29	<b>(2,005)</b>	(2,011)	<b>(2,005)</b>	(2,011)
Net gain from sale of financial investments designated at FVTPL	27 & 29	<b>(36)</b>	(202)	<b>(36)</b>	(202)
Unrealised (gain)/loss on revaluation of financial investment designated at FVTPL	27 & 29	<b>3,387</b>	2,027	<b>3,387</b>	2,027
Net (gain)/loss on revaluation of foreign exchange transaction	29	<b>(27,447)</b>	7,229	<b>(27,447)</b>	7,229
Net loss/(gain) from foreign exchange derivatives	29	<b>20,134</b>	(13,267)	<b>20,134</b>	(13,267)
Unrealised gain on revaluation of Islamic profit rate swap	29	<b>(37,532)</b>	(50,139)	<b>(37,532)</b>	(50,139)
Unrealised loss on revaluation of hedged items	29	<b>37,940</b>	57,692	<b>37,940</b>	57,692
Allowance for/(write-back of) impairment losses on financial investments, net	31	<b>4,371</b>	(296)	<b>4,371</b>	(296)
Impairment writeback on investment in a subsidiary	31	-	-	-	-
Fair value adjustments of investment properties	29	-	(675)	-	(675)
Net allowance for impairment on financing	30	<b>75,677</b>	76,910	<b>75,677</b>	76,910
Financing written off	30	<b>147</b>	95	<b>147</b>	95
Allowance for impairment on other financial assets, net	32	<b>38</b>	394	<b>38</b>	394
Finance costs	38	<b>55,114</b>	65,929	<b>55,114</b>	65,587
Gross dividend income	29	<b>(39)</b>	(39)	<b>(4,000)</b>	(2,000)
<b>Operating profit before working capital changes</b>		<b>524,907</b>	468,287	<b>514,680</b>	458,451
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		<b>(18,944)</b>	55,651	<b>(18,944)</b>	55,651
Financial investments portfolio		<b>(58,299)</b>	(106,694)	<b>(58,298)</b>	(106,695)
Financing of customers		<b>(3,421,585)</b>	(2,675,370)	<b>(3,420,619)</b>	(2,671,298)
Statutory deposits with Bank Negara Malaysia		<b>(286,942)</b>	(34,893)	<b>(286,942)</b>	(34,893)
Other assets		<b>10,591</b>	16,760	<b>10,490</b>	8,842

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H) (CONT'D.)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000 (Restated) (Note 53)	2022 RM'000	2021 RM'000 (Restated) (Note 53)
<b>Cash flows from operating activities (cont'd.)</b>					
Increase/(decrease) in operating liabilities:					
Deposits from customers		3,207,443	1,611,800	3,211,637	1,614,559
Deposits and placements of banks and other financial institutions		6,831	213,199	6,831	213,199
Investment accounts of customers		84,180	216,978	84,180	216,978
Islamic derivative financial liabilities		(900)	(55,651)	(900)	(55,651)
Bills and acceptances payable		12,463	1,445	12,463	1,445
Other liabilities		(44,064)	32,929	(45,197)	39,615
Cash generated from/(used in) operations		15,681	(255,559)	9,381	(259,797)
Finance cost on lease liabilities paid	38	(1,925)	(2,081)	(1,925)	(1,739)
Zakat paid		(4,163)	(4,212)	(3,796)	(4,126)
Tax paid		(81,611)	(34,931)	(79,783)	(33,419)
<b>Net cash used in from operating activities</b>		<b>(72,018)</b>	<b>(296,783)</b>	<b>(76,123)</b>	<b>(299,081)</b>
<b>Cash flows from investing activities</b>					
Proceeds from disposal of investment in securities		2,085,380	2,575,422	2,085,380	2,575,422
Purchase of financial investment in securities		(2,412,089)	(3,682,588)	(2,412,050)	(3,682,549)
Purchase of property, plant and equipment	14	(6,919)	(8,884)	(6,895)	(8,863)
Purchase of intangible assets	13	(58,883)	(32,661)	(58,802)	(32,573)
Dividend income	29	39	39	4,000	2,000
<b>Net cash used in from investing activities</b>		<b>(392,472)</b>	<b>(1,148,672)</b>	<b>(388,367)</b>	<b>(1,146,563)</b>
<b>Cash flows from financing activities</b>					
Dividend paid on Islamic subordinated sukuk		(22,500)	(46,000)	(22,500)	(46,000)
Redemption of subordinated bonds		-	(750,000)	-	(750,000)
Payment of lease liabilities		(10,654)	(10,272)	(10,654)	(10,083)
Additional issuance of subordinated sukuk		299,181	498,573	299,181	498,573
Proceed from recourse obligation on financing sold to Cagamas		750,000	-	750,000	-
Payment of principal for recourse obligation on financing sold to Cagamas		(444,751)	(16,667)	(444,751)	(16,667)
Payment of finance cost for recourse obligation on financing sold to Cagamas		(23,060)	(20,293)	(23,060)	(20,293)
<b>Net cash generated from/(used in) financing activities</b>		<b>548,216</b>	<b>(344,659)</b>	<b>548,216</b>	<b>(344,470)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>83,726</b>	<b>(1,790,114)</b>	<b>83,726</b>	<b>(1,790,114)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,173,475</b>	<b>2,963,589</b>	<b>1,173,475</b>	<b>2,963,589</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,257,201</b>	<b>1,173,475</b>	<b>1,257,201</b>	<b>1,173,475</b>
<b>Cash and cash equivalents consist of:</b>					
Cash and short term funds	4 (a)	1,235,454	1,142,291	1,235,454	1,142,291
Cash and placements with financial institutions	4 (b)	21,747	31,184	21,747	31,184
		<b>1,257,201</b>	<b>1,173,475</b>	<b>1,257,201</b>	<b>1,173,475</b>

The accompanying notes form an integral part of the financial statements.

## (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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January 2022 / 2021	499,876	753,334	427,466	444,141
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	(22,500)	(46,000)	-	-
Redemption of subordinated sukuk	-	(750,000)	-	-
Additional issuance of subordinated sukuk	299,181	498,573	-	-
Proceed from recourse obligation on financing sold to Cagamas	-	-	750,000	-
Payment of principal for recourse obligation on financing sold to Cagamas	-	-	(444,751)	(16,667)
Payment of finance cost for recourse obligation on financing sold to Cagamas	-	-	(23,060)	(20,293)
	776,557	455,907	709,655	407,181
Other changes:				
Amortisation of cost on sukuk issued	370	406	-	-
Finance cost	29,669	43,563	23,519	20,285
At end of the financial year	806,596	499,876	733,174	427,466

	Lease Liabilities			
	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January 2022 / 2021	31,751	41,641	31,751	34,018
Net changes from financing cash flows:				
Payments for the profit portion of lease liabilities	(1,925)	(2,081)	(1,925)	(1,739)
Payments for the principal portion of lease liabilities	(10,654)	(10,272)	(10,654)	(10,083)
	19,172	29,288	19,172	22,196
Other changes:				
Finance cost	1,925	2,081	1,925	1,739
Lease modification	7,365	7,011	7,365	7,103
Currency translation	1	2	1	2
Termination	(465)	(8,452)	(465)	(1,110)
Additions	9,435	1,821	9,435	1,821
At end of the financial year	37,433	31,751	37,433	31,751

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 2023.

## 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.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2022.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.2 Basis of consolidation (cont'd.)

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.

### 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 *Financial Instruments* are as follows:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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

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).

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's 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).

## 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.)

###### (ii) Business model assessment (cont'd.)

- 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.

###### (2) Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Bank apply the new category under MFRS 9 *Financial Instruments* 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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.)

##### (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 *Financial Instruments*.

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'.

##### (ii) Reclassifications

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or management buy-over.

##### (iii) 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (b) Financial assets (cont'd.)

##### (iii) Derecognition (cont'd.)

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.

##### (iv) Impairment of financial assets

The MFRS 9 *Financial Instruments* 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*.

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
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (b) Financial assets (cont'd.)

##### (iv) Impairment of financial assets (cont'd.)

##### (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 *Financial Instruments* 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/cash line. The expected life for these revolving facilities generally refers to their behavioural life.

##### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (b) Financial assets (cont'd.)

##### (iv) Impairment of financial assets (cont'd.)

###### (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.

###### (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 *Financial Instruments* 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.

##### (v) 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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.

## 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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

The Group and the Bank have elected an accounting policy choice under MFRS 9 *Financial Instruments* to continue to apply the hedge accounting requirements under MFRS 139 *Financial Instrument Recognition and Measurement* on the adoption of MFRS 9 *Financial Instruments* 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.

##### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (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 shop lots, 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (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.

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.



## 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.)

##### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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.)

###### 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.

##### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (j) Foreign currencies (cont'd.)

##### (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.

#### (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 (cashgenerating 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Summary of significant accounting policies (cont'd.)

##### (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.

##### (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").

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Summary of significant accounting policies (cont'd.)

#### (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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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.)

##### (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.

##### (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.

## 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.)

###### (10) Rahnū

In Ar-Rahnū 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-Rahnū, whichever is applicable.

##### (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 2022 (07 JAMADIL AKHIR 1444H)

### 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) instruments; 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 recognized, 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 ("RIA") 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.

RIA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RIA or to the residual cash flows from those assets. RIA is a type of restricted investment account based on the Mudarabah contract where the IAH and the Bank agree to share the profit generated from the assets funded by the RIA based on an agreed profit sharing ratio (PSR), while losses shall be borne by the IAH.

### 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 2021 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 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

The adoption of the MFRS and IC Interpretations above does not have material impact to the financial statements of the Group and the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 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.

##### 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 *Financial Instruments* 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").

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.5 Significant changes in regulatory requirements (cont'd.)

#### Measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19 (cont'd.)

##### Financial management and resilience programme ("URUS") (cont'd.)

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.

The payment assistance/moratorium did not automatically result in stage transfer under MFRS 9 *Financial Instruments* in the absence of other factors relevant to the assessment. The financial impact of the payment assistance/moratorium is reflected at the financing income and other operating income of the Bank (see Notes 27(a) and 29(a)).

### 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
Amendments to MFRS 101: <i>Classification of Liabilities as Current or Non-current</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 101: <i>Disclosure of Accounting Policies</i>	1 January 2024
Amendments to MFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
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

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.6 Standards and interpretations issued but not yet effective (cont'd.)

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 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 Financial Instruments, 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 Financial Instruments 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.

#### 3.2 Impairment of 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.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

#### 3.2 Impairment of financing of customers (Notes 7 and 30) (cont'd.)

The Group's and the Bank's ECL calculations under MFRS 9 *Financial Instruments* 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).

#### 3.3 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.

#### 3.4 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**4. (A) CASH AND SHORT-TERM FUNDS**

	Note	Group and Bank 2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions		122,035	121,362
Money at call and interbank placements maturing within one month		1,113,572	1,021,044
		<b>1,235,607</b>	1,142,406
Allowances for impairment loss	(i)	<b>(153)</b>	(115)
		<b>1,235,454</b>	1,142,291

(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
<b>At 31 December 2022</b>				
At 1 January 2022	115	-	-	115
Allowance made (Note 32)	244	-	-	244
Amount written back in respect of recoveries (Note 32)	(206)	-	-	(206)
At 31 December 2022	<b>153</b>	-	-	<b>153</b>
<b>At 31 December 2021</b>				
At 1 January 2021	135	-	-	135
Allowance made (Note 32)	92	-	-	92
Amount written back in respect of recoveries (Note 32)	(112)	-	-	(112)
At 31 December 2021	115	-	-	115

**(B) CASH AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	Group and Bank 2022 RM'000	2021 RM'000
Licensed Islamic banks	21,747	31,184

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 December 2022 for the Group and the Bank were 4.27% per annum and 43 days respectively (2021: 1.25% per annum and 51 days).

## 5. FINANCIAL INVESTMENTS

	Note	31 December 2022 RM'000	Group 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
Financial investments at fair value through profit or loss	(i)	182,089	152,891	148,085
Financial investments at fair value through other comprehensive income	(ii)	5,211,651	5,035,155	3,964,217
Financial investments at amortised cost	(iii)	113,589	107,109	105,544
		<b>5,507,329</b>	5,295,155	4,217,846

	Note	31 December 2022 RM'000	Bank 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
Financial investments at fair value through profit or loss	(i)	179,544	152,891	148,085
Financial investments at fair value through other comprehensive income	(ii)	5,211,651	5,032,649	3,961,750
Financial investments at amortised cost	(iii)	113,589	107,109	105,544
		<b>5,504,784</b>	5,292,649	4,215,379

		31 December 2022 RM'000	Group 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
<b>(i) Financial investments at fair value through profit or loss</b>				
<b>Unquoted securities in Malaysia:</b>				
Islamic private debt securities in Malaysia		175,950	152,891	148,085
Unit trusts		6,139	-	-
		<b>182,089</b>	152,891	148,085

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 5. FINANCIAL INVESTMENTS (CONT'D.)

	31 December 2022 RM'000	Bank 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
<b>(i) Financial investments at fair value through profit or loss</b>			
<b>Unquoted securities in Malaysia:</b>			
Islamic private debt securities in Malaysia	175,950	152,891	148,085
Unit trusts	3,594	-	-
	<b>179,544</b>	<b>152,891</b>	<b>148,085</b>
<b>(ii) Financial investments at fair value through other comprehensive income</b>			
<b>Debt instruments:</b>			
<b>Government securities and treasury bills:</b>			
Malaysian government investment certificates	4,690,779	4,313,355	2,655,932
<b>Unquoted securities:</b>			
Islamic private debt securities in Malaysia	313,686	431,715	658,829
Cagamas sukuk	-	20,364	25,792
	<b>313,686</b>	<b>452,079</b>	<b>684,621</b>
<b>Money market instruments:</b>			
Negotiable Islamic debt certificates	-	-	349,370
<b>Equity instruments:</b>			
<b>Quoted securities in Malaysia:</b>			
Quoted shares	56,783	96,705	104,411
<b>Unquoted securities:</b>			
Private equity funds	145,772	168,385	165,252
Shares in Malaysia	4,631	4,631	4,631
	<b>150,403</b>	<b>173,016</b>	<b>169,883</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>5,211,651</b>	<b>5,035,155</b>	<b>3,964,217</b>



## 5. FINANCIAL INVESTMENTS (CONT'D.)

	31 December 2022 RM'000	Bank 31 December 2021 RM'000 (Restated) (Note 53)	1 January 2021 RM'000 (Restated) (Note 53)
<b>(ii) Financial investments at fair value through other comprehensive income</b>			
<b>Debt instruments:</b>			
<b>Government securities and treasury bills:</b>			
Malaysian government investment certificates	4,690,779	4,313,355	2,655,932
<b>Unquoted securities:</b>			
Islamic private debt securities in Malaysia	313,686	431,715	658,829
Cagamas sukuk	-	20,364	25,792
	<b>313,686</b>	452,079	684,621
<b>Money market instruments:</b>			
Negotiable Islamic debt certificates	-	-	349,370
<b>Equity instruments:</b>			
<b>Quoted securities in Malaysia:</b>			
Quoted shares	56,783	94,199	101,944
<b>Unquoted securities:</b>			
Private equity funds	145,772	168,385	165,252
Shares in Malaysia	4,631	4,631	4,631
	<b>150,403</b>	173,016	169,883
<b>Total financial assets at fair value through other comprehensive income</b>	<b>5,211,651</b>	<b>5,032,649</b>	<b>3,961,750</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

**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:

	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
<b>At 31 December 2022</b>				
At 1 January 2022	116	-	24,160	24,276
Allowance made (Note 31)	152	-	-	152
Amount written back in respect of recoveries (Note 31)	(212)	-	(2,026)	(2,238)
At 31 December 2022	56	-	22,134	22,190
<b>At 31 December 2021</b>				
At 1 January 2021	81	-	38,241	38,322
Allowance made (Note 31)	192	-	-	192
Amount written back in respect of recoveries (Note 31)	(157)	-	-	(157)
Amount written off	-	-	(14,596)	(14,596)
Exchange differences	-	-	515	515
At 31 December 2021	116	-	24,160	24,276

## 5. FINANCIAL INVESTMENTS (CONT'D.)

### (iii) Financial investments at amortised cost

	Group and Bank		
	31 December 2022 RM'000	31 December 2021 RM'000	1 January 2021 RM'000
<b>At amortised cost</b>			
Unquoted Islamic corporate sukuk in Malaysia	147,774	146,749	145,515
Less: Accumulated impairment losses	(34,185)	(39,640)	(39,971)
<b>Total financial investments at amortised cost</b>	<b>113,589</b>	<b>107,109</b>	<b>105,544</b>

Movements in the allowances for impairment losses on financial investments at amortised cost 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
<b>At 31 December 2022</b>				
At 1 January 2022	-	39,640	-	39,640
Transfer to Stage 3	-	(39,640)	39,640	-
Net writeback	-	-	(5,455)	(5,455)
Allowance made (Note 31)	-	-	6,457	6,457
Management overlay redesignated	-	-	(11,912)	(11,912)
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>34,185</b>	<b>34,185</b>
<b>At 31 December 2021</b>				
At 1 January 2021	-	39,971	-	39,971
Amount written back in respect of recoveries (Note 31)	-	(331)	-	(331)
<b>At 31 December 2021</b>	<b>-</b>	<b>39,640</b>	<b>-</b>	<b>39,640</b>

## 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	Contract/ notional amount RM'000	2022		Contract/ notional amount RM'000	2021	
		Fair value			Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
- Currency forwards Less than one year	787,210	936	(20,833)	778,535	1,362	(3,463)
- Currency swaps Less than one year	986,752	3,263	(2,251)	841,155	4,074	(697)
- Currency spot Less than one year	12,468	48	(27)	10,907	1	(7)
	1,786,430	4,247	(23,111)	1,630,597	5,437	(4,167)
Islamic profit rate swap ("IPRS")						
Hedging IPRS	-	-	-	1,200,000	-	(57,376)
<b>Total</b>	<b>1,786,430</b>	<b>4,247</b>	<b>(23,111)</b>	<b>2,830,597</b>	<b>5,437</b>	<b>(61,543)</b>

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:

	Contract/ notional amount RM'000	2022		Contract/ notional amount RM'000	2021	
		Fair value			Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
IPRS	-	-	-	1,200,000	-	(57,376)

#### 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 2022, the Group and the Bank:

- (i) recognised a net gain of RM37,532,403 (2021: net gain of RM50,139,069) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM37,939,833 (2021: net loss of RM57,692,261) (Note 29).
- (ii) the hedge instrument, IPRS, has been terminated in May 2022. With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining term to maturity of the hedged item (Notes 7).

## 7. FINANCING OF CUSTOMERS

## (i) By type and Shariah contracts

Group	Bithaman Aji		Ijarah Thumma Al-Bai		Murabahah to the Purchase Orderer		Murabahah to the Shirkah Mutanagisah		Total financing RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 December 2022									
Cash line	-	-	962	-	-	-	-	-	408,570
Term financing:									
Home financing	1,220,143	-	-	-	-	9,280	-	-	7,387,883
Syndicated financing	-	-	-	-	-	-	-	-	555,291
Hire purchase receivables	53,339	144,954	-	-	-	-	721,030	-	919,323
Personal financing	32,513	-	1	-	-	-	-	-	6,896,482
Other term financing	117,812	-	-	-	-	-	-	-	4,599,627
Trust receipts	-	-	-	-	75,877	113,824	-	73,351	189,701
Claims on customers under acceptance credits	-	-	-	-	-	-	-	-	-
Staff financing	19,007	-	-	-	199,339	1,040,339	-	-	1,239,678
Revolving financing	-	-	-	-	66,701	-	107	-	85,815
Credit card	-	-	-	-	1,660,102	-	-	-	1,660,102
Ar-Rahnu	-	-	-	-	12,898	-	-	-	12,898
	-	-	-	-	303,100	-	-	-	303,100
Total gross financing	1,442,814	144,954	963	963	20,436,592	1,154,163	9,280	73,351	24,258,470
Fair value changes arising from fair value hedge <sup>1</sup>	-	-	-	-	17,078	-	-	-	17,078
Less : Allowance for impaired financing									
At amortised cost	1,442,814	144,954	963	963	20,453,670	275,216	9,280	73,351	24,275,548
- Stage 1 - 12 Months ECL	(2,966)	(232)	(9)	(9)	(123,748)	(299)	(14)	(377)	(128,896)
- Stage 2 - Lifetime ECL not credit impaired	(1,477)	(250)	(33)	(33)	(23,800)	-	(75)	(32)	(25,667)
- Stage 3 - Lifetime ECL credit impaired	(4,780)	(516)	(187)	(187)	(94,456)	(3,904)	-	(75)	(103,918)
Total net financing <sup>2</sup>	1,433,591	143,956	734	734	20,211,666	271,013	9,266	73,351	24,017,067

<sup>1</sup> With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining maturity of the hedged item.

<sup>2</sup> Included in total net financing are financing at fair value through profit or loss amounting RM365,831,000 (2021 : RM343,144,000 ) which mainly consists of the BNM established financing facility to provide relief and support recovery for SMEs in the services sector affected by the containment measures since June 2020.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 7. FINANCING OF CUSTOMERS (CONT'D.)

### (i) By type and Shariah contracts (cont'd.)

Group	Bai' Bithaman Aji		Ijarah Thumma Al-Bai		Inah	Bai' Tawarruq		Murabahah		Card	Murabahah to the Purchase Orderer		Shirkah Mutanaqisah	Total financing	
	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															
Cash line	-	-	-	-	1,124	-	521,609	-	-	-	-	-	-	-	522,733
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	-	-	-	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
Ar-Rahnu	-	-	-	-	-	-	272,570	-	-	-	-	-	-	-	272,570
<b>Total gross financing</b>	<b>1,619,031</b>	<b>221,620</b>	<b>221,620</b>	<b>1,134</b>	<b>1,134</b>	<b>17,218,890</b>	<b>196,240</b>	<b>1,120,447</b>	<b>30,403</b>	<b>200</b>	<b>362,215</b>	<b>79,836</b>	<b>20,850,016</b>		
Fair value changes arising from fair value hedge	-	-	-	-	-	48,238	-	-	-	-	-	-	-	-	48,238
<b>Less : Allowance for impaired financing</b>	<b>1,619,031</b>	<b>221,620</b>	<b>221,620</b>	<b>1,134</b>	<b>1,134</b>	<b>17,267,128</b>	<b>196,240</b>	<b>1,120,447</b>	<b>30,403</b>	<b>200</b>	<b>362,215</b>	<b>79,836</b>	<b>20,898,254</b>		
At amortised cost															
- Stage 1 - 12 Months ECL	(7,480)	(348)	(348)	(15)	(15)	(106,203)	(728)	(1,656)	(110)	-	(228)	-	-	-	(116,768)
- Stage 2 - Lifetime ECL not credit impaired	(2,673)	(357)	(357)	(34)	(34)	(30,589)	(39)	(349)	-	-	(5)	-	-	-	(34,046)
- Stage 3 - Lifetime ECL credit impaired	(8,354)	(352)	(352)	(177)	(177)	(67,173)	-	(32)	(14)	-	(32)	-	-	-	(76,134)
<b>Total net financing*</b>	<b>1,600,524</b>	<b>220,563</b>	<b>220,563</b>	<b>908</b>	<b>908</b>	<b>17,063,163</b>	<b>195,473</b>	<b>1,118,410</b>	<b>30,279</b>	<b>200</b>	<b>361,950</b>	<b>79,836</b>	<b>20,671,306</b>		

\* Included in total net 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.

## 7. FINANCING OF CUSTOMERS (CONT'D.)

## (i) By type and Shariah contracts (cont'd.)

Bank	Bithaman Ajlil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	istisna' RM'000	Qard RM'000	Murabahah to the Purchase Orderer RM'000	Total financing RM'000
31 December 2022										
Cash line	-	-	962	407,608	-	-	-	-	-	408,570
Term financing:										
Home financing	1,220,143	-	-	6,158,460	-	-	9,280	-	-	7,387,883
Syndicated financing	-	-	-	555,291	-	-	-	-	-	555,291
Hire purchase receivables	53,339	144,954	-	-	-	-	-	721,030	-	919,323
Personal financing	32,513	-	1	6,863,968	-	-	-	-	-	6,896,482
Other term financing	117,812	-	-	4,408,463	-	-	-	62,698	-	4,588,973
Trust receipts	-	-	-	-	75,877	113,824	-	-	-	189,701
Claims on customers under acceptance credits	-	-	-	-	199,339	1,040,339	-	-	-	1,239,678
Staff financing	19,007	-	-	66,701	-	-	-	107	-	85,815
Revolving financing	-	-	-	1,660,102	-	-	-	-	-	1,660,102
Credit card	-	-	-	12,898	-	-	-	-	-	12,898
Ar-Rahnu	-	-	-	303,100	-	-	-	-	-	303,100
Total gross financing	1,442,814	144,954	963	20,436,591	275,216	1,154,163	9,280	62,805	721,030	24,247,816
Fair value changes arising from fair value hedge <sup>1</sup>	-	-	-	17,078	-	-	-	-	-	17,078
Less : Allowance for impaired financing	1,442,814	144,954	963	20,453,669	275,216	1,154,163	9,280	62,805	721,030	24,264,894
At amortised cost	(2,966)	(232)	(9)	(123,748)	(299)	(1,251)	(14)	-	(377)	(128,896)
- Stage 1 - 12 Months ECL	(1,477)	(250)	(33)	(23,800)	-	(75)	-	-	(32)	(25,667)
- Stage 2 - Lifetime ECL not credit impaired	(4,780)	(516)	(187)	(94,456)	(3,904)	-	-	-	(75)	(103,918)
Total net financing <sup>2</sup>	1,433,591	143,956	734	20,211,665	271,013	1,152,837	9,266	62,805	720,546	24,006,413

<sup>1</sup> With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining maturity of the hedged item.

<sup>2</sup> Included in total net financing are financing at fair value through profit or loss amounting RM355,178,000 (2021 : RM333,455,000 ) which mainly consists of the BNM established financing facility to provide relief and support recovery for SMEs in the services sector affected by the containment measures since June 2020.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 7. FINANCING OF CUSTOMERS (CONT'D.)

## (i) By type and Shariah contracts (cont'd.)

Bank 31 December 2021	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai		Inah	Tawarruq	Bai' Al-Dayn		Murabahah	Istisna'	Qard	Murabahah to the Purchaser	Total financing
	RM'000	RM'000	RM'000	RM'000			RM'000	RM'000					
Cash line	-	-	-	-	1,124	521,609	-	-	-	-	-	-	522,733
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
Ar-Rahnu	-	-	-	-	-	272,570	-	-	-	-	-	-	272,570
Total gross financing	1,619,031	221,620	221,620	1,134	1,134	17,218,890	196,240	1,120,447	30,403	70,348	362,215	20,840,328	
Fair value changes arising from fair value hedge	-	-	-	-	-	48,238	-	-	-	-	-	-	48,238
Less : Allowance for impaired financing													
At amortised cost	1,619,031	221,620	221,620	1,134	1,134	17,267,128	196,240	1,120,447	30,403	70,348	362,215	20,888,566	
- Stage 1 - 12 Months ECL	(7,480)	(348)	(348)	(15)	(15)	(106,203)	(728)	(1,656)	(110)	-	(228)	(116,768)	
- Stage 2 - Lifetime ECL not credit impaired	(2,673)	(357)	(357)	(34)	(34)	(30,589)	(39)	(349)	-	-	(5)	(34,046)	
- Stage 3 - Lifetime ECL credit impaired	(8,354)	(352)	(352)	(177)	(177)	(67,173)	-	(32)	(14)	-	(32)	(76,134)	
Total net financing*	1,600,524	220,563	220,563	908	908	17,063,163	195,473	1,118,410	30,279	70,348	361,950	20,661,618	

\* Included in total net financing are financing at fair value through profit or loss amounting RM1,033,455,000 (2020: RM919,262,000) which mainly consists of hedged assets that are hedged against Islamic profit rate swap.



## 7. FINANCING OF CUSTOMERS (CONT'D.)

### (i) By type and Shariah contracts (cont'd.)

	Group	
	2022 RM'000	2021 RM'000
Uses of Qard fund:		
Staff financing	107	94
Other term financing	-	106
	<b>107</b>	<b>200</b>

	Bank	
	2022 RM'000	2021 RM'000
Staff financing	107	94
Other term financing	62,698	70,254
	<b>62,805</b>	<b>70,348</b>

### (ii) By type of customer

	Group	
	2022 RM'000	2021 RM'000
Domestic non-banking institutions	603,207	459,819
Domestic business enterprises		
- Small business enterprises	901,304	728,368
- Others	4,756,693	4,666,225
Government and statutory bodies	929,165	944,525
Individuals	17,052,946	14,034,406
Other domestic entities	9,821	10,119
Foreign entities	5,334	6,554
<b>Gross financing</b>	<b>24,258,470</b>	<b>20,850,016</b>

	Bank	
	2022 RM'000	2021 RM'000
Domestic non-banking institutions	603,207	459,819
Domestic business enterprises		
- Small business enterprises	901,304	728,368
- Others	4,746,039	4,656,537
Government and statutory bodies	929,165	944,525
Individuals	17,052,946	14,034,406
Other domestic entities	9,821	10,119
Foreign entities	5,334	6,554
<b>Gross financing</b>	<b>24,247,816</b>	<b>20,840,328</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 7. FINANCING OF CUSTOMERS (CONT'D.)

#### (iii) By profit rate sensitivity

	Group	
	2022 RM'000	2021 RM'000
Fixed rate:		
Home financing	154,064	180,050
Hire purchase receivables	919,322	650,474
Others	3,069,535	3,211,564
Variable rate:		
Home financing	7,324,663	5,699,621
Others	12,790,886	11,108,307
<b>Gross financing</b>	<b>24,258,470</b>	<b>20,850,016</b>

	Bank	
	2022 RM'000	2021 RM'000
Fixed rate:		
Home financing	154,064	180,050
Hire purchase receivables	919,322	650,474
Others	3,058,881	3,201,876
Variable rate:		
Home financing	7,324,663	5,699,621
Others	12,790,886	11,108,307
<b>Gross financing</b>	<b>24,247,816</b>	<b>20,840,328</b>

## 7. FINANCING OF CUSTOMERS (CONT'D.)

### (iv) By sector

	Group	
	2022 RM'000	2021 RM'000
Agriculture	97,891	76,432
Mining and quarrying	5,365	967
Manufacturing	968,623	982,214
Electricity, gas and water	115,809	101,336
Construction	574,334	553,493
Household	17,058,280	14,040,960
Real estate	1,014,423	1,154,085
Wholesale, retail and restaurant	1,049,368	974,568
Transport, storage and communication	191,077	67,751
Finance, takaful and business services	1,651,457	1,368,761
Community, social and personal service	602,678	584,924
Government and statutory bodies	929,165	944,525
<b>Gross financing</b>	<b>24,258,470</b>	<b>20,850,016</b>

	Bank	
	2022 RM'000	2021 RM'000
Agriculture	97,891	76,432
Mining and quarrying	5,365	967
Manufacturing	968,623	982,214
Electricity, gas and water	115,809	101,336
Construction	574,334	553,493
Household	17,058,280	14,040,960
Real estate	1,014,423	1,154,085
Wholesale, retail and restaurant	1,049,368	974,568
Transport, storage and communication	191,077	67,751
Finance, takaful and business services	1,651,456	1,368,761
Community, social and personal service	592,025	575,236
Government and statutory bodies	929,165	944,525
<b>Gross financing</b>	<b>24,247,816</b>	<b>20,840,328</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 7. FINANCING OF CUSTOMERS (CONT'D.)

#### (v) By residual contractual maturity

	Group	
	2022 RM'000	2021 RM'000
Maturity		
- within one year	5,777,502	5,532,888
- more than one to five years	8,216,388	6,934,054
- more than five years	10,264,580	8,383,074
<b>Gross financing</b>	<b>24,258,470</b>	<b>20,850,016</b>

	Bank	
	2022 RM'000	2021 RM'000
Maturity		
- within one year	5,777,502	5,581,126
- more than one to five years	8,216,388	6,885,816
- more than five years	10,253,926	8,373,386
<b>Gross financing</b>	<b>24,247,816</b>	<b>20,840,328</b>

#### (vi) By geographical area

	Group	
	2022 RM'000	2021 RM'000
Domestic	24,258,470	20,850,016
<b>Gross financing</b>	<b>24,258,470</b>	<b>20,850,016</b>

	Bank	
	2022 RM'000	2021 RM'000
Domestic	24,247,816	20,840,328
<b>Gross financing</b>	<b>24,247,816</b>	<b>20,840,328</b>

## 7. FINANCING OF CUSTOMERS (CONT'D.)

### (vii) By economic purpose

	Group	
	2022 RM'000	2021 RM'000
Purchase of securities	1,043,586	1,109,362
Purchase of transport vehicles	913,687	643,061
Purchase of landed properties of which:		
- residential	7,027,815	5,605,775
- non-residential	393,579	320,526
Purchase of fixed assets (excluding landed properties)	295,636	200,251
Personal use	7,646,943	6,347,441
Construction	772,011	856,049
Working capital	5,496,055	5,347,450
Other purposes	669,158	420,101
<b>Gross financing</b>	<b>24,258,470</b>	<b>20,850,016</b>

	Bank	
	2022 RM'000	2021 RM'000
Purchase of securities	1,043,586	1,109,362
Purchase of transport vehicles	913,687	643,061
Purchase of landed properties of which:		
- residential	7,027,815	5,605,775
- non-residential	393,579	320,526
Purchase of fixed assets (excluding landed properties)	295,636	200,251
Personal use	7,646,943	6,347,441
Construction	772,011	856,049
Working capital	5,485,401	5,337,762
Other purposes	669,158	420,101
<b>Gross financing</b>	<b>24,247,816</b>	<b>20,840,328</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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
<b>At 31 December 2022</b>				
At 1 January 2022	20,476,429	201,514	172,073	20,850,016
Total transfer within stages:				
Transfer to Stage 1	571,588	(527,587)	(44,001)	-
Transfer to Stage 2	(1,000,436)	1,047,063	(46,627)	-
Transfer to Stage 3	(98,766)	(170,624)	269,390	-
New financial assets originated	6,259,695	-	-	6,259,695
Financial assets derecognised	(2,698,830)	(33,530)	(101,904)	(2,834,264)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written - off	-	-	(43,931)	(43,931)
<b>At 31 December 2022</b>	<b>23,535,334</b>	<b>517,179</b>	<b>205,957</b>	<b>24,258,470</b>
<b>At 31 December 2021</b>				
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)
Effects of modifications to contractual cash flows of financial assets	4,961	10	906	5,877
Amount written - off	-	-	(41,072)	(41,072)
<b>At 31 December 2021</b>	<b>20,476,429</b>	<b>201,514</b>	<b>172,073</b>	<b>20,850,016</b>

## 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
<b>At 31 December 2022</b>				
At 1 January 2022	20,466,741	201,514	172,073	20,840,328
Total transfer within stages:				
Transfer to Stage 1	571,588	(527,587)	(44,001)	-
Transfer to Stage 2	(1,000,436)	1,047,063	(46,627)	-
Transfer to Stage 3	(98,766)	(170,624)	269,390	-
New financial assets originated	6,258,729	-	-	6,258,729
Financial assets derecognised	(2,698,830)	(33,530)	(101,904)	(2,834,264)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written - off	-	-	(43,931)	(43,931)
<b>At 31 December 2022</b>	<b>23,524,680</b>	<b>517,179</b>	<b>205,957</b>	<b>24,247,816</b>
<b>At 31 December 2021</b>				
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)
Effects of modifications to contractual cash flows of financial assets	4,961	10	906	5,877
Amount written - off	-	-	(41,072)	(41,072)
<b>At 31 December 2021</b>	<b>20,466,741</b>	<b>201,514</b>	<b>172,073</b>	<b>20,840,328</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 7. FINANCING OF CUSTOMERS (CONT'D.)

## (ix) Movements in the loss allowance for financing of customers

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
<b>At 31 December 2022</b>				
At 1 January 2022	116,768	34,046	76,134	226,948
Transfer to Stage 1	21,595	(16,691)	(4,904)	-
Transfer to Stage 2	(13,744)	30,858	(17,114)	-
Transfer to Stage 3	(299)	(21,230)	21,529	-
Allowance (written back)/made	(21,430)	(641)	75,476	53,405
New financing originated	127,358	-	-	127,358
Financing derecognised	(101,357)	(675)	(3,285)	(105,317)
Amount written-off	-	-	(43,918)	(43,918)
Exchange difference	5	-	-	5
At 31 December 2022	128,896	25,667	103,918	258,481
<b>At 31 December 2021</b>				
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



**8(A). IMPAIRED FINANCING****(i) Movements in the impaired financing****As at 31 December 2022**

	Group RM'000	Bank RM'000
At 1 January 2022	172,073	172,073
Classified as impaired during the year	277,388	277,388
Reclassified as performing during the year	(78,832)	(78,832)
Recovered during the year	(88,666)	(88,666)
Written off during the year	(43,931)	(43,931)
Derecognised	(32,075)	(32,075)
Gross impaired financing	205,957	205,957
Less: Stage 3 - Lifetime ECL credit impaired	(103,918)	(103,918)
Net impaired financing	102,039	102,039

**Calculation ratio of impaired financing:**

Gross financing of customers	24,258,470	24,247,816
Less: Stage 3 - Lifetime ECL credit impaired	(103,918)	(103,918)
Net financing of customers	24,154,552	24,143,898
Ratio of gross impaired financing to total financing	0.85%	0.85%
Net impaired financing ratio	0.42%	0.42%

**As at 31 December 2021**

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 2022 (07 JAMADIL AKHIR 1444H)

**8(A). IMPAIRED FINANCING (CONT'D.)****(ii) Impaired financing by geographical area**

	Group and Bank	
	2022	2021
	RM'000	RM'000
Domestic	205,957	172,073

**(iii) Impaired financing by sector**

	Group and Bank	
	2022	2021
	RM'000	RM'000
Manufacturing	22,502	31,670
Construction	3,527	1,189
Household	148,280	114,197
Real estate	14,263	17,963
Electricity, gas and water	3,951	-
Wholesale and retail and restaurant	9,317	4,328
Transport, storage and communication	1,554	1,026
Finance, takaful and business services	1,956	829
Mining & Quarrying	1	32
Community, social and personal service	606	839
	205,957	172,073

**(iv) Impaired financing by economic purpose**

	Group and Bank	
	2022	2021
	RM'000	RM'000
Purchase of securities	49	4
Purchase of transport vehicles	1,548	1,384
Purchase of landed properties of which:		
- Residential	55,675	67,385
- Non-residential	21,636	22,955
Personal use	81,302	38,085
Working capital	40,434	41,797
Other purposes	5,313	463
	205,957	172,073

**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	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail and wholesale/trading	<b>972,993</b>	906,841	<b>99,605</b>	67,522	<b>1,072,598</b>	974,363
Accommodation	<b>1,112</b>	1,265	<b>663</b>	652	<b>1,775</b>	1,917
Travel agencies/tourism	<b>3,696</b>	4,041	<b>1,201</b>	500	<b>4,897</b>	4,541
Airline/aviation	-	4,738	-	5	-	4,743
Food and beverage services/restaurants	<b>65,946</b>	62,134	<b>24,512</b>	36,757	<b>90,458</b>	98,891
	<b>1,043,747</b>	979,019	<b>125,981</b>	105,436	<b>1,169,728</b>	1,084,455



**8(B). EXPOSURES TO COVID-19 IMPACTED FINANCING (CONT'D.)****(iii) Overlays and adjustments for expected credit losses amid COVID-19 environment with remaining uncertainties and emerging risks.**

As the current MFRS 9 *Financial Instruments* models are not expected to generate the levels of ECL with sufficient reliability yet in view of remaining COVID-19 uncertainties and emerging risks from the current economic environment, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL as of the financial year ended 31 December 2022.

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 2022 is approximately 12.4% (2021: 29.7%) of the Bank's total ECL.

**9. OTHER ASSETS**

	Group	
	2022 RM'000	2021 RM'000
Deposits	6,956	6,764
Prepayments	11,423	7,490
Tax recoverable	14,779	6,683
Foreclosed properties	-	8,604
Golf club membership	500	500
Other receivables	12,258	5,640
	<b>45,916</b>	<b>35,681</b>
Less: Accumulated impairment losses (Note 9(a))	<b>(1,225)</b>	<b>(1,981)</b>
	<b>44,691</b>	<b>33,700</b>
	<b>Bank</b>	
	2022	2021
	RM'000	RM'000
Deposits	6,856	6,665
Prepayments	11,370	7,439
Tax recoverable	14,779	6,683
Foreclosed properties	-	8,604
Golf club membership	500	500
Other receivables	11,913	5,191
	<b>45,418</b>	<b>35,082</b>
Less: Accumulated impairment losses (Note 9(a))	<b>(1,225)</b>	<b>(1,981)</b>
	<b>44,193</b>	<b>33,101</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 9. OTHER ASSETS (CONT'D.)

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
At 1 January 2022/2021	(1,981)	(1,567)
Allowance written off/(made)	756	(414)
At 31 December 2022/2021	(1,225)	(1,981)

### 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.

### 11. INVESTMENT IN SUBSIDIARIES

	Bank	
	2022	2021
	RM'000	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	
		2022	2021	2022	2021
		%	%	RM	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
<b>As at 31 December 2022</b>				
As at 1 January 2022	14,431	42,133	-	56,564
As at 31 December 2022	14,431	42,133	-	56,564
<b>As at 31 December 2021</b>				
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

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 2022, 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. INTANGIBLE ASSETS

Group	Computer software RM'000	Software under development RM'000	Total RM'000
<b>As at 31 December 2022</b>			
<b>Cost</b>			
As at 1 January 2022	306,934	11,320	318,254
Additions	1,749	57,134	58,883
Write off (Note 37)	32	-	32
Reclassification	46,286	(46,286)	-
As at 31 December 2022	<b>355,001</b>	<b>22,168</b>	<b>377,169</b>
<b>Accumulated amortisation</b>			
As at 1 January 2022	241,583	-	241,583
Charge for the year (Note 37)	24,711	-	24,711
Write off (Note 37)	32	-	32
As at 31 December 2022	<b>266,326</b>	<b>-</b>	<b>266,326</b>
<b>Carrying amount as at 31 December 2022</b>	<b>88,675</b>	<b>22,168</b>	<b>110,843</b>
<b>As at 31 December 2021</b>			
<b>Cost</b>			
As at 1 January 2021	282,547	3,262	285,809
Additions	1,354	31,307	32,661
Write off (Note 37)	-	(216)	(216)
Reclassification	23,033	(23,033)	-
As at 31 December 2021	<b>306,934</b>	<b>11,320</b>	<b>318,254</b>
<b>Accumulated amortisation</b>			
As at 1 January 2021	220,616	-	220,616
Charge for the period (Note 37)	20,967	-	20,967
As at 31 December 2021	<b>241,583</b>	<b>-</b>	<b>241,583</b>
<b>Carrying amount as at 31 December 2021</b>	<b>65,351</b>	<b>11,320</b>	<b>76,671</b>



**13. INTANGIBLE ASSETS (CONT'D.)**

<b>Bank</b>	<b>Computer software RM'000</b>	<b>Software under development RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2022</b>			
<b>Cost</b>			
As at 1 January 2022	305,924	11,023	316,947
Additions	1,716	57,086	58,802
Write off (Note 37)	32	-	32
Reclassification	45,941	(45,941)	-
As at 31 December 2022	353,613	22,168	375,781
<b>Accumulated amortisation</b>			
As at 1 January 2022	240,580	-	240,580
Charge for the year (Note 37)	24,678	-	24,678
Write off (Note 37)	32	-	32
As at 31 December 2022	265,290	-	265,290
<b>Carrying amount as at 31 December 2022</b>	<b>88,323</b>	<b>22,168</b>	<b>110,491</b>
<b>As at 31 December 2021</b>			
<b>Cost</b>			
As at 1 January 2021	281,543	3,047	284,590
Additions	1,348	31,225	32,573
Write off (Note 37)	-	(216)	(216)
Reclassification	23,033	(23,033)	-
As at 31 December 2021	305,924	11,023	316,947
<b>Accumulated amortisation</b>			
As at 1 January 2021	219,613	-	219,613
Charge for the period (Note 37)	20,967	-	20,967
As at 31 December 2021	240,580	-	240,580
<b>Carrying amount as at 31 December 2021</b>	<b>65,344</b>	<b>11,023</b>	<b>76,367</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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
<b>As at 31 December 2022</b>					
<b>Cost</b>					
As at 1 January 2022	19,209	19,389	283,626	-	322,224
Additions	-	-	5,097	1,822	6,919
Write off (Note 37)	-	-	(5,050)	-	(5,050)
Reclassification	-	-	1,753	(1,767)	(14)
As at 31 December 2022	19,209	19,389	285,426	55	324,079
<b>Accumulated depreciation</b>					
As at 1 January 2022	2,454	8,339	259,423	-	270,216
Charge for the year (Note 37)	480	485	10,236	-	11,201
Write off (Note 37)	-	-	(5,012)	-	(5,012)
As at 31 December 2022	2,934	8,824	264,647	-	276,405
<b>Carrying amount as at 31 December 2022</b>	<b>16,275</b>	<b>10,565</b>	<b>20,779</b>	<b>55</b>	<b>47,674</b>
<b>As at 31 December 2021</b>					
<b>Cost</b>					
As at 1 January 2021	19,209	19,389	275,244	-	313,842
Additions	-	-	8,015	869	8,884
Write off (Note 37)	-	-	(502)	-	(502)
Reclassification	-	-	869	(869)	-
As at 31 December 2021	19,209	19,389	283,626	-	322,224
<b>Accumulated depreciation</b>					
As at 1 January 2021	1,974	7,854	248,823	-	258,651
Charge for the period (Note 37)	480	485	11,092	-	12,057
Write off (Note 37)	-	-	(492)	-	(492)
As at 31 December 2021	2,454	8,339	259,423	-	270,216
<b>Carrying amount as at 31 December 2021</b>	<b>16,755</b>	<b>11,050</b>	<b>24,203</b>	<b>-</b>	<b>52,008</b>

## 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
<b>As at 31 December 2022</b>					
<b>Cost</b>					
As at 1 January 2022	19,209	19,389	283,249	-	321,847
Additions	-	-	5,073	1,822	6,895
Write off (Note 37)	-	-	(5,050)	-	(5,050)
Reclassification	-	-	1,753	(1,767)	(14)
As at 31 December 2022	19,209	19,389	285,025	55	323,678
<b>Accumulated depreciation</b>					
As at 1 January 2022	2,454	8,339	259,092	-	269,885
Charge for the year (Note 37)	480	485	10,218	-	11,183
Write off (Note 37)	-	-	(5,012)	-	(5,012)
As at 31 December 2022	2,934	8,824	264,298	-	276,056
<b>Carrying amount as at 31 December 2022</b>	<b>16,275</b>	<b>10,565</b>	<b>20,727</b>	<b>55</b>	<b>47,622</b>
<b>As at 31 December 2021</b>					
<b>Cost</b>					
As at 1 January 2021	19,209	19,389	274,888	-	313,486
Additions	-	-	7,994	869	8,863
Write off (Note 37)	-	-	(502)	-	(502)
Reclassification	-	-	869	(869)	-
As at 31 December 2021	19,209	19,389	283,249	-	321,847
<b>Accumulated depreciation</b>					
As at 1 January 2021	1,974	7,854	248,502	-	258,330
Charge for the period (Note 37)	480	485	11,082	-	12,047
Write off (Note 37)	-	-	(492)	-	(492)
As at 31 December 2021	2,454	8,339	259,092	-	269,885
<b>Carrying amount as at 31 December 2021</b>	<b>16,755</b>	<b>11,050</b>	<b>24,157</b>	<b>-</b>	<b>51,962</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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	
			2022 RM'000	2021 RM'000
Non-current	5.5	2023 - 2024	13,689	250
Non-current	4.5	2023 - 2024	18,622	24,186
Current	5.5	2022	5,122	7,315
			<b>37,433</b>	<b>31,751</b>

	Profit rate (%)	Maturity	Bank	
			2022 RM'000	2021 RM'000
Non-current	5.5	2023 - 2024	13,689	250
Non-current	4.5	2023 - 2024	18,622	24,186
Current	5.5	2022	5,122	7,315
			<b>37,433</b>	<b>31,751</b>

##### (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	
	2022 RM'000	2021 RM'000
Expenses relating to leases of low-value assets (included in administrative expenses)	402	2,010

As at the reporting date, the Group and the Bank were committed to low-value assets and the total commitment was RM214,925 (2021: RM446,921).

**15. LEASES (CONT'D.)****15.1 Group and the Bank as a lessee (cont'd.)**

- (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.
- (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
<b>Group</b>				
Net book value at 1 January 2022	209	29,214	-	29,423
Additions	-	1,419	8,016	9,435
Depreciation charge (Note 37)	(4)	(8,227)	(2,505)	(10,736)
Lease modification	-	7,365	-	7,365
Termination	-	(420)	-	(420)
Exchange difference	-	1	-	1
Net book value at 31 December 2022	205	29,352	5,511	35,068
<b>31 December 2022</b>				
Cost	303	74,148	8,016	82,467
Accumulated depreciation	(98)	(44,796)	(2,505)	(47,399)
Net book value	205	29,352	5,511	35,068
<b>Group</b>				
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
<b>31 December 2021</b>				
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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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
<b>Bank</b>				
Net book value at 1 January 2022	209	29,214	-	29,423
Additions	-	1,419	8,016	9,435
Depreciation charge (Note 37)	(4)	(8,227)	(2,505)	(10,736)
Lease modification	-	7,365	-	7,365
Termination	-	(420)	-	(420)
Exchange difference	-	1	-	1
Net book value at 31 December 2022	205	29,352	5,511	35,068
<b>31 December 2022</b>				
Cost	303	74,148	8,016	82,467
Accumulated depreciation	(98)	(44,796)	(2,505)	(47,399)
Net book value	205	29,352	5,511	35,068
<b>Bank</b>				
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
<b>31 December 2021</b>				
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

**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:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	941	921
Later than 1 year but not later than 5 years	580	1,377
	<b>1,521</b>	<b>2,298</b>
<hr/>		
	<b>Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	1,061	1,041
Later than 1 year but not later than 5 years	650	1,567
	<b>1,711</b>	<b>2,608</b>
<hr/>		

**NOTES TO THE FINANCIAL STATEMENTS**

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**16. DEFERRED TAX ASSETS/(LIABILITIES)**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of the year	42,504	(11,474)	42,504	(11,826)
Recognised in the profit or loss (Note 40)	(7,131)	35,571	(7,131)	35,923
Recognised in other comprehensive income	1,069	18,407	1,069	18,407
At end of the year	<b>36,442</b>	42,504	<b>36,442</b>	42,504

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets, net	<b>36,442</b>	42,504	<b>36,442</b>	42,504

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	52,920	58,170	52,920	58,170
Deferred tax liabilities	(16,478)	(15,666)	(16,478)	(15,666)
	<b>36,442</b>	42,504	<b>36,442</b>	42,504



## 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 2022	12,673	25,168	761	7,316	11,841	411	58,170
Recognised in profit or loss	-	(2,295)	(144)	(3,053)	(664)	(163)	(6,319)
Recognised in other comprehensive income	1,069	-	-	-	-	-	1,069
As at 31 December 2022	13,742	22,873	617	4,263	11,177	248	52,920

	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

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

**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 2022	-	-	(15,666)	(15,666)
Recognised in profit or loss	-	-	(812)	(812)
As at 31 December 2022	-	-	(16,478)	(16,478)

	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)

**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 2022	12,673	25,168	760	7,316	11,841	412	58,170
Recognised in profit or loss	-	(2,295)	(144)	(3,053)	(664)	(163)	(6,319)
Recognised in other comprehensive income	1,069	-	-	-	-	-	1,069
As at 31 December 2022	13,742	22,873	616	4,263	11,177	249	52,920

	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

**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 2022	-	-	(15,666)	(15,666)
Recognised in profit or loss	-	-	(812)	(812)
At 31 December 2022	-	-	(16,478)	(16,478)
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)

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 17. DEPOSITS FROM CUSTOMERS

#### (i) By types of deposits

	Group	
	2022 RM'000	2021 RM'000
<b>Savings deposits</b>		
Qard	932,819	1,061,437
Tawarruq	698,568	811,685
	<b>1,631,387</b>	<b>1,873,122</b>
<b>Demand deposits</b>		
Qard	4,126,248	4,234,251
Tawarruq	3,198,943	2,044,735
	<b>7,325,191</b>	<b>6,278,986</b>
<b>Term deposits</b>		
General investment deposits	9,332	37,697
Short term accounts	10,942,745	9,108,440
Fixed term accounts tawarruq	6,318,541	5,733,512
	<b>17,270,618</b>	<b>14,879,649</b>
<b>Other deposits</b>	<b>93,413</b>	<b>81,409</b>
	<b>26,320,609</b>	<b>23,113,166</b>

	Bank	
	2022 RM'000	2021 RM'000
<b>Savings deposits</b>		
Qard	932,819	1,061,437
Tawarruq	698,568	811,685
	<b>1,631,387</b>	<b>1,873,122</b>
<b>Demand deposits</b>		
Qard	4,134,692	4,238,503
Tawarruq	3,198,943	2,044,735
	<b>7,333,635</b>	<b>6,283,238</b>
<b>Term deposits</b>		
General investment deposits	9,332	37,697
Short term accounts	10,942,745	9,108,440
Fixed term accounts tawarruq	6,329,841	5,744,812
	<b>17,281,918</b>	<b>14,890,949</b>
<b>Other deposits</b>	<b>93,413</b>	<b>81,408</b>
	<b>26,340,353</b>	<b>23,128,717</b>

**17. DEPOSITS FROM CUSTOMERS (CONT'D.)****(ii) By types of customer**

	Group	
	2022 RM'000	2021 RM'000
Government and statutory bodies	12,672,289	11,876,050
Business enterprises	5,771,109	4,507,864
Individuals	2,546,608	2,576,642
Domestic non-bank financial institutions	4,226,716	3,014,586
Domestic banking financial institutions	51,553	89,138
Others	1,052,334	1,048,886
	<b>26,320,609</b>	<b>23,113,166</b>

	Bank	
	2022 RM'000	2021 RM'000
Government and statutory bodies	12,672,289	11,876,050
Business enterprises	5,790,855	4,523,415
Individuals	2,546,608	2,576,642
Domestic non-bank financial institutions	4,226,716	3,014,586
Domestic banking financial institutions	51,553	89,138
Others	1,052,332	1,048,886
	<b>26,340,353</b>	<b>23,128,717</b>

The maturity structure of term deposits are as follows:

	Group	
	2022 RM'000	2021 RM'000
Due within six months	15,664,196	12,872,039
More than six months to one year	711,644	871,418
More than one year to three years	843,919	769,020
More than three year to five years	50,859	367,172
	<b>17,270,618</b>	<b>14,879,649</b>

	Bank	
	2022 RM'000	2021 RM'000
Due within six months	15,675,496	12,883,339
More than six months to one year	711,644	871,418
More than one year to three years	843,919	769,020
More than three year to five years	50,859	367,172
	<b>17,281,918</b>	<b>14,890,949</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 18. INVESTMENT ACCOUNTS OF CUSTOMERS

(i) Investment account analysed by maturity portfolio are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Unrestricted investment accounts:</b>				
<b>Mudarabah</b>				
Without maturity				
- Savings	301,158	216,978	301,158	216,978
<hr/>				
<b>Restricted investment accounts:</b>				
<b>Mudarabah</b>				
Maturity				
- within one year	79	132	79	132
<hr/>				

RIA is a type of restricted investment account based on the Mudarabah contract where the IAH and the Bank agree to share the profit generated from the assets funded by the RA based on an agreed profit sharing ratio (PSR), while losses shall be borne by the IAH. RIA amounting to RM79,100 (2021: RM132,000) 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Unrestricted investment accounts:</b>				
Individuals	301,158	216,978	301,158	216,978
<hr/>				
<b>Restricted investment accounts:</b>				
Individuals	79	132	79	132
<hr/>				

**18. INVESTMENT ACCOUNTS (CONT'D.)****(iii) Movement of investment accounts of customers:**

<b>Group and Bank</b>	<b>Unrestricted investment accounts Mudarabah RM'000</b>	<b>Restricted investment accounts Mudarabah RM'000</b>
<b>At 31 December 2022</b>		
At 1 January 2022	216,978	132
Net movement	84,180	-
New placement	-	41
Redemption	-	(94)
At 31 December 2022	301,158	79
<b>Group and Bank</b>	<b>Unrestricted investment accounts Mudarabah RM'000</b>	<b>Restricted investment accounts Mudarabah RM'000</b>
<b>At 31 December 2021</b>		
At 1 January 2021	-	-
Net movement	216,978	-
New placement	-	132
At 31 December 2021	216,978	132

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 18. INVESTMENT ACCOUNTS (CONT'D.)

(iv) The allocation of investment asset are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Unrestricted investment accounts:</b>				
Home financing	301,158	216,978	301,158	216,978
<b>Total investment</b>	<b>301,158</b>	<b>216,978</b>	<b>301,158</b>	<b>216,978</b>
<b>Restricted investment accounts:</b>				
Term financing	79	132	79	132
<b>Total investment</b>	<b>79</b>	<b>132</b>	<b>79</b>	<b>132</b>

(v) Investment account holders ("IAH") profit sharing ratio and rate of return are as follows:

	Group and Bank 2022		Group and Bank 2021	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
<b>Unrestricted investment accounts</b>	<b>2.0%</b>	<b>0.07%</b>	2.0%	0.06%
<b>Restricted investment accounts</b>	<b>95.0%</b>	<b>0.00%</b>	95.0%	0.00%

### 19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2022 RM'000	2021 RM'000
<b>Non-Mudarabah</b>		
Bank Negara Malaysia	303,388	291,866

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 respectively. The gross amount received from BNM of RM298,530,000 (2021:RM298,530,000) are net against 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	
	2022 RM'000	2021 RM'000
Sundry creditors	2,476	868
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	9,668	5,955
Provision for bonus	25,786	18,903
Accrued expenses	18,429	56,042
Accrual for directors' fees	-	60
Accrual for audit fees	217	828
Other liabilities	39,547	73,883
	<b>96,123</b>	<b>156,539</b>

	Bank	
	2022 RM'000	2021 RM'000
Sundry creditors	2,476	855
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	9,668	5,955
Provision for bonus	25,786	18,692
Accrued expenses	16,754	55,779
Accrual for directors' fees	-	60
Accrual for audit fees	194	807
Other liabilities	39,547	73,823
	<b>94,425</b>	<b>155,971</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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
<b>At 31 December 2022</b>				
At 1 January 2022	5,206	133	616	5,955
Transfer to Stage 1	213	(116)	(97)	-
Transfer to Stage 2	(168)	236	(68)	-
Transfer to Stage 3	(1)	(367)	368	-
Allowance (written back)/made	(543)	376	809	642
New financial assets originated or purchased	5,767	-	-	5,767
Financing derecognised	(2,309)	(144)	(243)	(2,696)
At 31 December 2022	8,165	118	1,385	9,668

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
<b>At 31 December 2021</b>				
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

**22. PROVISION FOR ZAKAT AND TAXATION**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Zakat	5,114	6,584	4,655	6,197
Taxation	689	80	-	-
	<b>5,803</b>	<b>6,664</b>	<b>4,655</b>	<b>6,197</b>

**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****Subordinated sukuk**

Subordinated sukuk as at 31 December 2022 relates to two tranches of Subordinated Sukuk Murabahah (Series 2 and Series 3) which qualifies as Tier2 capital under the BNM Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components). The sukuk carries a tenure of 10 years from the issue date, callable on the 5th anniversary date from the Issue date and on every profit payment date thereafter. Table below depicts a summary of the current 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
20 July 2022	20 July 2027	20 July 2032	5.33%, payable semi-annually	RM300.0 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.

**25. SHARE CAPITAL**

	Number of shares		Amount	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Ordinary shares</b>				
As at 31 December	1,195,000	1,195,000	1,195,000	1,195,000

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 26. RESERVES

		31 December 2022	Group 31 December 2021	1 January 2021
	Note	RM'000	RM'000 (Restated) (Note 53)	RM'000 (Restated) (Note 53)
Regulatory reserve	(a)	94,239	28,079	45,411
Retained profits	(b)	1,595,641	1,485,685	1,311,289
Exchange fluctuation reserve	(c)	3,066	649	(968)
Fair value through other comprehensive income	(d)	(1,342)	43,374	99,920
		<b>1,691,604</b>	<b>1,557,787</b>	<b>1,455,652</b>

		31 December 2022	Bank 31 December 2021	1 January 2021
	Note	RM'000	RM'000 (Restated) (Note 53)	RM'000 (Restated) (Note 53)
Regulatory reserve	(a)	94,239	28,079	45,411
Retained profits	(b)	1,577,800	1,471,184	1,303,175
Exchange fluctuation reserve	(c)	3,067	650	(967)
Fair value through other comprehensive income	(d)	(1,342)	43,374	99,920
		<b>1,673,764</b>	<b>1,543,287</b>	<b>1,447,539</b>

#### (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, of no less than 1% of total exposures, in accordance with BNM's Revised Financial Reporting Policy Document issued on 29 April 2022.

#### (b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2022 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income derived from investment of:				
(i) Fixed term accounts	311,553	275,599	311,553	275,599
(ii) Other deposits	989,059	840,915	989,059	840,915
	<b>1,300,612</b>	<b>1,116,514</b>	<b>1,300,612</b>	<b>1,116,514</b>

**(i) Income derived from investment of fixed term accounts**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Finance income and hibah:</b>				
Income from financing (note (a))	256,929	226,018	256,929	226,018
Financial investments designated at FVTPL	2,065	1,771	2,065	1,771
Financial assets at fair value through other comprehensive income	41,118	38,974	41,118	38,974
Financial assets at amortised cost	1,328	592	1,328	592
Money at call and deposit with financial institutions	4,279	4,685	4,279	4,685
	<b>305,719</b>	<b>272,040</b>	<b>305,719</b>	<b>272,040</b>
Amortisation of premium, net	(10,974)	(10,615)	(10,974)	(10,615)
Total finance income and hibah	<b>294,745</b>	<b>261,425</b>	<b>294,745</b>	<b>261,425</b>
<b>Other operating income</b>				
Net gain from sale of:				
- financial investments designated at FVTPL	9	50	9	50
- debt instruments at fair value through other comprehensive income	480	457	480	457
Unrealised loss on revaluation from financial investments designated at FVTPL	(753)	(476)	(753)	(476)
	<b>(264)</b>	<b>31</b>	<b>(264)</b>	<b>31</b>
<b>Fees and commission</b>				
Guarantee fees	502	448	502	448
Processing fees	470	561	470	561
Service charges and fees	3,501	2,914	3,501	2,914
Commission	12,599	10,220	12,599	10,220
	<b>17,072</b>	<b>14,143</b>	<b>17,072</b>	<b>14,143</b>
<b>Total</b>	<b>311,553</b>	<b>275,599</b>	<b>311,553</b>	<b>275,599</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

#### (ii) Income derived from investment of other deposits

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Finance income and hibah:</b>				
Income from financing (note (a))	815,656	689,634	815,656	689,634
Financial investments designated at FVTPL	6,554	5,403	6,554	5,403
Financial assets at fair value through other comprehensive income	130,536	118,920	130,536	118,920
Financial assets at amortised cost	4,214	1,806	4,214	1,806
Money at call and deposit with financial institutions	13,581	14,295	13,581	14,295
	<b>970,541</b>	830,058	<b>970,541</b>	830,058
Amortisation of premium, net	(34,838)	(32,389)	(34,838)	(32,389)
Total finance income and hibah	<b>935,703</b>	797,669	<b>935,703</b>	797,669
<b>Other operating income</b>				
Net gain from sale of:				
- financial investments designated at FVTPL	27	152	27	152
- debt instruments at fair value through other comprehensive income	1,525	1,395	1,525	1,395
Unrealised loss on revaluation from financial investments designated at FVTPL	(2,390)	(1,451)	(2,390)	(1,451)
	<b>(838)</b>	96	<b>(838)</b>	96
<b>Fees and commission</b>				
Guarantee fees	1,593	1,366	1,593	1,366
Processing fees	1,493	1,710	1,493	1,710
Service charges and fees	11,113	8,891	11,113	8,891
Commission	39,995	31,183	39,995	31,183
	<b>54,194</b>	43,150	<b>54,194</b>	43,150
<b>Total</b>	<b>989,059</b>	840,915	<b>989,059</b>	840,915

(a) Targeted payment assistance and moratorium were granted up to year 2021. Thus, there is no loss arising from contractual cash flows of financial year ending 2022 (2021: RM9,645,841).

**28. INCOME DERIVED FROM INVESTMENT OF ACCOUNT FUNDS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Finance income and hibah</b>				
Income from financing	11,395	-	11,395	-

**29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS**

	Group		Bank	
	2022 RM'000	2021 RM'000 (Restated) (Note 53)	2022 RM'000	2021 RM'000 (Restated) (Note 53)
<b>Finance income and hibah</b>				
Financial assets at fair value through other comprehensive income	8,262	9,742	8,262	9,742
Money at call and deposit with financial institutions	1,503	963	1,503	963
Amortisation of premium, net	(1,475)	(1,091)	(1,475)	(1,091)
<b>Total finance income and hibah</b>	<b>8,290</b>	<b>9,614</b>	<b>8,290</b>	<b>9,614</b>
<b>Other operating income</b>				
Net gain/(loss) on revaluation of foreign exchange transaction	27,447	(7,229)	27,447	(7,229)
Net (loss)/gain from foreign exchange derivatives	(20,134)	13,267	(20,134)	13,267
(Unwinding of)/fair value of of financial liabilities (note (a))	(4,690)	19,678	(4,690)	19,678
Return/(loss) of a financial investment at fair value through other comprehensive income	10,552	(2,882)	10,552	(2,882)
Unrealised loss on revaluation from financial investments designated at FVTPL	(244)	(100)	(244)	(100)
Net gain from sale of debt instruments at fair value through other comprehensive income	-	159	-	159
Gross dividend income				
- unquoted shares in Malaysia	39	39	-	-
- subsidiary	-	-	4,000	2,000
Net dividend paid for Islamic profit rate swap	(11,819)	(25,692)	(11,819)	(25,692)
Unrealised gain on revaluation of Islamic profit rate swap	37,532	50,139	37,532	50,139
Unrealised loss on revaluation of hedged items (Note 6(i))	(37,940)	(57,692)	(37,940)	(57,692)
	<b>743</b>	<b>(10,313)</b>	<b>4,704</b>	<b>(8,352)</b>

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### 29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	2022 RM'000	2021 RM'000 (Restated) (Note 53)	2022 RM'000	2021 RM'000 (Restated) (Note 53)
<b>Fees and commission</b>				
Corporate advisory fees	2,281	3,294	1,276	1,278
Service charges and fees	10,605	9,248	77	74
Commission	4,049	4,671	4,049	4,671
	<b>16,935</b>	17,213	<b>5,402</b>	6,023
<b>Other income</b>				
Rental income	813	1,870	933	1,844
Gain from termination of ROU asset	47	1,654	47	55
Gain from sale of foreclosed properties	1,050	3	1,050	3
Fair value adjustments of investment properties (Note 12)	-	675	-	675
	<b>1,910</b>	4,202	<b>2,030</b>	2,577
<b>Total</b>	<b>27,878</b>	20,716	<b>20,426</b>	9,862

- (a) In 2021, the Group and the Bank 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 in the previous year that were recognised in the profit or loss, amounted to RM19,678,307 for the Group and the Bank, were applied to address the financial and accounting impact incurred by the Group and the Bank for COVID-19 related relief measures. Unwinding of the fair value gain equivalent to the cost of these funds amounting to RM4,690,200 for the current year.

### 30. ALLOWANCE FOR IMPAIRMENT ON FINANCING

	Group and Bank	
	2022 RM'000	2021 RM'000
Allowance for impairment losses on financing of customer:		
- individual allowance made	9,107	5,292
- individual allowance written back	(335)	(5,642)
- collective allowance made	246,048	256,159
- collective allowance written back	(179,143)	(178,899)
Impaired financing written off	147	95
Impaired financing recovered	(34,814)	(23,061)
	<b>41,010</b>	53,944



**31. ALLOWANCE/(WRITE-BACK OF) FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Write-back of)/allowance for impairment losses on debt instruments at FVOCI (Note 5(ii))	(2,086)	35	(2,086)	35
Allowance for/(write-back of) impairment losses on debt instruments at amortised cost (Note 5(iii))	6,457	(331)	6,457	(331)
	<b>4,371</b>	<b>(296)</b>	<b>4,371</b>	<b>(296)</b>

**32. ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Allowance for/(write-back of) impairment losses on other financial assets, net				
- Cash and short term funds	38	(20)	38	(20)
- Other assets	-	414	-	414
	<b>38</b>	<b>394</b>	<b>38</b>	<b>394</b>

**33. INCOME ATTRIBUTABLE TO DEPOSITORS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers				
- Mudarabah funds	226	814	226	814
- Non-Mudarabah funds	452,389	337,067	452,642	337,268
Deposits and placements of banks and other financial institutions				
- Non-Mudarabah funds	411	423	411	423
	<b>453,026</b>	<b>338,304</b>	<b>453,279</b>	<b>338,505</b>

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31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 34. PERSONNEL EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salary and wages	182,576	167,525	180,724	165,968
Contribution to defined contribution plan	35,487	31,131	35,187	30,845
Social security contributions	2,083	1,830	2,083	1,830
Allowances and bonuses	28,071	17,901	28,069	17,686
Others	23,415	21,182	23,314	21,121
	<b>271,632</b>	<b>239,569</b>	<b>269,377</b>	<b>237,450</b>

### 35. CEOs, Directors and Shariah Committee members' remuneration

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>(a) Chief Executive Officers</b>				
Salaries and wages	1,705	1,668	1,334	1,308
Bonus	645	491	618	464
Other emoluments	402	376	333	310
Benefits-in-kind	117	77	117	77
	<b>2,869</b>	<b>2,612</b>	<b>2,402</b>	<b>2,159</b>
<b>(b) Non-Executive Directors</b>				
Fees	1,018	1,026	960	986
Benefits-in-kind	72	50	72	50
Other emoluments	837	839	821	825
	<b>1,927</b>	<b>1,915</b>	<b>1,853</b>	<b>1,861</b>
<b>(c) Shariah Committee members</b>				
Allowance	355	367	355	367
Total	<b>5,151</b>	<b>4,894</b>	<b>4,610</b>	<b>4,387</b>
Total (excluding benefits-in-kind)	<b>4,962</b>	<b>4,767</b>	<b>4,421</b>	<b>4,260</b>

### 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 2022	← 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):						
<b>Chief Executive Officer:</b>						
Khairul Kamarudin	1,334	-	618	333	117	2,402
<b>Chief Executive Officers of the subsidiaries:</b>						
Mohd Faruk Abdul Karim	371	-	27	69	-	467
<b>Total Chief Executive Officers remuneration</b>	<b>1,705</b>	<b>-</b>	<b>645</b>	<b>402</b>	<b>117</b>	<b>2,869</b>
Note 35(b) :						
<b>Non-Executive Directors:</b>						
Tan Sri Tajuddin Atan	-	240	-	78	72	390
Tan Sri Che Khalib Mohamad Noh	-	120	-	78	-	198
Dato' Ibrahim Taib	-	120	-	96	-	216
Md. Khairuddin Hj. Arshad	-	120	-	164	-	284
Johari Abdul Muid	-	120	-	157	-	277
Mohd Razlan Mohamed	-	120	-	137	-	257
Roshidah Abdullah	-	120	-	111	-	231
Ainol Roznain Yaacob*	-	-	-	-	-	-
Iwan Rashman Gulamoydeen*	-	-	-	-	-	-
<b>Director - subsidiaries:</b>						
Fakihah Azahari	-	20	-	7	-	27
Dato' Adnan Alias	-	20	-	7	-	27
Roshidah Abdullah	-	9	-	1	-	10
Md. Khairuddin Hj. Arshad	-	9	-	1	-	10
<b>Total Directors remuneration</b>	<b>-</b>	<b>1,018</b>	<b>-</b>	<b>837</b>	<b>72</b>	<b>1,927</b>
<b>Total Chief Executive Officers and Directors' remuneration</b>	<b>1,705</b>	<b>1,018</b>	<b>645</b>	<b>1,239</b>	<b>189</b>	<b>4,796</b>
Note 35(c) :						
<b>Shariah Committee:</b>						
Azizi Che Seman	-	60	-	22	1	83
Dr. Ahmad Zakirullah Mohamed Shaarani	-	54	-	13	1	68
Dr. Muhamad Azhari Wahid	-	54	-	13	1	68
Dr. Mohd Shahid Mohd Noh	-	54	-	13	1	68
Dr. Yusri Mohamad	-	54	-	13	1	68
<b>Total Shariah Committee remuneration</b>	<b>-</b>	<b>276</b>	<b>-</b>	<b>74</b>	<b>5</b>	<b>355</b>

\* No remuneration is paid in lieu of Khazanah Nasional Berhad ("Khazanah") waiver of Director's fees and meeting allowances to its Nominee Director, who is a Khazanah employee. The said waiver applies to all Khazanah's investee companies.

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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:

Group	← 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	
<b>31 December 2021</b>						
Note 35(a):						
<b>Chief Executive Officers</b>						
Khairul Kamarudin	1,308	-	464	310	77	2,159
<b>Chief Executive Officer of the subsidiaries:</b>						
Mohd Faruk Abdul Karim	360	-	27	66	-	453
<b>Total Chief Executive Officers remuneration</b>	<b>1,668</b>	<b>-</b>	<b>491</b>	<b>376</b>	<b>77</b>	<b>2,612</b>
Note 35(b) :						
<b>Non-Executive Directors:</b>						
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
<b>Director - subsidiaries:</b>						
Fakihah Azahari	-	20	-	7	-	27
Dato' Adnan Alias	-	20	-	7	-	27
<b>Total Directors remuneration</b>	<b>-</b>	<b>1,026</b>	<b>-</b>	<b>839</b>	<b>50</b>	<b>1,915</b>
<b>Total Chief Executive Officers and Directors' remuneration</b>	<b>1,668</b>	<b>1,026</b>	<b>491</b>	<b>1,215</b>	<b>127</b>	<b>4,527</b>
Note 35(c) :						
<b>Shariah Committee:</b>						
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
<b>Total Shariah Committee remuneration</b>	<b>-</b>	<b>276</b>	<b>-</b>	<b>86</b>	<b>5</b>	<b>367</b>

\* 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 Bank are as follows:

Bank 31 December 2022	← 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):						
<b>Chief Executive Officer</b>						
Khairul Kamarudin	1,334	-	618	333	117	2,402
<b>Total Chief Executive Officer remuneration</b>	<b>1,334</b>	<b>-</b>	<b>618</b>	<b>333</b>	<b>117</b>	<b>2,402</b>
Note 35(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Tajuddin Atan	-	240	-	78	72	390
Tan Sri Che Khalib Mohamad Noh	-	120	-	78	-	198
Dato' Ibrahim Taib	-	120	-	96	-	216
Md. Khairuddin Hj. Arshad	-	120	-	164	-	284
Johari Abdul Muid	-	120	-	157	-	277
Mohd Razlan Mohamed	-	120	-	137	-	257
Roshidah Abdullah	-	120	-	111	-	231
Ainol Roznain Yaacob*	-	-	-	-	-	-
Iwan Rashman Gulamoydeen*	-	-	-	-	-	-
<b>Total Directors remuneration</b>	<b>-</b>	<b>960</b>	<b>-</b>	<b>821</b>	<b>72</b>	<b>1,853</b>
<b>Total Chief Executive Officers and Directors' remuneration</b>	<b>1,334</b>	<b>960</b>	<b>618</b>	<b>1,154</b>	<b>189</b>	<b>4,255</b>
Note 35(c):						
<b>Shariah Committee:</b>						
Azizi Che Seman	-	60	-	22	1	83
Dr. Ahmad Zakirullah Mohamed Shaarani	-	54	-	13	1	68
Dr. Muhamad Azhari Wahid	-	54	-	13	1	68
Dr. Mohd Shahid Mohd Noh	-	54	-	13	1	68
Dr. Yusri Mohamad	-	54	-	13	1	68
<b>Total Shariah Committee remuneration</b>	<b>-</b>	<b>276</b>	<b>-</b>	<b>74</b>	<b>5</b>	<b>355</b>

\* No remuneration is paid in lieu of Khazanah Nasional Berhad ("Khazanah") waiver of Director's fees and meeting allowances to its Nominee Director, who is a Khazanah employee. The said waiver applies to all Khazanah's investee companies.

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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 Bank are as follows:

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):						
<b>Chief Executive Officers</b>						
Khairul Kamarudin	1,308	-	464	310	77	2,159
<b>Total Chief Executive Officers remuneration</b>	<b>1,308</b>	<b>-</b>	<b>464</b>	<b>310</b>	<b>77</b>	<b>2,159</b>
Note 35(b):						
<b>Non-Executive Directors:</b>						
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
<b>Total Directors remuneration</b>	<b>-</b>	<b>986</b>	<b>-</b>	<b>825</b>	<b>50</b>	<b>1,861</b>
<b>Total Chief Executive Officer and Directors' remuneration</b>	<b>1,308</b>	<b>986</b>	<b>464</b>	<b>1,135</b>	<b>127</b>	<b>4,020</b>
Note 35(c):						
<b>Shariah Committee:</b>						
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
<b>Total Shariah Committee remuneration</b>	<b>-</b>	<b>276</b>	<b>-</b>	<b>86</b>	<b>5</b>	<b>367</b>

\* 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	
	2022 RM'000	2021 RM'000
Short-term employees benefits	9,933	8,603
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 35(a))	2,869	2,612

	Bank	
	2022 RM'000	2021 RM'000
Short-term employees benefits (salary, bonus, allowances)	9,466	8,150
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 35(a))	2,402	2,159

### 37. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Marketing</b>				
Advertisement and publicity	7,505	5,504	7,505	5,504
Donation and sponsorship	731	265	731	265
Others	561	434	559	434
	<b>8,797</b>	<b>6,203</b>	<b>8,795</b>	<b>6,203</b>
<b>Establishment</b>				
Rental	224	151	224	151
Depreciation of right-of-use assets (Note 15)	10,736	10,471	10,736	10,056
Depreciation of property, plant and equipment (Note 14)	11,201	12,057	11,183	12,047
Amortisation of intangible assets (Note 13)	24,711	20,967	24,678	20,967
Information technology expenses	54,469	51,523	54,333	51,400
Repair and maintenance	5,629	6,038	5,625	5,727
Hire of equipment	5,538	4,555	5,280	4,337
Takaful	11,049	3,144	11,049	3,144
Utilities expenses	5,106	4,379	5,080	4,356
Security expenses	7,729	5,968	7,729	5,968
Others	4,326	4,565	4,326	4,565
	<b>140,718</b>	<b>123,818</b>	<b>140,243</b>	<b>122,718</b>

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**37. OTHER OVERHEADS AND EXPENDITURES (CONT'D.)**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>General expenses</b>				
Auditors' fees				
- statutory audit				
- current year	600	532	574	509
- regulatory related services	175	168	155	150
- others	180	755	165	745
Professional fees	2,563	4,215	2,320	3,906
Legal expenses	750	508	750	508
Telephone	1,333	1,310	1,331	1,310
Stationery and printing	1,803	1,558	1,795	1,550
Postage and courier	3,124	2,072	3,124	2,072
Travelling	826	205	823	205
Chief Executive Officer, Directors remuneration and Shariah Committee allowance (Note 35)	5,151	4,894	4,610	4,387
Property, plant and equipment written off (Note 14)	38	10	38	10
Intangible assets written off (Note 14)	-	216	-	216
Others	15,104	15,306	17,204	17,394
	<b>31,647</b>	<b>31,749</b>	<b>32,889</b>	<b>32,962</b>
	<b>181,162</b>	<b>161,770</b>	<b>181,927</b>	<b>161,883</b>

**38. FINANCE COSTS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Dividend paid on subordinated sukuk	29,669	18,874	29,669	18,874
Dividend paid on senior sukuk	-	24,689	-	24,689
Financing sold to Cagamas	23,520	20,285	23,520	20,285
Lease charges	1,925	2,081	1,925	1,739
	<b>55,114</b>	<b>65,929</b>	<b>55,114</b>	<b>65,587</b>

**39. ZAKAT**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Provision of zakat for the year	2,692	6,429	2,254	6,043
Under provision in prior year	-	18	-	-
	<b>2,692</b>	<b>6,447</b>	<b>2,254</b>	<b>6,043</b>



## 40. TAXATION

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current income tax	72,963	64,658	70,524	62,696
Under provision in prior years	1,161	61,983	1,163	62,381
	<b>74,124</b>	126,641	<b>71,687</b>	125,077
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	2,077	(1,492)	2,077	(1,844)
Relating to increase in Malaysian income tax rate	6,195	(5,597)	6,195	(5,597)
Over provision in prior years	(1,141)	(28,482)	(1,141)	(28,482)
	<b>7,131</b>	(35,571)	<b>7,131</b>	(35,923)
	<b>81,255</b>	91,070	<b>78,818</b>	89,154

As per the Finance Act 2021 gazetted on 31 December 2021, effective for Year of Assessment ("YA") 2022, a special one-off tax called "Cukai Makmur" will be imposed on companies that generate chargeable income more than RM100 million as follows:

- Chargeable income for the first RM100 million will be taxed at a rate of 24%; and
- Chargeable income in excess of RM100 million will be taxed at a rate of 33%.

Income tax is calculated based on the chargeable income above on the assessable profit for the financial year at 24% (2021:24%).

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	
	31 December 2022 RM'000	31 December 2021 RM'000 Restated	31 December 2022 RM'000	31 December 2021 RM'000 Restated
Profit before taxation	306,725	254,868	300,510	246,161
Taxation at Malaysian statutory tax rate 24%	73,614	61,168	72,122	59,079
Additional tax rate of 9% in excess of RM100 million	15,798	-	15,798	-
Effect of different tax rates in Labuan	171	410	171	410
Income not subject to tax	(16,439)	(1,352)	(17,268)	(1,497)
Effect on opening deferred tax of increase in Malaysian income tax rate	6,194	(5,597)	6,194	(5,597)
Deferred tax recognised at different tax rates	(455)	(369)	(455)	(369)
Expenses not deductible for tax purposes	2,352	3,318	2,234	3,229
Under provision of income tax in prior years	1,161	61,983	1,163	62,381
Over provision of deferred tax in prior years	(1,141)	(28,482)	(1,141)	(28,482)
Others	-	(9)	-	-
Income tax expense for the year	<b>81,255</b>	91,070	<b>78,818</b>	89,154

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**41. EARNINGS PER SHARE****Basic and diluted**

	2022 RM'000	2021 RM'000 Restated
Profit attributable to ordinary equity holders of the Bank (RM'000)	222,778	157,351
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	18.64	13.17

**42. DIVIDENDS**

The directors did not declare any final dividend for the financial year ended 31 December 2022.

**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 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Holding company</b>				
<b>Expenditure</b>				
- hibah on deposit	1,902	3,127	1,902	3,127
<b>Amounts due to</b>				
- deposits	231,441	72,512	231,441	72,512
- Group tax relief *	-	35,099	-	35,099
<b>Subsidiaries</b>				
<b>Income</b>				
- dividend received	-	-	4,000	2,000
- rental income	-	-	120	120
- management fee	-	-	895	897
<b>Expenditure</b>				
- fund management fee	-	-	2,022	2,135
- profit sharing incentive	-	-	117	-
- hibah on deposit	-	-	254	201
<b>Amounts due from</b>				
- financing	-	-	62,698	70,148
<b>Amounts due to</b>				
- management fee/profit sharing	-	-	162	179
- deposits	-	-	19,745	15,551

\* Sharing of 70% tax savings utilised by the Bank for year of assessment 2020.

**43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Key management personnel</b>				
<b>Amounts due from</b>				
- financing	259	619	216	474
<b>Related companies*</b>				
<b>Income</b>				
- profit on financing	24,084	6,444	24,084	6,444
<b>Expenditure</b>				
- hibah on deposit	4,211	12,907	4,211	12,907
- seconded staff salary and related expenses	64	823	64	823
- mailing and courier service	2,255	1,314	2,255	1,314
- rental (offsite ATM and branch)	17	18	17	18
- purchase of fixed assets	470	-	470	-
- marketing expenses	551	250	551	250
- others	92	112	92	112
<b>Amounts due to</b>				
- deposits	308,864	284,488	308,864	284,488
<b>Amounts due from</b>				
- financing	646,252	580,632	646,252	580,632

\* Related companies are companies within DRB-HICOM Berhad Group and Khazanah Nasional Berhad Group.

- The transactions of the Group and the Bank with related parties were sourced within Malaysia.

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**44. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<b>2,053,363</b>	1,731,809
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b>7.1%</b>	6.0%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

	<b>Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<b>2,116,061</b>	1,801,958
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b>7.3%</b>	6.3%
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.

#### 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	2022 Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	2021 Credit equivalent amount RM'000	Total risk weighted amount RM'000
The commitments and contingencies constitute the following:						
<b>Contingent liabilities</b>						
Direct credit substitutes	400,079	400,079	382,342	292,802	292,802	268,848
Trade-related contingencies	99,507	19,901	2,421	41,953	8,391	712
Transaction related contingencies	555,343	277,672	267,420	487,515	243,758	233,215
<b>Commitments</b>						
Credit extension commitment:						
- Maturity within one (1) year	636,084	127,217	135,215	635,148	127,029	125,609
- Maturity exceeding one (1) year	1,151,968	575,984	423,632	977,994	488,997	414,004
Other miscellaneous commitments & contingencies	152,232	13,754	10,316	25,773	14	11
<b>Islamic derivative financial instruments</b>						
Foreign exchange related contracts	1,786,430	25,347	13,764	1,630,597	25,443	13,995
Profit rate related contract	-	-	-	1,200,000	47,000	9,400
	<b>4,781,643</b>	<b>1,439,954</b>	<b>1,235,110</b>	<b>5,291,782</b>	<b>1,233,434</b>	<b>1,065,794</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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.

#### 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
<b>Asset &amp; Liability Committee ("ALCO")</b>	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.
<b>Credit Committee ("CC")</b>	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.
<b>Investment Committee ("IC")</b>	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.
<b>Operational Risk Management Committee ("ORMC")</b>	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 ERM 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").

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### 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 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 hedge accounting has been discontinued due to the termination of the hedge instrument. In 2021, the maximum credit exposure of the financing of customers amounted to RM700.0 million. The cumulative change in fair value of the financing attributable to changes in profit rate risks amount to a gain of RM17,078,028 (2021: RM48,238,151) and the change for the current period is a loss of RM29,348,812 (2021: gain of RM42,874,650). 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.



## 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 2022	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
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,235,453	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	29,491	182,089
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,736	2,070,410	1,581,653	189,534	16,877,576	710,269	24,017,067
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other assets	-	-	-	-	-	-	18,489	18,489
	6,241,568	3,069,027	2,264,573	1,581,653	189,534	16,877,576	997,492	31,221,423
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
<b>Total credit exposures</b>	6,393,561	4,362,116	3,565,120	2,244,525	317,378	17,567,179	1,553,187	36,003,066

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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 and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
<b>On balance sheet exposures</b>								
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 (restated, see Note 53)	152,891	-	-	-	-	-	-	152,891
Financial investments at fair value through other comprehensive income (restated, see Note 53)	4,354,427	214,431	53,080	5,118	-	-	408,099	5,035,155
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	-	-	-	-	-	-	10,923	10,923
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,101,021	27,286,444
<b>Commitments and contingencies</b>								
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
<b>Total credit exposures</b>	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,697,763	32,578,226

## 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, 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
<b>On balance sheet exposures</b>								
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 (restated, see Note 53)	148,085	-	-	-	-	-	-	148,085
Financial investments at fair value through other comprehensive income (restated, see Note 53)	2,746,349	602,680	63,083	32,050	-	-	520,055	3,964,217
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	-	-	-	-	-	-	32,517	32,517
	4,032,513	4,671,737	2,305,129	1,785,848	59,420	11,662,015	956,182	25,472,844
<b>Commitments and contingencies</b>								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,968	731,381
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	182,728	6,917,485
<b>Total credit exposures</b>	4,079,310	9,913,877	2,869,478	2,490,621	64,907	11,833,226	1,138,910	32,390,329

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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.)

Bank 2022	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
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,235,453	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	-	152,598
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,735	2,070,410	1,581,653	189,534	16,877,576	699,616	24,006,413
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other assets	-	-	-	-	-	-	18,045	18,045
	6,241,568	3,069,026	2,264,573	1,581,653	189,534	16,877,576	963,850	31,207,780
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
<b>Total credit exposures</b>	6,393,561	4,362,115	3,565,120	2,244,525	317,378	17,567,179	1,539,545	35,989,423

## 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	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
<b>2021</b>								
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,142,291	-	-	-	-	-	1,142,291
Cash and placements with financial institutions	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss (restated, see Note 53)	152,891	-	-	-	-	-	-	152,891
Financial investments at fair value through other comprehensive income (restated, see Note 53)	4,354,427	214,431	53,080	5,118	-	-	405,593	5,032,649
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	-	-	-	-	-	-	10,375	10,375
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,088,279	27,273,702
<b>Commitments and contingencies</b>								
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
<b>Total credit exposures</b>	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,685,021	32,565,484

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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.)

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
<b>On balance sheet exposures</b>								
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 (restated, see Note 53)	148,085	-	-	-	-	-	-	148,085
Financial investments at fair value through other comprehensive income (restated, see Note 53)	2,746,349	602,680	63,083	32,050	-	-	517,588	3,961,750
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	-	-	-	-	-	-	31,741	31,741
	4,032,513	4,671,738	2,305,129	1,785,848	59,420	11,662,015	947,323	25,463,986
<b>Commitments and contingencies</b>								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,968	731,381
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	182,728	6,917,485
<b>Total credit exposures</b>	4,079,310	9,913,878	2,869,478	2,490,621	64,907	11,833,226	1,130,051	32,381,471

**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
<b>2022</b>				
<b>On Balance Sheet Exposures</b>				
Cash and short-term funds	1,155,842	79,611	1,155,842	79,611
Cash and placements with financial institutions	21,747	-	21,747	-
Financial investments designated at fair value through profit and loss	182,089	-	179,544	-
Financial investments at fair value through other comprehensive income	5,065,879	145,772	5,065,879	145,772
Financial investments amortised cost	113,589	-	113,589	-
Islamic derivative financial assets	4,247	-	4,247	-
Financing of customers	24,017,067	-	24,006,413	-
Statutory deposits with Bank Negara Malaysia	417,091	-	417,091	-
Other assets	18,486	3	18,042	3
	<b>30,996,037</b>	<b>225,386</b>	<b>30,982,394</b>	<b>225,386</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	1,054,929	-	1,054,929	-
Commitments	1,788,052	-	1,788,052	-
Other Miscellaneous Commitment and Contingent Liabilities	152,232	-	152,232	-
Islamic derivative financial instruments	1,786,430	-	1,786,430	-
	<b>4,781,643</b>	<b>-</b>	<b>4,781,643</b>	<b>-</b>
<b>Total credit exposures</b>	<b>35,777,680</b>	<b>225,386</b>	<b>35,764,037</b>	<b>225,386</b>

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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 (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 Restated	Domestic RM'000	Labuan RM'000 Restated
<b>2021</b>				
<b>On Balance Sheet Exposures</b>				
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 (restated, see Note 53)	152,891	-	152,891	-
Financial investments at fair value through other comprehensive income (restated, see Note 53)	4,866,770	168,385	4,864,264	168,385
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	10,921	3	10,372	3
	27,063,956	222,488	27,051,214	222,488
<b>Commitments and contingencies</b>				
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	-
<b>Total credit exposures</b>	<b>32,355,738</b>	<b>222,488</b>	<b>32,342,996</b>	<b>222,488</b>



**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
<b>2020</b>				
<b>On Balance Sheet Exposures</b>				
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	-
Investment accounts due from designated financial institution	-	-	-	-
Financial investments designated at fair value through profit and loss (restated, see Note 53)	148,085	-	148,085	-
Financial investments at fair value through other comprehensive income (restated, see Note 53)	3,798,965	165,252	3,796,498	165,252
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	32,514	3	31,738	3
	25,168,935	303,909	25,160,077	303,909
<b>Commitments and contingencies</b>				
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	-
<b>Total credit exposures</b>	<b>32,086,420</b>	<b>303,909</b>	<b>32,077,562</b>	<b>303,909</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**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:

<b>Group 2022</b>	<b>Neither past due Good RM'000</b>	<b>nor impaired Satisfactory RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Impaired financing RM'000</b>	<b>Total RM'000</b>
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,173,389	114,700	104,998	103,040	11,496,127
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	<b>23,324,785</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,275,548</b>
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(128,896)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(25,667)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	-	(103,918)
<b>Total net financing</b>	<b>23,324,785</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,017,067</b>

**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 ratings.

Financing of customers are analysed as follows:

<b>Group 2021</b>	<b>Neither past due nor impaired Good RM'000</b>	<b>Satisfactory RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Impaired financing RM'000</b>	<b>Total RM'000</b>
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)
<b>Total net financing</b>	<b>20,413,916</b>	<b>272,511</b>	<b>39,754</b>	<b>95,939</b>	<b>20,671,306</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

**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.)

<b>Bank 2022</b>	<b>Neither past due Good RM'000</b>	<b>nor impaired Satisfactory RM'000</b>	<b>Past due but not impaired RM'000</b>	<b>Impaired financing RM'000</b>	<b>Total RM'000</b>
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,162,735	114,700	104,998	103,040	11,485,473
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	<b>23,314,131</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,264,894</b>
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(128,896)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(25,667)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	-	(103,918)
<b>Total net financing</b>	<b>23,314,131</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,006,413</b>

**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.)

<b>Bank 2021</b>	<b>Neither past due nor impaired</b>		<b>Past due but not impaired</b>	<b>Impaired financing</b>	<b>Total</b>
	<b>Good</b>	<b>Satisfactory</b>			
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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)
<b>Total net financing</b>	<b>20,404,228</b>	<b>272,511</b>	<b>39,754</b>	<b>95,939</b>	<b>20,661,618</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**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:

<b>Group and Bank</b>	<b>1 - 2 months RM'000</b>	<b>&gt;2 - 3 months RM'000</b>	<b>Total RM'000</b>
<b>2022</b>			
Term financing			
- Home financing	172,040	273	172,313
- Hire purchase receivables	7,009	143	7,152
- Other term financing	103,091	1,907	104,998
Other financing	978	118	1,096
<b>Total</b>	<b>283,118</b>	<b>2,441</b>	<b>285,559</b>
<b>2021</b>			
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
<b>Total</b>	<b>26,706</b>	<b>13,048</b>	<b>39,754</b>

## 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	2022 RM'000	2021 RM'000
Purchase of transport vehicles	7,163	4,360
Purchase of landed properties of which:		
- residential	161,851	18,498
- non-residential	10,357	515
Personal use	91,564	14,890
Construction	285	1,092
Working capital	13,047	160
Other purpose	1,292	239
	285,559	39,754

##### 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 79.02% and 79.05%, respectively, as at 31 December 2022 (the Group and the Bank are at 82.4% and 82.5% as at 31 December 2021). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

As at 31 December 2022, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM29,911,219 as compared against 31 December 2021 total amount of RM55,757,689. The collateral consists of cash, securities, letters of guarantee, and properties.

##### Repossessed collateral

It is the Group's and the Bank's policy that dictates disposal of repossessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral repossessed 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 repossessed properties for its own business use.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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 2022.

Key Variable	ECL Scenario	Assigned Probabilities (%)	2022 (Actual)	2023 (Forecast)	2024 (Forecast)
Consumer Price Index (YOY%)	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 (YOY %)	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 (YOY %)	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 2021

Key Variable	ECL Scenario	Assigned Probabilities (%)	2021 (Actual)	2022 (Forecast)	2023 (Forecast)
Consumer Price Index (YOY%)	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 (YOY %)	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 (YOY %)	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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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 Non-Money Market Instruments - Debt Securities		Financial investments at FVOCI Non-Money Market Instruments - Debt Securities		Other assets RM'000
	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000	Total RM'000	
<b>2022</b>					
AAA+ to AA-	-	-	98,980	98,980	-
A+ to A-	-	-	-	-	-
BBB+ to BB-	113,589	113,589	1,318	1,318	-
Unrated	-	-	72,219	72,219	18,489
Sovereign	-	-	4,831,948	4,831,948	-
<b>Total</b>	<b>113,589</b>	<b>113,589</b>	<b>5,004,465</b>	<b>5,004,465</b>	<b>18,489</b>
<b>2021</b>					
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	10,923
Sovereign	-	-	4,477,991	4,477,991	-
<b>Total</b>	<b>107,109</b>	<b>107,109</b>	<b>4,765,434</b>	<b>4,765,434</b>	<b>10,923</b>

**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		Other assets RM'000
	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000	Total RM'000	
<b>2022</b>					
AAA+ to AA-	-	-	98,980	98,980	-
A+ to A-	-	-	-	-	-
BBB+ to BB-	113,589	113,589	1,318	1,318	-
Unrated	-	-	72,219	72,219	18,045
Sovereign	-	-	4,831,948	4,831,948	-
<b>Total</b>	<b>113,589</b>	<b>113,589</b>	<b>5,004,465</b>	<b>5,004,465</b>	<b>18,045</b>
<b>2021</b>					
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	10,374
Sovereign	-	-	4,477,991	4,477,991	-
<b>Total</b>	<b>107,109</b>	<b>107,109</b>	<b>4,765,434</b>	<b>4,765,434</b>	<b>10,374</b>

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 (2021: Nil), which have been classified as impaired and fully provided for.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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 benefiting 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 2022	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 %
<b>ASSETS</b>												
Cash and short-term funds	1,113,571	-	-	-	-	-	-	-	121,882	-	1,235,453	2.9%
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	-	-	-	21,747	2.9%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-	120,226	182,089	7.0%
Financial assets at fair value through other comprehensive income	557	754	1,482,007	1,396,138	765,903	384,548	347,137	575,646	258,961	-	5,211,651	3.1%
Financial assets at amortised cost	-	-	-	-	-	-	-	147,744	(84,155)	-	113,589	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,247	4,247	-
Financing of customers: - non-impaired	17,841,916	1,315,471	1,047,092	511,439	242,281	126,067	126,453	2,708,972	45,982	-	23,965,673	5.2%
- impaired*	-	-	-	-	-	-	-	-	205,957	-	205,957	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(154,563)	-	(154,563)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	748,374	-	748,374	-
<b>TOTAL ASSETS</b>	<b>18,956,044</b>	<b>1,337,972</b>	<b>2,529,099</b>	<b>1,907,577</b>	<b>1,008,184</b>	<b>510,615</b>	<b>473,590</b>	<b>3,432,362</b>	<b>1,254,301</b>	<b>124,473</b>	<b>31,534,217</b>	

## NOTES TO THE FINANCIAL STATEMENTS

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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 2022 (cont'd.)	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 %
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	9,638,556	6,222,666	3,228,459	6,198,007	315,303	50,258	350	-	667,010	-	26,320,609	2.5%
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	-	301,158	0.1%
Deposits and placements of banks and other financial institutions	200	-	1,800	250	-	-	5,000	-	296,138	-	303,388	0.0%
Bills and acceptances payable	-	-	-	-	-	-	-	-	20,218	-	20,218	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	23,111	23,111	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	150,000	-	582,501	-	-	-	673	-	733,174	4.2%
Subordinated sukuk	-	-	-	-	-	500,000	300,000	-	6,596	-	806,596	4.8%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	139,359	-	139,359	-
<b>Total Liabilities</b>	<b>9,939,914</b>	<b>6,222,666</b>	<b>3,380,259</b>	<b>6,198,257</b>	<b>897,804</b>	<b>550,258</b>	<b>305,350</b>	<b>-</b>	<b>1,129,994</b>	<b>23,111</b>	<b>28,647,613</b>	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,886,604	-	2,886,604	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,939,914</b>	<b>6,222,666</b>	<b>3,380,259</b>	<b>6,198,257</b>	<b>897,804</b>	<b>550,258</b>	<b>305,350</b>	<b>-</b>	<b>4,016,598</b>	<b>23,111</b>	<b>31,534,217</b>	
On-balance sheet profit sensitivity gap	9,016,130	(4,884,694)	(851,160)	(4,290,680)	110,380	(39,643)	168,240	3,432,362	(2,762,297)	101,362	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>9,016,130</b>	<b>(4,884,694)</b>	<b>(851,160)</b>	<b>(4,290,680)</b>	<b>110,380</b>	<b>(39,643)</b>	<b>168,240</b>	<b>3,432,362</b>	<b>(2,762,297)</b>	<b>1,301,362</b>	<b>1,200,000</b>	

\* 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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
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 investment designated at fair value through profit and loss (restated, see Note 53)	-	-	-	-	-	-	-	-	-	152,892	152,892	2.8%
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	200,723	956,783	1,627,813	1,376,496	156,937	324,981	106,894	284,527	-	5,035,154	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	-
<b>TOTAL ASSETS</b>	<b>17,025,240</b>	<b>524,962</b>	<b>1,094,870</b>	<b>2,495,998</b>	<b>1,815,764</b>	<b>504,804</b>	<b>503,581</b>	<b>2,531,184</b>	<b>911,659</b>	<b>158,329</b>	<b>27,566,391</b>	

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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 %
<b>LIABILITIES AND EQUITY</b>												
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%
Senior Sukuk	-	-	-	-	-	-	-	-	-	-	-	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	194,954	-	194,954	-
<b>Total Liabilities</b>	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	-
<b>TOTAL LIABILITIES AND EQUITY</b>	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	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	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 %
<b>ASSETS</b>												
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 (restated, see Note 53)	-	-	-	-	-	-	-	-	48,866	99,219	148,085	3.2%
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	402,458	253,432	1,171,992	754,815	522,923	21,116	149,137	688,344	-	3,964,217	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	-
<b>TOTAL ASSETS</b>	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	

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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 %
<b>LIABILITIES AND EQUITY</b>												
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	-
<b>Total Liabilities</b>	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	-
<b>TOTAL LIABILITIES AND EQUITY</b>	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	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	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 2022	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 %
<b>ASSETS</b>												
Cash and short-term funds	1,113,571	-	-	-	-	-	-	-	121,882	-	1,235,453	2.9%
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	-	-	-	21,747	2.9%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-	120,226	179,544	7.0%
Financial assets at fair value through other comprehensive income	557	754	1,482,007	1,396,138	765,903	384,548	347,137	575,646	258,961	-	5,211,651	3.1%
Financial assets at amortised cost	-	-	-	-	-	-	-	147,744	(84,155)	-	113,589	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,247	4,247	-
Financing of customers: - non-impaired	17,841,916	1,315,471	1,047,092	511,439	242,281	126,067	126,453	2,708,972	35,328	-	23,955,019	5.2%
- impaired*	-	-	-	-	-	-	-	-	205,957	-	205,957	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(154,563)	-	(154,563)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	760,631	-	760,631	-
<b>TOTAL ASSETS</b>	<b>18,956,044</b>	<b>1,337,972</b>	<b>2,529,099</b>	<b>1,907,577</b>	<b>1,008,184</b>	<b>510,615</b>	<b>473,590</b>	<b>3,432,362</b>	<b>1,253,359</b>	<b>124,473</b>	<b>31,533,275</b>	

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 2022 (cont'd.)	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 %
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	9,649,856	6,222,666	3,228,459	6,198,007	315,303	50,258	350	-	675,454	-	26,340,353	2.5%
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	-	301,158	0.1%
Deposits and placements of banks and other financial institutions	200	-	1,800	250	-	-	5,000	-	296,138	-	303,388	0.0%
Bills and acceptances payable	-	-	-	-	-	-	-	-	20,218	-	20,218	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	23,111	23,111	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	150,000	-	582,501	-	-	-	673	-	733,174	4.2%
Subordinated sukuk	-	-	-	-	-	500,000	300,000	-	6,596	-	806,596	4.8%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	136,513	-	136,513	-
<b>Total Liabilities</b>	<b>9,951,214</b>	<b>6,222,666</b>	<b>3,380,259</b>	<b>6,198,257</b>	<b>897,804</b>	<b>550,258</b>	<b>305,350</b>	<b>-</b>	<b>1,135,592</b>	<b>23,111</b>	<b>28,664,511</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,868,764	-	2,868,764	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,951,214</b>	<b>6,222,666</b>	<b>3,380,259</b>	<b>6,198,257</b>	<b>897,804</b>	<b>550,258</b>	<b>305,350</b>	<b>-</b>	<b>4,004,356</b>	<b>23,111</b>	<b>31,533,275</b>	
On-balance sheet profit sensitivity gap	9,004,830	(4,884,694)	(851,160)	(4,290,680)	110,380	(39,643)	168,240	3,432,362	(2,750,997)	101,362	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>9,004,830</b>	<b>(4,884,694)</b>	<b>(851,160)</b>	<b>(4,290,680)</b>	<b>110,380</b>	<b>(39,643)</b>	<b>168,240</b>	<b>3,432,362</b>	<b>(2,750,997)</b>	<b>1,301,362</b>	<b>1,200,000</b>	

\* 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 %
<b>ASSETS</b>												
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 (restated, see Note 53)	-	-	-	-	-	-	-	-	-	152,892	152,892	2.8%
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	200,723	956,783	1,627,813	1,376,496	156,937	324,981	106,894	282,021	-	5,032,648	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 not credit impaired	-	-	-	-	-	-	-	-	(150,814)	-	(150,814)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	433,228	-	433,228	-
<b>TOTAL ASSETS</b>	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	

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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 %
<b>LIABILITIES AND EQUITY</b>												
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%
Senior Sukuk	-	-	-	-	-	-	-	-	-	-	-	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	193,919	-	193,919	-
<b>Total Liabilities</b>	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	-
<b>TOTAL LIABILITIES AND EQUITY</b>	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	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	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 %
<b>ASSETS</b>												
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 (restated, see Note 53)	-	-	-	-	-	-	-	-	48,866	99,219	148,085	3.2%
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	402,458	253,432	1,171,992	754,815	522,923	21,116	149,137	685,877	-	3,961,750	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	-
<b>TOTAL ASSETS</b>	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	

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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 %
<b>LIABILITIES AND EQUITY</b>												
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 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	-	-	-	-	-	-	-	-	139,197	-	139,197	-
<b>Total Liabilities</b>	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	-
<b>TOTAL LIABILITIES AND EQUITY</b>	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	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	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.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 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
<b>Impact on Earnings:</b>				
<b>2022</b>				
MYR	(19,643)	19,643	(18,098)	18,098
USD	174	(174)	174	(174)
Others*	261	(261)	261	(261)
<b>2021</b>				
MYR	(22,711)	22,711	(22,657)	22,657
USD	560	(560)	560	(560)
Others*	9	(9)	9	(9)
<b>Impact on Equity:</b>				
<b>2022</b>				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14
<b>2021</b>				
MYR	35,896	(35,896)	35,893	(35,893)
USD	(66)	66	(66)	66
Others*	(2)	2	(2)	2

\* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

#### 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

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating 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 2022	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
<b>Assets</b>										
Cash and short-term funds	930,711	295,874	285	442	758	599	526	4,022	2,236	1,235,453
Cash and placements with financial institutions	21,747	-	-	-	-	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	182,089	-	-	-	-	-	-	-	-	182,089
Financial assets at fair value through other comprehensive income	5,065,879	145,772	-	-	-	-	-	-	-	5,211,651
Financial assets at amortised cost	113,589	-	-	-	-	-	-	-	-	113,589
Islamic derivative financial assets	4,247	-	-	-	-	-	-	-	-	4,247
Financing of customers	23,916,254	98,634	-	-	2,179	-	-	-	-	24,017,067
Other assets	44,690	3	-	-	-	-	-	-	-	44,693
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	-	-	417,091
Investment properties	56,564	-	-	-	-	-	-	-	-	56,564
Right-of-use assets	34,917	151	-	-	-	-	-	-	-	35,068
Intangible assets	110,843	-	-	-	-	-	-	-	-	110,843
Property, plant and equipment	47,673	-	-	-	-	-	-	-	-	47,673
Deferred tax assets	36,442	-	-	-	-	-	-	-	-	36,442
<b>Total assets</b>	<b>30,982,736</b>	<b>540,434</b>	<b>285</b>	<b>442</b>	<b>2,937</b>	<b>599</b>	<b>526</b>	<b>4,022</b>	<b>2,236</b>	<b>31,534,217</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 2022 (cont'd.)	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
<b>Liabilities</b>										
Deposits from customers	25,987,727	276,364	99	-	772	55,502	-	-	145	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	308,388	(5,000)	-	-	-	-	-	-	-	303,388
Bills and acceptances payable	20,218	-	-	-	-	-	-	-	-	20,218
Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
Other liabilities	95,555	572	-	-	68	(72)	-	-	-	96,123
Lease liabilities	37,281	152	-	-	-	-	-	-	-	37,433
Provision for taxation and zakat	5,803	-	-	-	-	-	-	-	-	5,803
Recourse obligation on financing sold to Cagamas	733,174	-	-	-	-	-	-	-	-	733,174
Subordinated sukuk	806,596	-	-	-	-	-	-	-	-	806,596
<b>Total liabilities</b>	<b>28,319,011</b>	<b>272,088</b>	<b>99</b>	<b>-</b>	<b>840</b>	<b>55,430</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>28,647,613</b>
<b>On-balance sheet open position</b>	<b>2,663,725</b>	<b>268,346</b>	<b>186</b>	<b>442</b>	<b>2,097</b>	<b>(54,831)</b>	<b>526</b>	<b>4,022</b>	<b>2,091</b>	<b>2,886,604</b>
Less: Islamic derivative financial assets	(4,247)	-	-	-	-	-	-	-	-	(4,247)
Add: Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
<b>Net open position</b>	<b>2,682,589</b>	<b>268,346</b>	<b>186</b>	<b>442</b>	<b>2,097</b>	<b>(54,831)</b>	<b>526</b>	<b>4,022</b>	<b>2,091</b>	<b>2,905,468</b>

## 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
<b>Assets</b>										
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 (restated, see Note 53)	152,891	-	-	-	-	-	-	-	-	152,891
Financial assets at fair value through other comprehensive income (restated, see Note 53)	4,866,770	168,385	-	-	-	-	-	-	-	5,035,155
Financial assets at amortised cost	107,109	-	-	-	-	-	-	-	-	107,109
Islamic derivative financial assets	5,437	-	-	-	-	-	-	-	-	5,437
Financing of customers	20,568,022	103,284	-	-	-	-	-	-	-	20,671,306
Other assets	33,697	3	-	-	-	-	-	-	-	33,700
Statutory deposits with Bank Negara Malaysia	130,148	-	-	-	-	-	-	-	-	130,148
Investment properties	56,564	-	-	-	-	-	-	-	-	56,564
Right-of-use assets	29,404	19	-	-	-	-	-	-	-	29,423
Intangible assets	76,671	-	-	-	-	-	-	-	-	76,671
Property, plant and equipment	52,008	-	-	-	-	-	-	-	-	52,008
Deferred tax assets	42,504	-	-	-	-	-	-	-	-	42,504
<b>Total assets</b>	<b>27,153,492</b>	<b>402,568</b>	<b>136</b>	<b>522</b>	<b>921</b>	<b>1,695</b>	<b>1,068</b>	<b>3,437</b>	<b>2,552</b>	<b>27,566,391</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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
<b>Liabilities</b>										
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 taxation and zakat	6,664	-	-	-	-	-	-	-	-	6,664
Recourse obligation on financing sold to Cagamas	427,466	-	-	-	-	-	-	-	-	427,466
Subordinated sukuk	499,876	-	-	-	-	-	-	-	-	499,876
<b>Total liabilities</b>	24,528,444	282,210	79	-	679	2,148	-	33	11	24,813,604
<b>On-balance sheet open position</b>	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
<b>Net open position</b>	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.)

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
<b>Assets</b>										
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 (restated, see Note 53)	148,085	-	-	-	-	-	-	-	-	148,085
Financial assets at fair value through other comprehensive income (restated, see Note 53)	3,798,965	165,252	-	-	-	-	-	-	-	3,964,217
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
<b>Total assets</b>	<b>25,322,707</b>	<b>420,772</b>	<b>428</b>	<b>661</b>	<b>9,822</b>	<b>1,164</b>	<b>5,503</b>	<b>3,457</b>	<b>3,355</b>	<b>25,767,869</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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
<b>Liabilities</b>										
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
Lease liabilities	41,591	50	-	-	-	-	-	-	-	41,641
Provision for taxation and zakat	4,378	-	-	-	-	-	-	-	-	4,378
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
<b>Total liabilities</b>	22,565,660	535,467	53	-	11,900	2,107	-	-	2,030	23,117,217
<b>On-balance sheet open position</b>	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
<b>Net open position</b>	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 2022	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
<b>Assets</b>										
Cash and short-term funds	930,711	295,874	285	442	758	599	526	4,022	2,236	1,235,453
Cash and placements with financial institutions	21,747	-	-	-	-	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	179,544	-	-	-	-	-	-	-	-	179,544
Financial assets at fair value through other comprehensive income	5,065,879	145,772	-	-	-	-	-	-	-	5,211,651
Financial assets at amortised cost	113,589	-	-	-	-	-	-	-	-	113,589
Islamic derivative financial assets	4,247	-	-	-	-	-	-	-	-	4,247
Financing of customers	23,905,600	98,634	-	-	2,179	-	-	-	-	24,006,413
Other assets	44,191	3	-	-	-	-	-	-	-	44,194
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	-	-	417,091
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	-	13,159
Investment properties	56,564	-	-	-	-	-	-	-	-	56,564
Right-of-use assets	34,917	151	-	-	-	-	-	-	-	35,068
Intangible assets	110,491	-	-	-	-	-	-	-	-	110,491
Property, plant and equipment	47,622	-	-	-	-	-	-	-	-	47,622
Deferred tax assets	36,442	-	-	-	-	-	-	-	-	36,442
<b>Total assets</b>	<b>30,981,794</b>	<b>540,434</b>	<b>285</b>	<b>442</b>	<b>2,937</b>	<b>599</b>	<b>526</b>	<b>4,022</b>	<b>2,236</b>	<b>31,533,275</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 2022 (cont'd.)	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
<b>Liabilities</b>										
Deposits from customers	26,007,471	276,364	99	-	772	55,502	-	-	145	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	308,388	(5,000)	-	-	-	-	-	-	-	303,388
Bills and acceptances payable	20,218	-	-	-	-	-	-	-	-	20,218
Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
Other liabilities	93,857	572	-	-	68	(72)	-	-	-	94,425
Lease liabilities	37,281	152	-	-	-	-	-	-	-	37,433
Provision for taxation and zakat	4,655	-	-	-	-	-	-	-	-	4,655
Recourse obligation on financing sold to Cagamas	733,174	-	-	-	-	-	-	-	-	733,174
Subordinated sukuk	806,596	-	-	-	-	-	-	-	-	806,596
<b>Total liabilities</b>	<b>28,335,909</b>	<b>272,088</b>	<b>99</b>	<b>-</b>	<b>840</b>	<b>55,430</b>	<b>-</b>	<b>-</b>	<b>145</b>	<b>28,664,511</b>
<b>On-balance sheet open position</b>	<b>2,645,885</b>	<b>268,346</b>	<b>186</b>	<b>442</b>	<b>2,097</b>	<b>(54,831)</b>	<b>526</b>	<b>4,022</b>	<b>2,091</b>	<b>2,868,764</b>
Less: Islamic derivative financial assets	(4,247)	-	-	-	-	-	-	-	-	(4,247)
Add: Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
<b>Net open position</b>	<b>2,664,749</b>	<b>268,346</b>	<b>186</b>	<b>442</b>	<b>2,097</b>	<b>(54,831)</b>	<b>526</b>	<b>4,022</b>	<b>2,091</b>	<b>2,887,628</b>

## 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
<b>Assets</b>										
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 (restated, see Note 53)	152,891	-	-	-	-	-	-	-	-	152,891
Financial assets at fair value through other comprehensive income (restated, see Note 53)	4,864,264	168,385	-	-	-	-	-	-	-	5,032,649
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
<b>Total assets</b>	<b>27,153,508</b>	<b>402,568</b>	<b>136</b>	<b>522</b>	<b>921</b>	<b>1,695</b>	<b>1,068</b>	<b>3,437</b>	<b>2,552</b>	<b>27,566,407</b>



## 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	Assets	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
	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 (restated, see Note 53)	148,085	-	-	-	-	-	-	-	-	148,085
	Financial assets at fair value through other comprehensive income (restated, see Note 53)	3,796,498	165,252	-	-	-	-	-	-	-	3,961,750
	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
	<b>Total assets</b>	<b>25,320,197</b>	<b>420,772</b>	<b>428</b>	<b>661</b>	<b>9,822</b>	<b>1,164</b>	<b>5,503</b>	<b>3,457</b>	<b>3,355</b>	<b>25,765,359</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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
<b>Liabilities</b>										
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 taxation and zakat	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
<b>Total liabilities</b>	22,571,263	535,467	53	-	11,900	2,107	-	-	2,030	23,122,820
<b>On-balance sheet open position</b>	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
<b>Net open position</b>	2,868,448	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,762,053

## 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)

## 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.)

##### 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.

### (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 2022 based on remaining contractual maturities.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 2022	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
<b>Assets</b>							
Cash and short-term funds	1,184,485	50,968	-	-	-	-	1,235,453
Cash and placements with financial institution	-	-	21,747	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	34,604	182,089
Financial assets at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,711,376	5,211,651
Financial assets at amortised cost	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,118	1,266	465	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	18,269,467	24,017,067
Other assets	-	(19)	-	-	44,216	704,177	748,374
<b>Total assets</b>	<b>1,277,508</b>	<b>863,675</b>	<b>1,397,412</b>	<b>1,848,089</b>	<b>3,314,320</b>	<b>22,833,213</b>	<b>31,534,217</b>
<b>Liabilities</b>							
Deposits from customers	10,761,361	5,070,645	6,253,122	2,533,620	712,312	989,549	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	301,388	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	23,111
Other liabilities	-	19,778	918	1,695	84,658	32,310	139,359
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	733,174	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	806,596
<b>Total liabilities</b>	<b>11,068,075</b>	<b>5,096,605</b>	<b>6,285,527</b>	<b>2,544,339</b>	<b>798,270</b>	<b>2,854,797</b>	<b>28,647,613</b>
<b>Net maturity mismatch</b>	<b>(9,790,567)</b>	<b>(4,232,930)</b>	<b>(4,888,115)</b>	<b>(696,250)</b>	<b>2,516,050</b>	<b>19,978,416</b>	<b>2,886,604</b>



## 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 2022 (cont'd.)	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
<b>Commitments and contingencies</b>							
Contingent liabilities	-	716	5,402	6,631	29,820	1,012,360	1,054,929
Commitments	192,230	2,152	164,529	72,039	6,537	1,350,565	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	-	-	-	-	152,232	152,232
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,137	-	1,786,430
<b>Total commitments and contingencies</b>	<b>336,818</b>	<b>6,072</b>	<b>743,780</b>	<b>1,128,322</b>	<b>51,494</b>	<b>2,515,157</b>	<b>4,781,643</b>
<b>Group 2021</b>							
<b>Assets</b>							
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 (restated, see Note 53)	-	-	-	5,052	-	147,839	152,891
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	-	215,530	286,898	838,270	3,694,457	5,035,155
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
<b>Total assets</b>	<b>1,198,824</b>	<b>797,594</b>	<b>1,625,095</b>	<b>1,595,270</b>	<b>2,876,774</b>	<b>19,472,834</b>	<b>27,566,391</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

## 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 (cont'd.)	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
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>10,565,059</b>	<b>3,761,574</b>	<b>3,252,403</b>	<b>4,172,694</b>	<b>967,202</b>	<b>2,094,672</b>	<b>24,813,604</b>
<b>Net maturity mismatch</b>	<b>(9,366,235)</b>	<b>(2,963,980)</b>	<b>(1,627,308)</b>	<b>(2,577,424)</b>	<b>1,909,572</b>	<b>17,378,162</b>	<b>2,752,787</b>
<b>Commitments and contingencies</b>							
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
<b>Total commitments and contingencies</b>	<b>208,962</b>	<b>14,149</b>	<b>344,946</b>	<b>509,255</b>	<b>1,021,708</b>	<b>3,192,762</b>	<b>5,291,782</b>

## 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 RM'000	Total RM'000
<b>Assets</b>							
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 (restated, see Note 53)	-	-	-	-	-	148,085	148,085
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	149,868	635,472	144,152	123,899	2,910,826	3,964,217
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
<b>Total assets</b>	<b>2,435,706</b>	<b>1,399,321</b>	<b>1,959,881</b>	<b>1,278,470</b>	<b>2,135,312</b>	<b>16,559,179</b>	<b>25,767,869</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>9,513,656</b>	<b>4,710,212</b>	<b>3,263,752</b>	<b>3,161,312</b>	<b>1,302,885</b>	<b>1,165,400</b>	<b>23,117,217</b>
<b>Net maturity mismatch</b>	<b>(7,077,950)</b>	<b>(3,310,891)</b>	<b>(1,303,871)</b>	<b>(1,882,842)</b>	<b>832,427</b>	<b>15,393,779</b>	<b>2,650,652</b>

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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.)

Group 2020 (cont'd.)	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
<b>Commitments and contingencies</b>							
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
<b>Total commitments and contingencies</b>	<b>562,115</b>	<b>917,897</b>	<b>1,095,606</b>	<b>1,039,281</b>	<b>751,818</b>	<b>2,550,767</b>	<b>6,917,484</b>
<b>Bank 2022</b>							
<b>Assets</b>							
Cash and short-term funds	1,184,486	50,967	-	-	-	-	1,235,453
Cash and placements with financial institution	-	-	21,747	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	32,059	179,544
Financial assets at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,711,376	5,211,651
Financial assets at amortised cost	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,120	1,264	465	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	18,258,813	24,006,413
Other assets	-	(29)	-	-	43,722	716,938	760,631
<b>Total assets</b>	<b>1,277,509</b>	<b>863,666</b>	<b>1,397,410</b>	<b>1,848,089</b>	<b>3,313,826</b>	<b>22,832,775</b>	<b>31,533,275</b>

## 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 2022 (cont'd.)	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
<b>Liabilities</b>							
Deposits from customers	10,773,324	5,078,482	6,253,097	2,533,605	712,306	989,539	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	301,388	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	23,111
Other liabilities	-	18,103	918	1,695	83,484	32,313	136,513
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	733,174	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	806,596
<b>Total liabilities</b>	<b>11,080,038</b>	<b>5,102,767</b>	<b>6,285,502</b>	<b>2,544,324</b>	<b>797,090</b>	<b>2,854,790</b>	<b>28,664,511</b>
<b>Net maturity mismatch</b>	<b>(9,802,529)</b>	<b>(4,239,101)</b>	<b>(4,888,092)</b>	<b>(696,235)</b>	<b>2,516,736</b>	<b>19,977,985</b>	<b>2,868,764</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	-	716	5,402	6,631	29,820	1,012,360	1,054,929
Commitments	192,230	2,152	164,529	72,039	6,537	1,350,565	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	-	-	-	-	152,232	152,232
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,137	-	1,786,430
<b>Total commitments and contingencies</b>	<b>336,818</b>	<b>6,072</b>	<b>743,780</b>	<b>1,128,322</b>	<b>51,494</b>	<b>2,515,157</b>	<b>4,781,643</b>

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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 RM'000	Total RM'000
<b>Assets</b>							
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 (restated, see Note 53)	-	-	-	5,052	-	147,839	152,891
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	-	215,530	286,898	838,270	3,691,951	5,032,649
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
<b>Total assets</b>	<b>1,198,824</b>	<b>797,585</b>	<b>1,625,095</b>	<b>1,595,270</b>	<b>2,876,185</b>	<b>19,473,448</b>	<b>27,566,407</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>10,572,839</b>	<b>3,769,167</b>	<b>3,252,381</b>	<b>4,172,660</b>	<b>966,424</b>	<b>2,094,649</b>	<b>24,828,120</b>
<b>Net maturity mismatch</b>	<b>(9,374,015)</b>	<b>(2,971,582)</b>	<b>(1,627,286)</b>	<b>(2,577,390)</b>	<b>1,909,761</b>	<b>17,378,799</b>	<b>2,738,287</b>

## 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 (cont'd.)	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
<b>Commitments and contingencies</b>							
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
<b>Total commitments and contingencies</b>	<b>208,962</b>	<b>14,149</b>	<b>344,946</b>	<b>509,255</b>	<b>1,021,708</b>	<b>3,192,762</b>	<b>5,291,782</b>
<b>Bank 2020</b>							
<b>Assets</b>							
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 (restated, see Note 53)	-	-	-	-	-	148,085	148,085
Financial assets at fair value through other comprehensive income (restated, see Note 53)	-	149,868	635,472	144,152	123,899	2,908,359	3,961,750
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
<b>Total assets</b>	<b>2,435,709</b>	<b>1,399,321</b>	<b>1,959,881</b>	<b>1,278,470</b>	<b>2,134,483</b>	<b>16,557,495</b>	<b>25,765,359</b>

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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 (cont'd.)	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
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>9,518,181</b>	<b>4,719,366</b>	<b>3,263,719</b>	<b>3,161,641</b>	<b>1,302,513</b>	<b>1,157,401</b>	<b>23,122,821</b>
<b>Net maturity mismatch</b>	<b>(7,082,472)</b>	<b>(3,320,045)</b>	<b>(1,303,838)</b>	<b>(1,883,171)</b>	<b>831,970</b>	<b>15,400,094</b>	<b>2,642,538</b>
<b>Commitments and contingencies</b>							
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
<b>Total commitments and contingencies</b>	<b>562,115</b>	<b>917,897</b>	<b>1,095,606</b>	<b>1,039,281</b>	<b>751,818</b>	<b>2,550,767</b>	<b>6,917,484</b>



## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (c) Liquidity and funding risk (cont'd.)

#### (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						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	
<b>2022</b>							
By contractual maturity	10,761,361	5,070,645	6,253,122	2,533,620	712,312	989,549	26,320,609
By behavioural maturity	1,598,436	915,956	836,695	889,942	722,991	21,356,589	26,320,609
Difference	9,162,925	4,154,689	5,416,427	1,643,678	(10,679)	(20,367,040)	-
<b>2021</b>							
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)	-
<b>Bank</b>							
<b>2022</b>							
By contractual maturity	10,773,324	5,078,482	6,253,097	2,533,605	712,306	989,539	26,340,353
By behavioural maturity	1,599,723	916,674	837,413	890,844	723,521	21,372,178	26,340,353
Difference	9,173,601	4,161,808	5,415,684	1,642,761	(11,215)	(20,382,639)	-
<b>2021</b>							
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)	-

#### (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.

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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.)

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 RM'000	Total RM'000
<b>2022</b>							
<b>Non-derivative liabilities</b>							
Deposits from customers	10,761,793	5,080,015	6,291,262	2,565,177	732,733	1,089,403	26,520,383
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	304,163	306,163
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Other liabilities	-	19,778	-	-	76,346	-	96,124
Leases liabilities	-	-	2,823	2,598	6,959	37,953	50,333
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	642,213	642,213
Subordinated sukuk	-	7,995	-	8,220	19,245	1,009,785	1,045,245
<b>Derivative liabilities</b>	<b>5,556</b>	<b>5,982</b>	<b>11,269</b>	<b>304</b>	<b>-</b>	<b>-</b>	<b>23,111</b>
<b>Total financial liabilities</b>	<b>11,068,507</b>	<b>5,113,970</b>	<b>6,325,572</b>	<b>2,576,799</b>	<b>836,583</b>	<b>3,083,517</b>	<b>29,004,948</b>
<b>2021</b>							
<b>Non-derivative liabilities</b>							
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
<b>Derivative liabilities</b>	<b>426</b>	<b>451</b>	<b>2,399</b>	<b>891</b>	<b>-</b>	<b>57,376</b>	<b>61,543</b>
<b>Total financial liabilities</b>	<b>10,565,491</b>	<b>3,765,289</b>	<b>3,263,931</b>	<b>4,223,484</b>	<b>989,509</b>	<b>2,369,632</b>	<b>25,177,336</b>

## 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 RM'000	Total RM'000
<b>2022</b>							
<b>Non-derivative liabilities</b>							
Deposits from customers	10,773,756	5,087,840	6,291,237	2,565,162	732,727	1,089,392	26,540,114
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	304,163	306,163
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Other liabilities	-	18,103	-	-	76,321	-	94,424
Leases liabilities	-	-	2,823	2,598	6,959	37,953	50,333
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	642,213	642,213
Subordinated sukuk	-	7,995	-	8,220	19,245	1,009,785	1,045,245
<b>Derivative liabilities</b>	5,556	5,982	11,269	304	-	-	23,111
<b>Total financial liabilities</b>	<b>11,080,470</b>	<b>5,120,120</b>	<b>6,325,547</b>	<b>2,576,784</b>	<b>836,552</b>	<b>3,083,506</b>	<b>29,022,979</b>
<b>2021</b>							
<b>Non-derivative liabilities</b>							
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
Leases liabilities	-	75,390	-	-	80,581	-	155,971
Other 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
<b>Derivative liabilities</b>	426	451	2,399	892	-	57,375	61,543
<b>Total financial liabilities</b>	<b>10,573,271</b>	<b>3,772,874</b>	<b>3,263,909</b>	<b>4,223,451</b>	<b>989,198</b>	<b>2,369,610</b>	<b>25,192,313</b>

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### 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 minimize 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.

**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	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	
<b>2022</b>				
<b>Non-financial assets</b>				
Investment properties	-	-	56,564	56,564
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss	6,138	5,114	170,837	182,089
Financial investments at FVOCI	56,783	5,004,465	150,403	5,211,651
Derivative financial assets	-	4,247	-	4,247
Total financial assets measured at fair value	62,921	5,013,826	321,240	5,397,987
<b>Financial liabilities</b>				
Derivative financial liabilities	-	23,111	-	23,111
Total financial liabilities measured at fair value	-	23,111	-	23,111
<b>2021</b>				
<b>Restated</b>				
<b>Non-financial assets</b>				
Investment properties	-	-	56,564	56,564
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss (restated, see Note 53)	-	10,286	142,605	152,891
Financial investments at FVOCI (restated, see Note 53)	96,704	4,765,435	173,016	5,035,155
Derivative financial assets	-	5,437	-	5,437
Total financial assets measured at fair value	96,704	4,781,158	315,621	5,193,483

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## 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	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	
<b>2021</b>				
<b>Restated (cont'd.)</b>				
<b>Financial liabilities</b>				
Derivative financial liabilities	-	61,543	-	61,543
Total financial liabilities measured at fair value	-	61,543	-	61,543
<b>2020</b>				
<b>Restated</b>				
<b>Non-financial assets</b>				
Investment properties	-	-	55,889	55,889
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss (restated, see Note 53)	-	10,492	137,593	148,085
Financial investments at FVOCI (restated, see Note 53)	104,410	3,689,924	169,883	3,964,217
Derivative financial assets	-	47,820	-	47,820
Total financial asset measured at fair value	104,410	3,748,236	307,476	4,160,122
<b>Financial liabilities</b>				
Derivative financial liabilities	-	167,334	-	167,334
Total financial liabilities measured at fair value	-	167,334	-	167,334

**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	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	
<b>2022</b>				
<b>Non-financial assets</b>				
Investment properties	-	-	57,844	57,844
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss	3,594	5,113	170,837	179,544
Financial investments at FVOCI	56,783	5,004,465	150,403	5,211,651
Derivative financial assets	-	4,247	-	4,247
Total financial assets measured at fair value	60,377	5,013,825	321,240	5,395,442
<b>Financial liabilities</b>				
Derivative financial liabilities	-	23,111	-	23,111
Total financial liabilities measured at fair value	-	23,111	-	23,111
<b>2021</b>				
<b>Restated</b>				
<b>Non-financial assets</b>				
Investment properties	-	-	56,564	56,564
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss (restated, see Note 53)	-	10,286	142,605	152,891
Financial investments at FVOCI (restated, see Note 53)	94,199	4,765,434	173,016	5,032,649
Derivative financial assets	-	5,437	-	5,437
Total financial assets measured at fair value	94,199	4,781,157	315,621	5,190,977
<b>Financial liabilities</b>				
Derivative financial liabilities	-	61,543	-	61,543
Total financial liabilities measured at fair value	-	61,543	-	61,543

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## 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	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	
<b>2020 Restated</b>				
<b>Non-financial assets</b>				
Investment properties	-	-	55,889	55,889
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss (restated, see Note 53)	-	10,492	137,593	148,085
Financial investments at FVOCI (restated, see Note 53)	101,944	3,689,923	169,883	3,961,750
Derivative financial assets	-	47,820	-	47,820
<b>Total financial assets measured at fair value</b>	<b>101,944</b>	<b>3,748,235</b>	<b>307,476</b>	<b>4,157,655</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	167,334	-	167,334
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>167,334</b>	<b>-</b>	<b>167,334</b>

Reconciliation of financial assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>At 1 January 2022</b>	<b>315,621</b>	<b>307,476</b>
(Loss)/Gain recognised in statements of in statements of in profit or loss	(27,352)	2,101
Purchases	23,352	-
Foreign exchange translation difference	9,619	6,044
<b>At 31 December 2022</b>	<b>321,240</b>	<b>315,621</b>
Total (loss)/gain recognised in profit or loss for financial instruments measured at fair value at the end of the financial year	(27,354)	2,101



**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.

<b>Group</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total fair value RM'000</b>	<b>Carrying Amount RM'000</b>
<b>2022</b>					
<b>Financial assets</b>					
Financial investments at amortised cost	-	-	30,311	30,311	113,589
Financing of customers	-	16,763,788	7,073,957	23,837,745	24,017,067
<b>Financial liabilities</b>					
Deposits from customers	-	2,350,904	23,969,266	26,320,170	26,320,609
Investment account o customers	-	301,158	-	301,158	301,158
Deposits and placements of banks and other financial institutions	-	-	6,954	6,954	7,250
Bills and acceptances payable	-	-	20,218	20,218	20,218
Subordinated sukuk	-	804,985	-	804,985	806,596
<b>2021</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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

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### 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
<b>2022</b>					
<b>Financial assets</b>					
Financial investments at amortised cost	-	-	30,311	30,311	113,589
Financing of customers	-	16,752,858	7,073,957	23,826,815	24,006,413
<b>Financial liabilities</b>					
Deposits from customers	-	2,350,904	23,989,010	26,339,914	26,340,353
Investment account of customers	-	301,158	-	301,158	301,158
Deposits and placements of banks and other financial institutions	-	-	6,954	6,954	7,250
Subordinated sukuk	-	804,985	-	804,985	806,596
<b>2021</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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

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.

## 47. FAIR VALUE MEASUREMENTS (CONT'D.)

### (b) Financial instruments not carried at fair value (cont'd.)

#### 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.

#### 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	
<b>2022</b>						
Derivative assets	4,247	-	4,247	-	-	4,247
Derivative liabilities	(23,111)	-	(23,111)	-	-	(23,111)
<b>2021</b>						
Derivative assets	5,437	-	5,437	-	-	5,437
Derivative liabilities	(61,543)	-	(61,543)	-	-	(61,543)

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:

- (i) 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
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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**49. CAPITAL AND OTHER COMMITMENTS**

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	2022 RM'000	2021 RM'000
Approved and contracted for	14,515	4,338
Approved but not contracted for	150,567	140,158
	<b>165,082</b>	<b>144,496</b>

	Group	
	2022 RM'000	2021 RM'000
Approved and contracted for	14,515	4,338
Approved but not contracted for	150,673	140,266
	<b>165,188</b>	<b>144,604</b>

**50. CAPITAL ADEQUACY**

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	2022	Group	
	RM'000	2021 RM'000 Restated	2020 RM'000 Restated
<b>Computation of total risk-weighted assets ("RWA")</b>			
Total credit RWA	19,525,603	17,566,888	15,081,238
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(135,099)	(98,453)	-
Total market RWA	23,153	16,225	22,546
Total operational RWA	1,460,879	1,321,435	1,259,314
Total RWA	<b>20,874,536</b>	<b>18,806,095</b>	<b>16,363,098</b>

**50. CAPITAL ADEQUACY (CONT'D.)**

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	2022 RM'000	Group 2021 RM'000 Restated	2020 RM'000 Restated
<b>Computation of capital ratios</b>			
<b><u>Tier-I capital</u></b>			
Share capital	1,195,000	1,195,000	1,195,000
Retained profits (restated, see Note 53)	1,595,641	1,485,685	1,311,289
<b>Other Reserves</b>			
Regulatory reserve	94,239	28,079	45,411
FVOCI reserve (restated, see Note 53)	(1,342)	43,374	99,920
Foreign exchange translation reserve	3,066	649	(968)
<b>Less: Regulatory Adjustment</b>			
Deferred tax assets	(52,920)	(58,170)	(39,422)
Investment property gain	(8,171)	(8,171)	(7,496)
Regulatory reserve	(94,239)	(28,079)	(45,411)
FVOCI reserve (restated, see Note 53)	-	(23,856)	(54,956)
Cumulative gains of financing measured at FVTPL	(21,455)	(19,354)	-
Intangible asset (net of deferred tax liabilities)	(94,363)	(61,002)	(14,293)
<b>Total Common Equity Tier-I Capital</b>	<b>2,615,456</b>	<b>2,554,155</b>	<b>2,489,074</b>
<b>Total Tier-I Capital</b>	<b>2,615,456</b>	<b>2,554,155</b>	<b>2,489,074</b>
<b><u>Tier-II capital</u></b>			
Subordinated sukuk	800,000	500,000	250,000
Loss provision and regulatory reserve*	248,955	180,990	150,659
Add: Investment property gain	3,677	3,677	3,373
<b>Total Tier-II Capital</b>	<b>1,052,632</b>	<b>684,667</b>	<b>404,032</b>
<b>Total Capital Base</b>	<b>3,668,088</b>	<b>3,238,822</b>	<b>2,893,106</b>
<b>Ratio (%)</b>			
CET 1 Capital	12.529%	13.582%	15.212%
Tier 1 Capital	12.529%	13.582%	15.212%
Total Capital	17.572%	17.222%	17.681%

\* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.

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### 50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	2022 RM'000	Bank 2021 RM'000 Restated	2020 RM'000 Restated
<b>Computation of total risk-weighted assets ("RWA")</b>			
Total credit RWA	19,506,523	17,549,202	15,063,327
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(135,099)	(98,453)	-
Total market RWA	23,153	16,225	22,546
Total operational RWA	1,424,839	1,302,128	1,250,046
<b>Total RWA</b>	<b>20,819,416</b>	<b>18,769,102</b>	<b>16,335,919</b>
<b>Computation of capital ratios</b>			
<b><u>Tier-I capital</u></b>			
Share capital	1,195,000	1,195,000	1,195,000
Retained profits (restated, see Note 53)	1,577,800	1,471,184	1,303,175
<b>Other Reserves</b>			
Regulatory reserve	94,239	28,079	45,411
FVOCI reserve (restated, see Note 53)	(1,342)	43,374	99,920
Foreign exchange translation reserve	3,067	650	(968)
<b>Regulatory Adjustment</b>			
Deferred tax assets	(52,920)	(58,170)	(39,070)
Investment property gain	(8,171)	(8,171)	(7,496)
Regulatory reserve	(94,239)	(28,079)	(45,411)
FVOCI reserve (restated, see Note 53)	-	(23,856)	(54,956)
Investment in subsidiaries	(13,159)	(13,159)	(13,159)
Cumulative gains of financing measured at FVTPL	(21,455)	(19,354)	-
Intangible asset (net of deferred tax liabilities)	(94,013)	(60,701)	(14,080)
<b>Total Common Equity Tier- I Capital</b>	<b>2,584,807</b>	<b>2,526,797</b>	<b>2,468,366</b>
<b>Total Tier-I Capital</b>	<b>2,584,807</b>	<b>2,526,797</b>	<b>2,468,366</b>
<b><u>Tier-II capital</u></b>			
Subordinated sukuk	800,000	500,000	250,000
Loss provision and regulatory reserve*	248,955	180,990	150,659
Add: Investment property gain	3,677	3,677	3,373
<b>Total Tier-II Capital</b>	<b>1,052,632</b>	<b>684,667</b>	<b>404,032</b>
<b>Total Capital Base</b>	<b>3,637,439</b>	<b>3,211,464</b>	<b>2,872,398</b>

\* 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.)

	2022 RM'000	Bank 2021 RM'000 Restated	2020 RM'000 Restated
<b>Computation of capital ratios (cont'd.)</b>			
<b>Ratio (%)</b>			
CET 1 Capital	12.415%	13.463%	15.110%
Tier 1 Capital	12.415%	13.463%	15.110%
Total Capital	17.471%	17.110%	17.583%

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 (2021: 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			
	2022			2021
	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%	6,865,619	-	5,863,468	-
20%	4,612,135	922,427	2,485,451	497,090
35%	2,410,334	843,617	2,787,359	975,576
50%	1,171,097	585,548	1,170,444	585,222
75%	3,329,057	2,496,793	3,564,694	2,673,520
100%	14,388,397	14,388,397	12,698,045	12,698,045
150%	192,548	288,821	91,623	137,435
<b>Risk weighted assets for credit risk</b>	<b>32,969,187</b>	<b>19,525,603</b>	<b>28,661,084</b>	<b>17,566,888</b>
<b>Less: Credit risk absorbed by PSIA</b>		<b>(135,099)</b>		<b>(98,453)</b>
<b>Risk weighted assets for market risk</b>		<b>23,153</b>		<b>16,225</b>
<b>Risk weighted assets for operational risk</b>		<b>1,460,879</b>		<b>1,321,435</b>
<b>Total risk weighted assets</b>		<b>20,874,536</b>		<b>18,806,095</b>

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### 50. CAPITAL ADEQUACY (CONT'D.)

(b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows: (cont'd.)

	Bank			
	2022			2021
	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%	6,865,619	-	5,863,468	-
20%	4,612,135	922,427	2,485,451	497,090
35%	2,410,334	843,617	2,787,359	975,576
50%	1,171,097	585,548	1,170,444	585,222
75%	3,329,057	2,496,793	3,564,694	2,673,520
100%	14,385,298	14,385,298	12,694,891	12,694,891
150%	181,894	272,840	81,935	122,903
<b>Risk weighted assets for credit risk</b>	<b>32,955,434</b>	<b>19,506,523</b>	28,648,242	17,549,202
<b>Less: Credit risk absorbed by PSIA</b>		<b>(135,099)</b>		(98,453)
<b>Risk weighted assets for market risk</b>		<b>23,153</b>		16,225
<b>Risk weighted assets for operational risk</b>		<b>1,424,839</b>		1,302,128
<b>Total risk weighted assets</b>		<b>20,819,416</b>		18,769,102

#### 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.



## 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 2022	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	291,274	865,614	195,136	(12,139)	1,339,885
<b>Total income</b>	<b>180,514</b>	<b>453,957</b>	<b>36,830</b>	<b>215,353</b>	<b>886,654</b>
Allowance for impairment on financing	8,049	(49,059)	-	-	(41,010)
Writeback of/(allowance for) losses on investments	-	-	(4,371)	-	(4,371)
Allowance for impairment losses on other financial assets, net	-	-	(38)	-	(38)
Other expenses	-	-	-	(26,602)	(26,602)
<b>Total net income</b>	<b>188,563</b>	<b>404,898</b>	<b>32,421</b>	<b>188,751</b>	<b>814,633</b>
Total overhead expenses					(507,908)
<b>Profit before zakat and taxation</b>					<b>306,725</b>
Zakat					(2,692)
Taxation					(81,255)
<b>Profit for the year</b>					<b>222,778</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 51. SEGMENT INFORMATION (CONT'D.)

#### (a) Business segments (cont'd.)

Group 2021	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue (restated Note 53)	290,994	706,688	170,347	(30,799)	1,137,230
<b>Total Income (restated Note 53)</b>	173,538	404,973	41,849	178,544	798,904
Allowance for impairment on financing	(6,851)	(47,093)	-	-	(53,944)
Allowance for impairment on investments	-	-	296	-	296
Writeback of/(allowance for) impairment on other financial assets, net	-	-	20	(414)	(394)
Other expenses	-	-	-	(22,726)	(22,726)
<b>Total net income</b>	166,687	357,880	42,165	155,404	722,136
Total overhead expenses					(467,268)
<b>Profit before zakat dan taxation</b>					254,868
Zakat					(6,447)
Taxation					(91,070)
<b>Profit for the year</b>					157,351

Bank 2022	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	291,274	865,614	187,684	(12,139)	1,332,433
<b>Total Income</b>	180,514	453,957	29,125	215,353	878,949
Writeback of/(allowance for) impairment on financing	8,049	(49,059)	-	-	(41,010)
Allowance for impairment losses on investments	-	-	(4,371)	-	(4,371)
Allowance for impairment losses on other financial assets, net	-	-	(38)	-	(38)
Other expenses	-	-	-	(26,602)	(26,602)
<b>Total net income</b>	188,563	404,898	24,716	188,751	806,928
Total overhead expenses					(506,418)
<b>Profit before zakat and taxation</b>					300,510
Zakat					(2,254)
Taxation					(78,818)
<b>Profit for the year</b>					219,438

## 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 (restated Note 53)	290,994	706,688	159,493	(30,799)	1,126,376
<b>Total Income (restated Note 53)</b>	173,538	404,973	30,794	178,544	787,849
Allowance for impairment on financing	(6,851)	(47,093)	-	-	(53,944)
Allowance for 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)
<b>Total net income</b>	166,687	357,880	31,110	155,404	711,081
Total overhead expenses					(464,920)
<b>Profit before zakat and taxation</b>					246,161
Zakat					(6,043)
Taxation					(89,154)
<b>Profit for the year</b>					150,964

## 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 Division, and Shariah Risk under the Risk Management Department.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 52. SHARIAH DISCLOSURES (CONT'D.)

#### (a) Shariah governance (cont'd.)

##### 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

2022	No. of event	RM
Shariah non-compliance events/income during the year	1	-
<hr/>		
2021	No. of event	RM
Shariah non-compliance events/income during the year	6	4

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

#### (ii) Unidentified fund / earning prohibited by Shariah

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, and/or prohibited by Shariah. 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 automated teller machines ("ATM"), and unidentified funds, whilst earning prohibited by Shariah were interest income derived from Nostro accounts.

	2022 RM'000	2021 RM'000
<b>At 1 January 2022/2021</b>	<b>559</b>	<b>648</b>
<hr/>		
<b>Sources of charity funds</b>		
Unidentified fund/earning prohibited by Shariah, during the year	70	-
<hr/>		
<b>Uses of charity funds</b>		
Contribution to non-profit organisation	(198)	(89)
<hr/>		
<b>Undistributed charity funds as at 31 December 2022/2021</b>	<b>431</b>	<b>559</b>

## 52. SHARIAH DISCLOSURES (CONT'D.)

### (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.

## 53. PRIOR YEAR ADJUSTMENTS

While investments in equity instruments are normally carried at fair value through profit or loss, ("FVTPL"), an irrevocable election may be made at initial recognition of an investment or initial application of MFRS 9 *Financial Instruments* to present the subsequent changes in fair value of an investment in an equity instrument in other comprehensive income ("OCI").

During the financial year, the Bank has voluntarily corrected the measurement basis of an investment in an equity instrument retrospectively in accordance with paragraph 41 of MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* ("MFRS 108"). This is aligned with the principles as laid out in paragraph 14(b) of MFRS 108 where it is providing a reliable and more relevant information about the effects of this transaction to users of financial statements.

The affected line items in the financial statements are adjusted retrospectively as if the investment in an equity instrument had been elected irrevocably to be carried at fair value through other comprehensive income ("FVOCI") from the date of initial application of MFRS 9 as at 1 January 2018. This election is irrevocable and MFRS 7 *Financial Instruments: Disclosures* requires additional disclosures for the instrument so designated, including:

- (a) which investment in equity instrument has been so designated to be measured at FVOCI;
- (b) reasons for using this presentation alternative;
- (c) fair value of each such investment at the end of the reporting period;
- (d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period;
- (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers;
- (f) reasons for disposing such an investment;
- (g) the fair value of the investment at date of derecognition; and
- (h) cumulative gain or loss on disposal.

The Bank has conducted a review of its investment in private equity funds to ensure the objectives and nature of the investments are in accordance with the classification and measurement as prescribed in MFRS 9 *Financial Instruments*. Pursuant to the review, the equity investment which is not being held for trading as it is not part of the Bank's core business has been reclassified from FVTPL to FVOCI. The reclassification is to reflect the true nature and the business objectives of the investment. There is no disposal of the investment during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 53. PRIOR YEAR ADJUSTMENTS (CONT'D.)

The retrospective change in classification has resulted in the change to the comparative financial information to conform with the current year's presentation, which resulted in the following financial effects on the financial statements of the Group and of the Bank:

#### Statement of financial position as at 31 December 2021

Group	As previously stated RM'000	Impact of change in classification RM'000	Restated RM'000
<b>Assets</b>			
Financial investments at fair value through profit or loss			
: Unquoted securities	321,276	(168,385)	152,891
Financial investments at fair value through other comprehensive income			
: Unquoted securities: Private equity funds	4,866,770	168,385	5,035,155
<b>Shareholders' equity</b>			
Retained profits	1,569,073	(83,388)	1,485,685
Other reserves	1,183,714	83,388	1,267,102
<b>Capital adequacy</b>			
CET 1 and Tier 1 capital ratio	13.708%	-0.127%	13.582%
Total capital ratio	17.349%	-0.127%	17.222%
<hr/>			
<b>Bank</b>			
<b>Assets</b>			
Financial investments at fair value through profit or loss			
: Unquoted securities	321,276	(168,385)	152,891
Financial investments at fair value through other comprehensive income			
: Unquoted securities: Private equity funds	4,864,264	168,385	5,032,649
<b>Shareholders' equity</b>			
Retained profits	1,554,572	(83,388)	1,471,184
Other reserves	1,183,715	83,388	1,267,103
<b>Capital adequacy</b>			
CET 1 and Tier 1 capital ratio	13.590%	-0.127%	13.463%
Total capital ratio	17.237%	-0.127%	17.110%

**53. PRIOR YEAR ADJUSTMENTS (CONT'D.)**

The retrospective change in classification has resulted in the change to the comparative financial information to conform with the current year's presentation, which resulted in the following financial effects on the financial statements of the Group and of the Bank (cont'd.):

**Statement of financial position as at 1 January 2021/  
31 December 2020**

Group	As previously stated RM'000	Impact of change in classification RM'000	Restated RM'000
<b>Assets</b>			
Financial investments at fair value through profit or loss : Unquoted securities	313,337	(165,252)	148,085
Financial investments at fair value through other comprehensive income : Unquoted securities: Private equity funds	3,798,965	165,252	3,964,217
<b>Shareholders' equity</b>			
Retained profits	1,392,969	(81,680)	1,311,289
Other reserves	1,257,683	81,680	1,339,363
<b>Capital adequacy</b>			
CET 1 and Tier 1 capital ratio	15.486%	-0.274%	15.212%
Total capital ratio	17.955%	-0.274%	17.681%
<hr/>			
<b>Bank</b>			
<b>Assets</b>			
Financial investments at fair value through profit or loss : Unquoted securities	313,337	(165,252)	148,085
Financial investments at fair value through other comprehensive income : Unquoted securities: Private equity funds	3,796,498	165,252	3,961,750
<b>Shareholders' equity</b>			
Retained profits	1,384,855	(81,680)	1,303,175
Other reserves	1,257,684	81,680	1,339,364
<b>Capital adequacy</b>			
CET 1 and Tier 1 capital ratio	15.385%	-0.275%	15.110%
Total capital ratio	17.858%	-0.275%	17.583%

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

### 53. PRIOR YEAR ADJUSTMENTS (CONT'D.)

The retrospective change in classification has resulted in the change to the comparative financial information to conform with the current year's presentation, which resulted in the following financial effects on the financial statements of the Group and of the Bank (cont'd.):

#### Statement of comprehensive income for year ended 31 December 2021

Group	As previously stated RM'000	Impact of change in classification RM'000	Restated RM'000
Income derived from investment of shareholders' funds	22,424	(1,708)	20,716
<b>Profit for the year</b>	<b>159,059</b>	<b>(1,708)</b>	<b>157,351</b>
<b>Other comprehensive loss:</b>			
<b>Items that may not be reclassified subsequently to profit or loss</b>			
Net unrealised loss on equity securities at fair value through other comprehensive income	(13,573)	1,708	(11,865)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(56,924)</b>	<b>1,708</b>	<b>(55,216)</b>
<b>Total comprehensive income for the year</b>	<b>102,135</b>		<b>102,135</b>
<b>Bank</b>			
Income derived from investment of shareholders' funds	11,570	(1,708)	9,862
<b>Profit for the year</b>	<b>152,672</b>	<b>(1,708)</b>	<b>150,964</b>
<b>Other comprehensive loss:</b>			
<b>Items that may not be reclassified subsequently to profit or loss</b>			
Net unrealised loss on equity securities at fair value through other comprehensive income	(13,573)	1,708	(11,865)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(56,924)</b>	<b>1,708</b>	<b>(55,216)</b>
<b>Total comprehensive income for the year</b>	<b>95,748</b>		<b>95,748</b>



**53. PRIOR YEAR ADJUSTMENTS (CONT'D.)**

The retrospective change in classification has resulted in the change to the comparative financial information to conform with the current year's presentation, which resulted in the following financial effects on the financial statements of the Group and of the Bank (cont'd.):

**Statement of cashflows for year ended 31 December 2021**

Group	As previously stated RM'000	Impact of change in classification RM'000	Restated RM'000
<b>Cash flows from operating activities</b>			
Profit before zakat and taxation	256,576	(1,708)	254,868
Adjustment for:			
Unrealised loss on revaluation of financial investment designated at FVTPL	3,201	1,708	4,909
<b>Bank</b>			
<b>Cash flows from operating activities</b>			
Profit before zakat and taxation	247,869	(1,708)	246,161
Adjustment for:			
Unrealised loss on revaluation of financial investment designated at FVTPL	3,201	1,708	4,909

The financial effects of the change in classification to the profit or loss of the current financial year are as disclosed below :

**Statement of comprehensive income for year ended  
31 December 2022**

Group	Before change in classification RM'000	Impact of change in classification RM'000	After change in classification RM'000
Income derived from investment of shareholders' funds	(13,589)	41,467	27,878
<b>Profit for the year</b>	<b>181,311</b>	<b>41,467</b>	<b>222,778</b>
<b>Items that may not be reclassified subsequently to profit or loss</b>			
Net unrealised loss on equity securities at fair value through other comprehensive income	(9,572)	(41,467)	(51,039)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(47,494)</b>	<b>(41,467)</b>	<b>(88,961)</b>
<b>Total comprehensive income for the year</b>	<b>133,817</b>		<b>133,817</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 DECEMBER 2022 (07 JAMADIL AKHIR 1444H)

**53. PRIOR YEAR ADJUSTMENTS (CONT'D.)**

The financial effects of the change in classification to the profit or loss of the current financial year are as disclosed below (cont'd.):

**Statement of comprehensive income for year ended  
31 December 2022 (cont'd.)**

	<b>Before change in classification RM'000</b>	<b>Impact of change in classification RM'000</b>	<b>After change in classification RM'000</b>
<b>Bank</b>			
Income derived from investment of shareholders' funds	(21,041)	41,467	20,426
<b>Profit for the year</b>	<b>177,971</b>	<b>41,467</b>	<b>219,438</b>
<b>Items that may not be reclassified subsequently to profit or loss</b>			
Net unrealised loss on equity securities at fair value through other comprehensive income	(9,572)	(41,467)	(51,039)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(47,494)</b>	<b>(41,467)</b>	<b>(88,961)</b>
<b>Total comprehensive income for the year</b>	<b>130,477</b>		<b>130,477</b>

# CAFIB

## PILLAR 3 DISCLOSURE

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# **CAFIB**

## **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 2022.

**Khairul Kamarudin**  
President / Chief Executive Officer

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## PILLAR 3 DISCLOSURE

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## PILLAR 3 DISCLOSURE

### ABBREVIATIONS

#### Abbreviations

ALCO	Asset-Liability Management Committee	IFSB-10	Islamic Financial Services Board
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		
CPs	Commercial Papers	RA	Risk Assessment
CR	Credit Risk	R&I	Rating and Investment Information, Inc
CRP	Credit Risk Policy	RAM	RAM Rating Services Berhad
CRM	Credit Risk Mitigation	RORBB	Rate of Return Risk in Banking Book
CSRD	Credit Supervision and Recovery Department	RMD	Risk Management Department
EAR	Earning At Risk	RWA	Risk Weighted Assets
ECAI	External Credit Assessment Institutions	RWCAF	Risk Weighted Capital Adequacy Framework
ERMC	Executive Risk Management Committee	TBPS	Trading Book Policy Statement
EVE	Economic Value Perspective	S&P	Standard and Poor's
FDI	Foreign Direct Investments	SC	Shariah Committee
GCRP	Guidelines to Credit Risk Policies	SNCI	Shariah Non-Compliance Income
IC	Investment Committee	SRP	Shariah Review Program
ICAAP	Internal Capital Adequacy Assessment Process	SU	Support Unit
IFIs	Islamic Financial Institutions	VaR	Value at Risk

# CAFIB 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 2022 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2022.

## 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.

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### PILLAR 3 DISCLOSURE

#### 2.0 CAPITAL MANAGEMENT

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximize shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization 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 while keeping it in line with the Bank's risk appetite as well as asregulatory 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 of three-year planning horizon and these 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 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 foreseeable adverse economic scenarios. The capital plan also addresses any capital issuance requirements, optimal 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 2022	31 December 2021	31 December 2022	31 December 2021
Core Capital Ratio	12.529%	13.582%	12.415%	13.463%
Risk-weighted capital ratio	17.572%	17.222%	17.471%	17.110%

The following table represents the Group's and Bank's capital position as at 31 December 2022. Details on capital instruments, including share capital and reserves are found in Notes 25 to 26 of the financial statements.

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## PILLAR 3 DISCLOSURE

## 2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Table 2: Capital structure

	Group		Bank	
	31 December 2022 RM'000	31 December 2021 RM'000 Restated	31 December 2022 RM'000	31 December 2021 RM'000 Restated
<b>Tier-I capital</b>				
Share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits	1,595,641	1,485,685	1,577,800	1,471,184
<b>Other Reserves</b>				
Regulatory reserve	94,239	28,079	94,239	28,079
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	(1,342)	43,374	(1,342)	43,374
Foreign exchange translation reserve	3,066	649	3,067	650
<b>Regulatory Adjustment</b>				
Less: Regulatory reserve	(94,239)	(28,079)	(94,239)	(28,079)
FVOCI reserve	-	(23,856)	-	(23,856)
Less: Investment property gain	(8,171)	(8,171)	(8,171)	(8,171)
Less: Deferred tax assets	(52,920)	(58,170)	(52,920)	(58,170)
Less: Investment in subsidiaries	-	-	(13,159)	(13,159)
Less: Cumulative gains of financing measured at FVTPL	(21,455)	(19,354)	(21,455)	(19,354)
Less: Intangible Asset (net of deferred tax liabilities)	(94,363)	(61,002)	(94,013)	(60,701)
<b>Total Tier-I Capital</b>	<b>2,615,456</b>	2,554,155	<b>2,584,807</b>	2,526,797
<b>Tier-II capital</b>				
Subordinated sukuk	800,000	500,000	800,000	500,000
Collective assessment allowance for non-impaired financing and regulatory reserve	248,955	180,990	248,955	180,990
Add: Investment property gain	3,677	3,677	3,677	3,677
<b>Total Tier-II Capital</b>	<b>1,052,632</b>	684,667	<b>1,052,632</b>	684,667
<b>Total Capital</b>	<b>3,668,088</b>	3,238,822	<b>3,637,439</b>	3,211,464

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 2021: 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 2022		31 December 2021	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>Group</b>				
Credit Risk	19,525,603	1,562,048	17,566,888	1,405,351
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	135,099	-	98,453	-
Market Risk	23,153	1,852	16,225	1,298
Operational Risk	1,460,879	116,870	1,321,435	105,715
<b>Total</b>	<b>20,874,536</b>	<b>1,680,770</b>	<b>18,806,095</b>	<b>1,512,364</b>

	31 December 2022		31 December 2021	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>Bank</b>				
Credit Risk	19,506,523	1,560,522	17,549,202	1,403,936
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	135,099	-	98,453	-
Market Risk	23,153	1,852	16,225	1,298
Operational Risk	1,424,839	113,987	1,302,128	104,170
<b>Total</b>	<b>20,819,416</b>	<b>1,676,361</b>	<b>18,769,102</b>	<b>1,509,404</b>

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.

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## 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	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>31 December 2022</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	6,290,759	6,290,759	-	-
Public Sector Entities	961,974	961,974	192,387	15,391
Banks, Development Financial Institution & MDBs	120,802	120,802	24,160	1,933
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,564,174	6,564,174	5,825,586	466,047
Regulator Retail	11,886,732	11,886,732	9,603,929	768,314
Residential Real Estate	5,196,032	5,196,032	2,327,438	186,195
Higher Risk Assets	68,931	68,931	103,384	8,271
Other Assets	245,603	245,603	105,460	8,435
Defaulted Exposures	98,935	98,935	89,092	7,127
	<b>31,529,233</b>	<b>31,529,233</b>	<b>18,290,494</b>	<b>1,463,238</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,414,607	1,414,607	1,221,345	97,708
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	<b>1,439,954</b>	<b>1,439,954</b>	<b>1,235,109</b>	<b>98,809</b>
Total Credit Exposures	<b>32,969,187</b>	<b>32,969,187</b>	<b>19,525,603</b>	<b>1,562,047</b>
<b>(c) Credit Risk Absorb by PSIA</b>				
	<b>301,290</b>	<b>301,290</b>	<b>135,099</b>	<b>-</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
			<b>23,152</b>	<b>1,853</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,460,880</b>	<b>116,870</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>20,874,536</b>	<b>1,680,770</b>

\* 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 2021	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
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>(b) Off-Balance Sheet Exposures**</b>				
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
<b>(c) Credit Risk Absorb by PSIA</b>				
	98,453	98,453	98,453	-
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
			16,225	1,298
<b>(iii) Operational Risk (Basic Indicators Approach)</b>				
			1,321,435	105,715
<b>(iv) Total RWA and Capital Requirements</b>				
			18,806,095	1,512,364

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

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## 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: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>31 December 2022</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	6,290,759	6,290,759	-	-
Public Sector Entities	961,974	961,974	192,387	15,391
Banks, Development Financial Institution & MDBs	120,802	120,802	24,160	1,933
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,550,421	6,550,421	5,807,061	464,565
Regulator Retail	11,886,732	11,886,732	9,603,929	768,314
Residential Real Estate	5,196,032	5,196,032	2,327,438	186,195
Higher Risk Assets	68,931	68,931	103,384	8,271
Other Assets	245,603	245,603	104,906	8,393
Defaulted Exposures	98,935	98,935	89,091	7,127
	<b>31,515,480</b>	<b>31,515,480</b>	<b>18,271,414</b>	<b>1,461,714</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,414,607	1,414,607	1,221,345	97,708
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	<b>1,439,954</b>	<b>1,439,954</b>	<b>1,235,109</b>	<b>98,809</b>
<b>Total Credit Exposures</b>	<b>32,955,434</b>	<b>32,955,434</b>	<b>19,506,523</b>	<b>1,560,523</b>
<b>(c) Credit Risk Absorb by PSIA</b>	<b>301,290</b>	<b>301,290</b>	<b>135,099</b>	<b>-</b>
<b>(ii) Market Risk (Standardised Approach)</b>	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
			<b>23,152</b>	<b>1,853</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,424,840</b>	<b>113,985</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>20,819,416</b>	<b>1,676,361</b>

\* 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 2021	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
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	6,319,455	6,167,162	5,502,138	440,173
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	269,060	269,061	132,234	10,577
Defaulted Exposures	95,860	95,860	87,171	6,974
	27,573,681	27,414,808	16,483,408	1,318,673
<b>(b) Off-Balance Sheet Exposures**</b>				
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	1,065,795	85,264
<b>Total Credit Exposures</b>	<b>28,807,115</b>	<b>28,648,242</b>	<b>17,549,202</b>	<b>1,403,937</b>
<b>(c) Credit Risk Absorb by PSIA</b>				
	98,453	98,453	98,453	-
<b>(ii) Market Risk (Standardised Approach)</b>				
	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
Benchmark Rate Risk	1,319	1,384	4,977	398
Foreign Currency Risk	7,011	19,928	11,248	900
			16,225	1,298
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			1,302,128	104,169
<b>(iv) Total RWA and Capital Requirements</b>			18,769,102	1,509,404

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

\*\* Credit Risk of off balance sheet items

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## PILLAR 3 DISCLOSURE

### 3.0 RISK MANAGEMENT

#### Overview

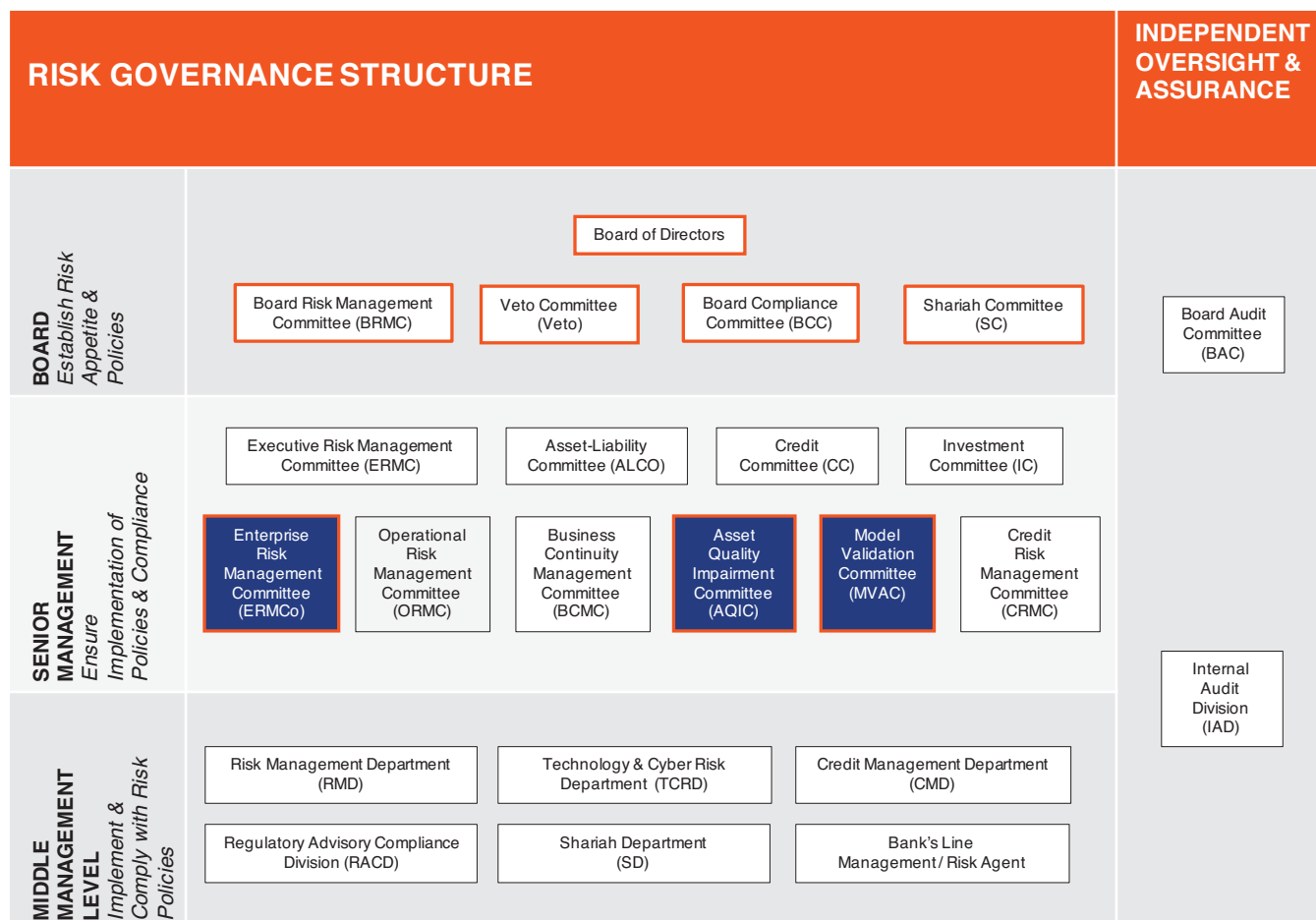
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance 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 optimize 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-today 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 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.

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### PILLAR 3 DISCLOSURE

#### 3.0 RISK MANAGEMENT (CONT'D)

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.

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	
<b>First Line Defense Model Business Units</b>	<ul style="list-style-type: none"> <li>• Risks are directly undertaken and assumed in the day-to-day business activities and operations.</li> <li>• 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.</li> </ul>
<b>Second Line Defense Model Risk Management &amp; Control Compliance</b>	<ul style="list-style-type: none"> <li>• Ensures independent oversight and management of all material risks undertaken by the Bank.</li> <li>• Provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control.</li> <li>• Provides the control function, which monitors the risk by using various key indicators and reports, guided by established risk appetite and tolerance limits.</li> </ul>
<b>Third Line Defense Model Internal Audit</b>	<ul style="list-style-type: none"> <li>• Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two lines of defence in fulfilling their mandates.</li> </ul>

#### ***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 minimize 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.

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## 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Transport, storage and communication	Household	Others	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,235,453	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	29,491	182,089
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,736	2,070,410	1,581,653	189,534	16,877,576	710,269	24,017,067
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other assets	-	-	-	-	-	-	18,489	18,489
	6,241,568	3,069,027	2,264,573	1,581,653	189,534	16,877,576	997,492	31,221,423
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
<b>Total credit exposures</b>	<b>6,393,561</b>	<b>4,362,116</b>	<b>3,565,120</b>	<b>2,244,525</b>	<b>317,378</b>	<b>17,567,179</b>	<b>1,553,187</b>	<b>36,003,066</b>

#### 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	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Transport, storage and communication	Household	Others	Total
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Restated</b>								
<b>On balance sheet exposures</b>								
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	-	-	-	-	-	-	152,891
Financial investments at fair value through other comprehensive income	4,354,427	214,431	53,080	5,118	-	-	408,099	5,035,155
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	-	-	-	-	-	-	10,923	10,923
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,101,021	27,286,444
<b>Commitments and contingencies</b>								
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
<b>Total credit exposures</b>	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,697,763	32,578,226

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## 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Transport, storage and communication	Household	Others	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>								
Cash and short-term funds	-	1,235,453	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	26,946	179,544
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,735	2,070,410	1,581,653	189,534	16,877,576	699,616	24,006,413
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other assets	-	-	-	-	-	-	18,045	18,045
	6,241,568	3,069,026	2,264,573	1,581,653	189,534	16,877,576	983,850	31,207,780
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
<b>Total credit exposures</b>	<b>6,393,561</b>	<b>4,362,115</b>	<b>3,565,120</b>	<b>2,244,525</b>	<b>317,378</b>	<b>17,567,179</b>	<b>1,539,545</b>	<b>35,989,423</b>

#### 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 Restated	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
<b>On balance sheet exposures</b>								
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	-	-	-	-	-	-	152,891
Financial investments at fair value through other comprehensive income	4,354,427	214,431	53,080	5,118	-	-	405,593	5,032,649
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	-	-	-	-	-	-	10,375	10,375
	5,629,819	2,754,747	2,140,245	1,703,913	66,666	13,890,033	1,088,279	27,273,702
<b>Commitments and contingencies</b>								
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
<b>Total credit exposures</b>	5,686,314	5,237,031	3,381,421	2,248,918	94,548	14,232,231	1,685,021	32,565,484

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## 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 2022	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
<b>On Balance Sheet Exposures</b>				
Cash and short-term funds	1,155,842	79,611	1,155,842	79,611
Cash and placements with financial institutions	21,747	-	21,747	-
Financial investment at fair value through profit and loss	182,089	-	179,544	-
Financial investments at fair value through other comprehensive income	5,065,879	145,772	5,065,879	145,772
Financial investments amortised cost	113,589	-	113,589	-
Islamic derivative financial assets	4,247	-	4,247	-
Financing of customers	24,017,067	-	24,006,413	-
Statutory deposits with Bank Negara Malaysia	417,091	-	417,091	-
Other assets	18,486	3	18,042	3
	<b>30,996,037</b>	<b>225,386</b>	<b>30,982,394</b>	<b>225,386</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	1,054,929	-	1,054,929	-
Commitments	1,788,052	-	1,788,052	-
Other Miscellaneous Commitment and Contingent Liabilities	152,232	-	152,232	-
Islamic derivative financial instruments	1,786,430	-	1,786,430	-
	<b>4,781,643</b>	<b>-</b>	<b>4,781,643</b>	<b>-</b>
<b>Total credit exposures</b>	<b>35,777,680</b>	<b>225,386</b>	<b>35,764,037</b>	<b>225,386</b>



#### 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 2021 Restated	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
<b>On Balance Sheet Exposures</b>				
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	-	152,891	-
Financial investments at fair value through other comprehensive income	4,866,770	168,385	4,864,264	168,385
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	10,921	3	10,372	3
	27,063,956	222,488	27,051,214	222,488
<b>Commitments and contingencies</b>				
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	-
<b>Total credit exposures</b>	<b>32,355,738</b>	<b>222,488</b>	<b>32,342,996</b>	<b>222,488</b>

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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	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,235,453	-	-	-	1,235,453
Cash and placements with financial institutions	21,747	-	-	-	21,747
Financial investments at fair value through profit and loss	147,485	-	34,604	-	182,089
Financial investments at fair value through other comprehensive income	391,996	1,108,279	3,130,310	581,066	5,211,651
Financial investments amortised cost	-	-	-	113,589	113,589
Islamic derivative financial assets	4,247	-	-	-	4,247
Financing of customers	3,585,775	2,161,825	8,060,199	10,209,268	24,017,067
Statutory deposits with Bank					
Negara Malaysia	-	-	-	417,091	417,091
Other assets	(19)	18,008	500	-	18,489
<b>Total On-Balance Sheet Exposures</b>	<b>5,386,684</b>	<b>3,288,112</b>	<b>11,225,613</b>	<b>11,321,014</b>	<b>31,221,423</b>
<b>On-Balance Sheet Exposures</b>					
Group	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000
Restated					
<b>On-Balance Sheet Exposures</b>					
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	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	502,428	838,270	3,587,562	106,895	5,035,155
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	10,023	500	-	10,923
<b>Total On-Balance Sheet Exposures</b>	<b>5,216,779</b>	<b>2,854,001</b>	<b>10,545,126</b>	<b>8,670,538</b>	<b>27,286,444</b>

#### 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 2022	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	1,235,453	-	-	-	1,235,453
Cash and placements with financial institutions	21,747	-	-	-	21,747
Financial investments at fair value through profit and loss	147,485	-	32,059	-	179,544
Financial investments at fair value through other comprehensive income	391,996	1,108,279	3,130,310	581,066	5,211,651
Financial investments amortised cost	-	-	-	113,589	113,589
Islamic derivative financial assets	4,247	-	-	-	4,247
Financing of customers	3,585,775	2,161,825	8,060,199	10,198,614	24,006,413
Statutory deposits with Bank					
Negara Malaysia	-	-	-	417,091	417,091
Other assets	(29)	17,573	500	-	18,044
<b>Total On-Balance Sheet Exposures</b>	<b>5,386,674</b>	<b>3,287,677</b>	<b>11,223,068</b>	<b>11,310,360</b>	<b>31,207,779</b>
<hr/>					
Bank 31 December 2021 Restated	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>					
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	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	502,428	838,270	3,585,057	106,894	5,032,649
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	9,480	500	-	10,375
<b>Total On-Balance Sheet Exposures</b>	<b>5,216,774</b>	<b>2,853,458</b>	<b>10,542,621</b>	<b>8,660,849</b>	<b>27,273,702</b>

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### 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 categorization 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:

<b>Group</b>	<b>Neither past due nor impaired</b>		<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
<b>31 December 2022</b>	<b>Good</b>	<b>Satisfactory</b>	<b>but not</b>	<b>financing</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>impaired</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>RM'000</b>		
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,173,389	114,700	104,998	103,040	11,496,127
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	<b>23,324,785</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,275,548</b>
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(128,896)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(25,667)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	-	(103,918)
<b>Total net financing</b>	<b>23,324,785</b>	<b>459,247</b>	<b>285,559</b>	<b>205,957</b>	<b>24,017,067</b>

<b>Group</b>	<b>Neither past due nor impaired</b>		<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
<b>31 December 2021</b>	<b>Good</b>	<b>Satisfactory</b>	<b>but not</b>	<b>financing</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>impaired</b>	<b>RM'000</b>	<b>RM'000</b>
			<b>RM'000</b>		
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
	<b>20,413,916</b>	<b>272,511</b>	<b>39,754</b>	<b>172,073</b>	<b>20,898,254</b>
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)
<b>Total net financing</b>	<b>20,413,916</b>	<b>272,511</b>	<b>39,754</b>	<b>95,939</b>	<b>20,671,306</b>

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## 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	Neither past due nor impaired Good	Neither past due nor impaired Satisfactory	Past due but not impaired	Impaired financing	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,162,735	114,700	104,998	103,040	11,485,473
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	23,314,131	459,247	285,559	205,957	24,264,894
Less:					
-Stage 1 - 12 Months ECL	-	-	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	-	(103,918)
Total net financing	23,314,131	459,247	285,559	205,957	24,006,413

Bank	Neither past due nor impaired Good	Neither past due nor impaired Satisfactory	Past due but not impaired	Impaired financing	Total
31 December 2021	RM'000	RM'000	RM'000	RM'000	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

#### 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

Gross financing and advances which are neither past due nor impaired:

- “Good Grade” refers to financing and advances 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 and advances which may have been past due 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 2022	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	172,040	273	172,313
- Hire purchase receivables	-	7,009	143	7,152
- Other term financing	-	103,091	1,907	104,998
Other financing	-	978	118	1,096
<b>Total</b>	<b>-</b>	<b>283,118</b>	<b>2,441</b>	<b>285,559</b>

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
<b>Total</b>	<b>-</b>	<b>26,706</b>	<b>13,048</b>	<b>39,754</b>

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### PILLAR 3 DISCLOSURE

#### 4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

##### Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

##### (ii) Past due but not impaired (cont'd.)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 December 2022 RM'000	31 December 2021 RM'000
Purchase of transport vehicles	7,163	4,360
Purchase of landed properties of which:		
– residential	161,851	18,498
– non-residential	10,357	515
Personal use	91,564	14,890
Construction	285	1,092
Working capital	13,047	160
Other purpose	1,292	239
	<b>285,559</b>	<b>39,754</b>

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 December 2022 RM'000	31 December 2021 RM'000
Domestic	285,559	39,754

##### (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:

- principal or profit or both are past due for ninety (90) days or more; or
- outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- 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
- 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
- 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.



#### 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.

31 December 2022 Group	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing RM'000
Purchase of securities	49	-	-	-	-	112	112
Purchase of transport vehicles	1,548	23	138	34	127	1,511	1,638
Purchase of landed properties of which:							
– residential	55,675	13,096	5,571	7,329	11,338	42,202	53,540
– non-residential	21,636	1,454	1,382	-	2,836	2,346	5,182
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,106	1,106
Personal use	81,303	402	1,058	-	1,460	118,415	119,875
Construction	-	-	-	-	-	1,539	1,539
Working capital	40,434	18,771	20,900	8,634	31,039	26,513	57,552
Other purpose	5,312	-	7,286	3,336	3,949	13,988	17,937
	<b>205,957</b>	<b>33,746</b>	<b>36,335</b>	<b>19,333</b>	<b>50,749</b>	<b>207,732</b>	<b>258,481</b>

31 December 2021 Group	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing 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
	<b>172,073</b>	<b>30,218</b>	<b>3,522</b>	<b>-</b>	<b>33,746</b>	<b>193,202</b>	<b>226,948</b>

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## 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.

31 December 2022 Bank	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing RM'000
Purchase of securities	49	-	-	-	-	112	112
Purchase of transport vehicles	1,548	23	138	34	127	1,511	1,638
Purchase of landed properties of which:							
– residential	55,675	13,096	5,571	7,329	11,338	42,202	53,540
– non-residential	21,636	1,454	1,382	-	2,836	2,346	5,182
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,106	1,106
Personal use	81,303	402	1,058	-	1,460	118,415	119,875
Construction	-	-	-	-	-	1,539	1,539
Working capital	40,434	18,771	20,900	8,634	31,039	26,513	57,552
Other purpose	5,312	-	7,286	3,336	3,949	13,988	17,937
	205,957	33,746	36,335	19,333	50,749	207,732	258,481

31 December 2021 Bank	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing 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)

**Table 14: Impaired financing by geographical distribution**

The following tables present an analysis of the impaired financing by geographical distribution.

31 December 2022 Group	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing RM'000
Domestic	205,958	33,746	36,331	19,333	50,748	207,733	258,481

31 December 2021 Group	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing RM'000
Domestic	172,073	30,218	3,522	-	33,746	193,202	226,948

31 December 2022 Bank	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing RM'000
Domestic	205,958	33,746	36,331	19,333	50,748	207,733	258,481

31 December 2021 Bank	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movement RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowance for Financing RM'000
Domestic	172,073	30,218	3,522	-	33,746	193,202	226,948

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### 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 vehicle 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 79.02 and 79.05% respectively as at 31 December 2022 (The Group and the Bank are at 82.4% and 82.5% respectively as at 31 December 2021). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2022, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM29,911,219 as compared against 31 December 2021 total amount of RM55,757,689. 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 2022	Exposure Class	Rating by Approved ECAIS										Unrated RM'000	Others RM'000	Grand Total RM'000	
		AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	P1/MARC1 RM'000	P1/MARC1 RM'000				
<u>On and Off Balance - Sheet Exposures</u>															
<u>Credit Exposures - Standardised</u>															
<u>Approach</u>															
	Sovereigns/Central Banks	6,340,638	-	-	-	-	-	-	-	-	-	-	-	-	6,340,638
	Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	968,689
	Banks, Development & MDBs	5,073	-	-	-	-	-	-	-	-	14,434	-	-	45	135,281
	Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	95,291	-	95,291
	Corporates	114,216	40,248	26,638	15,414	-	-	204,671	-	-	66,281	-	331,484	-	7,588,310
	Regulatory Retail	-	-	-	-	-	-	-	-	-	12,307,644	-	-	-	12,307,644
	Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	5,216,715
	Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	71,017
	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	245,602
	<b>Total</b>	<b>6,459,927</b>	<b>40,248</b>	<b>26,638</b>	<b>15,414</b>	<b>-</b>	<b>-</b>	<b>204,671</b>	<b>-</b>	<b>-</b>	<b>80,715</b>	<b>25,810,045</b>	<b>331,529</b>	<b>-</b>	<b>32,969,187</b>
<u>On and Off Balance - Sheet Exposures</u>															
<u>Credit Exposures - Standardised</u>															
<u>Approach</u>															
	Sovereigns/Central Banks	5,592,032	-	-	-	-	-	-	-	-	-	-	-	-	5,592,032
	Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	948,552
	Banks, Development & MDBs	29,992	-	22,200	-	94,199	-	-	-	-	14,311	-	-	-	215,349
	Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-	-	-	52,758
	Corporates	382,643	15,260	73,191	24,377	159,278	107,109	-	-	-	53,106	-	280,859	-	7,320,548
	Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	9,711,064
	Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	4,634,870
	Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	75,722
	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	269,062
	<b>Total</b>	<b>6,004,667</b>	<b>15,260</b>	<b>95,391</b>	<b>24,377</b>	<b>253,477</b>	<b>107,109</b>	<b>-</b>	<b>-</b>	<b>67,417</b>	<b>21,971,400</b>	<b>280,859</b>	<b>-</b>	<b>-</b>	<b>28,819,957</b>

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## 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 2022	Exposure Class	Rating by Approved ECAIS										Grand Total RM'000
		AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	
On and Off Balance - Sheet Exposures												
Credit Exposures - Standardised												
Approach												
	Sovereigns/Central Banks	6,340,638	-	-	-	-	-	-	-	-	-	6,340,638
	Public Sector Entities	-	-	-	-	-	-	-	-	-	-	968,689
	Banks, Development & MDBs	5,073	-	-	-	-	-	14,434	115,729	45	-	135,281
	Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	95,291	-	-	95,291
	Corporates	114,216	40,248	26,638	15,414	-	204,671	66,281	6,775,605	331,484	-	7,574,557
	Regulatory Retail	-	-	-	-	-	-	-	12,307,644	-	-	12,307,644
	Residential Mortgages	-	-	-	-	-	-	-	5,216,715	-	-	5,216,715
	Higher Risk Assets	-	-	-	-	-	-	-	71,017	-	-	71,017
	Other Assets	-	-	-	-	-	-	-	245,602	-	-	245,602
	<b>Total</b>	<b>6,459,927</b>	<b>40,248</b>	<b>26,638</b>	<b>15,414</b>	<b>-</b>	<b>204,671</b>	<b>80,715</b>	<b>25,796,292</b>	<b>331,529</b>	<b>-</b>	<b>32,955,434</b>
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 & 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
	<b>Total</b>	<b>6,004,667</b>	<b>15,260</b>	<b>95,391</b>	<b>24,377</b>	<b>253,477</b>	<b>107,109</b>	<b>67,417</b>	<b>21,958,558</b>	<b>280,859</b>	<b>-</b>	<b>28,807,115</b>

## 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 ECAs					Unrated
	Moody's S&P Fitch RAM MARC RII Inc RM'000	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA- RM'000	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- A+ to A- RM'000	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB- RM'000	B1 to C B+ to D B+ to D B to D B+ to D B+ to D RM'000	
<b>On and Off Balance-Sheet Exposures</b>						
<b>Credit Exposures (Using Corporate Risk Weights)</b>						
<b>Group and Bank</b>						
<b>31 December 2022</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	968,689
Takaful Companies, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	196,516	-	102,994	101,676	-	7,107,089
<b>Total</b>	<b>196,516</b>	<b>-</b>	<b>102,994</b>	<b>101,676</b>	<b>-</b>	<b>8,075,778</b>
<b>Group and Bank</b>						
<b>31 December 2021</b>						
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
<b>Total</b>	<b>495,471</b>	<b>159,278</b>	<b>107,109</b>	<b>-</b>	<b>-</b>	<b>7,441,295</b>

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## 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	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	Rii Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

## On and Off Balance - Sheet Exposures

## Group and Bank

## 31 December 2022

Banks, MDBs and FDIs	14,434	-	-	-	-
Credit Exposures (using Corporate Risk Weights) Corporates	66,281				
<b>Total</b>	<b>80,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Group and Bank

## 31 December 2021

Banks, MDBs and FDIs	14,311	-	-	-	-
Credit Exposures (using Corporate Risk Weights) Corporates	53,106				
<b>Total</b>	<b>67,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 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 Sovereigns and Central Banks by Approved ECAIs						Unrated Unrated Unrated Unrated RM'000
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	Rii Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>On and Off Balance - Sheet Exposures</b>							
<b>Group and Bank 31 December 2022</b>							
Sovereigns and Central Banks	6,340,638	-	-	-	-	-	-
Total	6,340,638	-	-	-	-	-	-
<b>Group and Bank 31 December 2021</b>							
Sovereigns and Central Banks	5,592,032	-	-	-	-	-	-
Total	5,592,032	-	-	-	-	-	-
Exposure Class	Ratings of Banking Institutions by Approved ECAIs						Unrated Unrated Unrated Unrated Unrated RM'000
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D		
Rii Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	

<b>On and Off Balance - Sheet Exposures</b>							
<b>Group and Bank 31 December 2022</b>							
Banks, MDBs and FDIs	5,073	-	-	-	-	-	115,774
Total	5,073	-	-	-	-	-	115,774
<b>Group and Bank 31 December 2021</b>							
Banks, MDBs and FDIs	52,192	94,199	-	-	-	-	54,647
Total	52,192	94,199	-	-	-	-	54,647

## CAFIB

## 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:

Table 16: Credit risk disclosure by risk weights

31 December 2022 Group		Exposures after Netting and Credit Risk Mitigation										Total Exposures after	
Risk-Weights	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDI's RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential		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	Total Risk Weighted Assets RM'000
						Real Estate RM'000	Real Estate RM'000						
0%	6,340,638	40	-	313,660	65,862	4,715	-	-	-	8	140,696	6,865,619	-
20%	-	968,649	135,281	281,127	1,932,380	1,199,407	95,291	-	-	-	-	4,612,135	922,426
35%	-	-	-	-	-	2,410,334	-	-	-	-	-	2,410,334	843,617
50%	-	-	-	541,600	15,349	614,148	-	-	-	-	-	1,171,097	585,548
75%	-	-	-	3,174,659	154,398	833,503	-	-	-	-	-	3,329,057	2,496,793
100%	-	-	-	6,337,720	7,111,713	210	-	-	-	-	105,461	14,388,397	14,388,398
150%	-	-	-	113,648	7,681	210	-	-	-	71,009	-	192,548	288,821
<b>Total</b>	<b>6,340,638</b>	<b>968,689</b>	<b>135,281</b>	<b>7,587,755</b>	<b>12,307,644</b>	<b>5,216,715</b>	<b>95,291</b>	<b>-</b>	<b>-</b>	<b>71,017</b>	<b>246,157</b>	<b>32,969,187</b>	<b>19,525,603</b>
<b>31 December 2021 Group</b>													
Risk-Weights	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDI's RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential		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	Total Risk Weighted Assets RM'000
						Real Estate RM'000	Real Estate RM'000						
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	400,650	-	-	-	-	-	3,564,694	2,673,520
100%	-	-	-	6,154,503	6,010,010	139	-	-	-	-	132,882	12,698,045	12,698,046
150%	-	-	-	9,688	6,074	139	-	-	-	75,722	-	91,623	137,435
<b>Total</b>	<b>5,592,032</b>	<b>948,532</b>	<b>215,349</b>	<b>7,167,608</b>	<b>9,704,504</b>	<b>4,634,870</b>	<b>52,758</b>	<b>-</b>	<b>-</b>	<b>75,722</b>	<b>269,709</b>	<b>28,661,084</b>	<b>17,566,888</b>

## 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)

31 December 2022  
Bank

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		
0%	6,340,638	40	-	313,660	65,862	4,715	-	-	8	140,696	6,865,619	-
20%	-	968,649	135,281	281,127	1,932,380	1,199,407	95,291	-	-	-	4,612,135	922,427
35%	-	-	-	-	-	2,410,334	-	-	-	-	2,410,334	843,617
50%	-	-	-	541,600	15,349	614,148	-	-	-	-	1,171,097	585,548
75%	-	-	-	-	3,174,659	154,398	-	-	-	-	3,329,057	2,496,793
100%	-	-	-	6,335,175	7,111,713	833,503	-	-	-	104,907	14,385,298	14,385,298
150%	-	-	-	102,994	7,681	210	-	-	71,009	-	181,894	272,840
Total	6,340,638	968,689	135,281	7,574,556	12,307,644	5,216,715	95,291	-	71,017	245,603	32,955,434	19,506,523

31 December 2021  
Bank

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		
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	497,090
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%	-	-	-	6,151,997	6,010,010	400,650	-	-	-	132,234	12,694,891	12,694,891
150%	-	-	-	-	6,074	139	-	-	75,722	-	81,935	122,903
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

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### PILLAR 3 DISCLOSURE

#### 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	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
<b>31 December 2022</b>			
<b>Credit Risk</b>			
<b>(a) On Balance sheet exposures</b>			
Sovereign/Central banks	6,290,759	-	6,290,759
Public sector entities	961,974	-	961,974
Banks, Development Financial Institution & MDBs	120,802	-	120,802
Takaful Cos, Securities Firms & Fund Managers	95,291	-	95,291
Corporates	6,564,174	-	6,564,174
Regulatory retail	11,886,732	-	11,886,732
Residential real estate	5,196,032	-	5,196,032
Higher risk assets	68,931	-	68,931
Other assets	245,602	-	245,602
Defaulted exposure	98,936	-	98,936
	<b>31,529,233</b>	<b>-</b>	<b>31,529,233</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposure	1,414,607	-	1,414,607
Islamic derivative financial instruments	25,347	-	25,347
	<b>1,439,954</b>	<b>-</b>	<b>1,439,954</b>
<b>Total Credit Exposures</b>	<b>32,969,187</b>	<b>-</b>	<b>32,969,187</b>

Note: \* 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)

Group 31 December 2021	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
<b>Credit Risk</b>			
<b>(a) On Balance sheet exposures</b>			
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>(b) Off-Balance Sheet Exposures</b>			
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
<b>TOTAL CREDIT EXPOSURES</b>	<b>28,819,957</b>	<b>158,873</b>	<b>28,661,084</b>

Note: \* After netting and credit risk mitigation

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## 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 2022	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
<b>Credit Risk</b>			
<b>(a) On Balance Sheet Exposures</b>			
Sovereign/Central Banks	6,290,759	-	6,290,759
Public Sector Entities	961,974	-	961,974
Banks, Development Financial Institution & MDBs	95,291	-	95,291
Takaful Cos, Securities Firms & Fund Managers	120,802	-	120,802
Corporates	6,550,421	-	6,550,421
Regulatory Retail	11,886,732	-	11,886,732
Residential Real Estate	5,196,032	-	5,196,032
Higher Risk Assets	68,931	-	68,931
Other Assets	245,602	-	245,602
Defaulted Exposures	98,936	-	98,936
	<b>31,515,480</b>	<b>-</b>	<b>31,515,480</b>
<b>(b) Off-Balance Sheet Exposures</b>			
Credit-related Off-Balance Sheet Exposure	1,414,607	-	1,414,607
Islamic derivative financial instruments	25,347	-	25,347
	<b>1,439,954</b>	<b>-</b>	<b>1,439,954</b>
<b>Total Credit Exposures</b>	<b>32,955,434</b>	<b>-</b>	<b>32,955,434</b>

Note: \* 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
<b>Credit Risk</b>			
<b>(a) On Balance Sheet Exposures</b>			
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>(b) Off-Balance Sheet Exposures</b>			
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
<b>Total Credit Exposures</b>	<b>28,807,115</b>	<b>158,873</b>	<b>28,648,242</b>

Note: \* After netting and credit risk mitigation

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## PILLAR 3 DISCLOSURE

## 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 utilization 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 2022			31 December 2021		
	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
<b>Contingent liabilities</b>						
Direct credit substitutes	400,079	400,079	382,342	292,802	292,802	268,848
Trade-related contingencies	99,507	19,901	2,421	41,953	8,391	712
Transaction related contingencies	555,343	277,672	267,420	487,515	243,758	233,215
<b>Commitments</b>						
Credit extension commitment:						
- Maturity within one year	636,084	127,217	135,215	635,148	127,029	125,609
- Maturity exceeding one year	1,151,968	575,984	423,632	977,994	488,997	414,004
Other miscellaneous commitments & contingencies	152,232	13,754	10,316	25,773	14	11
<b>Islamic derivative financial instruments</b>						
Foreign exchange related contracts	1,786,430	25,347	13,764	1,630,597	25,443	13,995
- Maturity within one year	1,786,430	25,347	13,764	1,630,597	25,443	13,995
- Maturity exceeding one year	-	-	-	-	-	-
Profit rate related contract	-	-	-	1,200,000	47,000	9,400
- Maturity within one year	-	-	-	-	-	-
- Maturity exceeding one year	-	-	-	1,200,000	47,000	9,400
<b>Total off-balance sheet exposures</b>	<b>4,781,643</b>	<b>1,439,954</b>	<b>1,235,110</b>	<b>5,291,782</b>	<b>1,233,434</b>	<b>1,065,794</b>



## 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 2022			31 December 2021		
	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
<b>Trading derivatives:</b>						
Foreign exchange contracts:						
- Currency forwards Less than one year	787,210	936	(20,833)	778,535	1,362	(3,463)
- Currency swaps Less than one year	986,752	3,264	(2,251)	841,155	4,074	(697)
- Currency spot Less than one year	12,468	48	(27)	10,907	1	(7)
	<b>1,786,430</b>	<b>4,248</b>	<b>(23,111)</b>	<b>1,630,597</b>	<b>5,437</b>	<b>(4,167)</b>
Islamic profit rate swap ("IPRS")						
Hedged IPRS	-	-	-	1,200,000	-	(57,376)
<b>Total</b>	<b>1,786,430</b>	<b>4,248</b>	<b>(23,111)</b>	<b>2,830,597</b>	<b>5,437</b>	<b>(61,543)</b>

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)**

	31 December 2022			31 December 2021		
	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)

### 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 2022, the Group and the Bank:

- (i) recognised a net gain of RM37,532,403 (2021: net gain of RM50,139,069) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM37,939,833 (2021: net gain of RM57,692,261); and
- (ii) the hedge instrument, IPRS, has been terminated in May 2022. With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining term to maturity of the hedged item.

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### 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 maximize 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 maximize 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 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 2022 were:

- On-going enhancement of Fund Transfer Pricing ("FTP") as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- Concentrate more on sourcing for stable deposits from retail and small businesses segments, longer term deposits, and deposits from transactional and operational accounts; and
- Offering of investment account products as risk absorbent.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk Management Framework ("MRMF") and the Trading Book 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 summarized 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.

**CAFIB**

## PILLAR 3 DISCLOSURE

**8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH)**

The Group and the Bank use the standardized 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 2022**

	Long Position RM' 000	Short Position RM' 000	Risk Weighted Assets RM' 000	Minimum Capital Requirement at 8% RM' 000
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
<b>Total</b>	<b>4,650</b>	<b>(2,094)</b>	<b>23,152</b>	<b>1,853</b>

**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
<b>Total</b>	<b>8,330</b>	<b>21,312</b>	<b>16,225</b>	<b>1,298</b>

## 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 2022**

<b>Publicly Traded</b>	<b>Gross Credit Exposure RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Unrealised Gain/ (Losses) RM'000</b>
Investment in Quoted Shares	113,558	113,558	(16,536)
<b>Total</b>	<b>113,558</b>	<b>113,558</b>	<b>(16,536)</b>
Cumulative realised gains arising from sales and liquidations in the reporting period			(46,662)

**Group and Bank  
31 December 2021**

<b>Publicly Traded</b>	<b>Gross Credit Exposure RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Unrealised Gain/ (Losses) RM'000</b>
Investment in Quoted Shares	107,103	107,103	(53,077)
<b>Total</b>	<b>107,103</b>	<b>107,103</b>	<b>(53,077)</b>
Cumulative realised gains arising from sales and liquidations in the reporting period			(287)

## CAFIB

### PILLAR 3 DISCLOSURE

#### 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 200 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 -50 Basis Points RM'000	+50 Basis Points RM'000	Bank -50 Basis Points RM'000	+50 Basis Points RM'000
<b>Impact on Earnings:</b>				
<b>31 December 2022</b>				
MYR	(19,643)	19,643	(18,098)	18,098
USD	174	(174)	174	(174)
Others*	261	(261)	261	(261)
<b>31 December 2021</b>				
MYR	(22,711)	22,711	(22,657)	22,657
USD	560	(560)	560	(560)
Others*	9	(9)	9	(9)
<b>Impact on Equity:</b>				
<b>31 December 2022</b>				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14
<b>31 December 2021</b>				
MYR	35,896	(35,896)	35,893	(35,893)
USD	(66)	66	(66)	66
Others*	(2)	2	(2)	2

\* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

## CAFIB

### 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 liquidity management is carried out in accordance to the regulatory requirements and internal limits as approved by ALCO, ERM and/or BRMC. The limits are continuously reviewed to incorporate the depth and latest development of liquidity in local market.

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 minimizes 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 high liquid financial assets, the Bank is able to ensure sufficient liquidity.

The ALCO meets on a monthly basis to review the Bank's liquidity 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 total available funds ("FTAF") and financing to deposits ratio ("FDR")

- **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:

<b>Contingency Level</b>	<b>Trigger/Status</b>
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 guided by Liquidity Crisis Contingency Plan ("LCCP") Policy.

## CAFIB

## 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 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
<b>ASSETS</b>								
Cash and short-term funds	1,184,485	50,968	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	-	21,747	-	-	-	-	21,747
Financial investments at fair value through profit and loss	-	-	-	147,485	-	34,604	-	182,089
Financial investments at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,130,310	581,066	5,211,651
Financial investments at amortised cost	398	2,118	1,266	465	-	-	113,589	113,589
Islamic derivative financial assets	92,625	810,048	1,369,715	1,313,387	2,161,825	8,060,199	10,209,268	24,017,067
Financing of customers	-	(19)	-	-	44,216	72,010	632,167	748,374
Other assets	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,277,508</b>	<b>863,675</b>	<b>1,397,412</b>	<b>1,848,089</b>	<b>3,314,320</b>	<b>11,297,123</b>	<b>11,536,090</b>	<b>31,534,217</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	10,761,361	5,070,645	6,253,122	2,533,620	712,312	896,137	93,412	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	52,602	248,786	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	-	23,111
Other liabilities	-	19,778	918	1,695	84,658	32,310	-	139,359
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	-	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	-	806,596
<b>Total Liabilities</b>	<b>11,068,075</b>	<b>5,096,605</b>	<b>6,285,527</b>	<b>2,544,339</b>	<b>798,270</b>	<b>2,512,599</b>	<b>342,198</b>	<b>28,647,613</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,886,604	2,886,604
<b>NET MATURITY MISMATCH</b>	<b>(9,790,567)</b>	<b>(4,232,930)</b>	<b>(4,888,115)</b>	<b>(696,250)</b>	<b>2,516,050</b>	<b>8,784,524</b>	<b>8,307,288</b>	<b>-</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	-	716	5,402	6,631	29,820	660,454	351,906	1,054,929
Commitments	192,230	2,152	164,529	72,039	6,537	231,905	1,118,660	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	-	-	-	-	141,984	10,248	152,232
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,137	-	-	1,786,430
<b>Total commitments and contingencies</b>	<b>336,818</b>	<b>6,072</b>	<b>743,780</b>	<b>1,128,322</b>	<b>51,494</b>	<b>1,034,343</b>	<b>1,480,814</b>	<b>4,781,643</b>

## 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 31 December 2021 Restated	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
<b>ASSETS</b>								
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	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	838,270	3,587,562	106,895	5,035,155
Financial investments at amortised cost	424	1,375	2,523	1,115	-	-	107,109	107,109
Islamic derivative financial assets	79,347	772,577	1,375,858	1,302,205	2,005,708	6,809,225	8,326,386	20,671,306
Financing of customers	-	404	-	-	32,796	72,427	315,391	421,018
Other assets	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	1,198,824	797,594	1,625,095	1,595,270	2,876,774	10,617,053	8,855,781	27,566,391
<b>LIABILITIES AND EQUITY</b>								
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
<b>Total Liabilities</b>	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
<b>NET MATURITY MISMATCH</b>	(9,366,235)	(2,963,980)	(1,627,308)	(2,577,424)	1,909,572	8,889,420	5,735,955	-
<b>Commitments and contingencies</b>								
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
<b>Total commitments and contingencies</b>	208,962	14,149	344,946	509,255	1,021,708	1,470,594	1,722,168	5,291,782

## CAFIB

## 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 2022	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
<b>ASSETS</b>								
Cash and short-term funds	1,184,486	50,967	-	-	-	-	-	1,235,453
Cash and placements with financial institutions	-	-	21,747	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	32,059	-	179,544
Financial investments at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,130,310	581,066	5,211,651
Financial investments at amortised cost	398	2,120	1,264	465	-	-	113,589	113,589
Islamic derivative financial assets	92,625	810,048	1,369,715	1,313,387	2,161,825	8,060,199	10,198,614	24,006,413
Financing of customers	-	(29)	-	-	43,722	72,010	644,928	760,631
Other assets	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,277,509</b>	<b>863,666</b>	<b>1,397,410</b>	<b>1,848,089</b>	<b>3,313,826</b>	<b>11,294,578</b>	<b>11,538,197</b>	<b>31,533,275</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	10,773,324	5,078,482	6,253,097	2,553,605	712,306	896,127	93,412	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	52,602	248,786	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	-	23,111
Other liabilities	-	18,103	918	1,695	83,484	32,313	-	136,513
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	-	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	-	806,596
<b>Total Liabilities</b>	<b>11,080,038</b>	<b>5,102,767</b>	<b>6,285,502</b>	<b>2,544,324</b>	<b>797,090</b>	<b>2,512,592</b>	<b>342,198</b>	<b>28,664,511</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,868,764	2,868,764
<b>NET MATURITY MISMATCH</b>	<b>(9,802,529)</b>	<b>(4,239,101)</b>	<b>(4,888,092)</b>	<b>(696,235)</b>	<b>2,516,736</b>	<b>8,781,986</b>	<b>8,327,235</b>	<b>-</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	-	716	5,402	6,631	29,820	660,454	351,906	1,054,929
Commitments	192,230	2,152	164,529	72,039	6,537	231,905	1,118,660	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	-	-	-	-	141,984	10,248	152,232
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,137	-	-	1,786,430
<b>Total commitments and contingencies</b>	<b>336,818</b>	<b>6,072</b>	<b>743,780</b>	<b>1,128,322</b>	<b>51,494</b>	<b>1,034,343</b>	<b>1,480,814</b>	<b>4,781,643</b>

## 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
<b>ASSETS</b>								
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	-	147,839	-	152,891
Financial investments at fair value through other comprehensive income	-	-	215,530	286,898	838,270	3,585,057	106,894	5,032,649
Financial investments at amortised cost	-	-	2,523	1,115	-	-	107,109	107,109
Islamic derivative financial assets	424	1,375	1,375,858	1,302,205	2,005,708	6,809,225	8,316,698	20,661,618
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
<b>TOTAL ASSETS</b>	<b>1,198,824</b>	<b>797,585</b>	<b>1,625,095</b>	<b>1,595,270</b>	<b>2,876,185</b>	<b>10,614,548</b>	<b>8,858,900</b>	<b>27,566,407</b>
<b>LIABILITIES AND EQUITY</b>								
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
<b>Total Liabilities</b>	<b>10,572,839</b>	<b>3,769,167</b>	<b>3,252,381</b>	<b>4,172,660</b>	<b>966,424</b>	<b>1,727,611</b>	<b>367,038</b>	<b>24,828,120</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,738,287	2,738,287
<b>NET MATURITY MISMATCH</b>	<b>(9,374,015)</b>	<b>(2,971,582)</b>	<b>(1,627,286)</b>	<b>(2,577,390)</b>	<b>1,909,761</b>	<b>8,886,937</b>	<b>5,753,575</b>	<b>-</b>
<b>Commitments and contingencies</b>								
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
<b>Total commitments and contingencies</b>	<b>208,962</b>	<b>14,149</b>	<b>344,946</b>	<b>509,255</b>	<b>1,021,708</b>	<b>1,470,594</b>	<b>1,722,168</b>	<b>5,291,782</b>

## CAFIB

### 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"), Control Self Test ("CST") 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 centralized 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 ( $\alpha$  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 2022		31 December 2021	
	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	1,460,879	116,870	1,321,435	105,715
Bank	1,424,839	113,987	1,302,128	104,170

## 10.0 SHARIAH GOVERNANCE DISCLOSURES

### Overview

BMMB's Shariah governance structure is governed by BNM's Shariah Governance Policy Document ("SGPD"), the Islamic Financial Services Act 2013 ("IFSA"), and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by the Islamic Financial Services Board's ("IFSB") Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services ("IFSB-10") refers to a set of institutional and organizational arrangements to oversee Shariah compliance aspects in Islamic financial institutions ("IFI").

The SGPD defines "Shariah non-compliance risk" as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an IFI may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA, or decisions or advice of the Bank's Shariah Committee ("SC").

Shariah risk management and governance in BMMB are in accordance with the Shariah Governance Policy ("Policy"), which was 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 Department, Shariah Audit, Shariah Review and Shariah Risk Management.

**CAFIB**  
PILLAR 3 DISCLOSURE

**10.0 SHARIAH GOVERNANCE DISCLOSURES**

**Shariah Governance Structure**

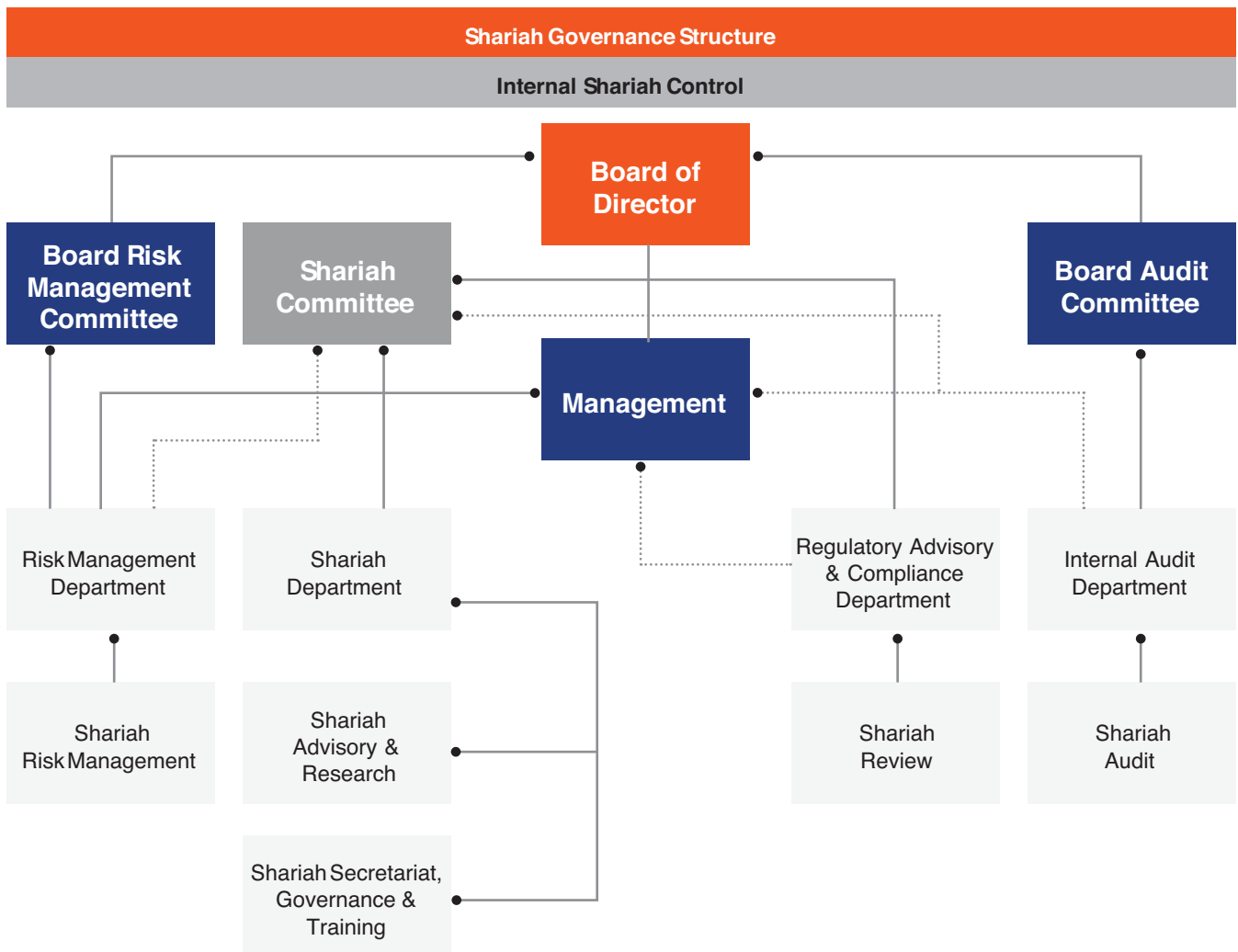
**Internal Shariah Control**

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 Prohibited by Shariah

The Bank defines the principles for managing Shariah Non-Compliance Income ("SNCI") in its Policy on Shariah Risk Management while the operational practices and procedures to be applied in managing SNCI are outlined in the Guidelines on Shariah Risk Management.

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 2022	31 December 2021
Event - 1 SNCI - nil	Event - 6 SNCI - RM4

The SNC event together with the rectification plans were presented and deliberated at the SC and Board of Directors meetings and reported to BNM in accordance with the SNC 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 and other earning prohibited by Shariah

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, and/or prohibited by Shariah. 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 automated teller machines ("ATM"), and unidentified credit balances, whilst earning prohibited by Shariah were interest income derived from Nostro accounts.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at RM 70,356 (31 December 2021: RM4).

# CORPORATE INFORMATION

AS AT 28 MARCH 2023

## BOARD OF DIRECTORS

### Chairman

**Tan Sri Tajuddin Atan**

Independent Non-Executive Director

### Members

**Johari Abdul Muid**

Senior Independent Non-Executive Director

**Tan Sri Che Khalib Mohamad Noh**

Non-Independent Non-Executive Director

**Dato' Ibrahim Taib**

Non-Independent Non-Executive Director

**Ainol Roznain Yaacob**

Non-Independent Non-Executive Director  
(appointed w.e.f. 1 October 2022)

**Md Khairuddin Hj Arshad**

Independent Non-Executive Director

**Mohd Razlan Mohamed**

Independent Non-Executive Director

**Roshidah Abdullah**

Independent Non-Executive Director

## BOARD AUDIT COMMITTEE

### Chairman

**Roshidah Abdullah**

### Members

**Ainol Roznain Yaacob**

(appointed as member on 1 October 2022)

**Johari Abdul Muid**

**Md Khairuddin Hj Arshad**

**Iwan Rashman Gulamoyden**

(resigned as member on 30 September 2022)

## BOARD RISK MANAGEMENT COMMITTEE

### Chairman

**Md Khairuddin Hj Arshad**

### Members

**Johari Abdul Muid**

**Dato' Ibrahim Taib**

**Mohd Razlan Mohamed**

## BOARD NOMINATION AND REMUNERATION COMMITTEE

### Chairman

Johari Abdul Muid

### Members

**Tan Sri Che Khalib Mohamad Noh**

**Ainol Roznain Yaacob**

(appointed w.e.f. 1 October 2022)

**Mohd Razlan Mohamed**

**Roshidah Abdullah**

**Iwan Rashman Gulamoyden**

(resigned as member on 30 September 2022)

## BOARD VETO COMMITTEE

### Chairman

**Mohd Razlan Mohamed**

### Members

**Johari Abdul Muid**

**Tan Sri Che Khalib Mohamad Noh**

**Md Khairuddin Hj Arshad**

## SHARIAH COMMITTEE

### Chairman

**Azizi Che Seman**

### Member

**Dr. Yusri Mohamad**

**Dr. Mohd Shahid Mohd Noh**

**Dr. Muhamad Azhari Wahid**

**Dr. Ahmad Zakirullah Mohamed Sharaani**

**Dr. Badruddin Hj. Ibrahim**

(appointed w.e.f 15 January 2023)

**Khairun Najmi Saripudin**

(appointed w.e.f 15 January 2023)

## COMPANY SECRETARY

Julaida Jufri (LS0009358)

## REGISTERED OFFICE

30th Floor, Menara Bumiputra  
Jalan Melaka, 50100 Kuala Lumpur

Tel : 603-2600 5493

Fax : 603-2693 3367

Web : www.muamalat.com.my

## AUDITORS

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(202006000003 (LLP0022760-LCA) & AF0039)

Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia

Tel : +603 7495 8000

Fax : +603 2095 5332

# BRANCH NETWORK

AS AT 5 JAN 2023

## CENTRAL

### Jalan Melaka

Menara Bumiputra,  
Jalan Melaka PO Box 10407,  
50100 W.P Kuala Lumpur.

### Jalan Ipoh

Ground Floor, Wisma TCT,  
No. 516-1,  
Batu 3, Jalan Ipoh,  
51200 Kuala Lumpur.

### Sungai Besi

No. 2 & 2A, Jalan Tasik Utama 7,  
Medan Niaga Tasik Damai,  
Sungai Besi,  
57000 Kuala Lumpur.

### Jalan TAR

No. 399, Ground Floor,  
Bangunan UMNO Lama,  
Jalan Tuanku Abdul Rahman,  
50100 Kuala Lumpur.

### Putrajaya

No. 2 & 4, Ground & 1st Floor,  
Jalan Diplomatik 2,  
Pusat Komersial Diplomatik,  
Precinct 15,  
62050 Putrajaya.

### Taman Melawati

Lot G-3A, B-1-3 & G-05,  
Melawati Corporate Office,  
Taman Melawati,  
53100 Kuala Lumpur.

### Alam Damai

No 56, 52A, & 52A-1,  
Jln Alam Damai 1,  
Alam Damai, 56000 Cheras,  
Wilayah Persekutuan Kuala Lumpur.

### Bandar Baru Bangi

Ground, 1st & 2nd Floor, 32 & 33,  
Jalan Medan Pusat Bandar 4,  
Seksyen 9,  
43650 Bandar Baru Bangi,  
Selangor.

### 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.

### Glenmarie

No. 2, Jalan Presiden F U1/F,  
Accentra Glenmarie,  
Seksyen U1,  
40150 Shah Alam,  
Selangor.

### Kajang

Ground, 1st & 2nd Floor,  
No. 2-1-G/1/2,  
Jalan Prima Saujana 2/1,  
Prima Saujana,  
43000 Kajang,  
Selangor.

### Klang

No. 46 & 48,  
Jalan Kelicap 42A/KU1,  
Klang Bandar Diraja,  
Off Jalan Meru,  
41050 Klang,  
Selangor.

### Petaling Jaya

No. B-29-1 & 2, Block B, Jaya One,  
72A, Jalan Universiti,  
46200 Petaling Jaya,  
Selangor.

### Rawang

No. 9 & 11,  
Jalan Bandar Baru Rawang 1,  
Bandar Baru Rawang,  
48000 Rawang, Selangor.

### Laman Seri

Ground & 1st Floor No. G03A & 103A,  
Laman Seri Business Park,  
No. 7, Jalan Sukan, Seksyen 13,  
40100 Shah Alam, Selangor.

### Shah Alam, PKNS

G-1, 2 & 3 Ground Floor,  
Kompleks PKNS,  
40000 Shah Alam,  
Selangor.

### Subang Jaya

Ground & 1st Floor,  
No. 1, Jalan USJ Sentral 2,  
USJ Sentral,  
47600 Subang Jaya,  
Selangor.

### Universiti Islam

**Antarabangsa (UIA)**  
Lot AHC 1-3 & Lot AHC 2-1,  
Azman Hashim Complex,  
Universiti Islam Antarabangsa  
Malaysia, Jalan Gombak,  
53100 Kuala Lumpur.

### Ampang Point

No. 23 & 23-A,  
Jalan Mamanda 7/1,  
Off Jalan Ampang,  
68000 Ampang, Selangor.

### Puncak Alam

No. 31 Jalan Niaga Bestari 3,  
Puncak Bestari,  
Bandar Puncak Alam,  
42300 Selangor.

**BRANCH NETWORK**

AS AT 5 JAN 2023

**NORTHERN****Kangar**

No. 11 & 13, Bangunan PKENPs,  
Jalan Bukit Lagi,  
01000 Kangar, Perlis.

**Alor Setar**

Ground & Mezzanine Floor,  
Lot No. 2242 & 1009,  
Menara Dewan Perhimpunan  
Melayu Kedah,  
(DPMK) Lebuhraya Darul Aman,  
05100 Alor Setar, Kedah.

**Bayan Baru**

No. 58 & 60,  
Taman Sri Tunas,  
Jalan Tengah,  
11950 Bayan Baru, Pulau Pinang.

**Kulim**

No. 6, Bangunan Al-Ikhwan,  
Pusat Perniagaan Putra,  
Jalan Kilang Lama,  
09000 Kulim, Kedah.

**Parit Buntar**

No. 40 & 42,  
Jalan Wawasan 4,  
Taman Wawasan Jaya,  
Pusat Bandar Baru,  
34200 Parit Buntar, Perak.

**Seberang Jaya**

Ground, 1st & 2nd Floor,  
No. 27 & 28, Jalan Todak 2,  
Bandar Sunway, Seberang Jaya,  
13700 Perai, Butterworth, Pulau Pinang.

**Sungai Petani**

No. 21, Lot 88,  
Jalan Perdana Heights 2/2,  
Perdana Heights,  
08000, Sungai Petani, Kedah.

**Taiping**

98-100, Ground & 1st Floor,  
Jalan Kota,  
34000 Taiping, Perak.

**Souq Al-Bukhary**

Ground Floor,  
Bazaar Souq Al-Bukhary,  
No 1, Jalan Tun Abdul Razak,  
05200 Alor Setar, Kedah.

**Lebuh Pantai**

No. 64, Lebuh Pantai,  
10300, Georgetown,  
Pulau Pinang.

**Ipoh**

Ground & Mezzanine Floor,  
Wisma Maju UMNO,  
Jalan Sultan Idris Shah,  
30000 Ipoh, Perak.

**Seri Manjung**

Ground & 1st Floor,  
No. 392, Taman Samudera,  
32040 Seri Manjung,  
Perak.

**SOUTHERN****Port Dickson**

No 3 & 3A, Jalan Remis 2,  
Medan Remis, Telok Kemang,  
71050 Negeri Sembilan.

**Seremban**

Wisma Great Eastern,  
No. 105, 107 & 109,  
Jalan Yam Tuan,  
70000 Seremban, Negeri Sembilan.

**Batu Pahat**

Ground & 1st Floor, No. 24 & 25,  
Jalan Kundang, Taman Bukit Pasir,  
83000 Batu Pahat, Johor.

**Johor Bahru**

Ground & 1st Floor,  
Lot 1 & 2,  
Kebun Teh Commercial City,  
Jalan Kebun Teh,  
80250 Johor Bahru, Johor.

**Johor Jaya**

149, Jalan Mutiara Emas 10/19,  
Taman Mount Austin,  
81100 Johor Bahru.

**Kluang**

No. 1, Jalan Persiaran,  
Dato' Haji Ismail Hassan,  
86000 Kluang, Johor.

**Kulai**

No. 32 Jalan Sri Putra 1,  
Bandar Putra,  
81000 Kulai, Johor.

**Melaka**

395, Taman Sinn,  
Jalan Semabuk,  
75050 Melaka.

**Segamat**

No. 37 & 38,  
Jalan Genuang Perdana,  
Taman Genuang Perdana,  
85000 Segamat, Johor.

**Taman Universiti**

Ground & 1st Floor,  
No. 28, Jalan Kebudayaan 5,  
Taman Universiti,  
81300 Skudai, Johor.

**Universiti Tun****Hussein Onn Malaysia**

Ground Floor,  
Bangunan Pusat Khidmat Pelajar,  
Universiti Tun Hussein Onn Malaysia,  
86400 Parit Raja, Batu Pahat, Johor

**Taman Cheng Baru**

No.92, Jalan Cheng Baru 1,  
Taman Cheng Baru,  
75250 Melaka

**Kota Tinggi**

No. 23, 25 & 27,  
Jalan Seri Warisan,  
Kota Heritage Mall,  
81900 Kota Tinggi, Johor.

**Gemas**

No. 16, Jalan DS 1/1, Dataran Satria 1,  
73400 Gemas, Negeri Sembilan.

**Muar**

No. 8 & 9, Pusat Dagangan Bakri,  
Jalan Bakri, 84000 Muar, Johor.

**EAST COAST****Jalan Sultan Yahya Petra**

Ground Floor,  
Lot PT 265 & PT 266,  
Wisma Nik Kob,  
Jalan Sultan Yahya Petra,  
15200 Kota Bharu,  
Kelantan.

**Kota Bharu**

Ground & First Floor,  
Bangunan Perbadanan,  
Menteri Besar Kelantan (PMBK),  
Jalan Kuala Krai,  
15150 Kota Bharu, Kelantan.

**Kuala Terengganu**

1, Jalan Air Jerneh,  
20300 Kuala Terengganu,  
Terengganu.

**Kok Lanas**

Ground & 1st Floor, Lot PT 5080,  
Kompleks Perniagaan Saidina Ali,  
Jalan Kuala Krai, Kok Lanas,  
16450 Kota Bharu, Kelantan.

**Gua Musang**

Ground Floor,  
PT 13772, 13773 & 13774,  
Bandar Baru Gua Musang,  
18300 Gua Musang, Kelantan.

**Jeli**

Ground & 1st Floor,  
No. PT 4646, Lot 2003, PN 3523,  
17600 Bandar Jeli, Kelantan.

**Kampung Raja**

Lot 5678 & 5679, Taman D'Lahar,  
Gong Kepas, Kampung Raja,  
22200 Besut, Terengganu.

**Tanah Merah**

No. 692, 693 & 694,  
Kompleks Perniagaan Humaira,  
Pusat Bandar Tanah Merah,  
17500 Tanah Merah, Kelantan.

**Kuantan**

B-114 & B-116,  
Lorong Tun Ismail 9,  
Sri Dagangan 2,  
25000 Kuantan Pahang.

**Mentakab**

6 & 7, Jalan Tun Abd Razak,  
28400 Mentakab, Pahang.

**Pekan**

G-02, Ground Floor,  
Bangunan UMNO (Bahagian Pekan),  
Jalan Teng Que,  
26600 Pekan, Pahang.

**Temerloh**

Ground & 1st Floor,  
C-8, Jalan Tengku Ismail,  
28000 Temerloh, Pahang.

**Kemaman**

C-G-09 & C-01-09,  
Block C, Persiaran COAST,  
Pusat Perniagaan COAST Kemaman,  
24000, Kemaman, Terengganu.

**Indera Mahkota**

1 Suria, Jalan Sultan Ahmad Shah,  
Bandar Indera Mahkota,  
25200 Kuantan, Pahang.

**EAST MALAYSIA****Bintulu**

No. 252, Lot 73,  
Parkcity Commercial Centre,  
Jalan Tanjung Batu,  
97000 Bintulu, Sarawak.

**Kota Kinabalu**

C-06-01, C-07-01,  
Blok C, Aeropod Commercial Square,  
Jalan Aeropod, Off Jalan Kepayan,  
88200 Kota Kinabalu, Sabah.

**Kuching**

Ground Floor, Lot 456, 457 & 458,  
Al-Idrus Commercial Centre,  
Jalan Satok,  
93400 Kuching, Sarawak

**Labuan**

Block B, Lot 25,  
Ground & 1st Floor, Lazenda Centre,  
Jalan OKK Abdullah,  
87007 Wilayah Persekutuan Labuan.

**Miri**

433-434 Ground & First Floor,  
Jalan Bendahara,  
98000 Miri, Sarawak.

**Tawau**

Lot 69 & 70,  
Ground & 1st Floor,  
Kubota Square, Jalan Kubota,  
91000 Tawau, Sabah.

**Sandakan**

Unit No 95 to 97 Ground Floor,  
Lot 265 to 267 First Floor,  
East Coast, Sejati Walk,  
90000 Sandakan, Sabah.

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413-1	Operations with local community engagement, impact assessments, and development programs	99
<b>GRI 418: Customer Privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	28



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