



**Bank Muamalat Malaysia Berhad**  
**196501000376 (6175-W)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2023**

**196501000376 (6175-W)**

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

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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 2023.

**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**

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Profit before zakat and taxation	<b>295,583</b>	<b>300,756</b>
Zakat	<b>(10,227)</b>	<b>(9,929)</b>
Taxation	<b>(73,541)</b>	<b>(72,781)</b>
Profit for the year	<b><u>211,815</u></b>	<b><u>218,046</u></b>

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**Reserves and provisions**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

**Dividends**

No dividend has been paid or declared by the Bank since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year.

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**Directors of the Group and the Bank**

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

**Bank Muamalat Malaysia Berhad**

Tan Sri Tajuddin Atan  
Johari Abdul Muid  
Tan Sri Che Khalib Mohamad Noh  
Dato' Ibrahim Taib  
Ainol Roznain Yaacob  
Md. Khairuddin Hj Arshad  
Mohd Razlan Mohamed  
Roshidah Abdullah

**Muamalat Invest Sdn Bhd**

Khairul Kamarudin  
Mohd Faruk Abdul Karim  
Md. Khairuddin Hj Arshad  
Roshidah Abdullah  
Fakihah Azahari (*resigned on 31 May 2023*)  
Dato' Adnan Alias (*resigned on 15 May 2023*)

**Muamalat Venture Sdn Bhd**

Khairul Kamarudin  
Amirul Nasir Abdul Rahim

**Muamalat Nominees (Asing) Sdn Bhd**

Khairul Kamarudin  
Amirul Nasir Abdul Rahim

**Muamalat Nominees (Tempatan) Sdn Bhd**

Khairul Kamarudin  
Amirul Nasir Abdul Rahim

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**Directors' interests in shares**

The interests and deemed interests in the shares of the Bank and of its related corporations of those who were Directors at the financial year end as recorded in the Register of Directors' Shareholding are:

	Number of ordinary shares of RM1.00 each			At 31.12.2023
	At 1.1.2023	Acquired	Disposed	
Interest in the holding company, DRB-HICOM Berhad:				
Tan Sri Che Khalib Mohamad Noh - spouse	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 holding office at the end of the financial year ended 31 December 2023 had any interest in shares in the Bank or its related corporations during the financial year.

**Directors' benefits**

Since the end of the previous financial year, no Director has received nor 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 36 to the financial statements or from related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which, the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2023 are as follows:

	From the Bank RM'000	From the subsidiary company RM'000
<b>Directors of the Bank:</b>		
Director fees	1,504	55
Director's other emoluments	1,010	18
Estimated money value of any other benefits	76	-
	<u>2,590</u>	<u>73</u>

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**Directors' benefits (cont'd.)**

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.

**Indemnity and takaful cost**

Directors' and Officers' liability takaful is in place to protect the Directors and Officers of the Group and of the Bank against potential costs and liabilities arising from claims brought against the Directors and Officers. The Bank has maintained a Directors' and Officers' liability takaful up to an aggregate limit of RM40.0 million against any liability incurred by the Directors and Officers. The gross amount of takaful contribution paid by the Bank for the Directors and Officers of Bank Muamalat Malaysia Berhad ("BMMB") and its subsidiaries for the current financial year was RM215,000.

**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.

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**Other statutory information (cont'd.)**

(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.

(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 year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

**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 Banking Institutions and the Policy Documents on Classification and Impairment Provisions for Loans/Financing.

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**Business review 2023**

For the financial year ended 31 December 2023, the Group recorded a Profit Before Zakat and Taxation of RM295.6 million, a decrease of RM11.1 million or 3.6% as compared to the previous corresponding financial year end.

The Group's Total Distributable Income increased by RM436.8 million or 34.4% mainly from a 30.3% increase in financing income, on the back of strong financing growth and improved yield. Non-Fund Based Income has also improved by RM49.2 million or 53.0%, mostly driven by higher net gain from sale of financial investments at FVOCI, increased Wealth income driven by higher disbursement of Retail Financing and Gold products, and higher volume of foreign exchange transactions.

The net income for the financial year ended 31 December 2023 increased, albeit at a lower pace of 7.1% compared to the preceding corresponding financial year. The bank experienced an increase in its funding cost resulted from higher Income Attributable to Depositors which increased 83.6% or RM378.8 million. This is driven by intense competition in the market for deposit, which led to compression of net profit margin.

Despite the increasing trend of credit cost across the banking industry, the Bank has placed successful pre-emptive strategy and increasing focus on secured Government-backed financing resulting in a lower Allowance for Impairment Losses on Financing by RM7.8 million or 18.9%. The Gross Impaired Financing Ratio which stood at 0.93% at the end of the current reporting year, is well below industry level of 1.69%.

Total operating expenses for the year recorded an increase of RM42.0 million or 9.3% to RM494.8 million. The increase was due to higher Personnel Expenses by RM30.2 million attributable to an increase in number of sales personnel and also includes one-off payment under Union Collective Agreement. Finance Cost increased 49.1% from RM55.1 million in financial year ended 31 December 2022 to RM82.2 million recorded in financial year ended 31 December 2023 which was mainly contributed by the additional Financing Sold to Cagamas.

The Group's total assets recorded a double digit annual growth of 23.9% outperformed industry average of 7.5% from the financial year ended 31 December 2022 position, to stand at RM39.1 billion as at 31 December 2023 largely spurred by growth in financing.

Gross financing to customers grew by RM4.3 billion or 17.7% to RM28.6 billion for the year under review, while customer deposits and investment accounts stood at RM33.0 billion which was an increase of RM6.4 billion or 24.1%. CASA composition from total customer deposits was at healthy level of 30.9% as compared to industry average of 26.5%.

With the issuance of Tier-1 Perpetual Sukuk of RM350.0 million in September 2023, the Group's capital ratios remained strong with CET 1, Tier 1 and Total Capital Ratio stood at 11.401%, 12.848% and 17.343% respectively.



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**Prospects and forecast**

In 2023, Malaysia's economic growth slowed to 3.7% from the previous year's robust 8.7%, primarily due to weakened external demand and cautious consumer spending. Global monetary tightening and geopolitical uncertainties led to a significant 11.3% decline in net exports, impacting the manufacturing sector, which saw a 1.1% decrease in output for export-oriented industries. Consumer spending, which accounts for nearly two-thirds of the economy, grew modestly from 11.7% to 4.7% as Malaysian households adopted a more vigilant approach to managing finances amidst rising living costs. Notwithstanding, the expansionary fiscal policy acted as a buffer, with public investment growing to 8.6% from 5.3% in the previous year, supported by substantial allocations for development spending. This played a vital role in offsetting the adverse effects of weakened external demand and cautious consumer spending. As a result, the construction sector expanded to 6.1% in 2023 from 5.0% in the preceding period.

Despite the challenges posed by weak external demand in 2023, there are indications of a forthcoming recovery, particularly for Electrical & Electronics exports, which are expected to support GDP growth in 2024. Domestic demand is anticipated to continue underpinning the Malaysian economy, although consumer and business sentiments might be tempered by policy adjustments regarding subsidies and taxes. In light of these developments, Bank Muamalat is set to adhere to cautious credit underwriting practices, while seeking new opportunities in government development spending and the establishment of special economic zones to enhance its non-retail sector operations.

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**Rating by external rating agencies**

Details of the Bank's ratings are as follows:

<b>Rating Agency</b>	<b>Date</b>	<b>Classification</b>	<b>Rating</b>
RAM Rating Services Berhad	May 2023	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysian Rating Corporation Berhad	June 2023	Long term	A+
		Short term	MARC-1
		Senior Sukuk	A+
		Additional Tier-1 Sukuk	BBB
		Outlook	Stable

**Bank Muamalat Malaysia Berhad  
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**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"). 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.

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**Disclosure of Shariah Committee (cont'd.)**

- (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.
- (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.

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**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 the shareholders or depositors.

For the year ended 31 December 2023, the Group and the Bank have allocated an amount of RM10.6 million and RM10.3 million respectively, as provision for zakat on its business.

**Auditors and auditors' remuneration**

The auditors' remuneration related to the statutory audit of the Group and of the Bank for the financial year is RM640,000 and RM620,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 29 April 2024.



Tan Sri Tajuddin Atan  
Chairman



Roshidah Abdullah  
Director

Kuala Lumpur, Malaysia

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**Bank Muamalat Malaysia Berhad  
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**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 19 to 233 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting 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 2023 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 29 April 2024.



Tan Sri Tajuddin Atan  
Chairman



Roshidah Abdullah  
Director

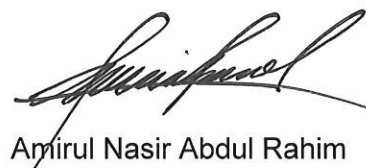
Kuala Lumpur, Malaysia

**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 19 to 233 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  
(I.C No. 840830-14-6087) at  
Kuala Lumpur in Federal Territory  
on 29 April 2024.



Amirul Nasir Abdul Rahim

Before me,

Commissioner for Oaths  
12  
76B, JALAN BURHANUDDIN HELMI  
TAMAN TUN DR. ISMAIL  
60000 KUALA LUMPUR

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**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 2023. 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 2023 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 2023 together with the calculation of zakat disclosed to us are in compliance with Shariah principles.

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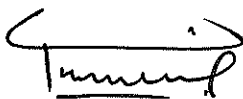
**Report of the Shariah Committee (cont'd.)**

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 2023 are in compliance with Shariah principles but it has come to the Shariah Committee's attention that two (2) Shariah non-compliance events have occurred and have been rectified, detail as follows:

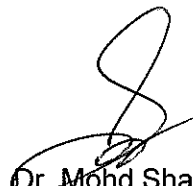
Nature of event	Measures undertaken	Status
1. Element of profit compounding in restructured account	<ul style="list-style-type: none"><li>- Adjustment to the restructured financing amount and issue new Supplementary Letter of Offer</li><li>- Enhancement of process for Rescheduling &amp; Restructuring account in the respective SOP</li></ul>	Completed
2. Absence of Shariah screening process for i-PUSH Scheme application which has led the Bank to be involved in facilitating financing to Shariah non-compliance business	<ul style="list-style-type: none"><li>- Enhanced the process SOP to ensure inclusion of Shariah screening process</li><li>- Channeled the fee received to Maslahah Ammah</li></ul>	Completed

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,



Dr. Yusri Mohamad  
Chairman of Shariah Committee



Dr. Mohd Shahid Mohd Noh  
Member of Shariah Committee

Kuala Lumpur, Malaysia  
29 April 2024





**KPMG PLT**  
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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD**

(Registration No.: 196501000376 (6175-W))  
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### **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 2023 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 19 to 233.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

#### **Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and Other Ethical Responsibilities*

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



### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and Shariah Committee's 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 Directors' Report and Shariah Committee's Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the Directors' Report and Shariah Committee's Report and, in doing so, consider whether the Directors' Report and Shariah Committee's Report is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report and Shariah Committee's Report, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the ability of the Group and of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



### **Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Bank.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



### Other Matters

1. The financial statements of the Group and of the Bank as at and for the year ended 31 December 2022 were audited by another firm of chartered accountants who expressed an unmodified opinion in their report dated 28 March 2023.
2. This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Petaling Jaya, Malaysia

Date: 29 April 2024

**Foo Siak Chung**  
Approval Number: 03184/02/2026 J  
Chartered Accountant

**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Consolidated statement of financial position as at 31 December 2023 (18 Jamadil Akhir 1445H)**

		Group	
	Note	2023 RM'000	2022 RM'000
<b>Assets</b>			
Cash and short-term funds	4 (a)	3,039,191	1,235,454
Deposits and placements with financial institutions	4 (b)	-	21,747
Financial investments at fair value through profit or loss ("FVTPL")	5 (i)	33,707	182,089
Financial investments at fair value through other comprehensive income ("FVOCI")	5 (ii)	6,505,466	5,211,651
Financial investments at amortised cost	5 (iii)	116,871	113,589
Islamic derivative financial assets	6	12,819	4,247
Financing of customers	7	28,347,644	24,017,067
Other assets	9	133,707	44,691
Statutory deposits with Bank Negara Malaysia	10	583,809	417,091
Investment properties	12	56,756	56,564
Intangible assets	13	123,096	110,843
Right-of-use assets	15.1 (c)	36,113	35,068
Property, plant and equipment	14	46,615	47,674
Deferred tax assets	16	24,483	36,442
<b>Total assets</b>		<b>39,060,277</b>	<b>31,534,217</b>
<b>Liabilities</b>			
Deposits from customers	17	32,795,736	26,320,609
Investment accounts of customers	18	247,689	301,158
Deposits and placements of banks and other financial institutions	19	529,634	303,388
Bills and acceptances payable	20	13,773	20,218
Islamic derivative financial liabilities	6	21,519	23,111
Other liabilities	21	100,640	96,123
Lease liabilities	15.1 (a)	38,469	37,433
Provision for zakat and taxation	22	10,647	5,803
Recourse obligation on financing sold to Cagamas	23	1,058,745	733,174
Subordinated sukuk	24	806,924	806,596
<b>Total liabilities</b>		<b>35,623,776</b>	<b>28,647,613</b>

**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Consolidated statement of financial position as at 31 December 2023 (18 Jamadil Akhir 1445H) (cont'd.)**

		<b>Group</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Shareholders' equity</b>			
Share capital	25	<b>1,195,000</b>	1,195,000
Reserves	27	<b>1,892,746</b>	1,691,604
<b>Equity attributable to owners of the Company</b>		<b>3,087,746</b>	2,886,604
Perpetual Sukuk	26	<b>348,755</b>	-
<b>Total Equity</b>		<b>3,436,501</b>	2,886,604
<b>Total liabilities and shareholders' equity</b>		<b>39,060,277</b>	31,534,217
<b>Restricted investment accounts</b>	18	<b>32</b>	79
<b>Total Islamic banking asset and asset under management</b>		<b>39,060,309</b>	31,534,296
<b>Commitments and contingencies</b>	46	<b>5,650,858</b>	4,781,643
<b>Capital adequacy *</b>	51		
CET 1 capital ratio		<b>11.401%</b>	12.551%
Tier 1 capital ratio		<b>12.848%</b>	12.551%
Total capital ratio		<b>17.343%</b>	17.577%

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

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

**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Statement of financial position as at 31 December 2023 (18 Jamadil Akhir 1445H)**

		<b>Bank</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>			
Cash and short-term funds	4 (a)	<b>3,039,191</b>	1,235,454
Deposits and placements with financial institutions	4 (b)	-	21,747
Financial investments at fair value through profit or loss ("FVTPL")	5 (i)	<b>31,096</b>	179,544
Financial investments at fair value through other comprehensive income ("FVOCI")	5 (ii)	<b>6,505,466</b>	5,211,651
Financial investments at amortised cost	5 (iii)	<b>116,871</b>	113,589
Islamic derivative financial assets	6	<b>12,819</b>	4,247
Financing of customers	7	<b>28,343,392</b>	24,006,413
Other assets	9	<b>132,866</b>	44,193
Statutory deposits with Bank Negara Malaysia	10	<b>583,809</b>	417,091
Investment in subsidiaries	11	<b>13,159</b>	13,159
Investment properties	12	<b>56,756</b>	56,564
Intangible assets	13	<b>122,811</b>	110,491
Right-of-use assets	15.1 (c)	<b>36,113</b>	35,068
Property, plant and equipment	14	<b>46,580</b>	47,622
Deferred tax assets	16	<b>23,943</b>	36,442
<b>Total assets</b>		<b><u>39,064,872</u></b>	<b><u>31,533,275</u></b>
<b>Liabilities</b>			
Deposits from customers	17	<b>32,811,802</b>	26,340,353
Investment accounts of customers	18	<b>247,689</b>	301,158
Deposits and placements of banks and other financial institutions	19	<b>529,634</b>	303,388
Bills and acceptances payable	20	<b>13,773</b>	20,218
Islamic derivative financial liabilities	6	<b>21,519</b>	23,111
Other liabilities	21	<b>101,105</b>	94,425
Lease liabilities	15.1 (a)	<b>38,469</b>	37,433
Provision for zakat and taxation	22	<b>10,320</b>	4,655
Recourse obligation on financing sold to Cagamas	23	<b>1,058,745</b>	733,174
Subordinated sukuk	24	<b>806,924</b>	806,596
<b>Total liabilities</b>		<b><u>35,639,980</u></b>	<b><u>28,664,511</u></b>

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**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Statement of financial position as at 31 December 2023 (18 Jamadil Akhir 1445H) (cont'd.)**

		<b>Bank</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Shareholders' equity</b>			
Share capital	25	<b>1,195,000</b>	1,195,000
Reserves	27	<b>1,881,137</b>	1,673,764
<b>Equity attributable to owners of the Company</b>		<b>3,076,137</b>	2,868,764
Perpetual Sukuk	26	<b>348,755</b>	-
<b>Total shareholders' equity</b>		<b>3,424,892</b>	2,868,764
<b>Total liabilities and shareholders' equity</b>		<b>39,064,872</b>	31,533,275
<b>Restricted investment accounts</b>	18	<b>32</b>	79
<b>Total Islamic banking asset and asset under management</b>		<b>39,064,904</b>	31,533,354
<b>Commitments and contingencies</b>	46	<b>5,650,858</b>	4,781,643
<b>Capital adequacy *</b>	51		
CET 1 capital ratio		<b>11.319%</b>	12.437%
Tier 1 capital ratio		<b>12.767%</b>	12.437%
Total capital ratio		<b>17.269%</b>	17.476%

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

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



**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Statements of profit or loss**

**For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)**

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Income derived from investment of depositors' funds and others	28	1,733,875	1,300,612	1,733,875	1,300,612
Income derived from investment of investment accounts funds	29	11,316	11,395	11,316	11,395
Income derived from investment of shareholders' funds	30	39,463	27,878	43,936	20,426
Allowance for impairment losses on financing	31	(33,260)	(41,010)	(33,260)	(41,010)
Allowance for impairment losses on financial investments, net	32	(526)	(4,371)	(526)	(4,371)
Allowance for impairment losses on other financial assets, net	33	(105)	(38)	(105)	(38)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(46,149)	(26,602)	(46,149)	(26,602)
<b>Total distributable income</b>		<b>1,704,614</b>	<b>1,267,864</b>	<b>1,709,087</b>	<b>1,260,412</b>
Income attributable to depositors	34	(831,807)	(453,026)	(832,164)	(453,279)
Income attributable to investment account holders		(240)	(205)	(240)	(205)
<b>Total net income</b>		<b>872,567</b>	<b>814,633</b>	<b>876,683</b>	<b>806,928</b>
Personnel expenses	35	(306,957)	(276,783)	(304,291)	(273,987)
Other overheads and expenditures	38	(187,853)	(176,011)	(189,462)	(177,317)
Finance costs	39	(82,174)	(55,114)	(82,174)	(55,114)
<b>Profit before zakat and taxation</b>		<b>295,583</b>	<b>306,725</b>	<b>300,756</b>	<b>300,510</b>
Zakat	40	(10,227)	(2,692)	(9,929)	(2,254)
Taxation	41	(73,541)	(81,255)	(72,781)	(78,818)
<b>Profit for the year</b>		<b>211,815</b>	<b>222,778</b>	<b>218,046</b>	<b>219,438</b>
Earnings per share attributable to shareholders of the Bank (sen) (basic):	42	<b>17.73</b>	18.64		

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

**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Statements of other comprehensive income**  
**For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)**

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Profit for the year</b>		<b>211,815</b>	222,778	<b>218,046</b>	219,438
<b>Other comprehensive loss:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Net gain/(loss) on financial investments at fair value through other comprehensive income		<b>25,520</b>	(40,339)	<b>25,520</b>	(40,339)
- Net gain/(loss) on change in fair value		<b>54,076</b>	(39,342)	<b>54,076</b>	(39,342)
- Changes in expected credit losses	5 (ii)	<b>526</b>	(60)	<b>526</b>	(60)
- Income tax effect	16	<b>(8,852)</b>	1,069	<b>(8,852)</b>	1,069
- Realised gain transferred to profit or loss on disposal of debts instruments	28 & 30	<b>(20,230)</b>	(2,006)	<b>(20,230)</b>	(2,006)
Exchange fluctuation reserve		<b>(1,475)</b>	2,417	<b>(1,475)</b>	2,417
<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		<b>(34,718)</b>	(51,039)	<b>(34,718)</b>	(51,039)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(10,673)</b>	(88,961)	<b>(10,673)</b>	(88,961)
<b>Total comprehensive income for the year</b>		<b>201,142</b>	133,817	<b>207,373</b>	130,477

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

196501000376 (6175-W)

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**Consolidated statement of changes in equity  
For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)**

Group	Non-distributable				Distributable		Total equity RM'000
	Ordinary shares RM'000	Perpetual Sukuk 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 2023</b>	<b>1,195,000</b>	-	<b>94,239</b>	<b>3,066</b>	<b>(1,342)</b>	<b>1,595,641</b>	<b>2,886,604</b>
Profit for the year	-	-	-	-	-	<b>211,815</b>	<b>211,815</b>
Other comprehensive loss for the year	-	-	-	<b>(1,475)</b>	<b>(9,198)</b>	-	<b>(10,673)</b>
Total comprehensive (loss) / income for the year	-	-	-	<b>(1,475)</b>	<b>(9,198)</b>	<b>211,815</b>	<b>201,142</b>
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	-	<b>3,574</b>	<b>(3,574)</b>	-
Net issuance of Perpetual Sukuk	-	<b>348,755</b>	-	-	-	-	<b>348,755</b>
Transfer to regulatory reserve	-	-	<b>61,508</b>	-	-	<b>(61,508)</b>	-
<b>At 31 December 2023</b>	<b>1,195,000</b>	<b>348,755</b>	<b>155,747</b>	<b>1,591</b>	<b>(6,966)</b>	<b>1,742,374</b>	<b>3,436,501</b>
<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	-	-	-	-	83,388	(83,388)	-
<b>At 1 January 2022</b>	1,195,000	-	28,079	649	43,374	1,485,685	2,752,787
Profit for the year	-	-	-	-	-	<b>222,778</b>	<b>222,778</b>
Other comprehensive income / (loss) for the year	-	-	-	<b>2,417</b>	<b>(91,378)</b>	-	<b>(88,961)</b>
Total comprehensive income / (loss) for the year	-	-	-	<b>2,417</b>	<b>(91,378)</b>	<b>222,778</b>	<b>133,817</b>
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	-	<b>46,662</b>	<b>(46,662)</b>	-
Transfer from regulatory reserve	-	-	<b>66,160</b>	-	-	<b>(66,160)</b>	-
<b>At 31 December 2022</b>	<b>1,195,000</b>	-	<b>94,239</b>	<b>3,066</b>	<b>(1,342)</b>	<b>1,595,641</b>	<b>2,886,604</b>

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

196501000376 (6175-W)

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**Statement of changes in equity  
For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)**

	Non-distributable				Distributable		Total equity RM'000
	Ordinary shares RM'000	Perpetual Sukuk 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>Bank</b>							
<b>At 1 January 2023</b>	<b>1,195,000</b>	-	<b>94,239</b>	<b>3,067</b>	<b>(1,342)</b>	<b>1,577,800</b>	<b>2,868,764</b>
Profit for the year	-	-	-	-	-	<b>218,046</b>	<b>218,046</b>
Other comprehensive loss for the year	-	-	-	<b>(1,475)</b>	<b>(9,198)</b>	-	<b>(10,673)</b>
Total comprehensive (loss) / income for the year	-	-	-	<b>(1,475)</b>	<b>(9,198)</b>	<b>218,046</b>	<b>207,373</b>
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	-	<b>3,574</b>	<b>(3,574)</b>	-
Net issuance of Perpetual Sukuk	-	<b>348,755</b>	-	-	-	-	<b>348,755</b>
Transfer to regulatory reserve	-	-	<b>61,508</b>	-	-	<b>(61,508)</b>	-
<b>At 31 December 2023</b>	<b>1,195,000</b>	<b>348,755</b>	<b>155,747</b>	<b>1,592</b>	<b>(6,966)</b>	<b>1,730,764</b>	<b>3,424,892</b>
<b>At 1 January 2022</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 income / (loss) for the year	-	-	-	2,417	(91,378)	-	(88,961)
Total comprehensive income / (loss) 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 from regulatory reserve	-	-	66,160	-	-	(66,160)	-
<b>At 31 December 2022</b>	<b>1,195,000</b>	-	<b>94,239</b>	<b>3,067</b>	<b>(1,342)</b>	<b>1,577,800</b>	<b>2,868,764</b>

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

**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**

For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cash flows from operating activities</b>					
Profit before zakat and taxation		<b>295,583</b>	306,725	<b>300,756</b>	300,510
Adjustment for:					
Unwinding of financial liabilities	30 (a)	<b>1,664</b>	4,690	<b>1,664</b>	4,690
Amortisation of intangible assets	38	<b>33,563</b>	24,711	<b>33,483</b>	24,678
Depreciation of property, plant and equipment	38	<b>10,664</b>	11,201	<b>10,646</b>	11,183
Gain from termination of right-of-use asset	30	<b>(3)</b>	(47)	<b>(3)</b>	(47)
Depreciation of right-of-use assets	38	<b>11,152</b>	10,736	<b>11,152</b>	10,736
Amortisation of cost on subordinated sukuk issued		<b>422</b>	369	<b>422</b>	369
Property, plant and equipment written-off	38	<b>6</b>	38	<b>6</b>	38
Intangible assets written-off	38	<b>64</b>	-	<b>64</b>	-
Amortisation of premium (net)	28 & 30	<b>40,444</b>	47,287	<b>40,444</b>	47,287
Return of a financial investment at fair value through other comprehensive income	30	-	(10,552)	-	(10,552)
Net gain from sale of financial investments at fair value through other comprehensive income	28 & 30	<b>(20,230)</b>	(2,005)	<b>(20,230)</b>	(2,005)
Net gain from sale of financial investments designated at FVTPL	28	<b>(77)</b>	(36)	<b>(77)</b>	(36)
Unrealised (gain)/loss on revaluation of financial investment designated at FVTPL	28 & 30	<b>(3,420)</b>	3,387	<b>(3,422)</b>	3,387
Net gain on revaluation of foreign exchange transaction	30	<b>(9,713)</b>	(27,447)	<b>(9,713)</b>	(27,447)
Net (gain)/loss from foreign exchange derivatives	30	<b>(10,164)</b>	20,134	<b>(10,164)</b>	20,134
Unrealised gain on revaluation of Islamic profit rate swap	30	-	(37,532)	-	(37,532)

**Bank Muamalat Malaysia Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**

For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)(cont'd.)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cash flows from operating activities (cont'd.)</b>					
Unrealised loss on revaluation of hedged items	30	-	37,940	-	37,940
Allowance for impairment losses on financial investments, net	32	<b>526</b>	4,371	<b>526</b>	4,371
Fair value adjustments of investment properties	30	<b>(192)</b>	-	<b>(192)</b>	-
Allowance for impairment on financing	31	<b>33,260</b>	41,010	<b>33,260</b>	41,010
Allowance for impairment on other financial assets, net	33	<b>105</b>	38	<b>105</b>	38
Finance costs	39	<b>82,174</b>	55,114	<b>82,174</b>	55,114
Gross dividend income	30	<b>(68)</b>	(39)	<b>(11,000)</b>	(4,000)
Operating profit before working capital changes		<b>465,760</b>	490,093	<b>459,901</b>	479,866
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		<b>1,592</b>	(18,944)	<b>1,592</b>	(18,944)
Financial investments portfolio		<b>(4,549)</b>	(58,299)	<b>(4,548)</b>	(58,298)
Financing of customers		<b>(4,363,837)</b>	(3,386,771)	<b>(4,370,239)</b>	(3,385,805)
Statutory deposits with Bank Negara Malaysia		<b>(166,718)</b>	(286,942)	<b>(166,718)</b>	(286,942)
Other assets		<b>(94,299)</b>	10,591	<b>(93,956)</b>	10,490

**Bank Muamalat Malaysia Berhad**  
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**Statements of cash flows**

For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)(cont'd.)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cash flows from operating activities (cont'd.)</b>					
Increase/(decrease) in operating liabilities:					
Deposits from customers		<b>6,475,127</b>	3,207,443	<b>6,471,449</b>	3,211,637
Deposits and placements of banks and other financial institutions		<b>224,582</b>	6,831	<b>224,582</b>	6,831
Investment accounts of customers		<b>(53,469)</b>	84,180	<b>(53,469)</b>	84,180
Islamic derivative financial liabilities		<b>(1,592)</b>	(900)	<b>(1,592)</b>	(900)
Bills and acceptances payable		<b>(6,445)</b>	12,463	<b>(6,445)</b>	12,463
Other liabilities		<b>4,517</b>	(44,064)	<b>6,680</b>	(45,197)
<b>Cash generated from operations</b>		<b>2,480,669</b>	15,681	<b>2,467,237</b>	9,381
Finance cost on lease liabilities paid	39	<b>(1,839)</b>	(1,925)	<b>(1,839)</b>	(1,925)
Zakat paid		<b>(4,723)</b>	(4,163)	<b>(4,264)</b>	(3,796)
Tax paid		<b>(57,678)</b>	(81,611)	<b>(55,718)</b>	(79,783)
<b>Net cash from/(used in) operating activities</b>		<b>2,416,429</b>	(72,018)	<b>2,405,416</b>	(76,123)
<b>Cash flows from investing activities</b>					
Proceeds from disposal of investment in securities		<b>4,204,818</b>	2,085,380	<b>4,204,818</b>	2,085,380
Purchase of financial investment in securities		<b>(5,366,573)</b>	(2,412,089)	<b>(5,366,506)</b>	(2,412,050)
Purchase of property, plant and equipment	14	<b>(7,822)</b>	(6,919)	<b>(7,821)</b>	(6,895)
Purchase of intangible assets	13	<b>(47,669)</b>	(58,883)	<b>(47,656)</b>	(58,802)
Dividend income	29	<b>68</b>	39	<b>11,000</b>	4,000
<b>Net cash used in investing activities</b>		<b>(1,217,178)</b>	(392,472)	<b>(1,206,165)</b>	(388,367)

**Bank Muamalat Malaysia Berhad**  
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**Statements of cash flows**

For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)(cont'd.)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Cash flows from financing activities</b>					
Dividend paid on Islamic subordinated sukuk		(38,490)	(22,500)	(38,490)	(22,500)
Payment of lease liabilities		(11,158)	(10,654)	(11,158)	(10,654)
Additional issuance of subordinated sukuk		-	299,181	-	299,181
Proceed from recourse obligation on financing sold to Cagamas		500,000	750,000	500,000	750,000
Payment of principal for recourse obligation on financing sold to Cagamas		(177,363)	(444,751)	(177,363)	(444,751)
Payment of finance cost for recourse obligation on financing sold to Cagamas		(39,005)	(23,060)	(39,005)	(23,060)
Proceeds from issuance of Perpetual Sukuk		348,755	-	348,755	-
<b>Net cash generated from financing activities</b>		<b>582,739</b>	548,216	<b>582,739</b>	548,216
<b>Net increase in cash and cash equivalents</b>		<b>1,781,990</b>	83,726	<b>1,781,990</b>	83,726
<b>Cash and cash equivalents at beginning of year</b>		<b>1,257,201</b>	1,173,475	<b>1,257,201</b>	1,173,475
<b>Cash and cash equivalents at end of year</b>		<b>3,039,191</b>	1,257,201	<b>3,039,191</b>	1,257,201
<b>Cash and cash equivalents consist of:</b>					
Cash and short term funds	4 (a)	3,039,191	1,235,454	3,039,191	1,235,454
Deposits and placements with financial institutions	4 (b)	-	21,747	-	21,747
		<b>3,039,191</b>	1,257,201	<b>3,039,191</b>	1,257,201



**Bank Muamalat Malaysia Berhad**  
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**Statements of cash flows**

**For the year ended 31 December 2023 (18 Jamadil Akhir 1445H)(cont'd.)**

(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	Subordinated Sukuk		Recourse obligation on financing sold to Cagamas	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	<b>806,596</b>	499,876	<b>733,174</b>	427,466
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	<b>(38,490)</b>	(22,500)	-	-
Additional issuance of subordinated sukuk	-	299,181	-	-
Proceed from recourse obligation on financing sold to Cagamas	-	-	<b>500,000</b>	750,000
Payment of principal for recourse obligation on financing sold to Cagamas	-	-	<b>(177,363)</b>	(444,751)
Payment of finance cost for recourse obligation on financing sold to Cagamas	-	-	<b>(39,005)</b>	(23,060)
	<b>768,106</b>	776,557	<b>1,016,806</b>	709,655
Other changes:				
Amortisation of cost on subordinated sukuk issued	<b>422</b>	370	-	-
Finance cost	<b>38,396</b>	29,669	<b>41,939</b>	23,519
At 31 December	<b>806,924</b>	806,596	<b>1,058,745</b>	733,174

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**Statements of cash flows**

**For the year ended 31 December 2023 (18 Jamadil Akhir 1445H) (cont'd.)**

(a) Reconciliation of liabilities arising from financing activities: (cont'd.)

<b>Group and Bank</b>	<b>Lease Liabilities</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>37,433</b>	31,751
Net changes from financing cash flows:		
Payments for the profit portion of lease liabilities	<b>(1,839)</b>	(1,925)
Payments for the principal portion of lease liabilities	<b>(11,158)</b>	(10,654)
	<b>24,436</b>	19,172
Other changes:		
Finance cost	<b>1,839</b>	1,925
Lease modification	<b>11,332</b>	7,365
Currency translation	<b>6</b>	1
Termination	<b>(133)</b>	(465)
Additions	<b>989</b>	9,435
At 31 December	<b>38,469</b>	37,433

(b) Cash outflows for leases as a lessee

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Included in net cash from operating activities:		
Payment relating to leases of low-value assets	<b>403</b>	402
Finance cost paid in relation to lease liabilities	<b>1,839</b>	1,925
Included in net cash from financing activities:		
Payment of lease liabilities	<b>11,158</b>	10,654
Total cash outflows for leases	<b>13,400</b>	12,981

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

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**Bank Muamalat Malaysia Berhad  
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**Notes to the financial statements - 31 December 2023 (18 Jamadil Akhir 1445H)**

### **Corporate information**

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 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.

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 29 April 2024.

## **1. Basis of preparation**

### **1.1 Statement of compliance**

The financial statements of the Bank and its subsidiaries ("the Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

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**1. Basis of preparation (cont'd.)**

**1.1 Statement of compliance (cont'd.)**

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

**MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024**

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

**MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025**

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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

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

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

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

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

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**1. Basis of preparation (cont'd.)**

**1.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured based on the measurement bases stated below:

<b>Items</b>	<b>Measurement bases</b>
Islamic derivative financial instruments	Fair value
Fair value through profit or loss ("FVTPL")	Fair value
Fair value through other comprehensive income ("FVOCI")	Fair value
Investment properties	Fair value

**1.3 Functional and presentation currencies**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency and has been rounded to the nearest thousand ("RM'000"), except when otherwise indicated.

**1.4 Use of estimates and judgements**

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 3 - Significant accounting judgement, estimates and assumptions.

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**2. Material accounting policies**

**2.1 Changes in material accounting policies**

The Group and the Bank adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group’s accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

**2.2 Material accounting policy information**

**(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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(b) Financial assets**

**(i) Initial recognition and subsequent measurement**

The Group and the Bank classify all of their 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")

**(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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

**(i) Initial recognition and subsequent measurement (cont'd.)**

**(1) Financial assets at amortised cost (cont'd.)**

**(i) The SPPP test (cont'd.)**

'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:



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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (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 way the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The way the managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales which are also important aspects of the Group's and the Bank's assessment.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, deposits 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

**(i) Initial recognition and subsequent measurement (cont'd.)**

**(2) Financial assets at fair value through other comprehensive income (“FVOCI”)**

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

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (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 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

**(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.

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*.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

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

The measurement of ECL involves increased complexity and judgement that include:

(1) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is critical in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The criteria for determining whether credit risk has increase significantly vary by portfolio and include quantitative factors such as delinquency, historical delinquency trend, changes in credit ratings and qualitative factors such as well as a backstop based on delinquency. For retail portfolio, a combination of delinquency, historical delinquency trend and qualitative factors are used to determine significant increase in credit risk. For non-retail portfolio, internally derived credit ratings have been identified as representing the best available determinant of credit risk whilst for financial securities, external ratings attributed by external agencies are used.

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 assigns each counterparty, financial securities and financial instrument, credit rating at initial recognition based on available information about the counterparty, financial securities and financial instrument. Credit risk is deemed to have increase significantly if the credit rating has significantly deteriorate at the reporting date relative to the credit rating at the date of initial recognition.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

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

(1) Determining a significant increase in credit risk since initial recognition (cont'd.)

Nevertheless, regardless of the change in credit rating, a backstop is applied and a financial assets is considered to have experienced a significant increase in credit risk if the financial asset is more than 30 days past due on its contractual payments. In addition, the Group and the Bank may determine that an exposure has demonstrated a significant increase in credit risk based on certain qualitative factors using its expert credit judgement and, where possible, relevant historical experienced that are considered to be indicative of such increase whose effect may not otherwise be fully reflected in its quantitative factors.

The Group and the Bank has not used the low credit risk exemption for any financial assets in the current financial year.

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

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (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. 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:

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

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

(4) Forward looking information (cont'd.)

- Consumer Price Index;
- Unemployment rates;
- House Price Indices; and
- Overnight Policy Rate.

The Bank applies the following three (3) alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

*Base scenario*: This scenario reflects that current macroeconomic conditions continue to prevail; and

*Upside and Downside scenarios*: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

(5) Financial investments at FVOCI

The ECL for financial investments measured at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to 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;



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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

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

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

(6) Valuation of collateral held as security for financial assets (cont'd.)

- 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 prices 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (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.

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(c) Financial liabilities (cont'd.)**

**(ii) Initial recognition and subsequent measurement (cont'd.)**

**(2) Financial liabilities at amortised cost (cont'd.)**

**(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 two tranches of subordinated 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.

**(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.

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(c) Financial liabilities (cont'd.)**

**(ii) Initial recognition and subsequent measurement (cont'd.)**

**(2) Financial liabilities at amortised cost (cont'd.)**

**(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 financier 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.

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(d) Derivative instruments and hedge accounting (cont'd.)**

**(i) Derivative instruments (cont'd.)**

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the derivatives are recognised in the statements of profit or loss unless these form part of a hedging relationship.

**(ii) Hedge accounting**

The Group and the Bank have elected an accounting policy choice under MFRS 9, *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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(d) Derivative instruments and hedge accounting (cont'd.)**

**(ii) Hedge accounting (cont'd.)**

**(1) Fair value hedge (cont'd.)**

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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(e) 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.

**(f) 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, until the assets are ready for their intended use.

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(f) Intangible assets (cont'd.)**

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.

**(g) 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.



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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(g) Property, plant and equipment (cont'd.)**

Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings on freehold land	33 years
Buildings on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office building	33 years
Furniture, fixtures and fittings	6 to 7 years
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.

**(h) 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(h) Leases (cont'd.)**

**(b) Recognition and initial measurement**

**(i) The Group and the Bank as lessee**

The Group and the Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use ("ROU") asset

The Group and the Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets, as follows:

Office building	2 to 3 years
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If ownership of the leased asset is transferred to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with Note 2.2(k) on impairment of non-financial assets.

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(h) Leases (cont'd.)**

**(b) Recognition and initial measurement (cont'd.)**

**(i) The Group and the Bank as lessee (cont'd.)**

Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank uses its incremental profit rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(h) 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.

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(i) 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.

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(i) 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.

**(j) 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.

**(k) Impairment of non-financial assets**

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(k) Impairment of non-financial assets (cont'd.)**

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.

**(l) Cash and cash equivalents**

Cash and cash equivalents consist of 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.

**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(m) 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.

**(n) 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").



**Bank Muamalat Malaysia Berhad  
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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(o) 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**

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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(o) Income recognition**

**(i) Profit and income from financing (cont'd.)**

**(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.

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(o) 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.

**Bank Muamalat Malaysia Berhad  
(Incorporated in Malaysia)**

**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(o) Income recognition (cont'd.)**

**(i) Profit and income from financing (cont'd.)**

**(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 payment 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) Musyarakah Mutanaqisah**

In Musyarakah 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(o) Income recognition (cont'd.)**

**(ii) Fee and other income recognition**

Financing arrangement, management and participation fees, underwriting commissions, guarantee fees and brokerage fees are recognised as income based on accrual on time apportionment method. Fees from advisory and corporate finance activities are recognised at net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from securities is recognised when the Bank's right to receive payment is established.

**(p) 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(p) Income and deferred taxes (cont'd.)**

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.

**(q) Zakat**

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 the shareholders or depositors.

**(r) 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.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(r) Fair value measurement (cont'd.)**

The principal or the most advantageous market must be accessible by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would be willing to use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement, which is directly (i.e. prices) or indirectly (i.e. derived from prices) observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments and further details are disclosed in Note 48.

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**2. Material accounting policies (cont'd.)**

**2.2 Material accounting policy information (cont'd.)**

**(s) 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*.

**(t) 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.



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**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 32)**

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.

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**3. Significant accounting judgments, estimates and assumptions (cont'd.)**

**3.2 Impairment of financing of customers (Notes 7 and 31)**

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.

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 47(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).

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**3. Significant accounting judgments, estimates and assumptions (cont'd.)**

**3.3 Fair value estimation of financial investments at FVTPL and FVOCI (Notes 5(i) and 5(ii))**

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 41)**

Significant Management's judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation being assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

**4. (a) Cash and short-term funds**

	Note	Group and Bank	
		2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions		213,235	122,035
Money at call and interbank placements maturing within one month		<u>2,826,214</u>	<u>1,113,572</u>
		<b>3,039,449</b>	1,235,607
Allowances for impairment loss	(i)	<u>(258)</u>	<u>(153)</u>
		<b><u>3,039,191</u></b>	<b><u>1,235,454</u></b>

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**4. (a) Cash and short-term funds (cont'd.)**

- (i) Analysis of changes in allowances for impairment losses on cash and short term funds are as follows:

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>2023</b>				
At 1 January	153	-	-	153
Allowance made (Note 33)	276	-	-	276
Amount written-back in respect of recoveries (Note 33)	(171)	-	-	(171)
Amount written-off	-	-	-	-
Exchange differences	-	-	-	-
At 31 December	<b>258</b>	-	-	<b>258</b>
<b>2022</b>				
At 1 January	115	-	-	115
Allowance made (Note 33)	244	-	-	244
Amount written-back in respect of recoveries (Note 33)	(206)	-	-	(206)
Amount written-off	-	-	-	-
Exchange differences	-	-	-	-
At 31 December	153	-	-	153

**4. (b) Deposits and placements with financial institutions**

	Group and Bank	
	2023 RM'000	2022 RM'000
Licensed Islamic banks	-	21,747

The weighted average effective profit rate and weighted average maturity of deposits and placements with financial institutions as at 31 December 2023 for the Group and the Bank were nil (2022: 4.27% per annum and 43 days).

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**5. Financial investments**

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial investments at fair value through profit or loss	(i)	<b>33,707</b>	182,089	<b>31,096</b>	179,544
Financial investments at fair value through other comprehensive income	(ii)	<b>6,505,466</b>	207,186	<b>6,505,466</b>	5,211,651
Financial investments at amortised cost	(iii)	<b>116,871</b>	113,589	<b>116,871</b>	113,589
		<b>6,656,044</b>	502,864	<b>6,653,433</b>	5,504,784

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(i) <b>Financial investments at fair value through profit or loss</b>				
<b>Unquoted securities in Malaysia:</b>				
Islamic private debt securities	<b>27,122</b>	175,950	<b>27,122</b>	175,950
Unit trusts	<b>6,585</b>	6,139	<b>3,974</b>	3,594
	<b>33,707</b>	182,089	<b>31,096</b>	179,544

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## 5. Financial investments (cont'd.)

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</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	<u>4,278,305</u>	<u>4,690,779</u>
<b>Unquoted securities:</b>		
Islamic private debt securities in Malaysia	1,370,104	313,686
Cagamas sukuk	473,926	-
Bank Negara Malaysia Bills and Notes	<u>199,865</u>	<u>-</u>
	<u>2,043,895</u>	<u>313,686</u>
<b>Equity instruments:</b>		
<b>Quoted securities in Malaysia:</b>		
Quoted shares	<u>75,381</u>	<u>56,783</u>
<b>Unquoted securities:</b>		
Private equity funds	103,254	145,772
Shares in Malaysia	4,631	4,631
	<u>107,885</u>	<u>150,403</u>
<b>Total financial assets at fair value through other comprehensive income</b>	<u>6,505,466</u>	<u>5,211,651</u>

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**5. Financial investments (cont'd.)**

**(ii) Financial investments at fair value through other comprehensive income (cont'd.)**

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<b>Total ECL</b> RM'000
	<b>12-Months</b> ECL RM'000	<b>Lifetime ECL</b> not credit impaired RM'000	<b>Lifetime ECL</b> credit impaired RM'000	
<b>2023</b>				
At 1 January	56	-	22,134	22,190
Allowance made (Note 32)	208	-	533	741
Amount written-back in respect of recoveries (Note 32)	(215)	-	-	(215)
At 31 December	<u>49</u>	<u>-</u>	<u>22,667</u>	<u>22,716</u>
<b>2022</b>				
At 1 January	116	-	24,160	24,276
Allowance made (Note 32)	152	-	-	152
Amount written-back in respect of recoveries (Note 32)	(212)	-	(2,026)	(2,238)
At 31 December	<u>56</u>	<u>-</u>	<u>22,134</u>	<u>22,190</u>

**(iii) Financial investments at amortised cost**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Unquoted Islamic corporate sukuk in Malaysia	<b>148,809</b>	147,774
Less: Accumulated impairment losses	<b>(31,938)</b>	(34,185)
Total financial investments at amortised cost	<u><b>116,871</b></u>	<u>113,589</u>

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**5. Financial investments (cont'd.)**

**(iii) Financial investments at amortised cost (cont'd.)**

Movements in the allowances for impairment losses on financial investments at amortised cost are as follows for the Group and the 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>Group and Bank</b>				
<b>2023</b>				
At 1 January	-	-	34,185	34,185
Management overlay redesignated	-	-	(2,247)	(2,247)
At 31 December	-	-	<b>31,938</b>	<b>31,938</b>
<b>2022</b>				
At 1 January	-	39,640	-	39,640
Transfer to Stage 3	-	(39,640)	39,640	-
Net writeback	-	-	(5,455)	(5,455)
Allowance made (Note 32)	-	-	6,457	6,457
Management overlay redesignated	-	-	(11,912)	(11,912)
At 31 December	-	-	34,185	34,185



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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	2023			2022		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
- Currency forwards						
Less than one year	931,445	362	(16,555)	787,210	936	(20,833)
- Currency swaps						
Less than one year	1,317,642	12,451	(4,671)	986,752	3,263	(2,251)
- Currency spot						
Less than one year	38,276	6	(293)	12,468	48	(27)
<b>Total</b>	<b>2,287,363</b>	<b>12,819</b>	<b>(21,519)</b>	<b>1,786,430</b>	<b>4,247</b>	<b>(23,111)</b>

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7. Financing of customers

(i) By type and Shariah contracts

Group	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai Inah		Bai' Murabahah Istisna'			Murabahah to the Purchase Orderer		Musyarakah 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
<b>2023</b>											
Cash line	-	-	861	482,351	-	-	-	-	-	-	483,212
Term financing:											
Home financing	1,107,372	-	-	8,315,860	-	-	8,171	-	-	-	9,431,403
Syndicated financing	-	-	-	546,137	-	-	-	-	-	-	546,137
Hire purchase receivables	40,272	88,859	-	-	-	-	-	-	1,413,961	-	1,543,092
Personal financing	28,982	-	-	8,119,470	-	-	-	-	-	-	8,148,452
Other term financing	95,598	-	-	4,227,205	-	-	-	-	-	54,033	4,376,836
Trust receipts	-	-	-	-	64,514	24,950	-	-	-	-	89,464
Claims on customers under acceptance credits	-	-	-	-	225,680	1,125,408	-	-	-	-	1,351,088
Staff financing	16,229	-	-	63,947	-	-	-	84	-	-	80,260
Revolving financing	-	-	-	2,080,702	-	-	-	-	-	-	2,080,702
Credit card	-	-	-	58,625	-	-	-	-	-	-	58,625
Ar-Rahnu	-	-	-	366,919	-	-	-	-	-	-	366,919
Total gross financing	1,288,453	88,859	861	24,261,216	290,194	1,150,358	8,171	84	1,413,961	54,033	28,556,190
Fair value changes arising from fair value hedge 1	-	-	-	13,974	-	-	-	-	-	-	13,974
	1,288,453	88,859	861	24,275,190	290,194	1,150,358	8,171	84	1,413,961	54,033	28,570,164
Less : Allowance for impaired financing											
At amortised cost											
-Stage 1 - 12 Months ECL	(1,586)	(626)	(6)	(112,424)	(195)	(725)	(11)	-	(4,665)	-	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	(447)	(161)	(46)	(22,127)	(11)	(163)	(3)	-	(300)	-	(23,258)
-Stage 3 - Lifetime ECL credit impaired	(4,276)	(224)	(184)	(71,418)	(2,624)	-	-	-	(298)	-	(79,024)
Total net financing 2	1,282,144	87,848	625	24,069,221	287,364	1,149,470	8,157	84	1,408,698	54,033	28,347,644

1 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.

2 Included in total net financing are financing at fair value through profit or loss amounting RM354,741,000 (2022: RM365,831,000) 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.

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7. Financing of customers (cont'd.)

(i) By type and Shariah contracts (cont'd.)

Group	Bai' Bithaman		Ijarah Thumma		Bai'			Murabahah to the Purchase		Musarakah	Total financing	
	Ajil	RM'000	Al-Bai	Inah	Tawarruq	Al-Dayn	Murabahah	Istisna'	Qard	Orderer		Mutanaqisah
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2022</b>												
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	-	-	4,408,464	-	-	-	-	-	-	73,351	4,599,627
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	20,436,592	275,216	1,154,163	9,280	107	721,030	73,351	24,258,470	
Fair value changes arising												
from fair value hedge <sup>1</sup>	-	-	-	17,078	-	-	-	-	-	-	-	17,078
	1,442,814	144,954	963	20,453,670	275,216	1,154,163	9,280	107	721,030	73,351	24,275,548	
Less : Allowance for impaired financing												
At amortised cost												
-Stage 1 - 12 Months ECL	(2,966)	(232)	(9)	(123,748)	(299)	(1,251)	(14)	-	(377)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	(1,477)	(250)	(33)	(23,800)	-	(75)	-	-	(32)	-	-	(25,667)
-Stage 3 - Lifetime ECL 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	20,211,666	271,013	1,152,837	9,266	107	720,546	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.

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7. Financing of customers (cont'd.)

(i) By type and Shariah contracts (cont'd.)

Bank	Bai'	Ijarah	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Qard	Murabahah to	Total
	Bithaman	Thumma			Al-Dayn				the Purchase	
	Ajil	Al-Bai			Al-Dayn				Orderer	financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2023</b>										
Cash line	-	-	861	482,351	-	-	-	-	-	483,212
Term financing:										
Home financing	1,107,372	-	-	8,315,860	-	-	8,171	-	-	9,431,403
Syndicated financing	-	-	-	546,137	-	-	-	-	-	546,137
Hire purchase receivables	40,272	88,859	-	-	-	-	-	-	1,413,961	1,543,092
Personal financing	28,982	-	-	8,119,470	-	-	-	-	-	8,148,452
Other term financing	95,598	-	-	4,227,205	-	-	-	49,781	-	4,372,584
Trust receipts	-	-	-	-	64,514	24,950	-	-	-	89,464
Claims on customers										
under acceptance credits	-	-	-	-	225,680	1,125,408	-	-	-	1,351,088
Staff financing	16,229	-	-	63,947	-	-	-	84	-	80,260
Revolving financing	-	-	-	2,080,702	-	-	-	-	-	2,080,702
Credit card	-	-	-	58,625	-	-	-	-	-	58,625
Ar-Rahnu	-	-	-	366,919	-	-	-	-	-	366,919
Total gross financing	1,288,453	88,859	861	24,261,216	290,194	1,150,358	8,171	49,865	1,413,961	28,551,938
Fair value changes arising										
from fair value hedge 1	-	-	-	13,974	-	-	-	-	-	13,974
	1,288,453	88,859	861	24,275,190	290,194	1,150,358	8,171	49,865	1,413,961	28,565,912
Less : Allowance for impaired financing										
At amortised cost										
-Stage 1 - 12 Months ECL	(1,586)	(626)	(6)	(112,424)	(195)	(725)	(11)	-	(4,665)	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	(447)	(161)	(46)	(22,127)	(11)	(163)	(3)	-	(300)	(23,258)
-Stage 3 - Lifetime ECL credit impaired	(4,276)	(224)	(184)	(71,418)	(2,624)	-	-	-	(298)	(79,024)
Total net financing 2	1,282,144	87,848	625	24,069,221	287,364	1,149,470	8,157	49,865	1,408,698	28,343,392

1 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.

2 Included in total net financing are financing at fair value through profit or loss amounting RM350,490,000 (2022: RM355,178,000) 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.

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7. Financing of customers (cont'd.)

(i) By type and Shariah contracts (cont'd.)

Bank	Bai'	Ijarah	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Qard	Murabahah to	Total
	Bithaman	Thumma			Al-Dayn				the Purchase	
	Ajil	Al-Bai			Al-Dayn				Orderer	financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2022</b>										
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
	1,442,814	144,954	963	20,453,669	275,216	1,154,163	9,280	62,805	721,030	24,264,894
Less : Allowance for impaired financing										
At amortised cost										
-Stage 1 - 12 Months ECL	(2,966)	(232)	(9)	(123,748)	(299)	(1,251)	(14)	-	(377)	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	(1,477)	(250)	(33)	(23,800)	-	(75)	-	-	(32)	(25,667)
-Stage 3 - Lifetime ECL 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

1 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.

2 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.

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## 7. Financing of customers (cont'd.)

## (i) By type and Shariah contracts (cont'd.)

	Group	
	2023	2022
	RM'000	RM'000
Uses of Qard fund:		
Staff financing	84	107
	<u>84</u>	<u>107</u>
	Bank	
	2023	2022
	RM'000	RM'000
Staff financing	84	107
Other term financing	49,781	62,698
	<u>49,865</u>	<u>62,805</u>

## (ii) By type of customer

	Group	
	2023	2022
	RM'000	RM'000
Domestic non-banking institutions	430,184	603,207
Domestic business enterprises		
- Small business enterprises	1,239,745	901,304
- Others	5,614,844	4,756,693
Government and statutory bodies	919,210	929,165
Individuals	20,337,871	17,052,946
Other domestic entities	10,367	9,821
Foreign entities	3,969	5,334
<b>Gross financing</b>	<u>28,556,190</u>	<u>24,258,470</u>

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## 7. Financing of customers (cont'd.)

## (ii) By type of customer (cont'd.)

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-banking institutions	<b>430,184</b>	603,207
Domestic business enterprises		
- Small business enterprises	<b>1,239,745</b>	901,304
- Others	<b>5,610,592</b>	4,746,039
Government and statutory bodies	<b>919,210</b>	929,165
Individuals	<b>20,337,871</b>	17,052,946
Other domestic entities	<b>10,367</b>	9,821
Foreign entities	<b>3,969</b>	5,334
<b>Gross financing</b>	<b>28,551,938</b>	<b>24,247,816</b>

## (iii) By profit rate sensitivity

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
Home financing	<b>316,947</b>	154,064
Hire purchase receivables	<b>1,543,092</b>	919,322
Others	<b>2,213,794</b>	3,069,535
Variable rate:		
Home financing	<b>9,114,456</b>	7,324,663
Others	<b>15,367,901</b>	12,790,886
<b>Gross financing</b>	<b>28,556,190</b>	<b>24,258,470</b>

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate:		
Home financing	<b>316,947</b>	154,064
Hire purchase receivables	<b>1,543,092</b>	919,322
Others	<b>2,209,542</b>	3,058,881
Variable rate:		
Home financing	<b>9,114,456</b>	7,324,663
Others	<b>15,367,901</b>	12,790,886
<b>Gross financing</b>	<b>28,551,938</b>	<b>24,247,816</b>

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## 7. Financing of customers (cont'd.)

## (iv) By sector

	Group	
	2023	2022
	RM'000	RM'000
Agriculture	100,083	97,891
Mining and quarrying	34,411	5,365
Manufacturing	1,109,710	968,623
Electricity, gas and water	133,870	115,809
Construction	909,472	574,334
Household	20,341,841	17,058,280
Real estate	1,158,661	1,014,423
Wholesale, retail and restaurant	1,050,243	1,049,368
Transport, storage and communication	176,407	191,077
Finance, takaful and business services	2,190,259	1,651,457
Community, social and personal service	432,023	602,678
Government and statutory bodies	919,210	929,165
<b>Gross financing</b>	<b>28,556,190</b>	<b>24,258,470</b>

	Bank	
	2023	2022
	RM'000	RM'000
Agriculture	100,083	97,891
Mining and quarrying	34,411	5,365
Manufacturing	1,109,710	968,623
Electricity, gas and water	133,870	115,809
Construction	909,472	574,334
Household	20,341,841	17,058,280
Real estate	1,158,661	1,014,423
Wholesale, retail and restaurant	1,050,243	1,049,368
Transport, storage and communication	176,407	191,077
Finance, takaful and business services	2,190,259	1,651,456
Community, social and personal service	427,771	592,025
Government and statutory bodies	919,210	929,165
<b>Gross financing</b>	<b>28,551,938</b>	<b>24,247,816</b>



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## 7. Financing of customers (cont'd.)

## (v) By residual contractual maturity

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity		
- within one year	3,876,883	5,777,502
- more than one to five years	4,015,089	8,216,388
- more than five years	20,664,218	10,264,580
<b>Gross financing</b>	<b>28,556,190</b>	<b>24,258,470</b>

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity		
- within one year	3,876,883	5,777,502
- more than one to five years	4,015,089	8,216,388
- more than five years	20,659,966	10,253,926
<b>Gross financing</b>	<b>28,551,938</b>	<b>24,247,816</b>

## (vi) By geographical area

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic	28,556,190	24,258,470
<b>Gross financing</b>	<b>28,556,190</b>	<b>24,258,470</b>

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic	28,551,938	24,247,816
<b>Gross financing</b>	<b>28,551,938</b>	<b>24,247,816</b>

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**7. Financing of customers (cont'd.)**

**(vii) By economic purpose**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	<b>421,627</b>	1,043,586
Purchase of transport vehicles	<b>1,549,459</b>	913,687
Purchase of landed properties of which:		
– residential	<b>8,890,541</b>	7,027,815
– non-residential	<b>372,509</b>	393,579
Purchase of fixed assets (excluding landed properties)	<b>330,147</b>	295,636
Personal use	<b>8,998,836</b>	7,646,943
Construction	<b>989,354</b>	772,011
Working capital	<b>6,159,316</b>	5,496,055
Other purposes	<b>844,401</b>	669,158
<b>Gross financing</b>	<b>28,556,190</b>	24,258,470

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	<b>421,627</b>	1,043,586
Purchase of transport vehicles	<b>1,549,459</b>	913,687
Purchase of landed properties of which:		
– residential	<b>8,890,541</b>	7,027,815
– non-residential	<b>372,509</b>	393,579
Purchase of fixed assets (excluding landed properties)	<b>330,147</b>	295,636
Personal use	<b>8,998,836</b>	7,646,943
Construction	<b>989,354</b>	772,011
Working capital	<b>6,155,064</b>	5,485,401
Other purposes	<b>844,401</b>	669,158
<b>Gross financing</b>	<b>28,551,938</b>	24,247,816

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## 7. Financing of customers (cont'd.)

## (viii) Movements in the gross carrying amount of financing of customers

<b>Group</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>2023</b>				
At 1 January 2023	23,535,334	517,179	205,957	24,258,470
Total transfer within stages:				
Transfer to Stage 1	187,666	(172,213)	(15,453)	-
Transfer to Stage 2	(648,971)	658,537	(9,566)	-
Transfer to Stage 3	(170,976)	(63,338)	234,314	-
New financial assets originated	11,383,186	-	3,924	11,387,110
Financial assets derecognised	(6,800,474)	(135,969)	(50,920)	(6,987,363)
Amount written-off	-	-	(102,027)	(102,027)
At 31 December 2023	<u>27,485,765</u>	<u>804,196</u>	<u>266,229</u>	<u>28,556,190</u>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>2022</b>				
<b>Restated</b>				
At 1 January 2022	20,476,429	201,514	172,073	20,850,016
Total transfer within stages:				
Transfer to Stage 1	80,475	(63,025)	(17,450)	-
Transfer to Stage 2	(440,927)	444,723	(3,796)	-
Transfer to Stage 3	(130,026)	(40,452)	170,478	-
New financial assets originated	9,382,034	-	-	9,382,034
Financial assets derecognised	(5,858,305)	(25,924)	(72,374)	(5,956,603)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	<u>23,535,334</u>	<u>517,179</u>	<u>205,957</u>	<u>24,258,470</u>

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## 7. Financing of customers (cont'd.)

## (viii) Movements in the gross carrying amount of financing of customers (cont'd.)

<b>Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>2023</b>				
At 1 January 2023	23,524,680	517,179	205,957	24,247,816
Total transfer within stages:				
Transfer to Stage 1	187,666	(172,213)	(15,453)	-
Transfer to Stage 2	(648,971)	658,537	(9,566)	-
Transfer to Stage 3	(170,976)	(63,338)	234,314	-
New financial assets originated	11,383,186	-	3,924	11,387,110
Financial assets derecognised	(6,794,072)	(135,969)	(50,920)	(6,980,961)
Amount written-off	-	-	(102,027)	(102,027)
At 31 December 2023	<u>27,481,513</u>	<u>804,196</u>	<u>266,229</u>	<u>28,551,938</u>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>2022</b>				
<b>Restated</b>				
At 1 January 2022	20,466,741	201,514	172,073	20,840,328
Total transfer within stages:				
Transfer to Stage 1	80,475	(63,025)	(17,450)	-
Transfer to Stage 2	(440,927)	444,723	(3,796)	-
Transfer to Stage 3	(130,026)	(40,452)	170,478	-
New financial assets originated	9,381,068	-	-	9,381,068
Financial assets derecognised	(5,858,305)	(25,924)	(72,374)	(5,956,603)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	<u>23,524,680</u>	<u>517,179</u>	<u>205,957</u>	<u>24,247,816</u>

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## 7. Financing of customers (cont'd.)

## (ix) Movements in the loss allowance for financing of customers

Group and Bank	12 Month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total ECL RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>2023</b>				
At 1 January 2023	128,896	25,667	103,918	258,481
Transfer to Stage 1	22,350	(16,303)	(6,047)	-
Transfer to Stage 2	(9,361)	13,428	(4,067)	-
Transfer to Stage 3	(9,028)	(3,346)	12,374	-
Changes in credit risk	(47,784)	4,356	83,440	40,012
New financing originated	59,787	-	900	60,687
Financing derecognised	(24,622)	(544)	(12,697)	(37,863)
Amount written-off	-	-	(98,797)	(98,797)
At 31 December 2023	<u>120,238</u>	<u>23,258</u>	<u>79,024</u>	<u>222,520</u>
<b>2022</b>				
<b>Restated</b>				
At 1 January 2022	116,768	34,046	76,134	226,948
Transfer to Stage 1	8,919	(3,063)	(5,856)	-
Transfer to Stage 2	(6,338)	7,549	(1,211)	-
Transfer to Stage 3	(8,526)	(15,712)	24,238	-
Changes in credit risk	(20,132)	3,716	61,412	44,996
New financing originated	61,989	-	-	61,989
Financing derecognised	(23,784)	(869)	(20,848)	(45,501)
Amount written-off	-	-	(29,951)	(29,951)
At 31 December 2022	<u>128,896</u>	<u>25,667</u>	<u>103,918</u>	<u>258,481</u>

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**8. Impaired financing**

**(i) Movements in the impaired financing**

	<b>Group</b>	<b>Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>2023</b>		
At 1 January 2023	205,957	205,957
Classified as impaired during the year	238,238	238,238
Reclassified as performing during the year	(25,019)	(25,019)
Recovered during the year	(50,920)	(50,920)
Written-off during the year	(102,027)	(102,027)
Gross impaired financing	<u>266,229</u>	<u>266,229</u>
Less: Stage 3 - Lifetime ECL credit impaired	(79,024)	(79,024)
Net impaired financing	<u>187,205</u>	<u>187,205</u>

**Calculation ratio of impaired financing:**

Gross financing of customers	28,556,190	28,551,938
Less: Stage 3 - Lifetime ECL credit impaired	(79,024)	(79,024)
Net financing of customers	<u>28,477,166</u>	<u>28,472,914</u>

Ratio of gross impaired financing to total financing	<u>0.93%</u>	<u>0.93%</u>
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Net impaired financing ratio	<u>0.66%</u>	<u>0.66%</u>
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**2022**

**Restated**

At 1 January 2022	172,073	172,073
Classified as impaired during the year	170,478	170,478
Reclassified as performing during the year	(21,246)	(21,246)
Recovered during the year	(72,374)	(72,374)
Written-off during the year	(43,931)	(43,931)
Effects of modifications to contractual cash flows of financial assets	957	957
Gross impaired financing	<u>205,957</u>	<u>205,957</u>
Less: Stage 3 - Lifetime ECL credit impaired	(103,918)	(103,918)
Net impaired financing	<u>102,039</u>	<u>102,039</u>

**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	<u>24,154,552</u>	<u>24,143,898</u>

Ratio of gross impaired financing to total financing	<u>0.85%</u>	<u>0.85%</u>
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Net impaired financing ratio	<u>0.42%</u>	<u>0.42%</u>
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**8. Impaired financing (cont'd.)**

**(ii) Impaired financing by geographical area**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic	<b>266,229</b>	<b>205,957</b>

**(iii) Impaired financing by sector**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	<b>295</b>	-
Manufacturing	<b>6,519</b>	22,502
Construction	<b>5,837</b>	3,527
Household	<b>199,191</b>	148,280
Real estate	<b>11,168</b>	14,263
Electricity, gas and water	<b>491</b>	3,951
Wholesale and retail and restaurant	<b>27,359</b>	9,317
Transport, storage and communication	<b>6,855</b>	1,554
Finance, takaful and business services	<b>7,991</b>	1,956
Mining & quarrying	-	1
Community, social and personal service	<b>523</b>	606
	<b>266,229</b>	<b>205,957</b>

**(iv) Impaired financing by economic purpose**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	<b>75</b>	49
Purchase of transport vehicles	<b>1,969</b>	1,548
Purchase of landed properties of which:		
- Residential	<b>98,630</b>	55,675
- Non-residential	<b>16,775</b>	21,636
Personal use	<b>88,204</b>	81,302
Working capital	<b>56,044</b>	40,434
Other purposes	<b>4,532</b>	5,313
	<b>266,229</b>	<b>205,957</b>

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**9. Other assets**

	Note	Group	
		2023 RM'000	2022 RM'000
Deposits		7,005	6,956
Prepayments		16,485	11,423
Tax recoverable		1,363	14,779
Golf club membership		500	500
Other receivables		109,579	12,258
		<u>134,932</u>	<u>45,916</u>
Less: Accumulated impairment losses	a	<u>(1,225)</u>	<u>(1,225)</u>
		<u>133,707</u>	<u>44,691</u>

	Note	Bank	
		2023 RM'000	2022 RM'000
Deposits		6,972	6,856
Prepayments		16,255	11,370
Tax recoverable		1,357	14,779
Golf club membership		500	500
Other receivables		109,007	11,913
		<u>134,091</u>	<u>45,418</u>
Less: Accumulated impairment losses	a	<u>(1,225)</u>	<u>(1,225)</u>
		<u>132,866</u>	<u>44,193</u>

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	2023 RM'000	2022 RM'000
At 1 January	(1,225)	(1,981)
Allowance written-off	-	756
At 31 December	<u>(1,225)</u>	<u>(1,225)</u>



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**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**

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost - in Malaysia	<b>13,823</b>	13,823
Less: Accumulated impairment losses	<b>(664)</b>	(664)
	<b><u>13,159</u></b>	<u>13,159</u>

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

<b>Name</b>	<b>Principal activities</b>	<b>Percentage of equity held</b>		<b>Paid up capital</b>	
		<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
		<b>%</b>	<b>%</b>	<b>RM</b>	<b>RM</b>
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	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2	2

The companies above are audited by a firm of chartered accounts, KPMG PLT, Malaysia

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**12. Investment properties**

<b>Group and Bank 2023</b>	<b>Freehold land RM'000</b>	<b>Building on freehold land RM'000</b>	<b>Total RM'000</b>
At 1 January 2023	14,431	42,133	56,564
Change in fair value recognised in profit or loss (Notes 30)	-	192	192
At 31 December 2023	<b>14,431</b>	<b>42,325</b>	<b>56,756</b>
<b>2022</b>			
At 1 January 2022	14,431	42,133	56,564
At 31 December 2022	14,431	42,133	56,564

- i) 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.
- ii) As at 31 December 2023, the fair values of the properties are based on valuations performed by Raine & Horne International Zaki + Partners Sdn. Bhd., an accredited independent valuer. 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.
- iii) Description of valuation techniques used and key inputs to valuation on investment properties:

<b>Types of investment properties</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
- 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.	The estimated fair value would increase (decrease) if selling price per square foot ("psf") of comparable properties is higher or (lower).

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**12. Investment properties (cont'd.)**

- iv) Investment properties comprise a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of between three (3) to five (5) years. Subsequent renewals are negotiated with the lessee and on average renewal periods are three (3) years. The Group and the Bank does not charge variable lease payments that do not depend on an index or rate.
- v) Other income/expenses recognised in profit or loss in relation to investment properties:

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Lease income	<u>524</u>	<u>361</u>
Direct operating expenses		
- Income generating investment properties	31	264
- Non-income generating investment properties	<u>396</u>	<u>116</u>

- vi) Fair value of investment properties are categorised as follows:

<b>Group and Bank</b>	<b>Level 3</b>	<b>Total</b>
<b>2023</b>	<b>RM'000</b>	<b>RM'000</b>
Freehold land	14,431	14,431
Building on freehold land	<u>42,325</u>	<u>42,325</u>
	<u>56,756</u>	<u>56,756</u>
<b>2022</b>		
Freehold land	14,431	14,431
Building on freehold land	42,133	42,133
	<u>56,564</u>	<u>56,564</u>

- vii) Valuation processes applied for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Bank's investment property portfolio every twelve (12) months.

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## 13. Intangible assets

<b>Group</b>	<b>Computer software RM'000</b>	<b>Software under development RM'000</b>	<b>Total RM'000</b>
<b>2023</b>			
<b>Cost</b>			
At 1 January	355,001	22,168	377,169
Additions	2,312	45,357	47,669
Write-off (Note 38)	-	(64)	(64)
Reclassification	49,142	(49,142)	-
Transfer to property, plant and equipment	-	(1,789)	(1,789)
At 31 December	<u>406,455</u>	<u>16,530</u>	<u>422,985</u>
<b>Accumulated amortisation</b>			
At 1 January	266,326	-	266,326
Charge for the year (Note 38)	33,563	-	33,563
At 31 December	<u>299,889</u>	<u>-</u>	<u>299,889</u>
<b>Carrying amount as at 31 December 2023</b>	<u>106,566</u>	<u>16,530</u>	<u>123,096</u>
<b>2022</b>			
<b>Cost</b>			
At 1 January	306,934	11,320	318,254
Additions	1,749	57,134	58,883
Write-off (Note 38)	32	-	32
Reclassification	46,286	(46,286)	-
At 31 December	<u>355,001</u>	<u>22,168</u>	<u>377,169</u>
<b>Accumulated amortisation</b>			
At 1 January	241,583	-	241,583
Charge for the year (Note 38)	24,711	-	24,711
Write-off (Note 38)	32	-	32
At 31 December	<u>266,326</u>	<u>-</u>	<u>266,326</u>
<b>Carrying amount as at 31 December 2022</b>	<u>88,675</u>	<u>22,168</u>	<u>110,843</u>

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## 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>2023</b>			
<b>Cost</b>			
At 1 January	353,613	22,168	375,781
Additions	2,299	45,357	47,656
Write-off (Note 38)	-	(64)	(64)
Reclassification	49,142	(49,142)	-
Transfer to property, plant and equipment	-	(1,789)	(1,789)
At 31 December	<u>405,054</u>	<u>16,530</u>	<u>421,584</u>
<b>Accumulated amortisation</b>			
At 1 January	265,290	-	265,290
Charge for the year (Note 38)	33,483	-	33,483
At 31 December	<u>298,773</u>	<u>-</u>	<u>298,773</u>
<b>Carrying amount as at 31 December 2023</b>	<b><u>106,281</u></b>	<b><u>16,530</u></b>	<b><u>122,811</u></b>
<b>2022</b>			
<b>Cost</b>			
At 1 January	305,924	11,023	316,947
Additions	1,716	57,086	58,802
Write-off (Note 38)	32	-	32
Reclassification	45,941	(45,941)	-
At 31 December	<u>353,613</u>	<u>22,168</u>	<u>375,781</u>
<b>Accumulated amortisation</b>			
At 1 January	240,580	-	240,580
Charge for the year (Note 38)	24,678	-	24,678
Write-off (Note 38)	32	-	32
At 31 December	<u>265,290</u>	<u>-</u>	<u>265,290</u>
<b>Carrying amount as at 31 December 2022</b>	<b><u>88,323</u></b>	<b><u>22,168</u></b>	<b><u>110,491</u></b>

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14. Property, plant and equipment

Group 2023	Building on freehold land RM'000	Office building RM'000	Furniture, fixtures and fittings RM'000	Motor vehicle RM'000	Computer equipment RM'000	Renovation RM'000	Work-in- progress RM'000	Total RM'000
<b>Cost</b>								
At 1 January	19,209	19,389	96,286	2,769	105,416	80,955	55	324,079
Additions	-	-	1,729	-	1,993	1,030	3,070	7,822
Write-off (Note 38)	-	-	(773)	-	(21)	-	-	(794)
Disposals	-	-	-	-	(1)	-	-	(1)
Reclassification	-	-	693	-	-	2,384	(3,077)	-
Transfer from intangible assets	-	-	-	-	1,789	-	-	1,789
At 31 December	19,209	19,389	97,935	2,769	109,176	84,369	48	332,895
<b>Accumulated depreciation</b>								
At 1 January	2,934	8,824	90,165	2,032	96,905	75,545	-	276,405
Charge for the year (Note 38)	480	485	2,263	286	4,394	2,756	-	10,664
Write-off (Note 38)	-	-	(767)	-	(21)	-	-	(788)
Disposals	-	-	-	-	(1)	-	-	(1)
At 31 December	3,414	9,309	91,661	2,318	101,277	78,301	-	286,280
<b>Carrying amount as at 31 December 2023</b>	<b>15,795</b>	<b>10,080</b>	<b>6,274</b>	<b>451</b>	<b>7,898</b>	<b>6,068</b>	<b>48</b>	<b>46,615</b>

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14. Property, plant and equipment (cont'd.)

Group 2022	Building on freehold land RM'000	Office building RM'000	Furniture, fixtures and fittings RM'000	Motor vehicle RM'000	Computer equipment RM'000	Renovation RM'000	Work-in- progress RM'000	Total RM'000
<b>Cost</b>								
At 1 January	19,209	19,389	98,650	2,526	103,025	79,425	-	322,224
Additions	-	-	2,093	-	2,628	376	1,822	6,919
Write-off (Note 38)	-	-	(4,929)	-	(121)	-	-	(5,050)
Reclassification	-	-	472	243	(116)	1,154	(1,767)	(14)
At 31 December	19,209	19,389	96,286	2,769	105,416	80,955	55	324,079
<b>Accumulated depreciation</b>								
At 1 January	2,454	8,339	92,430	1,783	92,819	72,391	-	270,216
Charge for the year (Note 38)	480	485	2,515	246	4,321	3,154	-	11,201
Write-off (Note 38)	-	-	(4,893)	-	(119)	-	-	(5,012)
Reclassification	-	-	113	3	(116)	-	-	-
At 31 December	2,934	8,824	90,165	2,032	96,905	75,545	-	276,405
<b>Carrying amount as at 31 December 2022</b>	<b>16,275</b>	<b>10,565</b>	<b>6,121</b>	<b>737</b>	<b>8,511</b>	<b>5,410</b>	<b>55</b>	<b>47,674</b>

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**14. Property, plant and equipment (cont'd.)**

<b>Bank 2023</b>	<b>Building on freehold land RM'000</b>	<b>Office building RM'000</b>	<b>Furniture, fixtures and fittings RM'000</b>	<b>Motor vehicle RM'000</b>	<b>Computer equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>								
At 1 January	19,209	19,389	96,170	2,769	105,191	80,895	55	323,678
Additions	-	-	1,729	-	1,992	1,030	3,070	7,821
Write-off (Note 38)	-	-	(773)	-	(21)	-	-	(794)
Disposals	-	-	-	-	(1)	-	-	(1)
Reclassification	-	-	693	-	-	2,384	(3,077)	-
Transfer from intangible assets	-	-	-	-	1,789	-	-	1,789
At 31 December	<b>19,209</b>	<b>19,389</b>	<b>97,819</b>	<b>2,769</b>	<b>108,950</b>	<b>84,309</b>	<b>48</b>	<b>332,493</b>
<b>Accumulated depreciation</b>								
At 1 January	2,934	8,824	89,988	2,032	96,791	75,487	-	276,056
Charge for the year (Note 38)	480	485	2,261	286	4,378	2,756	-	10,646
Write-off (Note 38)	-	-	(767)	-	(21)	-	-	(788)
Disposals	-	-	-	-	(1)	-	-	(1)
At 31 December	<b>3,414</b>	<b>9,309</b>	<b>91,482</b>	<b>2,318</b>	<b>101,147</b>	<b>78,243</b>	<b>-</b>	<b>285,913</b>
<b>Carrying amount as at 31 December 2023</b>	<b>15,795</b>	<b>10,080</b>	<b>6,337</b>	<b>451</b>	<b>7,803</b>	<b>6,066</b>	<b>48</b>	<b>46,580</b>



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**14. Property, plant and equipment (cont'd.)**

<b>Bank 2022</b>	<b>Building on freehold land RM'000</b>	<b>Office building RM'000</b>	<b>Furniture, fixtures, and fittings RM'000</b>	<b>Motor vehicle RM'000</b>	<b>Computer equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Work-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>								
At 1 January	19,209	19,389	98,533	2,526	102,824	79,366	-	321,847
Additions	-	-	2,093	-	2,604	376	1,822	6,895
Write-off (Note 38)	-	-	(4,929)	-	(121)	-	-	(5,050)
Reclassification	-	-	473	243	(116)	1,153	(1,767)	(14)
At 31 December	19,209	19,389	96,170	2,769	105,191	80,895	55	323,678
<b>Accumulated depreciation</b>								
At 1 January	2,454	8,339	92,318	1,783	92,658	72,333	-	269,885
Charge for the year (Note 38)	480	485	2,513	246	4,305	3,154	-	11,183
Write-off (Note 38)	-	-	(4,843)	3	(172)	-	-	(5,012)
At 31 December	2,934	8,824	89,988	2,032	96,791	75,487	-	276,056
<b>Carrying amount as at 31 December 2022</b>	<b>16,275</b>	<b>10,565</b>	<b>6,182</b>	<b>737</b>	<b>8,400</b>	<b>5,408</b>	<b>55</b>	<b>47,622</b>

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**15. Leases**

**15.1 Group and the Bank as a lessee**

The Group and the Bank have leases for leasehold land, building and office equipment. Lease contracts are typically made for fixed periods of one (1) to three (3) years, but may have extension options.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

(a) Lease liabilities

	<b>Profit rate</b>	<b>Group and Bank</b>	
	<b>(%)</b>	<b>2023</b>	<b>2022</b>
		<b>RM'000</b>	<b>RM'000</b>
Non-current	4.5	<b>25,415</b>	13,689
Current	4.5	<b>2,863</b>	18,622
Current	5.5	<b>10,191</b>	5,122
		<b>38,469</b>	<b>37,433</b>

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**15. Leases (cont'd.)**

**15.1 Group and the Bank as a lessee (cont'd.)**

(b) Lease payments not recognised as a liability

The Group and the Bank have elected not to recognise a lease liability for short term leases (leases with an expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liability during the financial year is as follows:

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Expenses relating to leases of low-value assets (included in administrative expenses)	<b>403</b>	402

As at the reporting date, the Group and the Bank were committed to low-value assets and the total commitment was RM236,787 (2022: RM214,925).

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## 15. Leases (cont'd.)

## 15.1 Group and the Bank as a lessee (cont'd.)

## (c) 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:

Group and Bank	Leasehold		Office	Total
	Land	Building	Equipment	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	205	29,352	5,511	35,068
Additions	-	989	-	989
Depreciation charge (Note 38)	(4)	(8,511)	(2,637)	(11,152)
Lease modification	-	11,397	(65)	11,332
Termination	-	(130)	-	(130)
Exchange difference	-	6	-	6
At 31 December 2023	201	33,103	2,809	36,113
	Leasehold	Building	Office	Total
	Land	Building	Equipment	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	209	29,214	-	29,423
Additions	-	1,419	8,016	9,435
Depreciation charge (Note 38)	(4)	(8,227)	(2,505)	(10,736)
Lease modification	-	7,365	-	7,365
Termination	-	(420)	-	(420)
Exchange difference	-	1	-	1
At 31 December 2022	205	29,352	5,511	35,068

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**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>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	1,129	941
Later than 1 year but not later than 5 years	2,257	580
	<u>3,386</u>	<u>1,521</u>
	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	1,249	1,061
Later than 1 year but not later than 5 years	2,497	650
	<u>3,746</u>	<u>1,711</u>

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**16. Deferred tax assets/(liabilities)**

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	36,442	42,504	36,442	42,504
Recognised in the profit or loss (Note 41)	(3,107)	(7,131)	(3,647)	(7,131)
Recognised in other comprehensive income	(8,852)	1,069	(8,852)	1,069
At 31 December	<u>24,483</u>	<u>36,442</u>	<u>23,943</u>	<u>36,442</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred 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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	<u>24,483</u>	<u>36,442</u>	<u>23,943</u>	<u>36,442</u>

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	42,929	52,920	42,389	52,920
Deferred tax liabilities	(18,446)	(16,478)	(18,446)	(16,478)
	<u>24,483</u>	<u>36,442</u>	<u>23,943</u>	<u>36,442</u>

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**16. Deferred tax assets/(liabilities) (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

**Deferred tax assets of the Group:**

	Financial Investments at FVOCI RM'000	ECL RM'000	Leases RM'000	Property, plant and equipment and intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
<b>2023</b>							
At 1 January	13,742	22,873	617	4,263	11,177	248	52,920
Recognised in profit or loss	548	(250)	(29)	(2,323)	934	(19)	(1,139)
Recognised in other comprehensive income	(8,852)	-	-	-	-	-	(8,852)
At 31 December	5,438	22,623	588	1,940	12,111	229	42,929
<b>2022</b>							
At 1 January	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
At 31 December	13,742	22,873	617	4,263	11,177	248	52,920

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**16. Deferred tax assets/(liabilities) (cont'd.)**

**Deferred tax liabilities of the Group:**

	<b>Property, plant and equipment and intangible asset RM'000</b>	<b>Total RM'000</b>
<b>2023</b>		
At 1 January	(16,478)	(16,478)
Recognised in profit or loss	(1,968)	(1,968)
At 31 December	<u>(18,446)</u>	<u>(18,446)</u>
<b>2022</b>		
At 1 January	(15,666)	(15,666)
Recognised in profit or loss	(812)	(812)
At 31 December	<u>(16,478)</u>	<u>(16,478)</u>



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**16. Deferred tax assets/(liabilities) (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd.)

**Deferred tax assets of the Bank:**

	Financial Investments at FVOCI RM'000	ECL RM'000	Leases RM'000	Property, plant and equipment and intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
<b>2023</b>							
At 1 January	13,742	22,873	616	4,263	11,177	249	52,920
Recognised in profit or loss	-	(250)	(4)	(2,341)	936	(20)	(1,679)
Recognised in other comprehensive income	(8,852)	-	-	-	-	-	(8,852)
At 31 December	4,890	22,623	612	1,922	12,113	229	42,389
<b>2022</b>							
At 1 January	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
At 31 December	13,742	22,873	616	4,263	11,177	249	52,920

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## 16. Deferred tax assets/(liabilities) (cont'd.)

## Deferred tax liabilities of the Bank:

	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 January 2023	(16,478)	(16,478)
Recognised in profit or loss	(1,968)	(1,968)
At 31 December 2023	<u>(18,446)</u>	<u>(18,446)</u>
At 1 January 2022	(15,666)	(15,666)
Recognised in profit or loss	(812)	(812)
At 31 December 2022	<u>(16,478)</u>	<u>(16,478)</u>

## 17. Deposits from customers

## (i) By types of deposits

	Group	
	2023 RM'000	2022 RM'000
<b>Savings deposits</b>		
Qard	863,230	932,819
Tawarruq	<u>716,342</u>	<u>698,568</u>
	<b>1,579,572</b>	<b>1,631,387</b>
<b>Demand deposits</b>		
Qard	4,044,951	4,126,248
Tawarruq	<u>4,596,899</u>	<u>3,198,943</u>
	<b>8,641,850</b>	<b>7,325,191</b>
<b>Term deposits</b>		
Mudharabah		
General investment deposits	3,087	9,332
Tawarruq		
Short-term accounts	14,039,111	10,942,745
Fixed-term accounts	<u>8,412,594</u>	<u>6,318,541</u>
	<b>22,454,792</b>	<b>17,270,618</b>
<b>Other deposits</b>	<u>119,522</u>	<u>93,413</u>
	<b>32,795,736</b>	<b>26,320,609</b>

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## 17. Deposits from customers (cont'd.)

## (i) By types of deposits (cont'd.)

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Savings deposits</b>		
Qard	863,230	932,819
Tawarruq	<u>716,342</u>	<u>698,568</u>
	<b>1,579,572</b>	<b>1,631,387</b>
<b>Demand deposits</b>		
Qard	4,047,217	4,134,692
Tawarruq	<u>4,596,899</u>	<u>3,198,943</u>
	<b>8,644,116</b>	<b>7,333,635</b>
<b>Term deposits</b>		
Mudharabah		
General investment deposits	3,087	9,332
Tawarruq		
Short-term accounts	14,039,111	10,942,745
Fixed-term accounts	<u>8,426,394</u>	<u>6,329,841</u>
	<b>22,468,592</b>	<b>17,281,918</b>
<b>Other deposits</b>	<u>119,522</u>	<u>93,413</u>
	<b>32,811,802</b>	<b>26,340,353</b>

## (ii) By types of customer

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	16,453,954	12,672,289
Business enterprises	8,865,238	5,771,109
Individuals	2,394,751	2,546,608
Domestic non-bank financial institutions	3,840,718	4,226,716
Domestic banking financial institutions	91,727	51,553
Others	<u>1,149,348</u>	<u>1,052,334</u>
	<b>32,795,736</b>	<b>26,320,609</b>

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**17. Deposits from customers (cont'd.)**

**(ii) By types of customer (cont'd.)**

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	<b>16,453,954</b>	12,672,289
Business enterprises	<b>8,881,304</b>	5,790,855
Individuals	<b>2,394,751</b>	2,546,608
Domestic non-bank financial institutions	<b>3,840,718</b>	4,226,716
Domestic banking financial institutions	<b>91,727</b>	51,553
Others	<b>1,149,348</b>	1,052,332
	<b><u>32,811,802</u></b>	<u>26,340,353</u>

The maturity structure of term deposits are as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	<b>18,796,012</b>	15,664,196
More than six months to one year	<b>2,662,142</b>	711,644
More than one year to three years	<b>699,818</b>	843,919
More than three years to five years	<b>296,820</b>	50,859
	<b><u>22,454,792</u></b>	<u>17,270,618</u>

	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	<b>18,809,812</b>	15,675,496
More than six months to one year	<b>2,662,142</b>	711,644
More than one year to three years	<b>699,818</b>	843,919
More than three years to five years	<b>296,820</b>	50,859
	<b><u>22,468,592</u></b>	<u>17,281,918</u>

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**18. Investment accounts of customers**

(i) Investment accounts analysed by maturity portfolio are as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
<b>Unrestricted investment accounts:</b>		
<b>Mudarabah</b>		
Without maturity		
- SURIA	<u>247,689</u>	<u>301,158</u>
<b>Restricted investment accounts:</b>		
<b>Mudarabah</b>		
Maturity		
- within one year	<u>32</u>	<u>79</u>

Restricted investment accounts ("RIA") is a type of restricted investment account based on the Mudarabah contract where the Investment Account Holders ("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. RIA amounting to RM32,000 (2022: RM79,000) 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 and Bank	
	2023	2022
	RM'000	RM'000
<b>Unrestricted investment accounts:</b>		
Individuals	247,255	301,158
Non-individuals	434	-
	<u>247,689</u>	<u>301,158</u>
<b>Restricted investment accounts:</b>		
Individuals	<u>32</u>	<u>79</u>

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## 18. Investment accounts of customers (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>2023</b>		
At 1 January	301,158	79
New placements	1,817,186	32
Redemptions	(1,870,655)	(79)
At 31 December	<u>247,689</u>	<u>32</u>
<b>2022</b>		
At 1 January	216,978	132
New placements	1,566,701	41
Redemptions	(1,482,521)	(94)
At 31 December	<u>301,158</u>	<u>79</u>

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## 18. Investment accounts of customers (cont'd.)

(iv) The allocation of investment asset are as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
<b>Unrestricted investment accounts:</b>		
Home financing	434	301,158
<b>Total investment</b>	<b>434</b>	<b>301,158</b>
<b>Restricted investment accounts:</b>		
Term financing	32	79
<b>Total investment</b>	<b>32</b>	<b>79</b>

(v) Investment account holders profit sharing ratio and rate of return are as follows:

	Group and Bank		Group and Bank	
	2023		2022	
	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>0.09%</b>	2.0%	0.07%
<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	
	2023	2022
	RM'000	RM'000
<b>Non-Mudarabah</b>		
Bank Negara Malaysia	345,666	303,388
Licensed banks	183,968	-
	<b>529,634</b>	<b>303,388</b>

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 between 2026 and 2031 respectively. The gross amount received from BNM of RM313,530,000 (2022: 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.

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**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**

	Note	Group	
		2023 RM'000	2022 RM'000
Sundry creditors		853	2,476
Allowances for impairment losses on financing commitments and financial guarantee contracts	a	10,231	9,668
Provision for bonus		25,246	25,786
Accrued expenses		18,233	18,429
Accrual for audit fees		640	217
Other liabilities		45,437	39,547
		<b>100,640</b>	<b>96,123</b>

	Note	Bank	
		2023 RM'000	2022 RM'000
Sundry creditors		853	2,476
Allowances for impairment losses on financing commitments and financial guarantee contracts	a	10,231	9,668
Provision for bonus		25,111	25,786
Accrued expenses		18,744	16,754
Accrual for audit fees		620	194
Other liabilities		45,546	39,547
		<b>101,105</b>	<b>94,425</b>



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**21. Other liabilities (cont'd.)**

- (a) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

<b>Group and Bank</b>	<b>12 Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total ECL RM'000</b>
<b>2023</b>				
At 1 January	8,165	118	1,385	9,668
Transfer to Stage 1	2,125	(2,081)	(44)	-
Transfer to Stage 2	(599)	915	(316)	-
Transfer to Stage 3	(1)	(71)	72	-
Allowance (written-back)/ made	(4,123)	1,444	1,710	(969)
New financial assets originated or purchased	5,685	274	-	5,959
Financing derecognised	(3,134)	(196)	(306)	(3,636)
Amount written-off	-	-	(801)	(801)
Other movements	3	7	-	10
At 31 December	<b>8,121</b>	<b>410</b>	<b>1,700</b>	<b>10,231</b>
<b>2022</b>				
<b>Group and Bank</b>	<b>12 Month ECL Stage 1 RM'000</b>	<b>Lifetime ECL not credit impaired Stage 2 RM'000</b>	<b>Lifetime ECL credit impaired Stage 3 RM'000</b>	<b>Total ECL RM'000</b>
At 1 January	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	<b>8,165</b>	<b>118</b>	<b>1,385</b>	<b>9,668</b>

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**22. Provision for zakat and taxation**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Zakat	10,618	5,114	10,320	4,655
Taxation	29	689	-	-
	<b>10,647</b>	<b>5,803</b>	<b>10,320</b>	<b>4,655</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. Subordinated sukuk**

Subordinated sukuk as at 31 December 2023 relates to two tranches of Subordinated Sukuk Murabahah (Series 2 and Series 3) which qualifies for Tier 2 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	Callable 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.

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**25. Share capital**

Group and Bank	Number of shares		Amount	
	2023 '000	2022 '000	2023 RM'000	2022 RM'000
<b>Issued and fully paid shares with no par value classified as equity instruments:</b>				
<b>Ordinary shares</b>				
At 1 January / 31 December	<u>1,195,000</u>	<u>1,195,000</u>	<u>1,195,000</u>	<u>1,195,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.

**26. Perpetual Sukuk**

On 19 September 2023, the Bank established a perpetual Sukuk Wakalah Programme of RM5.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar (“Sukuk Wakalah Programme”) for the issuance of (i) Senior Sukuk Wakalah (“Senior Sukuk Wakalah”) and/or (ii) Tier-2 Subordinated Sukuk Wakalah (“Tier 2 Sukuk Wakalah”) and/or (iii) Additional Tier-1 Capital Sukuk Wakalah (“AT-1 Sukuk Wakalah”) which was lodged with the Securities Commission Malaysia on 24 August 2023.

On 29 September 2023, the Bank issued RM350 million of AT-1 Sukuk Wakalah from its Sukuk Wakalah Programme to finance its Islamic financing activities, working capital requirements and/or investment activities. As of the reporting date, the AT-1 Sukuk Wakalah is recognised as equity due to the payment of any distribution or redemption is at the discretion of the Bank.

**27. Reserves**

	Note	Group	
		2023 RM'000	2022 RM'000
Regulatory reserve	(a)	155,747	94,239
Retained profits	(b)	1,742,374	1,595,641
Exchange fluctuation reserve	(c)	1,591	3,066
Fair value through other comprehensive income	(d)	<u>(6,966)</u>	<u>(1,342)</u>
		<u>1,892,746</u>	<u>1,691,604</u>
		<b>Bank</b>	
		2023	2022
		RM'000	RM'000
Regulatory reserve	(a)	155,747	94,239
Retained profits	(b)	1,730,764	1,577,800
Exchange fluctuation reserve	(c)	1,592	3,067
Fair value through other comprehensive income	(d)	<u>(6,966)</u>	<u>(1,342)</u>
		<u>1,881,137</u>	<u>1,673,764</u>

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**27. Reserves (cont'd.)**

**(a) Regulatory reserve**

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, of no less than 1% of total exposures, in accordance with BNM's Revised Financial Reporting for Islamic Banking Institutions 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 2023 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 the Labuan Offshore Branch 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 of or impaired.

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**28. Income derived from investment of depositors' funds and others**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:		
(i) Fixed-term accounts	<b>444,571</b>	311,553
(ii) Other deposits	<b>1,289,304</b>	989,059
	<b><u>1,733,875</u></b>	<u>1,300,612</u>

**(i) Income derived from investment of fixed-term deposits**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah:</b>		
Income from financing	<b>359,112</b>	256,929
Financial investments designated at FVTPL	<b>2,164</b>	2,065
Financial investments at fair value through other comprehensive income	<b>53,648</b>	41,118
Financial investments at amortised cost	<b>1,419</b>	1,328
Money at call and deposit with financial institutions	<b>8,947</b>	4,279
	<b><u>425,290</u></b>	<u>305,719</u>
Amortisation of premium, net	<b><u>(10,088)</u></b>	<u>(10,974)</u>
Total finance income and hibah	<b><u>415,202</u></b>	<u>294,745</u>

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**28. Income derived from investment of depositors' funds and others (cont'd.)**

**(i) Income derived from investment of fixed-term deposits (cont'd.)**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other operating income</b>		
Net gain from sale of:		
- financial investments designated at FVTPL	20	9
- debt instruments at fair value through other comprehensive income	5,186	480
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	780	(753)
	<u>5,986</u>	<u>(264)</u>
<b>Fees and commission</b>		
Guarantee fees	561	502
Processing fees	1,708	470
Service charges and fees	5,614	3,501
Commission	15,500	12,599
	<u>23,383</u>	<u>17,072</u>
<b>Total</b>	<u><b>444,571</b></u>	<u><b>311,553</b></u>

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**28. Income derived from investment of depositors' funds and others (cont'd.)**

**(ii) Income derived from investment of other deposits**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Income from financing	<b>1,041,465</b>	815,656
Financial investments designated at FVTPL	<b>6,275</b>	6,554
Financial investments at fair value through other comprehensive income	<b>155,584</b>	130,536
Financial investments at amortised cost	<b>4,115</b>	4,214
Money at call and deposit with financial institutions	<b>25,947</b>	13,581
	<b>1,233,386</b>	970,541
Amortisation of premium, net	<b>(29,256)</b>	(34,838)
Total finance income and hibah	<b>1,204,130</b>	935,703
<b>Other operating income</b>		
Net gain from sale of:		
- financial investments designated at FVTPL	<b>57</b>	27
- debt instruments at fair value through other comprehensive income	<b>15,040</b>	1,525
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	<b>2,262</b>	(2,390)
	<b>17,359</b>	(838)

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**28. Income derived from investment of depositors' funds and others (cont'd.)**

**(ii) Income derived from investment of other deposits (cont'd.)**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Fees and commission</b>		
Guarantee fees	<b>1,628</b>	1,593
Processing fees	<b>4,954</b>	1,493
Service charges and fees	<b>16,281</b>	11,113
Commission	<b>44,952</b>	39,995
	<b>67,815</b>	54,194
<b>Total</b>	<b>1,289,304</b>	989,059

**29. Income derived from investment of Investment accounts funds**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Income from financing	<b>11,316</b>	11,395



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**30. Income derived from investment of shareholders' funds**

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financial investments at fair value through other comprehensive income	7,472	8,262	7,472	8,262
Money at call and deposit with financial institutions	2,499	1,503	2,499	1,503
Amortisation of premium, net	(1,100)	(1,475)	(1,100)	(1,475)
Total finance income and hibah	<b>8,871</b>	<b>8,290</b>	<b>8,871</b>	<b>8,290</b>
<b>Other operating income</b>				
Net gain on revaluation of foreign exchange transaction	9,713	27,447	9,713	27,447
Net gain/(loss) from foreign exchange derivatives	10,164	(20,134)	10,164	(20,134)
Unwinding of financial liabilities (note (a))	(1,664)	(4,690)	(1,664)	(4,690)
Return of a financial investment at fair value through other comprehensive income	-	10,552	-	10,552
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	378	(244)	380	(244)
Net gain from sale of debt instruments at fair value through other comprehensive income	4	-	4	-
Gross dividend income				
- unquoted shares in Malaysia	68	39	-	-
- subsidiary	-	-	11,000	4,000
Net dividend paid for Islamic profit rate swap	-	(11,819)	-	(11,819)
Unrealised gain on revaluation of Islamic profit rate swap	-	37,532	-	37,532
Unrealised loss on revaluation of hedged items	-	(37,940)	-	(37,940)
	<b>18,663</b>	<b>743</b>	<b>29,597</b>	<b>4,704</b>

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## 30. Income derived from investment of shareholders' funds (cont'd.)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Fees and commission</b>				
Corporate advisory fees	2,566	2,281	3,142	1,276
Service charges and fees	7,225	10,605	69	77
Commission	1,097	4,049	1,096	4,049
	<u>10,888</u>	<u>16,935</u>	<u>4,307</u>	<u>5,402</u>
<b>Other income</b>				
Rental income	845	813	965	933
Gain from sale of property, plant and equipment	1	-	1	-
Gain from termination of right-of-use asset	3	47	3	47
Gain from sale of foreclosed properties	-	1,050	-	1,050
Fair value adjustments of investment properties (Note 12)	192	-	192	-
	<u>1,041</u>	<u>1,910</u>	<u>1,161</u>	<u>2,030</u>
<b>Total</b>	<u><b>39,463</b></u>	<u>27,878</u>	<u><b>43,936</b></u>	<u>20,426</u>

- (a) In 2023, the Group and the Bank received additional tranche of RM15.0 million for 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 since 2020 that were recognised in the profit or loss, totalling to RM31,758,000 (2022: RM19,678,000) 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. Net unwinding of the fair value gain equivalent to the cost of these funds amounting to RM1,664,000 for the current year (2022: RM 4,690,000).

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**31. Allowance for impairment losses on financing**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for/(write-back of) impairment losses on financing of customer:		
- individual allowance made	<b>7,982</b>	9,107
- individual allowance written-back	<b>(3,900)</b>	(335)
- collective allowance made	<b>432,113</b>	246,048
- collective allowance written-back	<b>(374,256)</b>	(179,143)
Impaired financing written-off	<b>3,230</b>	147
Impaired financing recovered	<b>(31,909)</b>	(34,814)
	<b><u>33,260</u></b>	<b><u>41,010</u></b>

**32. Allowance for/(write-back of) impairment losses on financial investments, net**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for/(write-back of) impairment losses on debt instruments at FVOCI (Note 5(ii))		
- Allowance made	<b>741</b>	152
- Amount written-back in respect of recoveries	<b>(215)</b>	(2,238)
Allowance for impairment losses on debt instruments at amortised cost (Note 5(iii))	<b>-</b>	6,457
	<b><u>526</u></b>	<b><u>4,371</u></b>

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**33. Allowance for impairment losses on other financial assets, net**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for impairment losses on other financial assets		
Cash and short term funds (Note 4(a)(i))		
- Allowance made	276	244
- Amount written-back in respect of recoveries	(171)	(206)
	<u>105</u>	<u>38</u>

**34. Income attributable to depositors**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers				
- Mudarabah funds	96	226	96	226
- Non-Mudarabah funds	819,758	452,389	820,115	452,642
Deposits and placements of banks and other financial institutions				
- Non-Mudarabah funds	11,953	411	11,953	411
	<u>831,807</u>	<u>453,026</u>	<u>832,164</u>	<u>453,279</u>

**35. Personnel expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Salary and wages	198,452	182,576	196,862	180,724
Contribution to defined contribution plan	38,132	35,487	37,866	35,187
Social security contributions	2,477	2,083	2,477	2,083
Allowances and bonuses	32,243	28,071	32,057	28,069
Chief Executive Officer, Directors' remuneration and Shariah Committee allowance	6,633	5,151	6,125	4,610
Others	29,020	23,415	28,904	23,314
	<u>306,957</u>	<u>276,783</u>	<u>304,291</u>	<u>273,987</u>

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**36. CEOs, Directors and Shariah Committee members' remuneration**

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>(a) Chief Executive Officers</b>				
Salaries and wages	1,835	1,705	1,464	1,334
Bonus	1,073	645	1,073	618
Other emoluments	496	402	432	333
Benefits-in-kind	78	117	78	117
	<b>3,482</b>	<b>2,869</b>	<b>3,047</b>	<b>2,402</b>
<b>(b) Non-Executive Directors</b>				
Fees	1,559	1,018	1,504	960
Other emoluments	1,028	837	1,010	821
Benefits-in-kind	76	72	76	72
	<b>2,663</b>	<b>1,927</b>	<b>2,590</b>	<b>1,853</b>
<b>(c) Shariah Committee members</b>				
Allowance	488	355	488	355
Total	<b>6,633</b>	<b>5,151</b>	<b>6,125</b>	<b>4,610</b>
Total (excluding benefits-in-kind)	<b>6,479</b>	<b>4,962</b>	<b>5,971</b>	<b>4,421</b>

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**36. 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 2023	<=====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 36(a):						
<b>Chief Executive Officer:</b>						
Khairul Kamarudin	1,464	-	1,073	432	78	3,047
<b>Chief Executive Officers of the subsidiaries:</b>						
Mohd Faruk Abdul Karim	371	-	-	64	-	435
<b>Total Chief Executive Officers remuneration</b>	<b>1,835</b>	<b>-</b>	<b>1,073</b>	<b>496</b>	<b>78</b>	<b>3,482</b>
Note 36(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Tajuddin Atan	-	428	-	62	76	566
Tan Sri Che Khalib Mohamad Noh	-	161	-	97	-	258
Dato' Ibrahim Taib	-	161	-	115	-	276
Md. Khairuddin Hj. Arshad	-	161	-	178	-	339
Johari Abdul Muid	-	161	-	216	-	377
Mohd Razlan Mohamed	-	161	-	157	-	318
Roshidah Abdullah	-	161	-	122	-	283
Ainol Roznain Yaacob	-	110	-	63	-	173
<b>Director - subsidiaries:</b>						
Roshidah Abdullah	-	20	-	6	-	26
Md. Khairuddin Hj. Arshad	-	20	-	6	-	26
Fakihah Azahari	-	8	-	3	-	11
Dato' Adnan Alias	-	7	-	3	-	10
<b>Total Directors remuneration</b>	<b>-</b>	<b>1,559</b>	<b>-</b>	<b>1,028</b>	<b>76</b>	<b>2,663</b>
<b>Total Chief Executive Officers and Directors' remuneration</b>	<b>1,835</b>	<b>1,559</b>	<b>1,073</b>	<b>1,524</b>	<b>154</b>	<b>6,145</b>

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**36. CEOs, Directors and Shariah Committee members' remuneration (cont'd.)**

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

<=====Remuneration received from the Group=====>

<b>Group</b>				<b>Other</b>	<b>Benefits-</b>	
<b>2023</b>	<b>Salary</b>	<b>Fees</b>	<b>Bonus</b>	<b>emoluments</b>	<b>in-kind</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Note 36(c) :						
<b>Shariah Committee:</b>						
Azizi Che Seman	-	17	-	9	1	27
Dr. Ahmad Zakirullah						
Mohamed Shaarani	-	60	-	16	1	77
Dr. Muhamad Azhari Wahid	-	60	-	16	1	77
Dr. Mohd Shahid Mohd Noh	-	60	-	14	1	75
Dr. Yusri Mohamad	-	62	-	18	1	81
Dr. Badruddin Bin Hj.						
Ibrahim	-	60	-	15	1	76
Dr. Khairun Najmi						
Bin Saripudin	-	60	-	14	1	75
<b>Total Shariah Committee remuneration</b>	-	<b>379</b>	-	<b>102</b>	<b>7</b>	<b>488</b>

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**36. CEOs, Directors and Shariah Committee members' remuneration (cont'd.)**

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Group 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 36(a):						
<b>Chief Executive Officers</b>						
Khairul Kamarudin	1,334	-	618	333	117	2,402
<b>Chief Executive Officer 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 36(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>

\* In 2022, no remuneration was 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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**36. CEOs, Directors and Shariah Committee members' remuneration (cont'd.)**

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

<=====Remuneration received from the Group=====>

Group 2022	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 36(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>	-	276	-	74	5	355

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**36. 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:

<===== Remuneration received from the Bank =====>

<b>Bank 2023</b>	<b>Salary RM'000</b>	<b>Fees RM'000</b>	<b>Bonus RM'000</b>	<b>Other emoluments RM'000</b>	<b>Benefits- in-kind RM'000</b>	<b>Total RM'000</b>
Note 36(a):						
<b>Chief Executive Officer</b>						
Khairul Kamarudin	1,464	-	1,073	432	78	3,047
<b>Total Chief Executive Officer remuneration</b>	<b>1,464</b>	<b>-</b>	<b>1,073</b>	<b>432</b>	<b>78</b>	<b>3,047</b>
Note 36(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Tajuddin Atan	-	428	-	62	76	566
Tan Sri Che Khalib Mohamad Noh	-	161	-	97	-	258
Dato' Ibrahim Taib	-	161	-	115	-	276
Md. Khairuddin Hj. Arshad	-	161	-	178	-	339
Johari Abdul Muid	-	161	-	216	-	377
Mohd Razlan Mohamed	-	161	-	157	-	318
Roshidah Abdullah	-	161	-	122	-	283
Ainol Roznain Yaacob	-	110	-	63	-	173
<b>Total Directors remuneration</b>	<b>-</b>	<b>1,504</b>	<b>-</b>	<b>1,010</b>	<b>76</b>	<b>2,590</b>
<b>Total Chief Executive Officers and Directors' remuneration</b>	<b>1,464</b>	<b>1,504</b>	<b>1,073</b>	<b>1,442</b>	<b>154</b>	<b>5,637</b>

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**36. 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 (cont'd.):

<b>Bank 2023</b>	<b>Salary RM'000</b>	<b>Allowance RM'000</b>	<b>Bonus RM'000</b>	<b>Other emoluments RM'000</b>	<b>Benefits- in-kind RM'000</b>	<b>Total RM'000</b>
Note 36(c):						
<b>Shariah Committee:</b>						
Azizi Che Seman	-	17	-	9	1	27
Dr. Ahmad Zakirullah Mohamed Shaarani	-	60	-	16	1	77
Dr. Muhamad Azhari Wahid	-	60	-	16	1	77
Dr. Mohd Shahid Mohd Noh	-	60	-	14	1	75
Dr. Yusri Mohamad	-	62	-	18	1	81
Dr. Badruddin Bin Hj. Ibrahim	-	60	-	15	1	76
Dr. Khairun Najmi Bin Saripudin	-	60	-	14	1	75
<b>Total Shariah Committee remuneration</b>	-	<b>379</b>	-	<b>102</b>	<b>7</b>	<b>488</b>

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**36. 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 (cont'd.):

<===== Remuneration received from the Bank =====>						
Bank 2022	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 36(a):						
<b>Chief Executive Officers</b>						
Khairul Kamarudin	1,334	-	618	333	117	2,402
<b>Total Chief Executive Officers remuneration</b>	<b>1,334</b>	<b>-</b>	<b>618</b>	<b>333</b>	<b>117</b>	<b>2,402</b>
Note 36(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 Officer 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>

\* In 2022, 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.

Note 36(c):

**Shariah Committee:**

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>

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**37. Key management personnel remuneration**

The remuneration of Chief Executive Officer's and other key members of management during the financial year was as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employees benefits	<b>10,457</b>	9,933
Included in the total key management personnel are:		
Chief Executive Officers' remuneration (Note 36(a))	<b>3,482</b>	2,869
	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employees benefits (salary, bonus, allowances)	<b>10,022</b>	9,466
Included in the total key management personnel are:		
Chief Executive Officers' remuneration (Note 36(a))	<b>3,047</b>	2,402

**38. Other overheads and expenditures**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Marketing</b>				
Advertisement and publicity	<b>7,725</b>	7,505	<b>7,725</b>	7,505
Donation and sponsorship	<b>284</b>	731	<b>284</b>	731
Others	<b>846</b>	561	<b>844</b>	559
	<b>8,855</b>	8,797	<b>8,853</b>	8,795

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## 38. Other overheads and expenditures (cont'd.)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Establishment</b>				
Rental	403	224	403	224
Depreciation of right-of-use assets (Note 15)	11,152	10,736	11,152	10,736
Depreciation of property, plant and equipment (Note 14)	10,664	11,201	10,646	11,183
Amortisation of intangible assets (Note 13)	33,563	24,711	33,483	24,678
Information technology expenses	58,990	54,469	58,802	54,333
Repair and maintenance	4,318	5,629	4,314	5,625
Hire of equipment	5,339	5,538	4,976	5,280
Takaful	7,301	11,049	7,301	11,049
Utilities expenses	5,643	5,106	5,610	5,080
Security expenses	8,543	7,729	8,543	7,729
Others	4,944	4,326	4,944	4,326
	<b>150,860</b>	<b>140,718</b>	<b>150,174</b>	<b>140,243</b>
<b>General expenses</b>				
Auditors' fees				
- statutory audit				
- KPMG PLT	640	-	620	-
- Other auditors	-	600	-	574
- regulatory related services				
- KPMG PLT	20	-	-	-
- others				
- Local affiliates of KPMG PLT	45	-	33	-
Professional fees	2,848	2,918	2,660	2,640
Legal expenses	452	750	452	750
Telephone	1,324	1,333	1,323	1,331
Stationery and printing	1,825	1,803	1,823	1,795
Postage and courier	3,226	3,124	3,226	3,124
Travelling	1,907	826	1,907	823
Property, plant and equipment written-off (Note 14)	6	38	6	38
Intangible assets written-off (Note 13)	64	-	64	-
Others	15,781	15,104	18,321	17,204
	<b>28,138</b>	<b>26,496</b>	<b>30,435</b>	<b>28,279</b>
	<b>187,853</b>	<b>176,011</b>	<b>189,462</b>	<b>177,317</b>

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**39. Finance costs**

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend paid on subordinated sukuk	<b>38,396</b>	29,669
Financing sold to Cagamas	<b>41,939</b>	23,520
Lease charges	<b>1,839</b>	1,925
	<b>82,174</b>	<b>55,114</b>

**40. Zakat**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision of zakat for the year	<b>10,618</b>	5,114	<b>10,320</b>	4,655
Over provision in prior years	<b>(391)</b>	(2,422)	<b>(391)</b>	(2,401)
	<b>10,227</b>	2,692	<b>9,929</b>	2,254

**41. Taxation**

	<b>Group</b>		<b>Bank</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current income tax	<b>71,967</b>	72,963	<b>70,604</b>	70,524
(Over)/Under provision in prior years	<b>(1,533)</b>	1,161	<b>(1,470)</b>	1,163
	<b>70,434</b>	74,124	<b>69,134</b>	71,687
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	<b>1,749</b>	2,077	<b>2,312</b>	2,077
Relating to increase in Malaysian income tax rate	-	6,195	-	6,195
Under/(Over) provision in prior years	<b>1,358</b>	(1,141)	<b>1,335</b>	(1,141)
	<b>3,107</b>	7,131	<b>3,647</b>	7,131
	<b>73,541</b>	81,255	<b>72,781</b>	78,818

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**41. Taxation (cont'd.)**

Income tax is calculated based on the chargeable income above on the assessable profit for the financial year at 24%.

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" was 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%.

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before taxation	<b>295,583</b>	306,725	<b>300,756</b>	300,510
Taxation at Malaysian statutory tax rate 24%	<b>70,940</b>	73,614	<b>72,181</b>	72,122
Additional tax rate of 9% in excess of RM100 million	-	15,798	-	15,798
Effect of different tax rates in Labuan	-	171	-	171
Income not subject to tax	<b>(141)</b>	(16,439)	<b>(953)</b>	(17,268)
Effect on opening deferred tax of increase in Malaysian income tax rate	-	6,194	-	6,194
Deferred tax recognised at different tax rates	-	(455)	-	(455)
Expenses not deductible for tax purposes	<b>2,917</b>	2,352	<b>1,690</b>	2,234
(Over)/Under provision of income tax in prior years	<b>(1,533)</b>	1,161	<b>(1,472)</b>	1,163
Under/(Over) provision of deferred tax in prior years	<b>1,358</b>	(1,141)	<b>1,335</b>	(1,141)
Income tax expense for the year	<b>73,541</b>	81,255	<b>72,781</b>	78,818

**42. Earnings per share**

Basic	Group	
	2023 RM'000	2022 RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	<b>211,815</b>	222,778
Weighted average number of ordinary shares in issue ('000)	<b>1,195,000</b>	1,195,000
Basic earnings per share (sen)	<b>17.73</b>	18.64

There were no diluted shares at the end of reporting period, accordingly diluted earnings per share is not presented.



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**43. Dividends**

The Directors did not declare any final dividend for the financial year ended 31 December 2023.

**44. 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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<b>Holding company</b>				
<b>Expenditure</b>				
- hibah on deposit	3,202	1,902	3,202	1,902
<b>Amounts due to</b>				
- deposits	119,216	231,441	119,216	231,441
<b>Subsidiaries</b>				
<b>Income</b>				
- dividend received	-	-	11,000	4,000
- rental income	-	-	120	120
- management fee	-	-	2,380	895
<b>Expenditure</b>				
- fund management fee	-	-	2,097	2,022
- profit sharing incentive	-	-	422	117
- hibah on deposit	-	-	357	254
<b>Amounts due from</b>				
- financing	-	-	49,781	62,698
<b>Amounts due to</b>				
- management fee / profit sharing	-	-	557	162
- deposits	-	-	16,066	19,745

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## 44. Significant related party transactions (cont'd.)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<b>Key management personnel</b>				
<b>Amounts due from</b>				
- financing	<b>29</b>	259	<b>29</b>	216
<b>Related companies*</b>				
<b>Income</b>				
- profit on financing	<b>28,199</b>	24,084	<b>28,199</b>	24,084
<b>Expenditure</b>				
- hibah on deposit	<b>7,408</b>	4,211	<b>7,408</b>	4,211
- seconded staff salary and related expenses	-	64	-	64
- mailing and courier service	<b>2,462</b>	2,255	<b>2,462</b>	2,255
- rental (offsite ATM and branch)	<b>12</b>	17	<b>12</b>	17
- purchase of fixed assets	<b>153</b>	470	<b>153</b>	470
- marketing expenses	<b>273</b>	551	<b>273</b>	551
- repair and maintenance	<b>122</b>	-	<b>122</b>	-
- others	<b>42</b>	92	<b>42</b>	92
<b>Amounts due to</b>				
- deposits	<b>303,686</b>	308,864	<b>303,686</b>	308,864
<b>Amounts due from</b>				
- financing	<b>589,410</b>	646,252	<b>589,410</b>	646,252

\* 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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**45. Credit exposures arising from credit transactions with connected parties**

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<u>2,485,242</u>	<u>2,053,363</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>6.1%</u>	<u>7.1%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0.0%</u>	<u>0.0%</u>
	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	<u>2,689,309</u>	<u>2,116,061</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>6.6%</u>	<u>7.3%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0.0%</u>	<u>0.0%</u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which were issued on 16 July 2014.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities, and financing commitments. It also includes holdings of equities and corporate sukuk issued by the connected parties.

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

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**46. 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:

	<b>Group and Bank</b>					
	<b>2023</b>	<b>2022</b>	<b>Total risk</b>	<b>2023</b>	<b>2022</b>	<b>Total risk</b>
The commitments and contingencies constitute the following:	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>weighted amount RM'000</b>	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>weighted amount RM'000</b>
<b>Contingent liabilities</b>						
Direct credit substitutes	<b>491,244</b>	<b>491,244</b>	<b>480,156</b>	419,708	419,708	410,518
Trade-related contingencies	<b>96,919</b>	<b>19,384</b>	<b>1,527</b>	99,507	19,901	2,351
Transaction related contingencies	<b>413,280</b>	<b>206,640</b>	<b>195,471</b>	555,343	277,672	266,746
<b>Commitments</b>						
Credit extension commitment:						
- Maturity within one (1) year	<b>994,501</b>	<b>198,900</b>	<b>142,547</b>	704,853	140,971	131,252
- Maturity exceeding one (1) year	<b>1,307,511</b>	<b>653,756</b>	<b>394,962</b>	1,156,493	578,246	433,006
Other miscellaneous commitments & contingencies	<b>60,040</b>	-	-	59,309	-	-
<b>Islamic derivative financial instruments</b>						
Foreign exchange related contracts	<b>2,287,363</b>	<b>38,933</b>	<b>19,355</b>	1,786,430	25,347	13,764
	<b>5,650,858</b>	<b>1,608,857</b>	<b>1,234,018</b>	4,781,643	1,461,845	1,257,637

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**47. 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 & Compliance Committee ("BRCC") to carry out its functions. BRCC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group's and the Bank's Management and the conduct of these functions are being exercised under a management committee structure, namely, the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and the Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

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**47. 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:

<b>Committee</b>	<b>Objective</b>
<b>Asset &amp; Liability Committee ("ALCO")</b>	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRCC. 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 business exposures. 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 decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
<b>Enterprise Risk Management Committee ("ERMC")</b>	To manage threats / risk and strategic opportunities that arise from both internal and external factors and have an impact on the Bank's strategic objectives/goals.
<b>Operational Risk Management Committee ("ORMC")</b>	To ensure effective implementation of Operational Risk Management Framework.
<b>Business Continuity Management Committee ("BCMC")</b>	To ensure the implementation of the Bank's Business Continuity Programme and endorse Business Continuity Plan.
<b>Asset Quality Impairment Committee ("AQIC")</b>	To deliberate the conduct of Corporate, Commercial and SME account and to assess the account's financial health, adequacy of provision and accuracy of accounts classification (Early Care, High Risk or Impaired). The outcome will be presented to "CC" for approval.
<b>Model Validation Committee (MVAC)</b>	To challenge the model development and model validation in compliance with credit risk models, whether internally or externally developed and validated. The outcome of MVAC will be presented to ERMC and BRCC for approval.
<b>Credit Risk Management Committee (CRMC)</b>	To ensure financing activities are in line with the Bank's credit risk appetite and policies and to deliberate on the effectiveness of the credit risk mitigation.

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.

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## 47. Financial risk management objectives and policies (cont'd.)

**Categories of financial instruments**

The tables below provide an analysis of financial instruments categorised as follows:

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

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
<b>2023</b>				
<b>Group</b>				
<b>Financial assets</b>				
Cash and short-term funds	3,039,191	3,039,191	-	-
Financial investments	6,656,044	116,871	6,505,466	33,707
Islamic derivative financial assets	12,819	-	-	12,819
Financing of customers	28,347,644	27,992,903	-	354,741
Statutory deposits with Bank Negara Malaysia	583,809	583,809	-	-
Other financial assets *	115,359	115,359	-	-
	<b>38,754,866</b>	<b>31,848,133</b>	<b>6,505,466</b>	<b>401,267</b>
<b>Financial liabilities</b>				
Deposits from customers	32,795,736	32,795,736	-	-
Investment accounts of customers	247,689	247,689	-	-
Deposits and placements of banks and other financial institutions	529,634	529,634	-	-
Bills and acceptances payable	13,773	13,773	-	-
Islamic derivative financial liabilities	21,519	-	-	21,519
Other financial liabilities	100,640	100,640	-	-
Recourse obligation on financing sold to Cagamas	1,058,745	1,058,745	-	-
Subordinated sukuk	806,924	806,924	-	-
	<b>35,574,660</b>	<b>35,553,141</b>	<b>-</b>	<b>21,519</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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## 47. Financial risk management objectives and policies (cont'd.)

## Categories of financial instruments (cont'd.)

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
<b>2022</b>				
<b>Group</b>				
<b>Financial assets</b>				
Cash and short-term funds	1,235,454	1,235,454	-	-
Deposits and placements with financial institutions	21,747	21,747	-	-
Financial investments	5,507,329	113,589	5,211,651	182,089
Islamic derivative financial assets	4,247	-	-	4,247
Financing of customers	24,017,067	23,651,236	-	365,831
Statutory deposits with Bank Negara Malaysia	417,091	417,091	-	-
Other financial assets *	17,989	17,989	-	-
	<u>31,220,924</u>	<u>25,457,106</u>	<u>5,211,651</u>	<u>552,167</u>
<b>Financial liabilities</b>				
Deposits from customers	26,320,609	26,320,609	-	-
Investment accounts of customers	301,158	301,158	-	-
Deposits and placements of banks and other financial institutions	303,388	303,388	-	-
Bills and acceptances payable	20,218	20,218	-	-
Islamic derivative financial liabilities liabilities	23,111	-	-	23,111
Other financial liabilities	96,123	96,123	-	-
Recourse obligation on financing sold to Cagamas	733,174	733,174	-	-
Subordinated sukuk	806,596	806,596	-	-
	<u>28,604,377</u>	<u>28,581,266</u>	<u>-</u>	<u>23,111</u>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.



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## 47. Financial risk management objectives and policies (cont'd.)

## Categories of financial instruments (cont'd.)

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
<b>2023</b>				
<b>Bank</b>				
<b>Financial assets</b>				
Cash and short-term funds	3,039,191	3,039,191	-	-
Financial investments	6,653,433	116,871	6,505,466	31,096
Islamic derivative financial assets	12,819	-	-	12,819
Financing of customers	28,343,392	27,992,902	-	350,490
Statutory deposits with Bank Negara Malaysia	583,809	583,809	-	-
Other financial assets *	114,754	114,754	-	-
	<b>38,747,398</b>	<b>31,847,527</b>	<b>6,505,466</b>	<b>394,405</b>
<b>Financial liabilities</b>				
Deposits from customers	32,811,802	32,811,802	-	-
Investment accounts of customers	247,689	247,689	-	-
Deposits and placements of banks and other financial institutions	529,634	529,634	-	-
Bills and acceptances payable	13,773	13,773	-	-
Islamic derivative financial liabilities	21,519	-	-	21,519
Other financial liabilities	101,105	101,105	-	-
Recourse obligation on financing sold to Cagamas	1,058,745	1,058,745	-	-
Subordinated sukuk	806,924	806,924	-	-
	<b>35,591,191</b>	<b>35,569,672</b>	<b>-</b>	<b>21,519</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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## 47. Financial risk management objectives and policies (cont'd.)

## Categories of financial instruments (cont'd.)

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
<b>2022</b>				
<b>Bank</b>				
<b>Financial assets</b>				
Cash and short-term funds	1,235,454	1,235,454	-	-
Deposits and placements with financial institutions	21,747	21,747	-	-
Financial investments	5,504,784	113,589	5,211,651	179,544
Islamic derivative financial assets	4,247	-	-	4,247
Financing of customers	24,006,413	23,651,235	-	355,178
Statutory deposits with Bank Negara Malaysia	417,091	417,091	-	-
Other financial assets *	17,544	17,544	-	-
	<u>31,207,280</u>	<u>25,456,660</u>	<u>5,211,651</u>	<u>538,969</u>
<b>Financial liabilities</b>				
Deposits from customers	26,340,353	26,340,353	-	-
Investment accounts of customers	301,158	301,158	-	-
Deposits and placements of banks and other financial institutions	303,388	303,388	-	-
Bills and acceptances payable	20,218	20,218	-	-
Islamic derivative financial liabilities	23,111	-	-	23,111
Other financial liabilities	94,425	94,425	-	-
Recourse obligation on financing sold to Cagamas	733,174	733,174	-	-
Subordinated sukuk	806,596	806,596	-	-
	<u>28,622,423</u>	<u>28,599,312</u>	<u>-</u>	<u>23,111</u>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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**47. Financial risk management objectives and policies (cont'd.)**

**(a) Credit risk**

Credit risk is defined as the potential loss to the Group and the Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and the Bank comprehend that credit risk is inherent in its credit products activities such as credit financing facilities activities (funded/non-funded facilities); treasury activities (including inter-bank money market, money and capital trading, foreign exchange); and investment banking activities (including underwriting of corporate sukuk issuance).

The Group's and the Bank's RMD and Senior Management via ERMC implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group's and the Bank's risk appetite parameters, and the Group and the Bank to be able to identify its risk tolerance levels. The administration of credit risk is governed by a full set of credit-related policies such as Credit Risk Policy ("CRP"), and Guidelines to Credit Risk Policies ("GCRP"), product manuals and standard operating procedures.

Credit exposures are controlled via a thorough credit assessment process which include, among others, assessing the adequacy of the identified source of payments and/or income generation from the customer, as well as determining the appropriate structure for financing.

As a supporting tool for the assessment, the Group and the Bank adopt credit risk rating (internal/external) mechanisms. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group's and the Bank's activities. It is also in compliance with the regulatory authority's requirements. Where applicable, the external rating assessment will be applied. This is provided by more than one of the selected reputable External Credit Assessment Institutions ("ECAI").

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.

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**47. Financial risk management objectives and policies (cont'd.)**

**(a) Credit risk (cont'd.)**

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.

**(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.

## 47. 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 2023	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	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	28,595	33,707
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial investments at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,152	2,282,361	2,060,395	174,721	20,158,899	563,280	28,347,644
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets *	-	-	-	-	-	-	115,359	115,359
	<b>6,152,412</b>	<b>5,932,865</b>	<b>2,995,053</b>	<b>2,121,795</b>	<b>174,721</b>	<b>20,158,899</b>	<b>1,219,121</b>	<b>38,754,866</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	<b>151,992</b>	<b>1,556,737</b>	<b>1,406,966</b>	<b>725,712</b>	<b>209,549</b>	<b>854,195</b>	<b>745,707</b>	<b>5,650,858</b>
<b>Total credit exposures</b>	<b>6,304,404</b>	<b>7,489,602</b>	<b>4,402,019</b>	<b>2,847,507</b>	<b>384,270</b>	<b>21,013,094</b>	<b>1,964,828</b>	<b>44,405,724</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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	-	1,235,454	-	-	-	-	-	1,235,454
Deposits 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 investments 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 financial assets *	-	-	-	-	-	-	17,989	17,989
	<b>6,241,568</b>	<b>3,069,028</b>	<b>2,264,573</b>	<b>1,581,653</b>	<b>189,534</b>	<b>16,877,576</b>	<b>996,992</b>	<b>31,220,924</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	95,176	162,791	526,416	120,451	4,312	78,355	1,074,558
Commitments	64,936	194,475	355,847	115,847	21,004	682,051	427,186	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	-	332	5,769	20,608	150	3,240	29,210	59,309
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	<b>151,993</b>	<b>1,289,090</b>	<b>1,311,730</b>	<b>662,871</b>	<b>141,605</b>	<b>689,603</b>	<b>534,751</b>	<b>4,781,643</b>
<b>Total credit exposures</b>	<b>6,393,561</b>	<b>4,358,118</b>	<b>3,576,303</b>	<b>2,244,524</b>	<b>331,139</b>	<b>17,567,179</b>	<b>1,531,743</b>	<b>36,002,567</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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 2023	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	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	25,984	31,096
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial investments at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,154	2,282,361	2,060,395	174,721	20,158,899	559,026	28,343,392
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets *	-	-	-	-	-	-	114,754	114,754
	<b>6,152,412</b>	<b>5,932,867</b>	<b>2,995,053</b>	<b>2,121,795</b>	<b>174,721</b>	<b>20,158,899</b>	<b>1,211,651</b>	<b>38,747,398</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	<b>151,992</b>	<b>1,556,737</b>	<b>1,406,966</b>	<b>725,712</b>	<b>209,549</b>	<b>854,195</b>	<b>745,707</b>	<b>5,650,858</b>
<b>Total credit exposures</b>	<b>6,304,404</b>	<b>7,489,604</b>	<b>4,402,019</b>	<b>2,847,507</b>	<b>384,270</b>	<b>21,013,094</b>	<b>1,957,358</b>	<b>44,398,256</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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	-	1,235,454	-	-	-	-	-	1,235,454
Deposits 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 investments 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 financial assets *	-	-	-	-	-	-	17,544	17,544
	<b>6,241,568</b>	<b>3,069,027</b>	<b>2,264,573</b>	<b>1,581,653</b>	<b>189,534</b>	<b>16,877,576</b>	<b>983,349</b>	<b>31,207,280</b>
<b>Commitments and contingencies</b>								
Contingent liabilities	87,057	95,176	162,791	526,416	120,451	4,312	78,355	1,074,558
Commitments	64,936	194,475	355,847	115,847	21,004	682,051	427,186	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	-	332	5,769	20,608	150	3,240	29,210	59,309
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	<b>151,993</b>	<b>1,289,090</b>	<b>1,311,730</b>	<b>662,871</b>	<b>141,605</b>	<b>689,603</b>	<b>534,751</b>	<b>4,781,643</b>
<b>Total credit exposures</b>	<b>6,393,561</b>	<b>4,358,117</b>	<b>3,576,303</b>	<b>2,244,524</b>	<b>331,139</b>	<b>17,567,179</b>	<b>1,518,100</b>	<b>35,988,923</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.



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**47. 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>2023</b>				
<b>On Balance Sheet</b>				
<b>Exposures</b>				
Cash and short-term funds	3,038,783	408	3,038,783	408
Financial investments designated at fair value through profit and loss	28,595	5,112	25,984	5,112
Financial investments at fair value through other comprehensive income	6,402,212	103,254	6,402,212	103,254
Financial investments amortised cost	116,871	-	116,871	-
Islamic derivative financial assets	12,819	-	12,819	-
Financing of customers	28,347,644	-	28,343,392	-
Statutory deposits with Bank Negara Malaysia	583,809	-	583,809	-
Other financial assets *	115,356	3	114,751	3
	<b>38,646,089</b>	<b>108,777</b>	<b>38,638,621</b>	<b>108,777</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	1,001,443	-	1,001,443	-
Commitments	2,302,012	-	2,302,012	-
Other Miscellaneous Commitment and Contingent Liabilities	60,040	-	60,040	-
Islamic derivative financial instruments	2,287,363	-	2,287,363	-
	<b>5,650,858</b>	<b>-</b>	<b>5,650,858</b>	<b>-</b>
<b>Total credit exposures</b>	<b>44,296,947</b>	<b>108,777</b>	<b>44,289,479</b>	<b>108,777</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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**47. 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: (cont'd.)

2022	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
<b>On Balance Sheet</b>				
<b>Exposures</b>				
Cash and short-term funds	1,155,843	79,611	1,155,843	79,611
Deposits 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 financial assets *	17,986	3	17,541	3
	<u>30,995,538</u>	<u>225,386</u>	<u>30,981,894</u>	<u>225,386</u>
<b>Commitments and contingencies</b>				
Contingent liabilities	1,074,559	-	1,074,559	-
Commitments	1,861,344	-	1,861,344	-
Other Miscellaneous Commitment and Contingent Liabilities	59,310	-	59,310	-
Islamic derivative financial instruments	1,786,430	-	1,786,430	-
	<u>4,781,643</u>	<u>-</u>	<u>4,781,643</u>	<u>-</u>
<b>Total credit exposures</b>	<u>35,777,181</u>	<u>225,386</u>	<u>35,763,537</u>	<u>225,386</u>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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**47. 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</b>	<b>Neither past due nor impaired</b>		<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>Good</b>	<b>Satisfactory</b>	<b>but not</b>	<b>financing</b>	
<b>2023</b>	<b>RM'000</b>	<b>RM'000</b>	<b>impaird</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	8,691,993	273,525	256,585	107,181	9,329,284
- Syndicated financing	546,137	-	-	-	546,137
- Hire purchase receivables	1,523,090	6,555	11,477	1,969	1,543,091
- Other term financing	12,174,092	146,614	164,357	125,271	12,610,334
Other financing	4,495,049	4,757	9,704	31,808	4,541,318
	<b>27,430,361</b>	<b>431,451</b>	<b>442,123</b>	<b>266,229</b>	<b>28,570,164</b>
Less:					
-Stage 1 - 12 Months ECL	(119,065)	(1,173)	-	-	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	-	(12,545)	(10,713)	-	(23,258)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(79,024)	(79,024)
Total net financing	<b>27,311,296</b>	<b>417,733</b>	<b>431,410</b>	<b>187,205</b>	<b>28,347,644</b>

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**47. 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. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

<b>Group 2022</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	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
	<u>23,324,785</u>	<u>459,247</u>	<u>285,559</u>	<u>205,957</u>	<u>24,275,548</u>
Less:					
-Stage 1 - 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	<u>23,199,205</u>	<u>440,544</u>	<u>275,279</u>	<u>102,039</u>	<u>24,017,067</u>

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**47. 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. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

<b>Bank 2023</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	8,691,993	273,525	256,585	107,181	9,329,284
- Syndicated financing	546,137	-	-	-	546,137
- Hire purchase receivables	1,523,090	6,555	11,477	1,969	1,543,091
- Other term financing	12,169,840	146,614	164,357	125,271	12,606,082
Other financing	4,495,049	4,757	9,704	31,808	4,541,318
	<b>27,426,109</b>	<b>431,451</b>	<b>442,123</b>	<b>266,229</b>	<b>28,565,912</b>
Less:					
-Stage 1 - 12 Months ECL	(119,065)	(1,173)	-	-	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	-	(12,547)	(10,711)	-	(23,258)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(79,024)	(79,024)
Total net financing	<b>27,307,044</b>	<b>417,731</b>	<b>431,412</b>	<b>187,205</b>	<b>28,343,392</b>

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**47. 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. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

<b>Bank 2022</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	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
	<u>23,314,131</u>	<u>459,247</u>	<u>285,559</u>	<u>205,957</u>	<u>24,264,894</u>
Less:					
-Stage 1 - 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	<u>23,188,551</u>	<u>440,544</u>	<u>275,279</u>	<u>102,039</u>	<u>24,006,413</u>

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**47. 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>2023</b>			
Term financing			
- Home financing	256,314	271	256,585
- Hire purchase receivables	11,318	159	11,477
- Other term financing	161,301	3,056	164,357
Other financing	9,656	48	9,704
<b>Total</b>	<b>438,589</b>	<b>3,534</b>	<b>442,123</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>

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**47. 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**

	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of transport vehicles	11,477	7,163
Purchase of landed properties of which:		
– residential	238,530	161,851
– non-residential	12,596	10,357
Personal use	151,997	91,564
Construction	649	285
Working capital	23,055	13,047
Other purpose	3,819	1,292
	<b>442,123</b>	<b>285,559</b>

**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 45.47% and 45.48%, respectively, as at 31 December 2023 (the Group and the Bank are at 39.72% and 39.74% as at 31 December 2022). Meanwhile, the financial effect of collateral held for other financial assets is not significant.



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**47. Financial risk management objectives and policies (cont'd.)**

**(a) Credit risk (cont'd.)**

**(ii) Credit quality for financing of customers (cont'd.)**

**Collateral and other credit enhancements (cont'd.)**

As at 31 December 2023, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM51,677,000 as compared against 31 December 2022 total amount of RM18,227,000. 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.

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**47. 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 scenario are determined using forecasted GDP growth rate as GDP reflects the overall condition of the economy. The information is sourced internally from the Bank's Economics Department.

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 2023.

Key Variable	ECL Scenario	Assigned Probabilities (%)	2023 (Actual)	2024 (Forecast)	2025 (Forecast)
Consumer Price Index (YOY%)	Base case	70.00%	1.95%	2.70%	2.50%
	Upside	20.00%	1.95%	3.00%	3.50%
	Downside	10.00%	1.95%	6.00%	5.50%
Unemployment Rate (%)	Base case	70.00%	3.40%	3.60%	3.40%
	Upside	20.00%	3.40%	3.30%	3.20%
	Downside	10.00%	3.40%	4.60%	4.40%
Overnight Policy Rate (%)	Base case	70.00%	3.00%	2.75%	3.00%
	Upside	20.00%	3.00%	3.25%	3.75%
	Downside	10.00%	3.00%	1.50%	2.50%
Private Consumption (YOY %)	Base case	70.00%	4.60%	5.77%	6.23%
	Upside	20.00%	4.60%	7.00%	8.00%
	Downside	10.00%	4.60%	3.30%	4.00%
Public Consumption (YOY %)	Base case	70.00%	5.80%	2.89%	2.07%
	Upside	20.00%	5.80%	5.00%	6.20%
	Downside	10.00%	5.80%	2.60%	3.00%
Gold Price (USD/oz)	Base case	70.00%	1848.49	2050.00	2100.00
	Upside	20.00%	1848.49	2147.86	2252.75
	Downside	10.00%	1848.49	1758.60	1485.10

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**47. 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 2022**

<b>Key Variable</b>	<b>ECL Scenario</b>	<b>Assigned Probabilities (%)</b>	<b>2022 (Actual)</b>	<b>2023 (Forecast)</b>	<b>2024 (Forecast)</b>
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

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47. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) 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	
	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000	Total RM'000
<b>2023</b>				
AAA+ to AA-	-	-	672,206	672,206
BBB+ to BB-	-	-	10,218	10,218
Unrated	116,871	116,871	78,904	78,904
Defaulted	-	-	13	13
Sovereign	-	-	5,560,859	5,560,859
Total	<b>116,871</b>	<b>116,871</b>	<b>6,322,200</b>	<b>6,322,200</b>
<b>2022</b>				
AAA+ to AA-	-	-	98,980	98,980
BBB+ to BB-	113,589	113,589	1,318	1,318
Unrated	-	-	72,219	72,219
Sovereign	-	-	4,831,948	4,831,948
Total	<b>113,589</b>	<b>113,589</b>	<b>5,004,465</b>	<b>5,004,465</b>

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47. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments (cont'd.)

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) analysed by ratings from external credit ratings agencies (cont'd.):

Bank	Financial investments at amortised cost Non-Money Market Instruments - Debt Securities		Financial investments at FVOCI Non-Money Market Instruments - Debt Securities	
	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000	Total RM'000
<b>2023</b>				
AAA+ to AA-	-	-	672,206	672,206
BBB+ to BB-	-	-	10,218	10,218
Unrated	116,871	116,871	78,904	78,904
Defaulted	-	-	13	13
Sovereign	-	-	5,560,859	5,560,859
Total	<b>116,871</b>	<b>116,871</b>	<b>6,322,200</b>	<b>6,322,200</b>
<b>2022</b>				
AAA+ to AA-	-	-	98,980	98,980
BBB+ to BB-	113,589	113,589	1,318	1,318
Unrated	-	-	72,219	72,219
Sovereign	-	-	4,831,948	4,831,948
Total	<b>113,589</b>	<b>113,589</b>	<b>5,004,465</b>	<b>5,004,465</b>

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**47. 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.)**

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 RM13,000 (2022: Nil), which have been classified as impaired and provided for to the extent that the Bank expects to recover.

**(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.

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**47. Financial risk management objectives and policies (cont'd.)**

**(b) Market risk (cont'd.)**

**Types of market risk (cont'd.)**

**(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.

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## 47. 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	>1-3	>3-12					Over	Non-profit	Trading		Effective
2023	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
<b>ASSETS</b>												
Cash and short-term funds	2,825,374	-	-	-	-	-	-	-	213,817	-	3,039,191	3.1%
Financial investment designated at fair value through profit and loss	-	-	5,020	21,800	-	-	-	-	6,887	-	33,707	3.5%
Financial assets at fair value through other comprehensive income	209,867	10,031	1,204,296	816,425	1,430,712	363,747	1,284,217	942,615	243,556	-	6,505,466	3.5%
Financial assets at amortised cost	-	-	-	-	-	-	-	116,853	18	-	116,871	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	12,819	12,819	-
Financing of customers:												
- non-impaired (net)	22,200,028	1,619,202	565,342	348,516	107,124	116,327	1,120,856	1,952,794	130,250	-	28,160,439	5.5%
- impaired (net)	-	-	-	-	-	-	-	-	187,205	-	187,205	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,004,579	-	1,004,579	-
<b>TOTAL ASSETS</b>	<b>25,235,269</b>	<b>1,629,233</b>	<b>1,774,658</b>	<b>1,186,741</b>	<b>1,537,836</b>	<b>480,074</b>	<b>2,405,073</b>	<b>3,012,262</b>	<b>1,786,312</b>	<b>12,819</b>	<b>39,060,277</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	10,876,039	6,133,585	7,690,589	7,093,956	61,127	354	294,705	-	645,381	-	32,795,736	3.0%
Investment accounts of customers	-	-	-	-	-	-	-	-	247,689	-	247,689	0.1%
Deposits and placements of banks and other financial institutions	183,600	-	-	-	-	-	-	-	346,034	-	529,634	5.8%
Bills and acceptances payable	-	-	-	-	-	-	-	-	13,773	-	13,773	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	21,519	21,519	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	200,000	855,138	-	-	-	-	3,607	-	1,058,745	4.2%
Subordinated sukuk	-	-	-	-	500,000	300,000	-	-	6,924	-	806,924	4.7%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	149,756	-	149,756	-
<b>Total Liabilities</b>	<b>11,059,639</b>	<b>6,133,585</b>	<b>7,890,589</b>	<b>7,949,094</b>	<b>561,127</b>	<b>300,354</b>	<b>294,705</b>	<b>-</b>	<b>1,413,164</b>	<b>21,519</b>	<b>35,623,776</b>	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	3,436,501	-	3,436,501	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,059,639</b>	<b>6,133,585</b>	<b>7,890,589</b>	<b>7,949,094</b>	<b>561,127</b>	<b>300,354</b>	<b>294,705</b>	<b>-</b>	<b>4,849,665</b>	<b>21,519</b>	<b>39,060,277</b>	



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47. 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 2023	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
On-balance sheet profit sensitivity gap	14,175,630	(4,504,352)	(6,115,931)	(6,762,353)	976,709	179,720	2,110,368	3,012,262	(3,063,353)	(8,700)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>14,175,630</b>	<b>(4,504,352)</b>	<b>(6,115,931)</b>	<b>(6,762,353)</b>	<b>976,709</b>	<b>179,720</b>	<b>2,110,368</b>	<b>3,012,262</b>	<b>(3,063,353)</b>	<b>(8,700)</b>	<b>-</b>	<b>-</b>

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## 47. 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%
Deposits and placements with financial institution	-	21,747	-	-	-	-	-	-	-	-	21,747	2.9%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	61,863	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	(34,155)	-	113,589	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,247	4,247	-
Financing of customers:												
- non-impaired (gross)	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 (net)	-	-	-	-	-	-	-	-	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>	
<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>	

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47. 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	>1-3	>3-12					Over	Non-profit	Trading		Effective
	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
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>	

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## 47. 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	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
2023	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
<b>ASSETS</b>												
Cash and short-term funds	2,825,374	-	-	-	-	-	-	-	213,817	-	3,039,191	3.1%
Financial investments designated at fair value through profit and loss	-	-	5,020	21,800	-	-	-	-	4,276	-	31,096	3.5%
Financial assets at fair value through other comprehensive income	209,867	10,031	1,204,296	816,425	1,430,712	363,747	1,284,217	942,614	243,557	-	6,505,466	3.5%
Financial assets at amortised cost	-	-	-	-	-	-	-	116,853	18	-	116,871	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	12,819	12,819	-
Financing of customers:												
- non-impaired (net)	22,200,028	1,619,202	565,342	348,516	107,124	116,327	1,120,856	1,952,795	125,997	-	28,156,187	5.5%
- impaired (net)	-	-	-	-	-	-	-	-	187,205	-	187,205	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,016,037	-	1,016,037	-
<b>TOTAL ASSETS</b>	<b>25,235,269</b>	<b>1,629,233</b>	<b>1,774,658</b>	<b>1,186,741</b>	<b>1,537,836</b>	<b>480,074</b>	<b>2,405,073</b>	<b>3,012,262</b>	<b>1,790,907</b>	<b>12,819</b>	<b>39,064,872</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	10,876,039	6,133,585	7,690,589	7,093,956	61,127	354	294,705	-	661,447	-	32,811,802	3.0%
Investment accounts of customers	-	-	-	-	-	-	-	-	247,689	-	247,689	0.0%
Deposits and placements of banks and other financial institutions	183,600	-	-	-	-	-	-	-	346,034	-	529,634	5.8%
Bills and acceptances payable	-	-	-	-	-	-	-	-	13,773	-	13,773	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	21,519	21,519	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	200,000	855,138	-	-	-	-	3,607	-	1,058,745	4.2%
Subordinated sukuk	-	-	-	-	500,000	300,000	-	-	6,924	-	806,924	4.7%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	149,894	-	149,894	-
<b>Total Liabilities</b>	<b>11,059,639</b>	<b>6,133,585</b>	<b>7,890,589</b>	<b>7,949,094</b>	<b>561,127</b>	<b>300,354</b>	<b>294,705</b>	<b>-</b>	<b>1,429,368</b>	<b>21,519</b>	<b>35,639,980</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	3,424,892	-	3,424,892	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,059,639</b>	<b>6,133,585</b>	<b>7,890,589</b>	<b>7,949,094</b>	<b>561,127</b>	<b>300,354</b>	<b>294,705</b>	<b>-</b>	<b>4,854,260</b>	<b>21,519</b>	<b>39,064,872</b>	

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47. 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	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
2023	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
On-balance sheet profit sensitivity gap	14,175,630	(4,504,352)	(6,115,931)	(6,762,353)	976,709	179,720	2,110,368	3,012,262	(3,063,353)	(8,700)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>14,175,630</b>	<b>(4,504,352)</b>	<b>(6,115,931)</b>	<b>(6,762,353)</b>	<b>976,709</b>	<b>179,720</b>	<b>2,110,368</b>	<b>3,012,262</b>	<b>(3,063,353)</b>	<b>(8,700)</b>	<b>-</b>	<b>-</b>

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## 47. 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%
Deposits and placements with financial institution	-	21,747	-	-	-	-	-	-	-	-	21,747	2.9%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	59,318	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	(34,155)	-	113,589	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,247	4,247	-
Financing of customers:												
- non-impaired (gross)	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 (net)	-	-	-	-	-	-	-	-	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>	
<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>	

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47. 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	>1-3	>3-12					Over	Non-profit	Trading		Effective
	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
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>	

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**47. 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.



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**47. 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.)**

Rate of return risk measurement (cont'd.)

- Gap analysis (cont'd.)

A rate sensitive gap greater than one ( $>1$ ) implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of return rises, the income on assets will increase faster than the funding costs, resulting in higher spread income.

A rate sensitive gap less than one ( $<1$ ) suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income).

- Simulation analysis

Detail assessments on the potential effects of changes in rate of return on the Group's and the Bank's earnings are carried out by simulating future path of rate of returns and also their impact on cash flows.

Simulation analysis will also be used to evaluate the impact of possible decisions on the following:

- Product pricing changes;
- New product introduction;
- Derivatives and hedging strategies; and
- Changes in the asset-liability mix.

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## 47. 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>2023</b>				
MYR	(34,610)	34,610	(34,545)	34,545
USD	1,828	(1,828)	1,828	(1,828)
Others*	(1)	1	(1)	1
<b>2022</b>				
MYR	(19,643)	19,643	(18,098)	18,098
USD	174	(174)	174	(174)
Others*	261	(261)	261	(261)
<b>Impact on Equity:</b>				
<b>2023</b>				
MYR	70,741	(70,741)	70,737	(70,737)
USD	(152)	152	(152)	152
Others*	0	(0)	0	(0)
<b>2022</b>				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14

\* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

## 47. 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 2023	Malaysian Ringgit RM'000	United	Australian	Swiss	Euro	Great	Japanese	Canadian	Others	Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000	RM'000	
<b>Assets</b>										
Cash and short-term funds	2,881,495	117,764	783	1,231	5,668	1,558	20,068	5,580	5,044	3,039,191
Financial investments designated at fair value through profit and loss	33,707	-	-	-	-	-	-	-	-	33,707
Financial assets at fair value through other comprehensive income	6,402,211	103,255	-	-	-	-	-	-	-	6,505,466
Financial assets at amortised cost	116,871	-	-	-	-	-	-	-	-	116,871
Islamic derivative financial assets	12,819	-	-	-	-	-	-	-	-	12,819
Financing of customers	28,341,202	6,102	-	-	340	-	-	-	-	28,347,644
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	-	-	583,809
Other financial assets *	115,356	3	-	-	-	-	-	-	-	115,359
<b>Total financial assets</b>	<b>38,487,470</b>	<b>227,124</b>	<b>783</b>	<b>1,231</b>	<b>6,008</b>	<b>1,558</b>	<b>20,068</b>	<b>5,580</b>	<b>5,044</b>	<b>38,754,866</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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 2023 (cont'd.)	Malaysian Ringgit RM'000	United	Australian	Swiss		Great	Japanese	Canadian	Others	Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000		
<b>Liabilities</b>										
Deposits from customers	32,488,762	303,168	14	-	671	3,101	-	-	20	32,795,736
Investment accounts of customers	247,689	-	-	-	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	345,666	183,968	-	-	-	-	-	-	-	529,634
Bills and acceptances payable	13,773	-	-	-	-	-	-	-	-	13,773
Islamic derivative financial liabilities	21,519	-	-	-	-	-	-	-	-	21,519
Other financial liabilities	330,048	(265,873)	769	1,231	5,337	(1,543)	20,068	-	10,603	100,640
Lease liabilities	38,335	134	-	-	-	-	-	-	-	38,469
Recourse obligation on financing sold to Cagamas	1,058,745	-	-	-	-	-	-	-	-	1,058,745
Subordinated sukuk	806,924	-	-	-	-	-	-	-	-	806,924
<b>Total financial liabilities</b>	<b>35,351,461</b>	<b>221,397</b>	<b>783</b>	<b>1,231</b>	<b>6,008</b>	<b>1,558</b>	<b>20,068</b>	<b>-</b>	<b>10,623</b>	<b>35,613,129</b>
<b>On-balance sheet open position</b>	<b>3,136,009</b>	<b>5,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,580</b>	<b>(5,579)</b>	<b>3,141,737</b>
Less: Islamic derivative financial assets	(12,819)	-	-	-	-	-	-	-	-	(12,819)
Add: Islamic derivative financial liabilities	21,519	-	-	-	-	-	-	-	-	21,519
<b>Net open position</b>	<b>3,144,709</b>	<b>5,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,580</b>	<b>(5,579)</b>	<b>3,150,437</b>

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47. 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	Malaysian Ringgit RM'000	United	Australian	Swiss		Great	Japanese	Canadian		Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000	Others RM'000	
<b>Assets</b>										
Cash and short-term funds	930,712	295,874	285	442	758	599	526	4,022	2,236	1,235,454
Deposits 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
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	-	-	417,091
Other financial assets *	17,986	3	-	-	-	-	-	-	-	17,989
<b>Total financial assets</b>	<b>30,669,594</b>	<b>540,283</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>31,220,924</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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	Australian	Swiss		Great	Japanese	Canadian	Others	Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar 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 financial liabilities	95,555	572	-	-	68	(72)	-	-	-	96,123
Lease liabilities	37,281	152	-	-	-	-	-	-	-	37,433
Recourse obligation on financing sold to Cagamas	733,174	-	-	-	-	-	-	-	-	733,174
Subordinated sukuk	806,596	-	-	-	-	-	-	-	-	806,596
<b>Total financial liabilities</b>	<b>28,313,208</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>28,641,810</b>
<b>On-balance sheet open position</b>	<b>2,356,386</b>	<b>268,195</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>2,579,114</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>2,375,250</b>	<b>268,195</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>2,597,978</b>

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47. 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 2023	Malaysian Ringgit RM'000	United	Australian	Swiss		Great	Japanese	Canadian		Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000	Others RM'000	
<b>Assets</b>										
Cash and short-term funds	2,881,495	117,764	783	1,231	5,668	1,558	20,068	5,580	5,044	3,039,191
Financial investments designated at fair value through profit and loss	31,096	-	-	-	-	-	-	-	-	31,096
Financial assets at fair value through other comprehensive income	6,402,211	103,255	-	-	-	-	-	-	-	6,505,466
Financial assets at amortised cost	116,871	-	-	-	-	-	-	-	-	116,871
Islamic derivative financial assets	12,819	-	-	-	-	-	-	-	-	12,819
Financing of customers	28,336,950	6,102	-	-	340	-	-	-	-	28,343,392
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	-	-	583,809
Other financial assets *	114,751	3	-	-	-	-	-	-	-	114,754
<b>Total financial assets</b>	<b>38,480,002</b>	<b>227,124</b>	<b>783</b>	<b>1,231</b>	<b>6,008</b>	<b>1,558</b>	<b>20,068</b>	<b>5,580</b>	<b>5,044</b>	<b>38,747,398</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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 2023 (cont'd.)	Malaysian Ringgit RM'000	United	Australian	Swiss		Great	Japanese	Canadian	Others	Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000		
<b>Liabilities</b>										
Deposits from customers	32,504,828	303,168	14	-	671	3,101	-	-	20	32,811,802
Investment accounts of customers	247,689	-	-	-	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	345,666	183,968	-	-	-	-	-	-	-	529,634
Bills and acceptances payable	13,773	-	-	-	-	-	-	-	-	13,773
Islamic derivative financial liabilities	21,519	-	-	-	-	-	-	-	-	21,519
Other financial liabilities	330,512	(265,873)	769	1,231	5,337	(1,543)	20,068	-	10,604	101,105
Lease liabilities	38,335	134	-	-	-	-	-	-	-	38,469
Recourse obligation on financing sold to Cagamas	1,058,745	-	-	-	-	-	-	-	-	1,058,745
Subordinated sukuk	806,924	-	-	-	-	-	-	-	-	806,924
<b>Total financial liabilities</b>	<b>35,367,991</b>	<b>221,397</b>	<b>783</b>	<b>1,231</b>	<b>6,008</b>	<b>1,558</b>	<b>20,068</b>	<b>-</b>	<b>10,624</b>	<b>35,629,660</b>
<b>On-balance sheet open position</b>	<b>3,112,011</b>	<b>5,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,580</b>	<b>(5,580)</b>	<b>3,117,738</b>
Less: Islamic derivative financial assets	(12,819)	-	-	-	-	-	-	-	-	(12,819)
Add: Islamic derivative financial liabilities	21,519	-	-	-	-	-	-	-	-	21,519
<b>Net open position</b>	<b>3,120,711</b>	<b>5,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,580</b>	<b>(5,580)</b>	<b>3,126,438</b>



## 47. 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	Australian	Swiss		Great	Japanese	Canadian		Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000	Others RM'000	
<b>Assets</b>										
Cash and short-term funds	930,712	295,874	285	442	758	599	526	4,022	2,236	1,235,454
Deposits 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
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	-	-	417,091
Other financial assets *	17,541	3	-	-	-	-	-	-	-	17,544
<b>Total financial assets</b>	<b>30,655,950</b>	<b>540,283</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>31,207,280</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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.) Liabilities	Malaysian Ringgit RM'000	United	Australian	Swiss		Great	Japanese	Canadian	Others RM'000	Total RM'000
		States Dollar RM'000	Dollar RM'000	Franc RM'000	Euro RM'000	Britain Pound RM'000	Yen RM'000	Dollar RM'000		
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 financial liabilities	93,857	572	-	-	68	(72)	-	-	-	94,425
Lease liabilities	37,281	152	-	-	-	-	-	-	-	37,433
Recourse obligation on financing sold to Cagamas	733,174	-	-	-	-	-	-	-	-	733,174
Subordinated sukuk	806,596	-	-	-	-	-	-	-	-	806,596
<b>Total financial liabilities</b>	<b>28,331,254</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>28,659,856</b>
<b>On-balance sheet open position</b>	<b>2,324,696</b>	<b>268,195</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>2,547,424</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>2,343,560</b>	<b>268,195</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>2,566,288</b>

## 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			
	2023		2022	
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit after tax and reserves	(57)	57	(2,229)	2,229

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**47. 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 2023 based on remaining contractual maturities.

## 47. 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 2023	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	3,011,876	27,315	-	-	-	-	3,039,191
Financial investments designated at fair value through profit and loss	-	-	-	-	5,112	28,595	33,707
Financial assets at fair value through other comprehensive income	13	210,083	10,151	287,832	925,973	5,071,414	6,505,466
Financial assets at amortised cost	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,632	479	458	33	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	21,877,359	28,347,644
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	583,809	583,809
Other financial assets *	-	80,749	-	-	34,610	-	115,359
<b>Total financial assets</b>	<b>3,089,704</b>	<b>1,256,408</b>	<b>1,558,194</b>	<b>1,730,479</b>	<b>3,442,033</b>	<b>27,678,048</b>	<b>38,754,866</b>
<b>Liabilities</b>							
Deposits from customers	12,839,712	4,970,632	6,165,904	5,080,239	2,662,939	1,076,310	32,795,736
Investment accounts of customers	247,689	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	345,416	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	21,519
Other financial liabilities	-	22,867	-	-	77,773	-	100,640
Lease liabilities	-	893	1,730	2,578	5,189	28,079	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	806,924
<b>Total financial liabilities</b>	<b>13,087,471</b>	<b>5,190,199</b>	<b>6,190,877</b>	<b>5,293,116</b>	<b>2,745,901</b>	<b>3,105,565</b>	<b>35,613,129</b>
<b>Net maturity mismatch</b>	<b>(9,997,767)</b>	<b>(3,933,791)</b>	<b>(4,632,683)</b>	<b>(3,562,637)</b>	<b>696,132</b>	<b>24,572,483</b>	<b>3,141,737</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	676,223	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	1,751,205	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	4,594	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	2,287,363
<b>Total commitments and contingencies</b>	<b>298,334</b>	<b>461,891</b>	<b>1,030,587</b>	<b>1,041,636</b>	<b>386,388</b>	<b>2,432,022</b>	<b>5,650,858</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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 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 Year RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	1,184,486	50,968	-	-	-	-	1,235,454
Deposits and placements with financial institutions	-	-	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
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	417,091	417,091
Other financial assets *	-	-	-	-	17,989	-	17,989
<b>Total assets</b>	<b>1,277,509</b>	<b>863,694</b>	<b>1,397,412</b>	<b>1,848,089</b>	<b>3,288,093</b>	<b>22,546,127</b>	<b>31,220,924</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 financial liabilities	-	19,778	-	-	76,345	-	96,123
Lease liabilities	-	-	918	1,695	2,509	32,311	37,433
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>792,466</b>	<b>2,854,798</b>	<b>28,641,810</b>
<b>Net maturity mismatch</b>	<b>(9,790,566)</b>	<b>(4,232,911)</b>	<b>(4,888,115)</b>	<b>(696,250)</b>	<b>2,495,627</b>	<b>19,691,329</b>	<b>2,579,114</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	662,683	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	1,278,008	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	2,877	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	1,786,430
<b>Total commitments and contingencies</b>	<b>461,412</b>	<b>150,817</b>	<b>936,152</b>	<b>1,112,749</b>	<b>176,945</b>	<b>1,943,568</b>	<b>4,781,643</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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 2023	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	3,011,876	27,315	-	-	-	-	3,039,191
Financial investments designated at fair value through profit and loss	-	-	-	-	5,112	25,984	31,096
Financial assets at fair value through other comprehensive income	13	210,083	10,151	287,833	925,973	5,071,413	6,505,466
Financial assets at amortised cost	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,634	479	457	32	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	21,873,107	28,343,392
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	583,809	583,809
Other financial assets *	-	80,749	-	-	34,005	-	114,754
<b>Total financial assets</b>	<b>3,089,704</b>	<b>1,256,410</b>	<b>1,558,194</b>	<b>1,730,479</b>	<b>3,441,427</b>	<b>27,671,184</b>	<b>38,747,398</b>
<b>Liabilities</b>							
Deposits from customers	12,845,478	4,975,932	6,167,904	5,083,239	2,662,939	1,076,310	32,811,802
Investment accounts of customers	247,689	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	345,416	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	21,519
Other financial liabilities	-	23,374	-	-	77,731	-	101,105
Lease liabilities	-	893	1,730	2,578	5,189	28,079	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	806,924
<b>Total financial liabilities</b>	<b>13,093,237</b>	<b>5,196,006</b>	<b>6,192,877</b>	<b>5,296,116</b>	<b>2,745,859</b>	<b>3,105,565</b>	<b>35,629,660</b>
<b>Net maturity mismatch</b>	<b>(10,003,533)</b>	<b>(3,939,596)</b>	<b>(4,634,683)</b>	<b>(3,565,637)</b>	<b>695,568</b>	<b>24,565,619</b>	<b>3,117,738</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	676,223	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	1,751,205	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	4,594	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	2,287,363
<b>Total commitments and contingencies</b>	<b>298,334</b>	<b>461,891</b>	<b>1,030,587</b>	<b>1,041,636</b>	<b>386,388</b>	<b>2,432,022</b>	<b>5,650,858</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

## 47. 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.)

<b>Bank 2022 Restated</b>	<b>Up to 7 Days RM'000</b>	<b>&gt;7 Days - 1 Month RM'000</b>	<b>&gt;1-3 Months RM'000</b>	<b>&gt;3-6 Months RM'000</b>	<b>&gt;6-12 Months RM'000</b>	<b>&gt;1 Year RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	1,184,486	50,968	-	-	-	-	1,235,454
Deposits 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 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
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	417,091	417,091
Other financial assets *	-	-	-	-	17,544	-	17,544
<b>Total financial assets</b>	<b>1,277,509</b>	<b>863,696</b>	<b>1,397,410</b>	<b>1,848,089</b>	<b>3,287,648</b>	<b>22,532,928</b>	<b>31,207,280</b>
<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 financial liabilities	-	18,105	-	-	76,320	-	94,425
Lease liabilities	-	-	918	1,695	2,509	32,311	37,433
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	806,596
<b>Total financial liabilities</b>	<b>11,080,038</b>	<b>5,102,769</b>	<b>6,285,502</b>	<b>2,544,324</b>	<b>792,435</b>	<b>2,854,788</b>	<b>28,659,856</b>
<b>Net maturity mismatch</b>	<b>(9,802,529)</b>	<b>(4,239,073)</b>	<b>(4,888,092)</b>	<b>(696,235)</b>	<b>2,495,213</b>	<b>19,678,140</b>	<b>2,547,424</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	662,683	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	1,278,008	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	2,877	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	1,786,430
<b>Total commitments and contingencies</b>	<b>461,412</b>	<b>150,817</b>	<b>936,152</b>	<b>1,112,749</b>	<b>176,945</b>	<b>1,943,568</b>	<b>4,781,643</b>

\* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

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**47. Financial risk management objectives and policies (cont'd.)**

**(c) Liquidity and funding risk (cont'd.)**

(ii) 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.

<b>Group</b>	<b>Up to</b>	<b>&gt;7 Days -</b>	<b>&gt;1-3</b>	<b>&gt;3-6</b>	<b>&gt;6-12</b>	<b>&gt;1 Year</b>	<b>Total</b>
<b>2023</b>	<b>7 Days</b>	<b>1 Month</b>	<b>Months</b>	<b>Months</b>	<b>Months</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	12,840,444	4,979,545	6,206,051	5,160,652	2,748,282	1,186,488	33,121,462
Investment accounts of customers	247,689	-	-	-	-	-	247,689
Deposits and placements of							
banks and other financial institutions	-	184,586	-	200	-	345,416	530,202
Bills and acceptances payable	-	-	13,773	-	-	-	13,773
Other financial liabilities	-	22,867	-	-	77,773	-	100,640
Lease liabilities	-	1,033	2,001	2,960	5,867	30,394	42,255
Recourse obligation on financing sold							
to Cagamas	-	-	-	204,069	-	910,739	1,114,808
Subordinated sukuk	-	7,995	-	11,250	19,245	1,051,834	1,090,324
<b>Derivative liabilities</b>	<b>70</b>	<b>4,697</b>	<b>9,470</b>	<b>7,282</b>	<b>-</b>	<b>-</b>	<b>21,519</b>
<b>Total financial liabilities</b>	<b>13,088,203</b>	<b>5,200,723</b>	<b>6,231,295</b>	<b>5,386,413</b>	<b>2,851,167</b>	<b>3,524,871</b>	<b>36,282,672</b>



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**47. Financial risk management objectives and policies (cont'd.)**

**(c) Liquidity and funding risk (cont'd.)**

(ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

<b>Group 2022</b>	<b>Up to 7 Days RM'000</b>	<b>&gt;7 Days - 1 Month RM'000</b>	<b>&gt;1-3 Months RM'000</b>	<b>&gt;3-6 Months RM'000</b>	<b>&gt;6-12 Months RM'000</b>	<b>&gt;1 Year RM'000</b>	<b>Total RM'000</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 financial liabilities	-	19,778	-	-	76,346	-	96,124
Lease liabilities	-	-	2,823	2,598	6,959	37,953	50,333
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	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>11,068,507</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>

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**47. Financial risk management objectives and policies (cont'd.)**

**(c) Liquidity and funding risk (cont'd.)**

(ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

<b>Bank 2023</b>	<b>Up to 7 Days RM'000</b>	<b>&gt;7 Days - 1 Month RM'000</b>	<b>&gt;1-3 Months RM'000</b>	<b>&gt;3-6 Months RM'000</b>	<b>&gt;6-12 Months RM'000</b>	<b>&gt;1 Year RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	12,846,220	4,984,859	6,208,064	5,163,675	2,748,282	1,186,488	33,137,588
Investment accounts of customers	247,689	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,586	-	200	-	345,416	530,202
Bills and acceptances payable	-	-	13,773	-	-	-	13,773
Other financial liabilities	-	23,374	-	-	77,731	-	101,105
Lease liabilities	-	1,033	2,001	2,960	5,867	30,394	42,255
Recourse obligation on financing sold to Cagamas	-	-	-	204,069	-	910,739	1,114,808
Subordinated sukuk	-	7,995	-	11,250	19,245	1,051,834	1,090,324
<b>Derivative liabilities</b>	<b>70</b>	<b>4,697</b>	<b>9,470</b>	<b>7,282</b>	<b>-</b>	<b>-</b>	<b>21,519</b>
<b>Total financial liabilities</b>	<b>13,093,979</b>	<b>5,206,544</b>	<b>6,233,308</b>	<b>5,389,436</b>	<b>2,851,125</b>	<b>3,524,871</b>	<b>36,299,263</b>

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**47. Financial risk management objectives and policies (cont'd.)**

**(c) Liquidity and funding risk (cont'd.)**

(ii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

<b>Bank 2022</b>	<b>Up to 7 Days RM'000</b>	<b>&gt;7 Days - 1 Month RM'000</b>	<b>&gt;1-3 Months RM'000</b>	<b>&gt;3-6 Months RM'000</b>	<b>&gt;6-12 Months RM'000</b>	<b>&gt;1 Year RM'000</b>	<b>Total RM'000</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 financial liabilities	-	18,103	-	-	76,321	-	94,424
Lease liabilities	-	-	2,823	2,598	6,959	37,953	50,333
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	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>

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**47. 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.

**48. Fair value measurements**

**(a) 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 instruments at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal Management's judgement and estimation, due to the low complexity of the financial instruments held.

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**48. Fair value measurements (cont'd.)**

**(a) 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 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>Financial assets</b>				
Financial investments designated at fair value through profit or loss	6,585	5,112	22,010	33,707
Financial investments at FVOCI	75,381	6,322,200	107,885	6,505,466
Derivative financial assets	-	12,819	-	12,819
Total financial assets measured at fair value	<b>81,966</b>	<b>6,340,131</b>	<b>129,895</b>	<b>6,551,992</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	21,519	-	21,519
Total financial liabilities measured at fair value	-	21,519	-	21,519

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**48. Fair value measurements (cont'd.)**

**(a) 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 instruments which are measured at fair value at the reporting date analysed by the various level within 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>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	<u>62,921</u>	<u>5,013,826</u>	<u>321,240</u>	<u>5,397,987</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	23,111	-	23,111
Total financial liabilities measured at fair value	<u>-</u>	<u>23,111</u>	<u>-</u>	<u>23,111</u>

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**48. Fair value measurements (cont'd.)**

**(a) 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 instruments which are measured at fair value at the reporting date analysed by the various level within 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>Financial assets</b>				
Financial investments designated at fair value through profit or loss	3,974	5,112	22,010	31,096
Financial investments at FVOCI	75,381	6,322,200	107,885	6,505,466
Derivative financial assets	-	12,819	-	12,819
Total financial assets measured at fair value	<b>79,355</b>	<b>6,340,131</b>	<b>129,895</b>	<b>6,549,381</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	21,519	-	21,519
Total financial liabilities measured at fair value	-	21,519	-	21,519

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**48. Fair value measurements (cont'd.)**

**(a) 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 instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy: (cont'd)

Bank	<u>Valuation technique using:</u>			Total RM'000
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
<b>2022</b>				
<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	<u>60,377</u>	<u>5,013,825</u>	<u>321,240</u>	<u>5,395,442</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	23,111	-	23,111
Total financial liabilities measured at fair value	<u>-</u>	<u>23,111</u>	<u>-</u>	<u>23,111</u>



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**48. Fair value measurements (cont'd.)**

**(a) Financial instruments measured at fair value (cont'd.)**

**Determination of fair value and the fair value hierarchy (cont'd.)**

The following table shows a reconciliation of Level 3 fair values:

	<b>Group and Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January</b>	<b>321,240</b>	315,621
Gain/(Loss) recognised in statements of profit or loss	<b>135</b>	(27,352)
Loss recognised in other comprehensive income (Disposal)/Purchases	<b>(35,570)</b>	-
Foreign exchange translation difference	<b>(162,066)</b>	23,352
	<b>6,156</b>	9,619
<b>At 31 December</b>	<b>129,895</b>	<b>321,240</b>

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**48. 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</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying</b>
<b>2023</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>fair value</b>	<b>Amount</b>
				<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
Financial investments at amortised cost	-	-	114,920	114,920	116,871
Financing of customers	-	20,124,114	8,181,586	28,305,700	28,347,644
<b>Financial liabilities</b>					
Deposits from customers	-	2,319,921	29,133,568	31,453,489	32,795,736
Investment accounts of customers	-	247,689	-	247,689	247,689
Deposits and placements of banks and other financial institutions	-	-	33,783	33,783	37,235
Bills and acceptances payable	-	-	13,773	13,773	13,773
Subordinated sukuk	-	813,225	-	813,225	806,924
<b>2022</b>					
<b>Financial assets</b>					
Financial investments at amortised cost (restated)	-	-	113,816	113,816	113,589
Financing of customers	-	16,763,788	7,073,957	23,837,745	24,017,067

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## 48. Fair value measurements (cont'd.)

## (b) Financial instruments not carried at fair value (cont'd.)

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 (cont'd).

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying</b>
<b>2022</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>fair value</b>	<b>Amount</b>
				<b>RM'000</b>	<b>RM'000</b>
<b>Financial liabilities</b>					
Deposits from customers	-	2,350,904	23,969,266	26,320,170	26,320,609
Investment accounts of 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>Bank</b>					
<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>fair value</b>	<b>Amount</b>
				<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
Financial investments at amortised cost	-	-	114,920	114,920	116,871
Financing of customers	-	20,065,796	8,181,586	28,247,382	28,343,392
<b>Financial liabilities</b>					
Deposits from customers	-	2,319,921	29,147,368	31,467,289	32,811,802
Investment accounts of customers	-	247,689	-	247,689	247,689
Deposits and placements of banks and other financial institutions	-	-	33,783	33,783	37,235
Bills and acceptances payable	-	-	13,773	13,773	13,773
Subordinated sukuk	-	813,225	-	813,225	806,924

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## 48. Fair value measurements (cont'd.)

## (b) Financial instruments not carried at fair value (cont'd.)

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 (cont'd).

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Carrying</b>
<b>2022</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>fair value</b>	<b>Amount</b>
				<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
Financial investments at amortised cost (restated)	-	-	113,816	113,816	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 accounts of 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

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 of this investment in the foreseeable future.

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**48. 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**

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.

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**49. 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>2023</b>						
Derivative assets	12,819	-	12,819	-	-	12,819
Derivative liabilities	(21,519)	-	(21,519)	-	-	(21,519)
<b>2022</b>						
Derivative assets	4,247	-	4,247	-	-	4,247
Derivative liabilities	(23,111)	-	(23,111)	-	-	(23,111)

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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**50. Capital and other commitments**

Capital expenditure approved by the Directors but not provided for in the financial statements amounted to:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for	9,299	14,515
Approved but not contracted for	<b>170,225</b>	150,567
	<b><u>179,524</u></b>	<u>165,082</u>
	<b>Bank</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for	9,299	14,515
Approved but not contracted for	<b>170,243</b>	150,673
	<b><u>179,542</u></b>	<u>165,188</u>

**51. Capital adequacy**

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RM'000</b>	<b>(Restated) RM'000</b>
<b>Computation of total risk-weighted assets ("RWA")</b>		
Total credit RWA	<b>22,739,787</b>	19,511,734
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	<b>(126,607)</b>	(159,800)
Total market RWA	<b>77,388</b>	23,153
Total operational RWA	<b>1,508,264</b>	1,463,122
Total RWA	<b><u>24,198,832</u></b>	<u>20,838,209</u>

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**51. Capital adequacy (cont'd.)**

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	Group	
	2023	2022 (Restated)
Computation of capital ratios	RM'000	RM'000
<b><u>Tier-I capital</u></b>		
Share capital	1,195,000	1,195,000
Retained profits	1,742,374	1,595,641
<b>Other Reserves</b>		
Regulatory reserve	155,747	94,239
FVOCI reserve	(6,966)	(1,342)
Foreign exchange translation reserve	1,591	3,066
<b>Less: Regulatory Adjustment</b>		
Deferred tax assets	(42,929)	(52,920)
Investment property gain	(8,363)	(8,171)
Regulatory reserve	(155,747)	(94,239)
Cumulative gains of financing measured at FVTPL	(17,084)	(21,455)
Intangible asset (net of deferred tax liabilities)	(104,651)	(94,363)
<b>Total Common Equity Tier-I Capital</b>	<b>2,758,972</b>	<b>2,615,456</b>
<b><u>Tier-I Capital</u></b>		
Perpetual Sukuk	350,000	-
<b>Total Tier-I Capital</b>	<b>3,108,972</b>	<b>2,615,456</b>
<b><u>Tier-II capital</u></b>		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	284,124	243,658
Add: Investment property gain	3,763	3,677
<b>Total Tier-II Capital</b>	<b>1,087,887</b>	<b>1,047,335</b>
<b>Total Capital Base</b>	<b>4,196,859</b>	<b>3,662,791</b>
<b><u>Ratio (%)</u></b>		
CET 1 Capital	11.401%	12.551%
Tier 1 Capital	12.848%	12.551%
Total Capital	17.343%	17.577%

\* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.



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**51. Capital adequacy (cont'd.)**

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows:

	Bank	
	2023	2022 (Restated)
	RM'000	RM'000
<b>Computation of total risk-weighted assets ("RWA")</b>		
Total credit RWA	22,729,923	19,492,654
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(126,607)	(159,800)
Total market RWA	77,388	23,153
Total operational RWA	1,483,198	1,427,083
Total RWA	<u>24,163,902</u>	<u>20,783,090</u>
<b>Computation of capital ratios</b>		
<b><u>Tier-I capital</u></b>		
Share capital	1,195,000	1,195,000
Retained profits	1,730,764	1,577,800
<b>Other Reserves</b>		
Regulatory reserve	155,747	94,239
FVOCI reserve	(6,966)	(1,342)
Foreign exchange translation reserve	1,592	3,066
<b>Regulatory Adjustment</b>		
Deferred tax assets	(42,389)	(52,920)
Investment property gain	(8,363)	(8,171)
Regulatory reserve	(155,747)	(94,239)
Investment in subsidiaries	(13,159)	(13,159)
Cumulative gains of financing measured at FVTPL	(17,084)	(21,455)
Intangible asset (net of deferred tax liabilities)	(104,365)	(94,013)
<b>Total Common Equity Tier- I Capital</b>	<u>2,735,030</u>	<u>2,584,806</u>
<b><u>Tier-I Capital</u></b>		
Perpetual Sukuk	350,000	-
<b>Total Tier-I Capital</b>	<u>3,085,030</u>	<u>2,584,806</u>
<b><u>Tier-II capital</u></b>		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	284,124	243,658
Add: Investment property gain	3,763	3,677
<b>Total Tier-II Capital</b>	<u>1,087,887</u>	<u>1,047,335</u>
<b>Total Capital Base</b>	<u>4,172,917</u>	<u>3,632,141</u>

\* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.

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**51. Capital adequacy (cont'd.)**

- (a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows: (cont'd.)

Computation of capital ratios (cont'd.)	Bank	
	2023	2022 (Restated)
	RM'000	RM'000
<b>Ratio (%)</b>		
CET 1 Capital	<b>11.319%</b>	12.437%
Tier 1 Capital	<b>12.767%</b>	12.437%
Total Capital	<b>17.269%</b>	17.476%

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 year (2022: 4.5%, 6.0% and 8.0% of total RWA).

- (b) Credit risk disclosure by risk weights of the Group and of the Bank as at 31 December, are as follows:

	Group			
	2023		2022	
	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation (Restated)	Total risk weighted assets (Restated)
	RM'000	RM'000	RM'000	RM'000
0%	12,045,012	-	8,377,752	-
20%	2,414,622	482,924	2,186,952	437,390
35%	3,749,471	1,312,315	3,282,515	1,148,880
50%	1,239,287	619,644	895,404	447,702
75%	3,706,671	2,780,003	3,466,540	2,599,905
100%	17,402,222	17,402,222	14,590,029	14,590,029
150%	95,120	142,679	191,885	287,828
<b>Risk weighted assets for credit risk</b>	<b>40,652,405</b>	<b>22,739,787</b>	32,991,077	19,511,734
<b>Less: Credit risk absorbed by PSIA</b>		<b>(126,607)</b>		<b>(159,800)</b>

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**51. Capital adequacy (cont'd.)**

- (b) Credit risk disclosure by risk weights of the Group and of the Bank as at 31 December, are as follows: (cont'd.)

	<b>Group</b>			
	<b>2023</b>		<b>2022</b>	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation (Restated) RM'000	Total risk weighted assets (Restated) RM'000
Risk weighted assets for market risk		77,388		23,153
Risk weighted assets for operational risk		1,508,264		1,463,122
<b>Total risk weighted assets</b>		<b><u>24,198,832</u></b>		<b><u>20,838,209</u></b>
	<b>Bank</b>			
	<b>2023</b>		<b>2022</b>	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation (Restated) RM'000	Total risk weighted assets (Restated) RM'000
0%	12,045,012	-	8,377,752	-
20%	2,414,622	482,924	2,186,952	437,390
35%	3,749,471	1,312,315	3,282,515	1,148,880
50%	1,239,287	619,644	895,404	447,702
75%	3,706,671	2,780,003	3,466,540	2,599,905
100%	17,398,736	17,398,736	14,586,930	14,586,930
150%	90,867	136,301	181,231	271,847
<b>Risk weighted assets for credit risk</b>	<b>40,644,666</b>	<b>22,729,923</b>	32,977,324	19,492,654
<b>Less: Credit risk absorbed by PSIA</b>		<b>(126,607)</b>		<b>(159,800)</b>
<b>Risk weighted assets for market risk</b>		<b>77,388</b>		<b>23,153</b>
<b>Risk weighted assets for operational risk</b>		<b>1,483,198</b>		<b>1,427,083</b>
<b>Total risk weighted assets</b>		<b><u>24,163,902</u></b>		<b><u>20,783,090</u></b>

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**51. Capital adequacy (cont'd.)**

**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.

**52. 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.

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**52. Segment information (cont'd.)**

**(a) Business segments (cont'd.)**

(iii) Treasury 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.

Others include Investment banking and other business segments which consists of rental services, none of which is of sufficient size to be reported separately.

<b>Group</b>	<b>Business</b>	<b>Consumer</b>	<b>Treasury</b>	<b>Others</b>	<b>Total</b>
<b>2023</b>	<b>banking</b>	<b>banking</b>	<b>banking</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	<b>387,893</b>	<b>1,114,898</b>	<b>271,235</b>	<b>10,628</b>	<b>1,784,654</b>
<b>Total income</b>	<b>196,275</b>	<b>359,168</b>	<b>34,067</b>	<b>363,097</b>	<b>952,607</b>
Write-back of/(allowance for) impairment on financing	<b>1,316</b>	<b>(35,855)</b>	<b>1,279</b>	-	<b>(33,260)</b>
Allowance for impairment losses on investments	-	-	<b>(526)</b>	-	<b>(526)</b>
Allowance for impairment losses on other financial assets, net	-	-	<b>(105)</b>	-	<b>(105)</b>
Other expenses	-	-	-	<b>(46,149)</b>	<b>(46,149)</b>
<b>Total net income</b>	<b>197,591</b>	<b>323,313</b>	<b>34,715</b>	<b>316,948</b>	<b>872,567</b>
Total overhead expenses					<b>(576,984)</b>
<b>Profit before zakat and taxation</b>					<b>295,583</b>
Zakat					<b>(10,227)</b>
Taxation					<b>(73,541)</b>
<b>Profit for the year</b>					<b>211,815</b>

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## 52. Segment information (cont'd.)

## (a) Business segments (cont'd.)

<b>Group 2022</b>	<b>Business banking RM'000</b>	<b>Consumer banking RM'000</b>	<b>Treasury banking RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Revenue	291,274	865,614	172,121	10,876	1,339,885
<b>Total Income</b>	180,514	453,957	17,088	235,095	886,654
Write-back of/(allowance for) impairment on financing	8,049	(49,059)	-	-	(41,010)
Allowance for impairment 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	12,679	208,493	814,633
Total overhead expenses					(507,908)
<b>Profit before zakat dan taxation</b>					306,725
Zakat					(2,692)
Taxation					(81,255)
<b>Profit for the year</b>					<u>222,778</u>

<b>Bank 2023</b>	<b>Business banking RM'000</b>	<b>Consumer banking RM'000</b>	<b>Treasury banking RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Revenue	387,893	1,114,898	271,235	15,101	1,789,127
<b>Total Income</b>	196,275	359,168	34,067	367,213	956,723
Write-back of/(allowance for) impairment on financing	1,316	(35,855)	1,279	-	(33,260)
Allowance for impairment losses on investments	-	-	(526)	-	(526)
Allowance for impairment losses on other financial assets, net	-	-	(105)	-	(105)
Other expenses	-	-	-	(46,149)	(46,149)
<b>Total net income</b>	197,591	323,313	34,715	321,064	876,683
Total overhead expenses					(575,927)
<b>Profit before zakat and taxation</b>					300,756
Zakat					(9,929)
Taxation					(72,781)
<b>Profit for the year</b>					<u>218,046</u>

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**52. Segment information (cont'd.)**

**(a) Business segments (cont'd.)**

<b>Bank 2022</b>	<b>Business banking RM'000</b>	<b>Consumer banking RM'000</b>	<b>Treasury banking RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
Revenue	291,274	865,614	172,121	3,424	1,332,433
<b>Total income</b>	180,514	453,957	17,089	227,389	878,949
Write-back 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	12,680	200,787	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

**53. 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.

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**53. Shariah disclosures (cont'd.)**

**(a) Shariah governance (cont'd.)**

**Overview (cont'd.)**

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.

**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**

<b>2023</b>	<b>No. of event</b>	<b>RM</b>
Shariah non-compliance events/income during the year	<u>2</u>	<u>150</u>
<b>2022</b>	<b>No. of event</b>	<b>RM</b>
Shariah non-compliance events/income during the year	<u>1</u>	<u>-</u>

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.



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**53. Shariah disclosures (cont'd.)**

**(a) Shariah governance (cont'd.)**

(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.

	2023 RM'000	2022 RM'000
<b>At 1 January</b>	<u>431</u>	<u>559</u>
<b>Sources of charity funds</b>		
Unidentified fund/earning prohibited by Shariah, during the year	-	* 70
<b>Uses of charity funds</b>		
Contribution to non-profit organisation	<u>(417)</u>	<u>(198)</u>
<b>Undistributed charity funds at 31 December</b>	<u>14</u>	<u>431</u>

\* Represent RM150

**(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.

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**54. Comparative figures**

Comparative figures for financing of customer note have been restated to conform with current year's presentation.

**Movements in the gross carrying amount of financing of customers**

<b>Group</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>2022</b>				
<b>As restated</b>				
At 1 January 2022	20,476,429	201,514	172,073	20,850,016
Total transfer within stages:				
Transfer to Stage 1	80,475	(63,025)	(17,450)	-
Transfer to Stage 2	(440,927)	444,723	(3,796)	-
Transfer to Stage 3	(130,026)	(40,452)	170,478	-
New financial assets originated	9,382,034	-	-	9,382,034
Financial assets derecognised	(5,858,305)	(25,924)	(72,374)	(5,956,603)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	<u>23,535,334</u>	<u>517,179</u>	<u>205,957</u>	<u>24,258,470</u>
<b>As previously stated</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)
At 31 December 2022	<u>23,535,334</u>	<u>517,179</u>	<u>205,957</u>	<u>24,258,470</u>

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**54. Comparative figures (cont'd.)**

Comparative figures for financing of customer note have been restated to conform with current year's presentation. (cont'd.)

**Movements in the gross carrying amount of financing of customers**

<b>Bank</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<b>2022</b>				
<b>As restated</b>				
At 1 January 2022	20,466,741	201,514	172,073	20,840,328
Total transfer within stages:				
Transfer to Stage 1	80,475	(63,025)	(17,450)	-
Transfer to Stage 2	(440,927)	444,723	(3,796)	-
Transfer to Stage 3	(130,026)	(40,452)	170,478	-
New financial assets originated	9,381,068	-	-	9,381,068
Financial assets derecognised	(5,858,305)	(25,924)	(72,374)	(5,956,603)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	<u>23,524,680</u>	<u>517,179</u>	<u>205,957</u>	<u>24,247,816</u>
<b>As previously stated</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)
At 31 December 2022	<u>23,524,680</u>	<u>517,179</u>	<u>205,957</u>	<u>24,247,816</u>

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**54. Comparative figures (cont'd.)**

Comparative figures for financing of customer note have been restated to conform with current year's presentation. (cont'd.)

**Movements in the loss allowance for financing of customers**

Group and Bank	12 Month ECL Stage 1 RM'000	Lifetime ECL	Lifetime	Total ECL RM'000
		not credit impaired Stage 2 RM'000	ECL credit impaired Stage 3 RM'000	
<b>2022</b>				
<b>As restated</b>				
At 1 January 2022	116,768	34,046	76,134	226,948
Transfer to Stage 1	8,919	(3,063)	(5,856)	-
Transfer to Stage 2	(6,338)	7,549	(1,211)	-
Transfer to Stage 3	(8,526)	(15,712)	24,238	-
Changes in credit risk	(20,132)	3,716	61,412	44,996
New financing originated	61,989	-	-	61,989
Financing derecognised	(23,784)	(869)	(20,848)	(45,501)
Amount written-off	-	-	(29,951)	(29,951)
At 31 December 2022	128,896	25,667	103,918	258,481

	12 Month ECL Stage 1 RM'000	Lifetime ECL	Lifetime	Total ECL RM'000
		not credit impaired Stage 2 RM'000	ECL credit impaired Stage 3 RM'000	
<b>As previously stated</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	-
Changes in credit risk	(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

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**54. Comparative figures (cont'd.)**

Comparative figures for impaired financing note have been restated to conform with current year's presentation.

**Movements in the impaired financing**

	<b>Group and Bank RM'000</b>
<b>2022</b>	
<b>As restated</b>	
At 1 January 2022	172,073
Classified as impaired during the year	170,478
Reclassified as performing during the year	(21,246)
Recovered during the year	(72,374)
Written-off during the year	(43,931)
Effects of modifications to contractual cash flows of financial assets	957
Gross impaired financing	<u>205,957</u>
Less: Stage 3 - Lifetime ECL credit impaired	<u>(103,918)</u>
Net impaired financing	<u>102,039</u>
<b>As previously stated</b>	
At 1 January 2022	172,073
Classified as impaired during the year	277,388
Reclassified as performing during the year	(78,832)
Recovered during the year	(88,666)
Written-off during the year	(43,931)
Derecognised	<u>(32,075)</u>
Gross impaired financing	205,957
Less: Stage 3 - Lifetime ECL credit impaired	<u>(103,918)</u>
Net impaired financing	<u>102,039</u>

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**54. Comparative figures (cont'd.)**

Comparative figures for financial risk management objectives and policies note have been restated to exclude balances which are not within the scope of MFRS 9, *Financial Instruments*.

**Liquidity and funding risk**

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity:

<b>Group 2022</b>	<b>Up to 7 Days RM'000</b>	<b>&gt;7 Days - 1 Month RM'000</b>	<b>&gt;1-3 Months RM'000</b>	<b>&gt;3-6 Months RM'000</b>	<b>&gt;6-12 Months RM'000</b>	<b>&gt;1 Year RM'000</b>	<b>Total RM'000</b>
<b>As restated</b>							
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	417,091	417,091
Other financial assets	-	-	-	-	17,989	-	17,989
Other financial liabilities	-	19,778	-	-	76,345	-	96,123
Lease liabilities	-	-	918	1,695	2,509	32,311	37,433
<b>As previously stated</b>							
Other assets	-	(19)	-	-	44,216	704,177	748,374
Other liabilities	-	19,778	918	1,695	84,658	32,310	139,359
<b>Bank 2022</b>							
	<b>Up to 7 Days RM'000</b>	<b>&gt;7 Days - 1 Month RM'000</b>	<b>&gt;1-3 Months RM'000</b>	<b>&gt;3-6 Months RM'000</b>	<b>&gt;6-12 Months RM'000</b>	<b>&gt;1 Year RM'000</b>	<b>Total RM'000</b>
<b>As restated</b>							
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	417,091	417,091
Other financial assets	-	-	-	-	17,544	-	17,544
Other financial liabilities	-	18,105	-	-	76,320	-	94,425
Lease liabilities	-	-	918	1,695	2,509	32,311	37,433
<b>As previously stated</b>							
Other assets	-	(29)	-	-	43,722	716,938	760,631
Other liabilities	-	18,103	918	1,695	83,484	32,313	136,513

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**54. Comparative figures (cont'd.)**

Comparative figures for capital adequacy note have been restated to conform with current year's presentation.

**Capital adequacy**

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	<b>Group</b>	
	<b>2022</b>	<b>2022</b>
	<b>As restated</b>	<b>As previously</b>
	<b>RM'000</b>	<b>stated</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Computation of total risk-weighted assets ("RWA")</b>		
Total credit RWA	19,511,734	19,525,603
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(159,800)	(135,099)
Total market RWA	23,153	23,153
Total operational RWA	1,463,122	1,460,879
Total RWA	<u>20,838,209</u>	<u>20,874,536</u>

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**54. Comparative figures (cont'd.)**

Comparative figures for capital adequacy note have been restated to conform with current year's presentation.(cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows: (cont'd.)

	<b>Group</b>	
	<b>2022</b>	<b>2022</b>
	<b>As restated</b>	<b>As previously</b>
	<b>RM'000</b>	<b>stated</b>
		<b>RM'000</b>
<b>Computation of capital ratios</b>		
<b><u>Tier-I capital</u></b>		
Share capital	1,195,000	1,195,000
Retained profits	1,595,641	1,595,641
<b>Other Reserves</b>		
Regulatory reserve	94,239	94,239
FVOCI reserve	(1,342)	(1,342)
Foreign exchange translation reserve	3,066	3,066
<b>Less: Regulatory Adjustment</b>		
Deferred tax assets	(52,920)	(52,920)
Investment property gain	(8,171)	(8,171)
Regulatory reserve	(94,239)	(94,239)
Cumulative gains of financing measured at FVTPL	(21,455)	(21,455)
Intangible asset (net of deferred tax liabilities)	(94,363)	(94,363)
<b>Total Common Equity Tier-I Capital</b>	<b>2,615,456</b>	<b>2,615,456</b>
<b>Total Tier-I Capital</b>	<b>2,615,456</b>	<b>2,615,456</b>
<b><u>Tier-II capital</u></b>		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	243,658	248,955
Add: Investment property gain	3,677	3,677
<b>Total Tier-II Capital</b>	<b>1,047,335</b>	<b>1,052,632</b>
<b>Total Capital Base</b>	<b>3,662,791</b>	<b>3,668,088</b>
<b><u>Ratio (%)</u></b>		
CET 1 Capital	12.551%	12.529%
Tier 1 Capital	12.551%	12.529%
Total Capital	17.577%	17.572%

\* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.



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**54. Comparative figures (cont'd.)**

Comparative figures for capital adequacy note have been restated to conform with current year's presentation.(cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows:

	<b>Bank</b>	
	<b>2022</b>	<b>2022</b>
	<b>As restated</b>	<b>As previously</b>
	<b>RM'000</b>	<b>stated</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Computation of total risk-weighted assets ("RWA")</b>		
Total credit RWA	19,492,654	19,506,523
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(159,800)	(135,099)
Total market RWA	23,153	23,153
Total operational RWA	1,427,083	1,424,839
Total RWA	<u>20,783,090</u>	<u>20,819,416</u>
<b>Computation of capital ratios</b>		
<b><u>Tier-I capital</u></b>		
Share capital	1,195,000	1,195,000
Retained profits	1,577,800	1,577,800
<b>Other Reserves</b>		
Regulatory reserve	94,239	94,239
FVOCI reserve	(1,342)	(1,342)
Foreign exchange translation reserve	3,066	3,067
<b>Regulatory Adjustment</b>		
Deferred tax assets	(52,920)	(52,920)
Investment property gain	(8,171)	(8,171)
Regulatory reserve	(94,239)	(94,239)
Investment in subsidiaries	(13,159)	(13,159)
Cumulative gains of financing measured at FVTPL	(21,455)	(21,455)
Intangible asset (net of deferred tax liabilities)	(94,013)	(94,013)
<b>Total Common Equity Tier- I Capital</b>	<u>2,584,806</u>	<u>2,584,807</u>
<b>Total Tier-I Capital</b>	<u>2,584,806</u>	<u>2,584,807</u>
<b><u>Tier-II capital</u></b>		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	243,658	248,955
Add: Investment property gain	3,677	3,677
<b>Total Tier-II Capital</b>	<u>1,047,335</u>	<u>1,052,632</u>
<b>Total Capital Base</b>	<u>3,632,141</u>	<u>3,637,439</u>

\* Tier 2 Capital comprise collective allowance on non-impaired financing customers and regulatory reserve.

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**54. Comparative figures (cont'd.)**

Comparative figures for capital adequacy note have been restated to conform with current year's presentation.(cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows: (cont'd.)

	<b>Bank</b>	
	<b>2022</b>	<b>2022</b>
	<b>As restated</b>	<b>As previously stated</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Computation of capital ratios (cont'd.)</b>		
<b><u>Ratio (%)</u></b>		
CET 1 Capital	12.437%	12.415%
Tier 1 Capital	12.437%	12.415%
Total Capital	17.476%	17.471%

(b) Credit risk disclosure by risk weights of the Group and of the Bank as at 31 December, are as follows:

	<b>Group</b>			
	<b>2022</b>		<b>2022</b>	
	<b>Total exposures after netting and credit risk mitigation</b>	<b>Total risk weighted assets</b>	<b>Total exposures after netting and credit risk mitigation</b>	<b>Total risk weighted assets</b>
	<b>As restated</b>	<b>As restated</b>	<b>As previously stated</b>	<b>As previously stated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	8,377,752	-	6,865,619	-
20%	2,186,952	437,390	4,612,135	922,427
35%	3,282,515	1,148,880	2,410,334	843,617
50%	895,404	447,702	1,171,097	585,548
75%	3,466,540	2,599,905	3,329,057	2,496,793
100%	14,590,029	14,590,029	14,388,397	14,388,397
150%	191,885	287,828	192,548	288,821
<b>Risk weighted assets for credit risk</b>	32,991,077	19,511,734	32,969,187	19,525,603
<b>Less: Credit risk absorbed by PSIA</b>		(159,800)		(135,099)

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**54. Comparative figures (cont'd.)**

Comparative figures for capital adequacy note have been restated to conform with current year's presentation.(cont'd.)

- (b) Credit risk disclosure by risk weights of the Group and of the Bank as at 31 December, are as follows: (cont'd.)

	<b>Group</b>			
	<b>2022</b>		<b>2022</b>	
	<b>Total exposures after netting and credit risk mitigation</b>	<b>Total risk weighted assets</b>	<b>Total exposures after netting and credit risk mitigation</b>	<b>Total risk weighted assets</b>
	<b>As restated</b>	<b>As restated</b>	<b>As previously stated</b>	<b>As previously stated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Risk weighted assets for market risk		23,153		23,153
Risk weighted assets for operational risk		1,463,122		1,460,879
<b>Total risk weighted assets</b>		<u>20,838,209</u>		<u>20,874,536</u>
	<b>Bank</b>			
	<b>2022</b>		<b>2022</b>	
	<b>Total exposures after netting and credit risk mitigation</b>	<b>Total risk weighted assets</b>	<b>Total exposures after netting and credit risk mitigation</b>	<b>Total risk weighted assets</b>
	<b>As restated</b>	<b>As restated</b>	<b>As previously stated</b>	<b>As previously stated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	8,377,752	-	6,865,619	-
20%	2,186,952	437,390	4,612,135	922,427
35%	3,282,515	1,148,880	2,410,334	843,617
50%	895,404	447,702	1,171,097	585,548
75%	3,466,540	2,599,905	3,329,057	2,496,793
100%	14,586,930	14,586,930	14,385,298	14,385,298
150%	181,231	271,847	181,894	272,840
<b>Risk weighted assets for credit risk</b>	<b>32,977,324</b>	<b>19,492,654</b>	<b>32,955,434</b>	<b>19,506,523</b>
<b>Less: Credit risk absorbed by PSIA</b>		<b>(159,800)</b>		<b>(135,099)</b>
<b>Risk weighted assets for market risk</b>		<b>23,153</b>		<b>23,153</b>
<b>Risk weighted assets for operational risk</b>		<b>1,427,083</b>		<b>1,424,839</b>
<b>Total risk weighted assets</b>		<u><b>20,783,090</b></u>		<u><b>20,819,416</b></u>