

FINANCIAL STATEMENTS

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Directors' Report

for the financial year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The address of the registered office of the Bank is Level 32, Menara Bank Islam, No 22, Jalan Perak, 50450 Kuala Lumpur.

There was no significant and subsequent event during the financial year ended 31 December 2022.

SUBSIDIARIES

The details of the Bank's subsidiaries are disclosed in Note 13 to the financial statements.

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and tax	746,866	754,392
Zakat and tax expense	(255,194)	(253,991)
Profit for the year	491,672	500,401

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Bank were as follows:

	RM'000
In respect of the financial year ended 31 December 2021:	
Interim dividend of approximately 10.93 sen per ordinary share paid on 20 January 2022	226,893
In respect of the financial year ended 31 December 2022:	
Interim dividend of approximately 10.40 sen per ordinary share paid on 30 January 2023	224,148
	451,041

The Directors have proposed a single tier second interim dividend of 3.40 sen per ordinary shares totalling RM76,296,000 for the financial year ended 31 December 2022.

Directors' Report

for the financial year ended 31 December 2022

DIRECTORS OF THE BANK

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

Tan Sri Dr. Ismail Hj. Bakar (Chairman)
 Azizan Ahmad
 Datuk Nik Mohd Hasyudeen Yusoff
 Mohd Yuzaidi Mohd Yusoff
 Mashitah Haji Osman
 Dato' Sri Amrin Awaluddin
 Mohd Asri Awang
 Datuk Bazlan Osman (appointed w.e.f. 7 January 2022)
 Puan Nuraini Ismail (appointed w.e.f. 7 January 2022)
 Dato' Sri Khazali Ahmad (retired w.e.f. 2 January 2023)
 Mohamed Ridza Mohamed Abdulla (retired w.e.f. 1 December 2022)

DIRECTORS OF THE SUBSIDIARIES

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

Name of Company	Directors
Al-Wakalah Nominees (Tempatan) Sendirian Berhad	Sazrin Mohd Razak (appointed w.e.f. 1 January 2022) Sarina Mohd Ali (appointed w.e.f. 11 August 2022) Dr. Mohd Afzanizam Abdul Rashid (appointed w.e.f. 1 January 2022 and resigned w.e.f. 12 August 2022) Maria Mat Said (resigned w.e.f. 1 January 2022) Mohamad Jamali Haron (resigned w.e.f. 1 January 2022)
BIMB Investment Management Berhad	Dr. Mohd Hatta Dagap Azizan Abd Aziz Datin Maznah Mahbob Dato' Dr. Mohamad Zabidi Ahmad Mohamed Ridza Mohamed Abdulla (retired w.e.f. 1 December 2022) Najmuddin Mohd Lutfi (retired w.e.f. 1 July 2022)
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Maria Mat Said Zaharin Mohd Ali (appointed w.e.f. 3 March 2022) Zahari @ Mohd Zin Idris (retired w.e.f. 4 March 2022)
BIMB Offshore Company Management Services Sdn. Bhd.	Maria Mat Said Zaharin Mohd Ali
BIMB Solutions Sdn. Bhd. (formerly known as Farihan Corporation Sdn. Bhd.)	Ahmad Haliman Abdul Halim (appointed w.e.f. 1 January 2022) Iskandar Shah Zulkarnain (appointed w.e.f. 1 January 2022) Zaharin Mohd Ali (resigned w.e.f. 1 January 2022) Maria Mat Said (resigned w.e.f. 1 January 2022)

**DIRECTORS OF THE SUBSIDIARIES (CONTINUED)**

Name of Company	Directors
BIMB Holdings Sdn. Bhd. (converted status from BIMB Holdings Berhad on 15 November 2021)	Mohamed Iran Moriff Mohd Shariff Mohamad Jamali Haron (appointed w.e.f. 14 April 2022) Said Mohd Jawahir Said Bahari (resigned w.e.f. 15 April 2022)
BIMB Securities (Holdings) Sdn. Bhd.	Mohamad Jamali Haron (appointed w.e.f. 24 February 2022) Sarina Mohd Ali (appointed w.e.f. 24 February 2022) Adi Asri Baharom (resigned w.e.f. 25 February 2022) Kamaruzaman Abdullah (resigned w.e.f. 25 February 2022) Zahari @ Mohd Zin Idris (retired w.e.f. 3 January 2022)
<i>Subsidiary of BIMB Securities (Holdings) Sdn. Bhd.</i>	
BIMB Securities Sdn. Bhd.	Dr. Mohd Hatta Dagap Kamaruzaman Abdullah Dr. Normazilah Mahzan (appointed w.e.f. 1 February 2022) Mohd Asri Awang (appointed w.e.f. 13 May 2022) Sharifah Sarah Syed Mohamed Tahir (appointed w.e.f. 5 September 2022) Adi Asri Baharom (resigned w.e.f. 5 September 2022) Muhamad Lukman Musa @ Hussain (appointed w.e.f. 1 February 2022 and resigned w.e.f. 23 March 2022)
<i>Subsidiaries of BIMB Securities Sdn. Bhd.</i>	
BIMSEC Nominees (Tempatan) Sdn. Bhd. BIMSEC Nominees (Asing) Sdn. Bhd.	Aida Sharini Abdul Wahab Adam Abdul Aziz
Syarikat Al-Ijarah Sdn. Bhd	Mohamad Jamali Haron Mohd Zamri Hassan Salih Amaran Jamiaan (retired w.e.f. 3 January 2022) Khairudin Idris (retired w.e.f. 3 January 2022)

None of the Bank and subsidiaries' Directors holding office as at 31 December 2022 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

Directors' Report

for the financial year ended 31 December 2022

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit, other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors other than as shown below:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Executive Directors				
Salaries and other remuneration	1,454	946	–	–
Non-Executive Directors				
Fees	1,771	1,687	1,485	1,396
Other emoluments	1,688	1,867	1,438	1,480
Benefit-in-kind	681	621	681	621
	4,140	4,175	3,604	3,497

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year.

ISSUE OF SHARES AND DEBENTURES

On 21 January 2022, the Group and the Bank increased its issued and paid-up capital from 2,075,872,514 to 2,155,269,114 via the issuance of 79,396,600 new ordinary shares for a consideration of RM2.51 each arising from Dividend Reinvestment Plan.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial year.

INDEMNITY AND TAKAFUL COSTS

During the financial year, the Bank maintained on group basis, a Directors', and Officers' Liability Takaful of up to an aggregate limit of RM50 million (2021: RM50 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding the office. The Directors and Officers shall not be indemnified by such takaful for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of premium paid was RM206,869 (2021: RM207,575) with certain reimbursement made by the Directors and Officers.



OTHER STATUTORY INFORMATION

Impaired financing

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

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

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

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

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

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

Directors' Report

for the financial year ended 31 December 2022

Change of circumstances

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

Items of an unusual nature

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

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

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions and Circular on the Application of Malaysian Financial Reporting Standards ("MFRS").

2023 BUSINESS PLAN AND OUTLOOK

Business Plan, Strategy and Future Outlook

The concern on inflation and geopolitical conflict will remain in 2023, despite the opening of borders and China ending its zero-COVID policy. On the back of a strong performance in 2022, Bank Negara Malaysia ("BNM") expects Malaysia's growth for 2023 to be moderate amid a slower growth of global economy. Growth will remain supported by domestic demand.

Malaysian banks remained steadfast in its role as the country's financial backbone, supporting economic recovery by providing liquidity in the market. Analysts anticipated financing growth to hover at 5% – 6% in 2023. Banking sector is expected to continuously drive the ESG and climate change agenda under the National Budget 2023.

As Malaysia's economy is recovering steadily post COVID-19 crisis, Bank Islam ("the Bank" or "BIMB") sets continuous effort to build on its core strengths, improving its mobile banking application and building strategic partnerships with targeted organisations. The Bank looks to provide financial solutions across segments through its Retail Banking distribution and Premier Wealth Banking. In addition, the newly established Institutional Banking target operating model also focuses on client centricity while manufacturing the right products. In advancing its goals to become future-ready, the Bank has embarked on the second phase of its four-year IT Blueprint in uplifting BIMB's digitalisation aspiration and ways of working.

BIMB launched its ESG Risk Management Framework on 30 October 2022 in line with regulators' key global and local efforts in building a resilient financial system. The Bank aims to double its Shariah-ESG assets to RM4 billion by the end of 2025 and continues its contribution to Malaysia's net-zero ambitions.



RATINGS ACCORDED BY EXTERNAL RATING AGENCY

During the financial year, the Bank's rating was re-affirmed as follows:

Rating agency	Date re-affirmed	Ratings
RAM Rating Services Berhad	4 January 2023	Long-term rating: AA3 Short-term rating: P1 Outlook: Stable

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have indicated their willingness to accept reappointment.

The auditors' remuneration of the Group and the Bank are RM2,384,000 and RM2,209,000 respectively. Details of auditors' remuneration are as disclosed in Note 33 to the financial statements.

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

Tan Sri Dr. Ismail Hj. Bakar

Director

Datuk Bazlan Osman

Director

Kuala Lumpur,

Date: 10 March 2023

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 223 to 382 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

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



Tan Sri Dr. Ismail Hj. Bakar

Director



Datuk Bazlan Osman

Director

Kuala Lumpur,

Date: 10 March 2023



Report of the Shariah Supervisory Council

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيدنا محمد الذي أرسله الله رحمة للعالمين هاديا مهديا، وسراجا منيرا وعلى آله وصحبه أجمعين ومن تبعهم بإحسان إلى يوم الدين، وبعد،

السلام عليكم ورحمة الله وبركاته

'Salam Sejahtera'

In carrying out the roles and responsibilities of the Shariah Supervisory Council ("SSC") as prescribed in the Shariah Governance Policy Document ("SGPD") issued by Bank Negara Malaysia ("BNM"), and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2022.

The Bank's management ensures that its conducts, operations, business, affairs, and activities follow the relevant Shariah rules and principles. Our responsibility is to form an independent opinion based on the review of conduct and businesses of the Bank in producing this report.

We had convened nine (9) meetings during the financial year in which we reviewed, among others, products, transactions, services, processes and documents of the Bank.

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in providing us with sufficient evidence to give a reasonable assurance that the Bank has complied with the applicable Shariah rules and principles.

At the management level, the Group Chief Shariah Officer (cum Secretary of the SSC), who functionally reports to the SSC, oversees the conduct and effectiveness of Group Shariah Division's ("GSD") functions in carrying out the roles and responsibilities related to the Shariah secretariat, research, training and advisory. The internal control functions comprising Shariah Risk Management, Shariah Compliance and Shariah Audit residing respectively in the Group Risk Management Division, Group Compliance Division, and Group Internal Audit Division, and reporting directly to the Group Chief Risk Officer, Group Chief Compliance Officer, and Group Chief Internal Auditor further confirm the reliability of the Bank's Shariah governance.

The following are the significant developments that took place during the financial year, which reside under our purview:

APPROVALS

To ensure smooth and timely execution of our business operation, we empowered the Group Chief Shariah Officer ("GCSO") and Senior Manager of Group Shariah Division to approve variations in documents and matters which were not substantially Shariah related. The approvals were then notified to us periodically in our SSC meetings. Concurrently, the GCSO or his representative is also a member in the following committees to advise the Bank on matters relating to Shariah rules and principles:

- i) Management Operation Committee;
- ii) Sadaqa House and Zakat Committee (Vice-Chairman);
- iii) Management Sustainability Committee;
- iv) Management Risk Control Committee;
- v) Operational Risk Control Committee;
- vi) Underwriting and Investment Committee;
- vii) Product Development Oversight Steering Committee;
- viii) Financing Committee A; and
- ix) Financing Committee B;

Report of the Shariah Supervisory Council

SHARIAH GOVERNANCE

We had approved in our meetings several initiatives undertaken by the Bank in strengthening its Shariah governance, including the review of the Shariah Compliance Policy and Business Zakat Guideline of the Bank and of Bank Islam Trust Company (Labuan) Limited. Such initiatives aimed, among others, to set out the Shariah governance framework within the Bank and its Group to ensure our business operations were in line with the Shariah rules and principles.

SHARIAH RISK MANAGEMENT

We had observed that the Bank continuously implemented appropriate measures in managing its Shariah non-compliance ("SNC") risks.

Firstly, the implementation of Risk Control Self Assessment ("RCSA") which aimed to assess the significance of identified SNC risks and the effectiveness of the controls put in place within the respective functional areas.

Since the introduction of RCSA, a continuous process of identifying and assessing SNC risks at various functional areas had been carried out by all Risk Controllers ("RCs"). The RCs were also responsible for driving and implementing appropriate controls to mitigate any SNC events while achieving the business objectives of their respective areas. The semi-annual RCSA results, specifically on the SNC risk exposures of the Bank, were tabled in the Management Risk Control Committee and in our SSC meetings for monitoring and oversight purposes.

Secondly, the Bank in this financial year had revised the methodology for SNC risk capital allocation under the Internal Capital Adequacy Assessment Process ("ICAAP") to ensure that it had adequate capital to support its operations at all times. The revised methodology was based on the BNM's Capital Adequacy Framework for Islamic Banks (CAFIB - effective on 31 March 2013) as well as the inclusion of the requirement of regulatory penalty/fine clauses under Islamic Finance Service Act (2013). We always treat SNC risks as material risks and hence the importance of ensuring the comprehensiveness, accuracy and currency in the methodology for computing the ICAAP capital allocation for SNC risks.

Thirdly, the enhancement undertaken for the Operational Risk Integrated System ("ORIS") which was launched in the previous year, encompassing the Shariah compliance elements in addition to Operational Risk and Business Continuity Management. The enhancement made focused on the effectiveness of system application and data completeness to further improve the management of risk profiles for all business and support units, thus reducing the probability of SNC or Shariah-related events.

Finally, during RCSA Launch for the period of May 2022 to December 2022, SRM took an initiative to propose one (1) new Generic Risk : Risk of failure to implement latest Shariah decision or documents approved by SSC/Group Shariah Division which leads to SNC event. The Generic Risk, as compared to Shariah Risk, imposed greater accountability on the Bank's staff in observing and practicing Shariah requirements and eventually inculcating the shariah risk culture in a more efficient manner.

SHARIAH REVIEW & SHARIAH AUDIT

The Shariah Review and Shariah Audit functions play a vital role in ensuring Shariah compliance by evaluating and assessing operations, business, affairs and ongoing activities in the Bank. Shariah Review function is performed by the Shariah Compliance Department under Group Compliance Division. The Shariah Compliance Department is responsible to conduct regular assessment and validation on the Bank's compliance with Shariah in its operations, business, affairs and ongoing activities, covering new products and services implementation alongside adherence with relevant regulatory requirements. The Shariah Audit Department is under the Group Internal Audit Division, and is responsible to provide an independent assessment on the quality and effectiveness of the Bank's internal control, risk management systems, governance process, and the overall compliance of the Bank's operations, business, affairs and activities with Shariah.

Both Shariah Review and Shariah Audit plans for the financial year were reviewed and noted by us for their implementation. Their reports were deliberated in our SSC meetings to confirm that the Bank had complied with the applicable rulings issued by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia, the SAC of Securities Commission (for capital market-related matters) and our decisions. Throughout the year, the Shariah Review and Shariah Audit exercises conducted covered the following entities/areas:

**SHARIAH REVIEW & SHARIAH AUDIT (CONTINUED)**

Shariah Audit	Shariah Review
1) Central Financing Processing Centre	1) Annual Shariah Compliance Review on Compliance with Labuan Financial Services Authority's Guidelines on Shariah Governance for Labuan Islamic Financial Institutions
2) Bureau De Change	2) Unit Trust – 3rd Party New Product – BIMB-Arabesque Global Shariah Sustainable Equity Fund
3) Deposits and Cash Management Division	3) Unit Trust – 3rd Party New Product – Makmur myWakaf Fund
4) eChannels Division	4) Unit Trust – 3rd Party New Product – BIMB One-Year Shariah Income Fund 3 (“BOSIF 3”)
5) Contact Centre & Customer Care	5) Takaful – 3rd Party New Product – Business Reducing Term Takaful (“BRTT”)
6) SME Banking Division	6) Takaful – 3rd Party New Product – Business Level Term Takaful (“BLTT”)
7) Shariah Risk Management	7) Review on Consumer Financing Products Against BNM's PD on Tawarruq
8) Shariah Compliance Department	8) Review on Murabahah to the Purchase Orderer (“MPO”) for Non-Trade Products Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) of Murabahah
9) Group Shariah Division	9) Review on Mudarabah-Based Products Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) of Mudarabah
10) Group Financial Inclusion Division	10) Review on Implementation of Ibra' (“Rebate”) Against BNM's Guideline on Ibra' for Sale-Based Financing
11) Vehicle Financing Department	11) Group Thematic Review on BIMB Investment Sdn. Bhd.: Guidelines on Islamic Fund Management
12) Bank Islam Labuan Offshore Branch (“BILOB”) ¹	12) Review on BIMB-Arabesque Global Shariah-ESG AI Technology (“BGSEAIT”)
13) 44 Bank Islam Branches ¹	13) Joint review with Product Management Division (“PMD”) on Biennial Performance Review Exercise on Existing Tawarruq Commodity Trading Platforms/Providers (“CTP”) (Shariah Compliance Aspects)
14) Thematic Review on Financing Moratorium	14) Review on Implementation of Shariah Advisory Council (“SAC”) of Bank Negara Malaysia's Resolution on Bai' 'Inah: Application of Bai'`Inah In Negotiable Islamic Debt Certificate (“NIDC”) Issuance
	15) Review on the Business Operations of Bank Islam Trust Company (“Labuan”) Ltd
	16) Review on Bank Islam Debit Card-i (BIDC-i) Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) on Debit Card-i
	17) Review on Kafalah-Based Products Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) of Kafalah

¹ Only Shariah related findings were escalated for deliberation and decision of SSC

Report of the Shariah Supervisory Council

SHARIAH TRAINING & AWARENESS

During the year, various Shariah training and awareness programmes were planned and organised for the Bank Group's Board of Directors ("BOD") and the Bank's staff nationwide. These included:

- a) Two (2) sessions for the BOD on 'Islamic Finance: What is Next?' by Datuk Professor Dr. Akram Laldin and 'Debt Based Products vs Equity Based Products – Issues and Challenges' by Prof. Dr. Asmadi Mohamed Naim;
- b) Three (3) sessions of *Bicara SSC* on prevalent Shariah topics for the Bank's staff by Prof. Madya Dr Yasmin Hanani Mohd Safian, Prof. Dato' Dr. Ahmad Hidayat Buang and Ir. Dr. Muhamad Fuad Abdullah.
- c) One (1) session of Shariah Ruling and Resolution Training (Shariah Townhall) for the Bank's Risk Controllers by Group Shariah Division ("GSD"), Shariah Risk Management Department and Shariah Compliance Department;
- d) Four (4) sessions of quarterly online Shariah training by the GSD personnel to further enhance the Shariah knowledge of staff in addition to Shariah e-learning Modules;
- e) Shariah Online Quiz consisting of five (5) Modules, another platform for the Bank's staff to assess their level of Shariah knowledge in understanding the fundamental concepts and principles of Islamic banking with the issuance of a certificate of achievement for each Module;
- f) Three (3) Shariah awareness sessions conducted during induction programme for new Bank staff;
- g) One (1) Shariah risk session was conducted at head office as part of Operational Risk Management training, one (1) session at branch level for targeted Risk Controllers ("RC"), two (2) sessions for SME Banking staff, and one (1) session with Contact Centre & Consumer Care staff, all aimed to increase awareness and Shariah risk culture among staff.

The Bank had also continued to support the elevation of our Shariah and Islamic banking knowledge as well as that of relevant staff by engaging relevant professional bodies and training providers such as Islamic Banking & Finance Institute Malaysia ("*IBFIM*"), Association of Shariah Advisors in Islamic Finance ("*ASAS*") and Chartered Institute of Islamic Finance Professionals. As SSC members, we and the said relevant staff had attended certification programmes and courses organised by the following bodies:

1. Chartered Professional in Islamic Finance ("*CPIF*");
2. Certified Shariah Advisor ("*CSA*");
3. Certified Shariah Practitioner ("*CSP*");
4. Associate Qualification in Islamic Finance ("*AQIF*");
5. Intermediate Qualification in Islamic Finance ("*IQIF*");
6. Certified Qualification in Islamic Finance ("*CQIF*");
7. Certified Professional Shariah Auditor ("*CPSA*"); and
8. Islamic Financial Planner ("*IFP*").

SHARIAH NON-COMPLIANT EVENTS & INCOME

Throughout 2022, we had confirmed the following three (3) incidents of SNC events:

1. Two (2) of the events had occurred at branches that were related to improper execution of aqad for deposit product and granting of financing facilities to a company with SNC activities; and
2. One (1) event had occurred at the head office which was related to the absence of commodity trading for tawarruq-based deposit.

We were also informed of the causes of the incidences and noted that the Bank had taken necessary corrective and preventive measures to avoid the same incident from recurring in the future. We also confirmed that the SNC events and their corresponding rectification plans had been presented to us for endorsement and subsequently to the Board of Directors for approval before being reported to BNM according to the prescribed reporting requirements.



SHARIAH NON-COMPLIANT EVENTS & INCOME (CONTINUED)

On top of SNC events, we noted that the Bank operations may lead to non-halal income, such as interest received, commissions from third party investment product and commissions from SNC merchants of card business. These streams of income are unavoidable and shall be segregated from Bank's income for the purpose of channeling to charity.

Within this financial year, the Bank had collected Shariah non-compliant income amounting to RM39,312.59. A total of RM48,414.01 from the collected amount had been purified and disposed of to charitable causes upon our approval, as noted in Note 25 (Sources and Uses of Charity Funds) of our Financial Statement.

BUSINESS ZAKAT

In this financial year, the Bank had fulfilled its obligation to pay *zakat* on its business to state *zakat* authorities by adopting the capital growth computation method, in compliance with the Banking Zakat Management Manual (*Pengurusan Zakat Perbankan*) issued by the Wakaf, Zakat and Hajj Department (*Jabatan Wakaf, Zakat dan Haji – JAWHAR*). The Bank paid the *zakat* on the Bank's portion namely, shareholders' fund and other funds received by the Bank excluding depositors' fund and Investment Account Holders' fund.

Several *zakat* authorities had mandated the Bank as their agent (*wakil*) to distribute a portion of the *zakat* paid by the Bank to eligible beneficiaries (*asnaf*) as guided by the Business Zakat Guideline which we approved.

SAFEGUARDING THE INVESTMENT ACCOUNT HOLDERS ("IAH") INTEREST

In ensuring that the interest and rights of IAH were protected, we confirmed that the profit allocation for the IAH was as per Shariah rules and principles where the profit computation formula had been duly presented and approved by us. The performance of the Investment Account had also been disclosed and reported via the issuance of Fund Performance Report ("FPR"), which had been made available on the Bank's website.

SADAQA HOUSE INITIATIVE

In protecting the Sadaqa House fund and the interest of its donors, we confirmed that the fund management and distribution had been implemented as per the applicable Shariah rules and principles. We had approved the Sadaqa House Management Guideline that governed the conduct and management of the Sadaqa House fund to ensure that its operation was in line with Shariah rules and principles. The Sadaqa House and Zakat Committee were both being chaired by the Group Chief Financial Inclusion Officer who had been mandated to execute the Sadaqa House initiatives in accordance with the Sadaqa House Management Guideline and the Charity Fund Management Guideline.

We had also taken note of the financial statements of the Bank and were not aware of any non-compliance with the applicable Shariah rules and principles.

Report of the Shariah Supervisory Council

SADAQA HOUSE INITIATIVE (CONTINUED)

Based on the above, it is our opinion that, with the exception of the three (3) SNC incidents mentioned above.

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2022, were in compliance with the applicable Shariah rules and principles;
2. The allocation of profits and charging of losses relating to Investment Accounts conformed to the basis that we have approved;
3. The computation, payment and distribution of business *zakat* comply with the applicable Shariah rules and principles;
4. All earnings realised from sources or by means prohibited by the applicable Shariah rules and principles were either disposed of to charitable causes or refunded to the deserving counterparties.

On that note, we, the members of the Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm that, to the best of our knowledge, the operations of the Bank for the year ended 31 December 2022 had been conducted in conformity with the applicable Shariah rules and principles.

We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)

Allah knows best.

Members of the Council:



Professor Dato' Dr. Ahmad Hidayat Buang



Dr. Shamsiah Mohamad



Associate Professor Dr. Yasmin Hanani Mohd Safian



Sahibus Samahah Datu Hj. Kipli Hj. Yassin



Professor Dr. Asmadi Mohamed Naim



Ir. Dr. Muhamad Fuad Abdullah

Kuala Lumpur,
Date: 10 March 2023



Statutory Declaration

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

I, **Azizan Abd Aziz**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 223 to 382 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Azizan Abd Aziz, MIA CA (32474) in Kuala Lumpur on 10 March 2023.

Azizan Abd Aziz

Before me,



No. 2-8, 2nd Floor Wisma Konwa
No 40 & 42, Jalan Tun Perak
(Lebu Ampang)
50050 Kuala Lumpur

Independent Auditors' Report

to the members of Bank Islam Malaysia Berhad
(Incorporated in Malaysia) (Company No. 198301002944 (98127-X))

OUR OPINION

In our opinion, the financial statements of Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

WHAT WE HAVE AUDITED

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of profit or loss, statements of other comprehensive income, consolidated statement of changes in equity, statement of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 223 to 382.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**KEY AUDIT MATTERS (CONTINUED)**

Key audit matters	How our audit addressed the key audit matters
Impairment of Financing, Advances and Others	
Refer to Note 2.5 and 2.10 of the summary of significant accounting policies and Notes 8, 29 and 41 (b)(iii) of the Financial Statements.	We tested the design and operating effectiveness of the controls over impairment of financing, advances and others. These controls covered:
We focused on this area due to the size of the carrying value of financing, advances and others, which represented 72.2% of total assets of the Group.	<ul style="list-style-type: none"> • Identification of financing, advances and others that have experienced significant increase in credit risk or objective evidence of impairment; • Governance over the impairment processes, including model development, model approval and model validation; • Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions into respective ECL models; and • Review and approval of the ECL calculation. Our detailed testing over the financing, advances and others are as follows:
In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas:	
<u>Timing of identification of Stage 2 and Stage 3 financing, advances and others</u>	<u>Individual assessment</u>
<ul style="list-style-type: none"> • Assessment of objective evidence of impairment of financing, advances and others based on mandatory and judgemental triggers. • Identification of financing, advances and others that have experienced a significant increase in credit risk. 	<ul style="list-style-type: none"> • Examined a sample of financing, advances and others particularly focused on customers identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment. • Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.
<u>Individual assessment</u>	<u>Collective assessment</u>
Estimates on the amount and timing of futures cash flows based on realisation of collateral or customer's business cash flows.	<ul style="list-style-type: none"> • Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the management to determine the key assumptions used in respective ECL models; • Assessed and tested the significant modelling assumptions, including the basis or judgment used for management's overlays; • Assessed and considered reasonableness of forward-looking forecasts assumptions; and • Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. Based on the procedures performed on individual and collective assessment, we did not find any material exceptions to the Group's assessment on impairment of financing, advances and others.
<u>Collective assessment</u>	
Choosing the appropriate collective assessment models and assumptions for the measurement of ECL such as expected future cash flows and forward – looking macroeconomic factors.	

Independent Auditors' Report

to the members of Bank Islam Malaysia Berhad
(Incorporated in Malaysia) (Company No. 198301002944 (98127-X))

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Report of the Shariah Supervisory Council, which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.



AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) 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.

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

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

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Pricewaterhousecoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur,
10 March 2023

Dato' Mohammad Faiz Bin Mohammad Azmi
02025/03/2024 J
Chartered Accountant

Statements of Financial Position

as at 31 December 2022

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Cash and short-term funds	3	7,145,114	5,222,848	7,128,159	5,204,364
Financial assets at fair value through profit or loss	4	299,128	1,582,494	272,735	1,550,700
Derivative financial assets	5	123,000	26,037	123,000	26,037
Financial assets at fair value through other comprehensive income	6	12,093,417	12,604,204	12,094,304	12,605,067
Financial assets at amortised costs	7	3,055,256	1,348,844	3,055,256	1,348,844
Financing, advances and others	8	64,901,994	58,153,769	64,901,994	58,153,769
Other assets	9	600,746	312,954	501,471	257,080
Statutory deposits with Bank Negara Malaysia	10	950,508	264,050	950,508	264,050
Current tax assets		7,203	7,047	6,662	6,662
Deferred tax assets	11	212,349	193,214	211,377	191,773
Right-of-use assets	12	184,383	196,000	183,959	195,614
Investments in subsidiaries	13	–	–	100,905	100,905
Property and equipment	14	223,995	244,753	221,835	241,952
Intangible assets	15	54,578	–	54,578	–
Total assets		89,851,671	80,156,214	89,806,743	80,146,817
LIABILITIES AND EQUITY					
Deposits from customers	16	60,707,504	57,338,834	60,821,715	57,363,926
Investment accounts of customers	17	14,461,439	10,452,902	14,564,962	10,561,601
Deposits and placements of banks and other financial institutions	18	70,068	20,421	70,068	–
Derivative financial liabilities	5	137,324	20,112	137,324	20,421
Bills and acceptance payable		22,441	2,001,720	22,441	20,112
Recourse obligations on financing sold to Cagamas	19	3,005,343	2,014,849	3,005,343	2,001,720
Subordinated sukuk and capital securities	20	2,222,092	1,570,602	2,222,092	2,014,849
Other liabilities	21	2,070,964	303,448	1,910,462	1,538,375
Lease liabilities	12	295,585	33,388	295,167	302,984
Zakat and taxation	22	62,668	–	62,582	33,256
Total liabilities		83,055,428	73,756,276	83,112,156	73,857,244
EQUITY					
Share capital	23	3,645,043	3,445,757	3,645,043	3,445,757
Reserves	24	3,151,200	2,954,181	3,049,544	2,843,816
Total equity		6,796,243	6,399,938	6,694,587	6,289,573
Total liabilities and equity		89,851,671	80,156,214	89,806,743	80,146,817
Restricted investment accounts managed by the Bank	17	43	849	43	849
Total Islamic banking assets owned and managed by the Bank		89,851,714	80,157,063	89,806,786	80,147,666
Commitments and contingencies	44	18,883,556	18,764,994	18,883,556	18,764,994

The notes on pages 253 to 382 are an integral part of these financial statements.



Statements of Profit or Loss

for the financial year ended 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds	26	2,585,912	2,260,072	2,585,912	2,260,072
Income derived from investment account funds	27	587,924	497,538	587,924	497,538
Income derived from investment of shareholders' funds	28	402,459	458,750	378,885	430,950
Net allowance for impairment on financing and advances, net of recoveries	29	(140,032)	(190,738)	(140,032)	(190,738)
Loss on modification of financial assets		–	(48,911)	–	(48,911)
Net allowance for impairment on other financial assets		959	(7,406)	959	(7,406)
Direct expenses		(11,414)	(10,938)	(11,414)	(10,938)
Total distributable income		3,425,808	2,958,367	3,402,234	2,930,567
Wakalah fees from restricted investment accounts	17	59	308	59	308
Income attributable to depositors	30	(1,072,342)	(818,688)	(1,072,524)	(818,883)
Income attributable to investment account holders	31	(194,066)	(160,127)	(196,535)	(160,643)
Total net income		2,159,459	1,979,860	2,133,234	1,951,349
Personnel expenses	32	(821,955)	(723,830)	(788,420)	(701,784)
Other overhead expenses	33	(483,467)	(461,922)	(483,266)	(449,062)
Finance cost	36	854,037	794,108	861,548	800,503
		(107,171)	(89,887)	(107,156)	(89,878)
Profit before zakat and tax		746,866	704,221	754,392	710,625
Zakat		(13,682)	(12,275)	(13,622)	(12,222)
Tax expense	37	(241,512)	(157,641)	(240,369)	(157,256)
Profit for the year		491,672	534,305	500,401	541,147
Earnings per share (sen)	38	22.86	21.87		

The notes on pages 253 to 382 are an integral part of these financial statements.



Statements of Other Comprehensive Income

for the financial year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year	491,672	534,305	500,401	541,147
Other comprehensive income, net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of Labuan operations	11,076	(14,774)	11,056	(14,680)
Movement in fair value reserve (debt securities):				
Net change in fair value	(101,101)	(303,103)	(101,125)	(303,228)
Changes in expected credit loss (debt securities)	(3,975)	(6,834)	(3,975)	(6,834)
Net amount transferred to profit or loss	(1,181)	(87,903)	(1,181)	(87,903)
Income tax effect relating to components of other comprehensive income	26,171	94,671	26,171	94,671
	(69,010)	(317,943)	(69,054)	(317,974)
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity instrument):				
Net change in fair value	(1,495)	13,583	(1,471)	13,708
Other comprehensive income for the year, net of tax	(70,505)	(304,360)	(70,525)	(304,266)
Total comprehensive income for the year	421,167	229,945	429,876	236,881

The notes on pages 253 to 382 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

Group	Note	Attributable to equity holders of the Bank			
		Non-distributable		Distributable	Total equity RM'000
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2022		3,445,757	(10,899)	2,965,080	6,399,938
Profit for the year		–	–	491,672	491,672
Currency translation differences in respect of Labuan operations		–	11,076	–	11,076
Fair value reserve (debt instruments):					
Net change in fair value		–	(101,101)	–	(101,101)
Changes in expected credit loss		–	(3,975)	–	(3,975)
Net amount transferred to profit or loss		–	(1,181)	–	(1,181)
Income tax effect relating to components of other comprehensive income		–	26,171	–	26,171
Fair value reserve (equity instruments):					
Net change in fair value		–	(1,495)	–	(1,495)
Total comprehensive income for the year		–	(70,505)	491,672	421,167
Transfer to regulatory reserve		–	136,000	(136,000)	–
Dividends paid on ordinary shares	39			(224,148)	(224,148)
Issue of shares pursuant to Dividend Reinvestment Plan		199,286	–	–	199,286
At 31 December 2022		3,645,043	54,596	3,096,604	6,796,243

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

Group	Note	Attributable to equity holders of the Bank			
		Non-distributable		Distributable	Total equity
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2021		3,306,118	182,274	2,797,307	6,285,699
Profit for the year		–	–	534,305	534,305
Currency translation difference in respect of Labuan operations		–	(14,774)	–	(14,774)
Fair value reserve (debt instruments):					
Net change in fair value		–	(303,103)	–	(303,103)
Changes in expected credit loss		–	(6,834)	–	(6,834)
Net amount transferred to profit or loss		–	(87,903)	–	(87,903)
Income tax effect relating to components of other comprehensive income		–	94,671	–	94,671
Fair value reserve (equity instruments):					
Net change in fair value		–	13,583	–	13,583
Total comprehensive income for the year		–	(304,360)	534,305	229,945
Effect on predecessor accounting		–	111,187	–	111,187
Dividends paid on ordinary shares	39	–	–	(366,532)	(366,532)
Issue of shares pursuant to Dividend Reinvestment Plan		139,639	–	–	139,639
At 31 December 2021		3,445,757	(10,899)	2,965,080	6,399,938

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.



Bank	Note	Attributable to equity holders of the Bank			
		Non-distributable		Distributable	Total equity RM'000
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2022		3,445,757	(121,843)	2,965,659	6,289,573
Profit for the year		–	–	500,401	500,401
Currency translation difference in respect of Labuan operations		–	11,056	–	11,056
Fair value reserve (debt instruments):					
Net change in fair value		–	(101,125)	–	(101,125)
Changes in expected credit losses		–	(3,975)	–	(3,975)
Net amount transferred to profit or loss		–	(1,181)	–	(1,181)
Income tax effect relating to components of other comprehensive income		–	26,171	–	26,171
Fair value reserve (equity instruments):					
Net change in fair value		–	(1,471)	–	(1,471)
Total comprehensive income for the year		–	(70,525)	500,401	429,876
Transfer to regulatory reserve		–	136,000	(136,000)	–
Dividends paid on ordinary shares	39	–	–	(224,148)	(224,148)
Issue of shares pursuant to Dividend Reinvestment Plan		199,286	–	–	199,286
At 31 December 2022		3,645,043	(56,368)	3,105,912	6,694,587

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

Bank	Note	Attributable to equity holders of the Bank			
		Non-distributable		Distributable	Total equity
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2021		3,306,118	182,423	2,791,044	6,279,585
Profit for the year		–	–	541,147	541,147
Currency translation difference in respect of Labuan operations		–	(14,680)	–	(14,680)
Fair value reserve (debt instruments):					
Net change in fair value		–	(303,228)	–	(303,228)
Changes in expected credit loss		–	(6,834)	–	(6,834)
Net amount transferred to profit or loss		–	(87,903)	–	(87,903)
Income tax effect relating to components of other comprehensive income		–	94,671	–	94,671
Fair value reserve (equity instruments):					
Net change in fair value		–	13,708	–	13,708
Total comprehensive income for the year		–	(304,266)	541,147	236,881
Dividends paid on ordinary shares	39	–	–	(366,532)	(366,532)
Issue of shares pursuant to Dividend Reinvestment Plan		139,639	–	–	139,639
At 31 December 2021		3,445,757	(121,843)	2,965,659	6,289,573

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.



Statements of Cash Flow

for the financial year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit before zakat and tax	746,866	704,221	754,392	710,625
Adjustments for:				
Depreciation of property and equipment	59,785	59,225	58,928	58,803
Amortisation of intangible assets	1,024	–	1,024	–
Depreciation of right-of-use assets	17,198	18,197	16,726	18,042
Net gain on disposal of property and equipment	(68)	(603)	–	(602)
Property and equipment written-off	769	619	482	619
Allowance for impairment on financing, advances and others	232,478	265,937	232,478	265,937
Loss on modification of financial assets	–	48,911	–	48,911
Net allowance for impairment on other financial assets	4,330	7,406	4,330	7,406
Reversal of allowance for impairment on financial assets at AC	(5,289)	–	(5,289)	–
Net (gain)/loss on sale of financial assets at FVTPL	(108)	7,347	(108)	7,373
Net gain on sale of financial assets at FVOCI	(1,181)	(87,903)	(1,181)	(87,903)
Fair value loss/(gain) on FVTPL	16,720	(16,497)	16,780	(16,350)
Dividend from subsidiary	–	–	(3,000)	(800)
Dividend from financial assets at FVTPL	(10,065)	(11,677)	(9,598)	(11,326)
Dividend from financial assets at FVOCI	(237)	–	(237)	–
Rebate on investment in unit trust	(1,915)	(2,217)	(1,915)	(2,217)
Net derivative gain	(3)	(7)	(3)	(7)
Finance cost on subordinated sukuk and capital securities	90,375	72,575	90,375	72,575
Profit expense on lease	16,796	17,312	16,781	17,303
Operating profit before changes in assets and liabilities	1,167,475	1,082,846	1,170,965	1,088,389
Changes in assets and liabilities:				
Deposits and placements of banks and other financial institution	70,068	–	70,068	–
Financing, advances and others	(6,980,703)	(3,797,982)	(6,980,703)	(3,797,982)
Statutory deposits with Bank Negara Malaysia	(686,458)	(71,625)	(686,458)	(71,625)
Bills and other receivables	(410,016)	(1,313,346)	(366,675)	(1,374,267)
Deposits from customers	3,368,670	6,261,572	3,457,789	6,268,475
Investment accounts of customers	4,008,537	(1,915,626)	4,003,361	(1,807,296)
Bills and acceptance payable	2,329	(9,509)	2,329	(9,509)
Other liabilities	620,012	100,097	491,736	104,148
Recourse obligation on financing sold to Cagamas	1,003,623	500,533	1,003,623	500,533
Cash generated from operations	2,163,537	836,960	2,166,035	900,866
Zakat paid	(12,234)	(11,967)	(12,218)	(11,822)
Tax paid	(206,763)	(227,995)	(205,881)	(227,612)
Net cash generated from operating activities	1,944,540	596,998	1,947,936	661,432

The notes on pages 253 to 382 are an integral part of these financial statements.

Statements of Cash Flow

for the financial year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(95,485)	(71,155)	(94,887)	(70,862)
Acquisition of subsidiaries, net of cash acquired	–	(14,793)	–	(85,380)
Proceeds from disposal of property and equipment	68	609	–	607
Dividend from subsidiary	–	–	3,000	800
Dividend from financial assets at FVTPL	10,065	11,677	9,598	11,326
Dividend from financial assets at FVOCI	237	–	237	–
Income from rebate on investment in unit trust	1,915	2,217	1,915	2,217
Net proceeds from disposal/purchase of securities	(9,159)	(702,959)	(14,644)	(715,809)
Net cash used in investing activities	(92,359)	(774,404)	(94,781)	(857,101)
Cash flows from financing activities				
Issuance of subordinated sukuk and capital securities	500,000	300,000	500,000	300,000
Dividend paid on ordinary shares	(226,893)	(139,639)	(226,893)	(139,639)
Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan	199,286	139,639	199,286	139,639
Redemption of subordinated sukuk	(300,000)	–	(300,000)	–
Finance cost paid on subordinated sukuk and capital securities	(83,132)	(70,890)	(83,132)	(70,890)
Payments of lease liabilities	(30,240)	(30,818)	(29,669)	(30,676)
Net cash generated from financing activities*	59,021	198,292	59,592	198,434
Net increase in cash and cash equivalents	1,911,202	20,886	1,912,747	2,765
Cash and cash equivalents at 1 January	5,222,848	5,216,737	5,204,364	5,216,280
Exchange difference on translation	11,064	(14,775)	11,048	(14,681)
Cash and cash equivalents at 31 December	7,145,114	5,222,848	7,128,159	5,204,364

* Net cash generated from financing activities are solely attributable to changes from financing cash flows.

The notes on pages 253 to 382 are an integral part of these financial statements.

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in 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 and the Bank's statements of cash flows from financing activities.

Group	Subordinated sukuk and capital securities		Lease liabilities RM'000	Total RM'000
	Nominal RM'000	Finance cost payable RM'000		
At 1.1.2021	1,700,000	13,164	312,429	2,025,593
New acquisition	300,000	–	4,512	304,512
Changes from financing cash flows	–	(70,890)	(30,818)	(101,708)
Finance cost for the year	–	72,575	17,312	89,887
Effects of movement in exchange rates	–	–	13	13
At 31.12.2021	2,000,000	14,849	303,448	2,318,297
At 1.1.2022	2,000,000	14,849	303,448	2,318,297
New acquisition	500,000	–	5,569	505,569
Redemption	(300,000)	–	–	(300,000)
Changes from financing cash flows	–	(83,132)	(30,240)	(113,372)
Finance cost for the year	–	90,375	16,796	107,171
Effects of movement in exchange rates	–	–	12	12
At 31.12.2022	2,200,000	22,092	295,585	2,517,677

The notes on pages 253 to 382 are an integral part of these financial statements.

Statements of Cash Flow

for the financial year ended 31 December 2022

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Bank	Subordinated sukuk and capital securities		Lease liabilities RM'000	Total RM'000
	Nominal RM'000	Finance cost payable RM'000		
At 1.1.2021	1,700,000	13,164	312,429	2,025,593
New acquisition	300,000	–	3,915	303,915
Changes from financing cash flows	–	(70,890)	(30,676)	(101,566)
Finance cost for the year	–	72,575	17,303	89,878
Effects of movement in exchange rates	–	–	13	13
At 31.12.2021	2,000,000	14,849	302,984	2,317,833
At 1.1.2022	2,000,000	14,849	302,984	2,317,833
New acquisition	500,000	–	5,059	505,059
Redemption	(300,000)	–	–	(300,000)
Changes from financing cash flows	–	(83,132)	(29,669)	(112,801)
Finance cost for the year	–	90,375	16,781	107,156
Effects of movement in exchange rates	–	–	12	12
At 31.12.2022	2,200,000	22,092	295,167	2,517,259

The notes on pages 253 to 382 are an integral part of these financial statements.



Notes to the Financial Statements

for the financial year ended 31 December 2022

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam
No. 22, Jalan Perak,
50450 Kuala Lumpur.

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the "Group"). These financial statements were approved by the Board of Directors on 10 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

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

The Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(i) Moratorium repayment on financing:

- The Bank has granted an automatic repayment moratorium on all individuals' and small-medium enterprises' ("SMEs") financing (except for credit card balances) for a period of six months from 1 April 2020. The automatic moratorium applied to financing not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit. This measure is extended beyond 1 October 2020 to viable customers on a case-to-case basis, whose applications are received on or before 30 June 2021 via various repayment assistance. On 6 July 2021, BNM announced that individuals, microenterprise customers and SMEs affected by the COVID-19 pandemic, may start applying for the six-month moratorium from 7 July 2021 onwards, in line with the Government's Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH). In addition to the moratorium, The Bank has offered a reduction in instalments and other packages, including to reschedule and restructure financing and advances to suit the specific financial circumstances of customers.
- Furthermore, the Bank and Agensi Kaunseling dan Pengurusan Kredit ("AKPK") has introduced the Financial Management & Resilience Programme ("URUS") for individual customers who continued to be affected by the COVID-19 pandemic whose applications are received from 15 November 2021 to 31 January 2022.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) Moratorium repayment on financing: (continued)

- For credit card balances, the Bank offered the option to convert the balances to term financing.
- For corporate customers, the Bank granted assistance through repayment moratorium or additional working capital or rescheduling and restructuring of existing facilities. This is to enable viable corporations in preserving jobs and resuming economic activities when conditions stabilise and improve.

The financial impact of the moratorium repayment is disclosed in Note 2.19.

(ii) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework for Islamic Banks for which assistance is granted:

- The determination of “days past due” is based on the new repayment terms of rescheduled and restructured financing.
- Individuals or SMEs are not considered to be in default based on the “unlikeliness to repay” at the time of when the assistance was granted, except for when customers are subject to bankruptcy action.
- Corporates “unlikeliness to repay” are based on holistic assessment of all relevant factors and information, not on the act of accepting assistance from the Bank.

The regulatory capital treatment above shall apply to financing denominated in Malaysian Ringgit that meet the following criteria;

- The principal or profit or both, is not in arrears exceeding 90 days at the application date of assistance.
- The application is received on or before due date of the respective assistance program.

The regulatory capital treatment would also be applicable to rescheduled and restructured financing that are facilitated by AKPK, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

(iii) Classification in the Central Credit Reference Information System (“CCRIS”)

The following shall apply for Rescheduled and Restructured (“R&R”) financing with arrears not exceeding 90 days at the application date of assistance received:

- The financing need not be reported as R&R in CCRIS; and
- The financing need not be reported as credit-impaired in CCRIS

Customers under URUS shall be identified as enrolled in the programme to facilitate follow up and monitoring by AKPK and the Bank in order to provide further support. The identification shall be removed once the customers exit the programme or at the earliest, six months after enrollment date.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

Other than as described above, the adoption of other accounting standards, interpretations and amendments did not have any significant impact on the Group and the Bank.

The following are accounting standards, amendments and interpretations of the MFRS framework 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 2023

- Amendments to MFRS 101, *Classification of liabilities as current or non-current*

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument. These amendments should be applied retrospectively and earlier application is permitted.

- Amendments to MFRS 101, *disclosure of accounting policies*

The amendments require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed.

However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practise Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to MFRS 108, *Definition of Accounting Estimates*

The amendments redefined accounting estimates as 'monetary amounts in financial statements that are subject to measurement uncertainty'. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

- Amendments to MFRS 112, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, companies are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

- Amendments to MFRS 16, *Lease Liability in a Sale and Leaseback*

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

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

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations on the respective effective dates.

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for derivative financial instruments, financial assets at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"), which have been measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of the financial statements 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 financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in Note 2.10 – Impairment.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less impairment losses, if any. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

(b) Business combinations

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The comparative information is not restated.

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset at FVOCI depending on the level of influence retained.

(d) Transactions eliminated on consolidation

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of FVOCI equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The results and financial position of all the Group entities and branch of the Bank (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- the assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date;
- the income and expenses of the foreign operations are translated to RM at average exchange rates for the period; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation and at Bank, exchange differences arising from the translation of any net investment in foreign entities and branch, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions maturing within three months.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below. The Group and the Bank have considered the impact of the pandemic and there are no changes to the Group's and the Bank's business model for managing the financial instruments.

Initial recognition and measurement

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

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

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt instrument; FVOCI - equity instrument; or FVTPL.

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

(a) Financial assets measured at amortised cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

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

Included in financial assets measured at amortised cost are financing, advances and others which consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek, construction- based contract (Istisna') and Ar-Rahnu contract.

These financing contracts are recorded in the financial statements as financial assets measured at amortised cost based on concept of 'substance over form' and in accordance with MFRS 9.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

(b) Financial assets at FVOCI

(i) FVOCI – debt instrument

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for profit income, impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in OCI is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

(ii) FVOCI – equity instrument

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

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Financial assets at FVTPL

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

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Group and the Bank make an assessment of the objective of the business model in which a financial asset is held at the portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's and the Bank's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and the Bank consider:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit (“SPPI”) (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Derivative financial instruments

The Group and the Bank hold derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

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

Financial liabilities

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

The financial liabilities measured at amortised cost are deposit from customers, investment accounts of customers, recourse obligations on financing sold to Cagamas, bills and acceptance payables, Subordinated Sukuk Murabahah and other liabilities.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

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

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Financial liabilities (continued)

(a) 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 Mudharabah and Wakalah contracts.

Impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

(ii) Restricted investment accounts

Restricted investment account ("RA") refers to a type of investment account where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period of investment.

RA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RA. The Bank also has no ability to exercise power over the RA to affect the amount of the Bank's return. The RA is structured under the Wakalah contract whereby the IAH appoints the Bank as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Bank receives fees for the agency service provided.

Financial guarantee contracts

A financial guaranteed contract is a contract that requires the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fees and commissions arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the allowance for impairment; and
- the premium received on initial recognition less cumulative income recognised in accordance with the principle of MFRS 15.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.6 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software and management information system under development that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (continued)

(a) Recognition and measurement (continued)

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

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

(b) Subsequent costs

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

(c) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Freehold land is not depreciated. Depreciation on management information system under development commences when the assets are ready for their intended use. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

• Long term leasehold land	50 years
• Building improvement and renovations	10 years
• Furniture, fixtures and fittings	2 – 10 years
• Office equipment	6 years
• Motor vehicles	5 years
• Computer equipment	5 – 7 years

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

Computer software

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) there is an ability to use or sell the software product;
- (iv) it can be demonstrated how the software product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employees costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an expense in a subsequent period.

Computer software development costs recognised as an assets are amortised from the point at which the asset is ready for use over their estimated useful lives of 5 years.

2.8 Leases

Leases are recognised as Right-Of-Use ("ROU") assets and corresponding liabilities at the date at which the leased assets are available for use by the Group and the Bank. The right-of-use assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, an incremental borrowing rate is used in determining the discount rate which assumes the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain the asset. The weighted average incremental borrowing rate applied for the Group and the Bank was at 5.7%.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

Lessee accounting

The Group and the Bank first consider whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group and the Bank assess whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Bank;
- the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the Group and the Bank have the right to direct the use of the identified asset throughout the period of use.

The Group and the Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group and the Bank recognises a right-of-use asset and a lease liability on the statement of financial position. The ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group and the Bank depreciates the ROU assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group and the Bank also assesses the ROU asset for impairment when such indicators exist.

At the commencement date, the Group and the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the profit rate implicit in the lease if that rate is readily available or the Group's or Bank's incremental financing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for profit expense. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

The Group and the Bank have elected to account for short-term leases using the practical expedients. Instead of recognising a ROU asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

Lessee accounting (continued)

Lessor accounting

As a lessor, the Group and the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Leases, where the Group and the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

When the Group and the Bank are an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Bank apply the exemption described above, then it classifies the sublease as an operating lease.

2.9 Bills and other receivables

Bills and other receivables are stated at amortised cost less any allowance for impairment.

2.10 Impairment

Impairment of financial assets

(i) Impairment of financial assets

The Group and the Bank recognise allowance for impairment or allowance for expected credit losses “ECL” on financial assets measured at amortised cost, financial guarantee contracts, financing commitments and debt securities measured at FVOCI, but not to investments in equity instruments.

ECL is recognised and measured according to two approaches, which are general approach/three stage approach or simplified approach.

General approach/three stage approach

Under collective assessment, the Group and the Bank apply a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12 months ECL (“Stage 1”)

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(i) Impairment of financial assets (continued)

General approach/three stage approach (continued)

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

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired (“Stage 3”)

Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised.

Financial instruments that are credit-impaired with exposure more than RM1 million are assessed on individual basis.

The Group and the Bank define a financial instruments that has objective evidence of impairment as default, when it meets one or more of the following criteria;

Quantitative criteria;

- i) Principal or profit of both is past due for more than 90 days/MIA 3
- ii) Cross default

Qualitative criteria;

A financing is credit impaired when one or more triggers/criteria that have a detrimental impact on the estimated future cash flow of the financial asset have occurred. The Group and the Bank consider the following obligatory triggers;

- i) Ceased operation
- ii) Bankruptcy/wound up
- iii) Fraud with investigation report duly confirmed as fraud
- iv) Liquidator/R&M appointed
- v) Deceased
- vi) Practice Note 17 (“PN17”) classification by Bursa Malaysia and a loss of repayment capability

The Group and the Bank consider the economic and financial measures announced by the Government, i.e. automatic moratorium as well as rescheduling and restructuring for eligible customers are granted as part of an unprecedented government effort to support the economy amid the pandemic, rather than in response to the financial circumstances of individual customers. Judgement is exercised in determining the significant increase in credit risk for customers receiving relief assistance and do not automatically result in a stage transfer.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(i) Impairment of financial assets (continued)

General approach/three stage approach (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Bank's historical experience, informed credit assessment and including forward-looking information.

The Group and the Bank assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group and the Bank also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial assets.

The Group and the Bank assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Simplified approach

Measures the loss allowance at lifetime expected credit losses without the need to identify significant increase in credit risk.

(ii) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

(iii) Incorporation of forward-looking information

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. The key macroeconomics variables ("MEV") that are incorporated in determining ECLs include, Consumer Price Index ("CPI"), Gross Domestic Product ("GDP"), House Price Index ("HPI"), and Kuala Lumpur Composite Index ("KLCI").

Forward-looking macroeconomic forecasts are generated by the Group's and the Bank's Economist as part of the ECL process. An economic forecast is accompanied with three economic scenarios: a base case (60%), which is the median scenario, and two less likely scenarios, one upside (20%) and one downside (20%).

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(iii) Incorporation of forward-looking information (continued)

Selected MEVs are projected over the forecast period, and they could have a material impact in determining ECLs. Forecasted MEVs are derived by Economist using time series econometrics. The data series are procured from the official source such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies. Prior to MEV forecast, Economist would gather his or her intelligence from discussion with the policy makers, institutional investors and other news flow (main stream and social media) in order to form an opinion. The opinion may cover the economic policies, business cycle and financial market condition. This will be the main input before embarking MEV forecast exercise.

The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

(iv) Recognition of ECL Overlays

Changed in economic conditions should be reflected in MEVs scenarios and their weightings. If there is an event or situation that cannot be reflected in the MEVs such as the unprecedented COVID-19 pandemic, post-model or ECL overlays will be considered.

ECL Overlays may be required in addition to the existing ECL modelling taking into account the following matters:

- Uncertainty of economic condition.
- Difficulty of predicting reliably the forecast period due to unprecedented nature of an event such as pandemic or economic crisis.
- Significant challenge to differentiate the good versus bad credit risk due to absence of delinquency data in effect of payment moratorium.
- Specific overlays on large exposure customer with significant increase in credit risk on case to case basis.
- Government support on mitigating the impact of unprecedented event such as the COVID-19 pandemic.

ECL Overlays can be recognised or allocated to a specific financing customer or based on portfolio basis.

(v) Credit impaired financial assets

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

Certain obligatory and judgmental triggers that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in profit or principal payments;
- the restructuring of a financing or advance by the Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- based on external credit assessment institutions rating which indicates high likelihood of default.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(vi) Presentation of allowance for ECL in the statement of financial position

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

(vii) Restructured financing

A financing that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated financing is a substantially different instrument. Where such financing are derecognised, the renegotiated contract is a new financing and impairment is assessed in accordance with the Group's and the Bank's accounting policy.

Where the renegotiation of such financing is not derecognised, the gross carrying amount is recalculated based on the revised cash flows with gain or loss on modification recognised in profit or loss. Impairment continues to be assessed for significant increases in credit risk compared to the initial origination credit risk rating.

(viii) Write-off

The gross carrying amount of a financial asset is written-off when the Group and the Bank have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group and the Bank have a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For commercial and corporate customers, the Group and the Bank individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and the Bank expect no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

Impairment of non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of other assets (continued)

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

2.11 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.

2.12 Government grants

Grant from the government is recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group and the Bank will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss over the periods to match the related costs for which the grants are intended to compensate.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with MFRS 9 Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with MFRS 9 and the proceeds received. The benefit is accounted for in accordance with MFRS 120. The Group and the Bank shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group and the Bank have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.14 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and 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 not wholly within the control of the Group and the Bank, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Contingent assets

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.

2.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.17 Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument are recognised directly in equity.

2.18 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank have considered all contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service tax, discounts on satisfaction of performance obligations and completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Group's and the Bank's rights to receive payment is established.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Material profit or loss items

The Group and the Bank have identified items which is material due to the significance of their nature and/or their amount. This is listed separately here to provide a better understanding of the financial performance of the Group and of the Bank.

	Group and Bank	
	2022 RM'000	2021 RM'000
Loss on modification of financial assets	–	(48,911)

During the previous financial year, the Group and the Bank granted an automatic moratorium on certain financing repayments (except for credit card balances), to individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist customers experiencing temporary financial constraints due to the COVID-19 pandemic.

Following the end of the six-month blanket moratorium, the Group and the Bank continue to support financing customers that face difficulties in fulfilling their financial obligation, through various Repayment Assistance ("RA") program.

As a result of the payment moratorium and TRA, the Group and the Bank recognised a one-off loss of RMNil (2021: RM48,910,000) arising from the modification of the expected cash flows of the financing.

The following table includes a summary of information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group and Bank's restructuring and rescheduling activities and their respective effect on the Group and the Bank's financial performance:

	Group and Bank	
	2022 RM'000	2021 RM'000
Financing, advances and others:		
Amortised cost before modification	1,764,242	1,247,366
Net modification loss	1,751,328	1,232,548

2.20 Income tax

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

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income tax (continued)

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

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

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

2.21 Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Group and the Bank to comply with the rules and principles of Shariah.

2.22 Employee benefits

Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus and termination benefits if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Bank's contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

2.23 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Fair value measurements

'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 in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group and the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group and the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**3. CASH AND SHORT-TERM FUNDS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	817,436	754,313	816,234	751,187
Money at call and interbank placements with maturity not exceeding three months	6,327,678	4,468,535	6,311,925	4,453,177
	7,145,114	5,222,848	7,128,159	5,204,364

All bank balances are assessed to have low credit risk as they are held with reputable banking institutions and the identified expected credit loss was immaterial.

Cash and bank balances of the Group includes restricted cash amounting to RM718,000 (2021: RM10,391,000) which is attributed to the creation of units of the funds. Accordingly, amount due to trustee was recognised and disclosed in Note 21 to the financial statements.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ("FVTPL")

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unit trust	244,260	295,395	217,877	263,611
Malaysian Islamic Treasury Bills	49,847	1,131,574	49,847	1,131,574
Islamic Commercial Paper	–	145,300	–	145,300
Corporate Sukuk	5,021	10,225	5,011	10,215
	299,128	1,582,494	272,735	1,550,700

Notes to the financial statements

for the financial year ended 31 December 2022

5. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

Group and Bank	2022		
	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Forward contracts	7,713,420	122,827	(137,223)
Profit rate swaps	42,286	173	(101)
	7,755,706	123,000	(137,324)

Group and Bank	2021		
	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Forward contracts	7,505,850	25,120	(19,753)
Profit rate swaps	79,153	917	(668)
	7,585,003	26,037	(20,421)

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVOCI:				
(a) Debt instrument*	12,017,378	12,526,670	12,017,378	12,526,670
(b) Equity instrument	76,039	77,534	76,926	78,397
	12,093,417	12,604,204	12,094,304	12,605,067

* Included in debt instruments are investment made in Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") amounting to RMNIL (2021: RM600,000,000) as part of the Bank's Statutory Reserves Requirements ("SRR") compliance.

(a) Debt instrument at FVOCI

	Group and Bank	
	2022 RM'000	2021 RM'000
Malaysian Government Investment Issues	4,344,171	3,497,806
Corporate Sukuk	7,357,640	7,143,163
Malaysian Islamic Treasury Bills	315,567	962,313
Islamic Commercial Papers	–	923,388
	12,017,378	12,526,670

Movement of allowance for impairment on financial assets at FVOCI:

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Stage 4 RM'000
At 1 January 2021	403	–	–	403
Changes in credit risk	(99)	–	7,000	6,901
Purchases and origination	64	–	–	64
Derecognition and disposal	(131)	–	–	(131)
At 31 December 2021/1 January 2022	237	–	7,000	7,237
Transfer to Stage 2	(21)	21	–	–
Changes in credit risk	6	460	3,500	3,966
Purchases and origination	46	–	–	46
Derecognition and disposal	(37)	–	–	(37)
At 31 December 2022	231	481	10,500	11,212

Notes to the financial statements

for the financial year ended 31 December 2022

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

(b) Equity instrument at FVOCI

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Quoted Shares				
– outside Malaysia [#]	7,000	17,004	7,000	17,004
Unquoted Shares				
– in Malaysia [*]	69,023	60,515	69,910	61,378
– outside Malaysia	16	15	16	15
	69,039	60,530	69,926	61,393
	76,039	77,534	76,926	78,397

The Group and the Bank designated certain investments as equity instrument at FVOCI. The FVOCI designation was made because these instruments are either held for socio-economic purposes or not for trading purposes.

Equity instrument at FVOCI of the Bank mainly comprise the following significant individual investment:

	Fair value		Dividend income	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
*Amana Bank Limited	7,000	17,004	237	–
*Payment Networks Malaysia Sdn Bhd	69,023	60,515	–	–

7. FINANCIAL ASSETS AT AMORTISED COST ("AC")

	Group and Bank	
	2022 RM'000	2021 RM'000
Debt instrument at amortised cost:		
Malaysian Government Investment Issues	2,288,813	802,446
Corporate sukuk	668,595	551,687
Malaysian Islamic Treasury Bills	97,848	–
	3,055,256	1,354,133
Less: Allowance for impairment	–	(5,289)
	3,055,256	1,348,844

**8. FINANCING, ADVANCES AND OTHERS****(a) By type and Shariah contract**

Group and Bank 2022	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit- Tamleek [^] RM'000	Istisna' RM'000	Total RM'000
Cash line	-	-	-	280	1,436,808	-	-	1,437,088
Term financing								
House financing	2,710,203	-	-	-	23,123,198	-	38,521	25,871,922
Syndicated financing	-	-	-	-	1,565,789	-	-	1,565,789
Leasing financing	-	-	-	-	-	81,238	-	81,238
Bridging financing	-	-	-	-	-	-	33,031	33,031
Personal financing	-	-	-	2,188	19,834,524	-	-	19,836,712
Other term financing	181,798	1,402,239	-	-	13,675,552	-	884	15,260,473
Staff financing	35,137	20,709	-	-	482,389	-	5,577	543,812
Credit cards	-	-	-	-	508,104	-	-	508,104
Trade bills discounted	-	539,190	89,410	-	20,388	-	-	648,988
Trust receipts	-	4,565	-	-	-	-	-	4,565
Pawn broking	-	-	-	-	150,135	-	-	150,135
	2,927,138	1,966,703	89,410	2,468	60,796,887	81,238	78,013	65,941,857
Allowance for impairment on financing, advances and others								
- Stage 1								(366,051)
- Stage 2								(224,397)
- Stage 3								(449,415)
Net financing, advances and others								64,901,994

[^] Assets funded under Ijarah financing are owned by the Bank throughout the tenure of the Ijarah financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the Ijarah financing contract.

Notes to the financial statements

for the financial year ended 31 December 2022

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(a) By type and Shariah contract (continued)

Group and Bank 2021	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit- Tamleek [^] RM'000	Istisna' RM'000	Total RM'000
At amortised cost								
Cash line	-	-	-	484	1,429,002	-	-	1,429,486
Term financing								
House financing	2,977,908	-	-	-	20,513,876	-	42,469	23,534,253
Syndicated financing	-	-	-	-	1,454,811	-	-	1,454,811
Leasing financing	-	-	-	-	-	96,020	-	96,020
Bridging financing	-	-	-	-	-	-	40,328	40,328
Personal financing	-	-	-	3,734	18,071,544	-	-	18,075,278
Other term financing	295,209	1,383,579	-	-	11,080,781	-	961	12,760,530
Staff financing	40,459	18,789	-	-	398,071	-	6,553	463,872
Credit cards	-	-	-	-	445,839	-	-	445,839
Trade bills discounted	-	622,908	107,820	-	87,051	-	-	817,779
Trust receipts	-	4,415	-	-	-	-	-	4,415
Pawn broking	-	95,124	-	-	-	-	-	95,124
	3,313,576	2,124,815	107,820	4,218	53,480,975	96,020	90,311	59,217,735
Allowance for impairment on financing, advances and others								
- Stage 1								(487,308)
- Stage 2								(303,998)
- Stage 3								(272,660)
Net financing, advances and others								58,153,769

[^] Assets funded under Ijarah financing are owned by the Bank throughout the tenure of the Ijarah financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the Ijarah financing contract.

**8. FINANCING, ADVANCES AND OTHERS (CONTINUED)****(a) By type and Shariah contract (continued)**

Included in financing, advances and others are house financing and personal financing that are used for the underlying assets of Unrestricted Investment Accounts ("UA") and financing sold to Cagamas with recourse to the Group and the Bank. The details are as follows:

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
House financing					
Unrestricted Investment Accounts	17	10,887,549	8,554,270	10,939,310	8,608,619
Sold to Cagamas with recourse	19	3,005,343	2,001,720	3,005,343	2,001,720
		13,892,892	10,555,990	13,944,653	10,610,339
Personal financing					
Unrestricted Investment Accounts	17	3,573,890	1,898,632	3,625,652	1,952,982

(b) By type of customer

	Group and Bank	
	2022 RM'000	2021 RM'000
Domestic banking institutions	200,741	200,018
Domestic non-bank financial institutions	1,134,114	1,089,617
Domestic business enterprise	11,388,424	10,137,127
Small & medium enterprises	2,515,004	2,169,436
Government & statutory bodies	1,895,508	919,583
Individuals	48,636,547	44,451,160
Other domestic entities	15,991	21,676
Foreign entities	155,528	229,118
	65,941,857	59,217,735

Notes to the financial statements

for the financial year ended 31 December 2022

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(c) By profit rate sensitivity

	Group and Bank	
	2022 RM'000	2021 RM'000
Fixed rate		
House financing	960,743	983,468
Others	4,578,040	4,645,157
Floating rate		
House financing	25,607,476	23,238,913
Others	34,795,598	30,350,197
	65,941,857	59,217,735

(d) By remaining contractual maturity

	Group and Bank	
	2022 RM'000	2021 RM'000
Maturity within one year	5,683,188	4,117,569
More than one year to three years	2,353,259	1,731,612
More than three years to five years	3,886,072	3,136,006
More than five years	54,019,338	50,232,548
	65,941,857	59,217,735

(e) By geographical distribution

	Group and Bank	
	2022 RM'000	2021 RM'000
Central Region	30,904,086	26,946,146
Eastern Region	9,980,174	9,368,591
Northern Region	8,825,148	8,066,342
Southern Region	11,281,525	10,247,330
East Malaysia Region	4,950,924	4,589,326
	65,941,857	59,217,735

**8. FINANCING, ADVANCES AND OTHERS (CONTINUED)****(f) By sector**

	Group and Bank	
	2022 RM'000	2021 RM'000
Primary agriculture	876,964	943,610
Mining and quarrying	371,447	373,622
Manufacturing (including agro-based)	615,475	844,204
Electricity, gas and water supply	2,226,137	2,338,340
Wholesale & retail trade, and restaurants & hotels	1,208,104	927,026
Construction	1,967,534	1,964,818
Transport, storage and communications	2,829,640	733,084
Finance, insurance, real estate and business activities	4,724,887	5,176,288
Education, health and others	2,479,672	1,462,749
Household sectors	48,641,997	44,453,994
	65,941,857	59,217,735

(g) By stages

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	52,929,322	2,296,040	373,234	55,598,596
Transfer to Stage 1	607,206	(593,384)	(13,822)	—
Transfer to Stage 2	(620,226)	643,258	(23,032)	—
Transfer to Stage 3	(308,485)	(54,276)	362,761	—
Financial assets that have been derecognised	(7,539,292)	(491,190)	(7,493)	(8,037,975)
New financial assets originated or purchased	11,490,674	305,048	4,684	11,800,406
Modification of contractual cash flows	(25,323)	(5)	—	(25,328)
Write-offs	—	—	(127,949)	(127,949)
Exchange differences	9,985	—	—	9,985
At 31 December 2021/1 January 2022	56,543,861	2,105,491	568,383	59,217,735
Transfer to Stage 1	277,301	(255,450)	(21,851)	—
Transfer to Stage 2	(1,479,726)	1,493,362	(13,636)	—
Transfer to Stage 3	(169,257)	(152,802)	322,059	—
Financial assets that have been derecognised	(7,066,711)	(260,725)	(29,224)	(7,356,660)
New financial assets originated or purchased	16,640,000	451,603	81,077	17,172,680
Modification of contractual cash flows	(2,677,231)	(355,323)	180,045	(2,852,509)
Write-offs	—	—	(251,621)	(251,621)
Exchange differences	12,232	—	—	12,232
At 31 December 2022	62,080,469	3,026,156	835,232	65,941,857

Notes to the financial statements

for the financial year ended 31 December 2022

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(h) Movement in impaired financing and advances ("impaired financing")

	Group and Bank	
	2022 RM'000	2021 RM'000
At 1 January	568,383	373,234
Classified as impaired during the year	916,357	597,779
Reclassified as not impaired during the year	(290,419)	(212,296)
Amount repaid	(107,468)	(62,386)
Amount written-off	(251,621)	(127,948)
At 31 December	835,232	568,383
Gross impaired financing as a percentage of gross financing, advances and others	1.27%	0.96%

The contractual amount outstanding on financing and advances that were written-off during the year are still subject to enforcement activity.

(i) Impaired financing by geographical distribution

	Group and Bank	
	2022 RM'000	2021 RM'000
Central Region	510,998	395,781
Eastern Region	95,756	68,146
Northern Region	146,491	74,751
Southern Region	55,567	17,458
East Malaysia Region	26,420	12,247
	835,232	568,383

(j) Impaired financing by sector

	Group and Bank	
	2022 RM'000	2021 RM'000
Mining and quarrying	257,925	245,596
Manufacturing (including agro-based)	37,452	11,047
Electricity, gas and water supply	467	–
Wholesale & retail trade, and hotels & restaurants	75,788	79,926
Construction	32,449	39,650
Transport, storage and communications	20,222	6,153
Finance, insurance, real estate and business activities	37,872	3,053
Education, health & others	2,158	9,754
Household sectors	370,899	173,204
	835,232	568,383

**8. FINANCING, ADVANCES AND OTHERS (CONTINUED)****(k) Movement of allowance for impairment on financing, advances and others**

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	653,983	151,446	122,532	927,961
Transfer to Stage 1	2,461	(2,416)	(45)	–
Transfer to Stage 2	(7,311)	8,826	(1,515)	–
Transfer to Stage 3	(167)	(5,036)	5,203	–
Changes in credit risk	(189,876)	164,283	277,396	251,803
New financial assets originated or purchased	98,862	8,326	2,029	109,217
Financial assets that have been derecognised	(68,660)	(21,431)	(4,992)	(95,083)
Write-offs	–	–	(127,948)	(127,948)
Exchange differences	(1,984)	–	–	(1,984)
At 31 December 2021/1 January 2022	487,308	303,998	272,660	1,063,966
Transfer to Stage 1	1,336	(1,194)	(142)	–
Transfer to Stage 2	(12,582)	13,174	(592)	–
Transfer to Stage 3	(1,753)	(16,769)	18,522	–
Changes in credit risk	(149,026)	(56,960)	443,813	237,827
New financial assets originated or purchased	87,852	8,033	1,572	97,457
Financial assets that have been derecognised	(42,124)	(25,885)	(34,797)	(102,806)
Write-offs	–	–	(251,621)	(251,621)
Exchange differences	(4,960)	–	–	(4,960)
At 31 December 2022	366,051	224,397	449,415	1,039,863

(l) Effect of modifications on the measurement of allowance for impaired financing, advances and others

The following table discloses information on financing and advances that were modified but not derecognised during the year, for which the allowance for impaired financing, advances and others were measured at a lifetime ECL at the beginning of the year, and at the end of the year had changed to a 12- months ECL:

	Group and Bank	
	2022 RM'000	2021 RM'000
Amortised cost before the modification	3,400	4,549
Net modification loss	133	5

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for the financial year ended 31 December 2022

9. OTHER ASSETS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	550,417	265,271	458,443	214,908
Deposit and prepayments	53,241	50,343	45,939	43,730
Related companies*	1,174	1,071	1,175	2,173
	604,832	316,685	505,557	260,811
Less: Allowance for impairment				
Stage 3				
– Other receivables	(4,086)	(3,731)	(4,086)	(3,731)
	600,746	312,954	501,471	257,080

* This relates to amounts due from subsidiaries and related companies that are unsecured, not subject to compensation charges for late payment and repayment is neither fixed nor expected.

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.



11. DEFERRED TAX ASSETS

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 taxes relate to the same tax authority.

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	212,349	193,214	211,377	191,773
Deferred tax liabilities	–	–	–	–
	212,349	193,214	211,377	191,773
Deferred tax assets:				
Provisions for expenses	23,253	26,301	23,253	26,393
Financing, advances and others	104,820	104,763	104,820	104,763
Lease liabilities	26,689	25,795	26,689	25,768
FVOCI Reserves	72,463	46,292	72,463	46,292
Tax losses	995	1,510	–	–
Unabsorbed capital allowances	–	10	–	–
Offsetting	(15,871)	(11,457)	(15,848)	(11,443)
Total deferred tax assets	212,349	193,214	211,377	191,773
Deferred tax liabilities:				
Property and equipment	(15,871)	(11,457)	(15,848)	(11,443)
Offsetting	15,871	11,457	15,848	11,443
Total deferred tax liabilities	–	–	–	–

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for the financial year ended 31 December 2022

11. DEFERRED TAX ASSETS (CONTINUED)

The movement in temporary differences during the year are as follows:

	Provision for expenses RM'000	Financing, advances and others RM'000	Lease liabilities RM'000	Unabsorbed Capital Allowances RM'000	Deferred income from moratorium RM'000	Tax losses RM'000	Property and equipment RM'000	FVOCI Reserves RM'000	Total RM'000
Group									
At 1 January 2021	32,505	86,457	24,673	–	(163,330)	1,510	(6,370)	(48,379)	(72,934)
Acquisition of subsidiary	–	–	–	10	–	–	–	–	10
Recognised in profit or loss	(6,204)	18,306	1,122	–	163,330	–	(5,087)	–	171,467
Recognised in other comprehensive income	–	–	–	–	–	–	–	94,671	94,671
At 31 December 2021/ 1 January 2022	26,301	104,763	25,795	10	–	1,510	(11,457)	46,292	193,214
Recognised in profit or loss	(3,048)	57	894	(10)	–	(515)	(4,414)	–	(7,036)
Recognised in other comprehensive income	–	–	–	–	–	–	–	26,171	26,171
At 31 December 2022	23,253	104,820	26,689	–	–	995	(15,871)	72,463	212,349
Bank									
At 1 January 2021	32,520	86,457	24,646	–	(163,330)	–	(6,359)	(48,379)	(74,445)
Recognised in profit or loss	(6,127)	18,306	1,122	–	163,330	–	(5,084)	–	171,547
Recognised in other comprehensive income	–	–	–	–	–	–	–	94,671	94,671
At 31 December 2021/ January 2022	26,393	104,763	25,768	–	–	–	(11,443)	46,292	191,773
Recognised in profit or loss	(3,140)	57	921	–	–	–	(4,405)	–	(6,567)
Recognised in other comprehensive income	–	–	–	–	–	–	–	26,171	26,171
At 31 December 2022	23,253	104,820	26,689	–	–	–	(15,848)	72,463	211,377

**11. DEFERRED TAX ASSETS (CONTINUED)**

Deferred tax assets have not been recognised in respect of the following items:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unabsorbed capital allowance	131,784	131,819	131,784	131,784
Unutilised tax losses	2,885	1,251	–	–
Deductible temporary differences	–	329	–	–
	134,669	133,399	131,784	131,784

Under the current tax legislation, the unutilised tax losses will expire in year 2025 where the unutilised capital allowance do not expire.

The Bank's unabsorbed capital allowances of RM131,784,000 (2021: RM131,784,000) is in respect of its leasing business, whereby management considered it is uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

12. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

The statement of financial position shows the following amounts relating to leases:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Right-of-use assets (Buildings)				
As at 1 January	196,000	209,736	195,614	209,736
Addition	5,569	4,461	5,059	3,920
Depreciation	(17,198)	(18,197)	(16,726)	(18,042)
Effects of movement in exchange rates	12	–	12	–
As at 31 December	184,383	196,000	183,959	195,614
Lease liabilities				
As at 1 January	303,448	312,429	302,984	312,429
Addition	5,569	4,512	5,059	3,915
Payments of lease liabilities	(30,240)	(30,818)	(29,669)	(30,676)
Finance cost	16,796	17,312	16,781	17,303
Effects of movement in exchange rates	12	13	12	13
As at 31 December	295,585	303,448	295,167	302,984

The net carrying amount of right-of-use assets including leasehold land for the Group and the Bank as disclosed in Note 14 as at 31 December 2022 are RM307,685,000 (2021: RM315,710,000) and RM306,267,000 (2021: RM315,246,000) respectively.

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12. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The statement of profit or loss shows the following amounts relating to leases:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Expenses relating to short-term leases (included in other overhead expenses)	34,914	35,165	34,518	35,012
Total cash outflow of leases (including short-term leases)	65,154	65,983	64,187	65,688

The nature of the Group's and the Bank's leasing activities recognised in the statement of financial position are described as below:

	No. of leases	Range of remaining terms	Average remaining lease terms	No. of leases with termination option
Right-of-use assets:				
Buildings	8	1.0-13.4 years	13.1 years	8

Future minimum lease payments are as follows:

	Within 1 year RM'000	Minimum lease payment due		Total RM'000
		1 – 5 years RM'000	> 5 years RM'000	
Group				
31 December 2022				
Lease payment	31,649	116,166	279,579	427,394
Finance cost	16,202	56,811	58,796	131,809
Net present value	15,447	59,355	220,783	295,585
31 December 2021				
Lease payment	29,956	113,434	309,264	452,654
Finance cost	17,536	59,931	71,739	149,206
Net present value	12,420	53,502	237,526	303,448
Bank				
31 December 2022				
Lease payment	31,222	116,166	279,579	426,967
Finance cost	16,193	56,811	58,796	131,800
Net present value	15,029	59,355	220,783	295,167
31 December 2021				
Lease payment	29,481	113,434	309,264	452,179
Finance cost	17,525	59,931	71,739	149,195
Net present value	11,956	53,502	237,526	302,984

**13. INVESTMENTS IN SUBSIDIARIES**

	Bank	
	2022 RM'000	2021 RM'000
At cost		
Unquoted shares in Malaysia	101,827	101,827
Less: Accumulated impairment loss	(922)	(922)
	100,905	100,905
Movement of Investment in Subsidiaries		
At 1 January	101,827	16,447
Acquisition via Proposed Internal Reorganisation (Note 46)	–	85,380
At 31 December	101,827	101,827

The principal place of business and country of incorporation of the subsidiaries is Malaysia unless stated otherwise. Details of subsidiaries are as follows:

Name of Company	Principal activities	Effective ownership interest	
		2022 %	2021 %
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provides nominee services	100	100
BIMB Investment Management Berhad	Manages Islamic Unit Trust Funds	100	100
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Provides services as a Labuan registered trust company	100	100
BIMB Offshore Company Management Services Sdn. Bhd.	Dormant	100	100
BIMB Solutions Sdn. Bhd. (formerly known as Farihan Corporation Sdn. Bhd.)	Provides manpower services to the Bank	100	100
BIMB Holdings Sdn. Bhd.	Dormant	100	100
BIMB Securities (Holdings) Sdn. Bhd. and its subsidiary:	Investment holding	100	100
BIMB Securities Sdn. Bhd. and its subsidiaries:	Stockbroking	100	100
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Provides nominee services	100	100
BIMSEC Nominees (Asing) Sdn. Bhd.	Provides nominee services	100	100
Syarikat Al-Ijarah Sdn. Bhd.	Leasing of assets	100	100

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for the financial year ended 31 December 2022

14. PROPERTY AND EQUIPMENT

Group	Long term leasehold land ^a RM'000	Freehold land RM'000	Freehold building RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost											
At 1 January 2022	14,784	143	481	36,630	138,260	99,975	503,689	869	5,266	70,689	870,786
Additions	12	-	-	493	5,301	5,686	25,406	-	2,243	24,867	64,008
Reclassifications	-	-	-	78	828	105	7,207	-	(1,193)	(7,025)	-
Reclassification to intangible assets	-	-	-	-	-	-	(33,454)	-	-	-	(33,454)
Disposals	-	-	-	(51)	(1,058)	(153)	(418)	(415)	-	-	(2,095)
Written-off	-	-	-	(1,680)	(1,171)	(1,537)	(3,671)	-	(181)	-	(8,240)
Exchange difference	-	-	-	-	16	25	16	-	-	-	57
At 31 December 2022	14,796	143	481	35,470	142,176	104,101	498,775	454	6,135	88,531	891,062
Accumulated depreciation											
At 1 January 2022	2,522	-	12	30,780	115,784	90,347	385,775	813	-	-	626,033
Depreciation for the year	174	-	34	1,541	6,024	4,289	47,669	54	-	-	59,785
Reclassification to intangible assets	-	-	-	-	-	-	(9,329)	-	-	-	(9,329)
Disposals	-	-	-	(26)	(1,058)	(144)	(353)	(415)	-	-	(1,996)
Written-off	-	-	-	(1,550)	(849)	(1,470)	(3,602)	-	-	-	(7,471)
Exchange difference	-	-	-	-	16	13	16	-	-	-	45
At 31 December 2022	2,696	-	46	30,745	119,917	93,035	420,176	452	-	-	667,067
Net carrying amount											
At 31 December 2022	12,100	143	435	4,725	22,259	11,066	78,599	2	6,135	88,531	223,995

^a The leasehold land identified as right-of-use assets for the Group and the Bank as disclosed in Note 12.

**14. PROPERTY AND EQUIPMENT (CONTINUED)**

Group	Long term leasehold land RM'000	Freehold land RM'000	Freehold building RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in- progress RM'000	Management information system under development RM'000	Total RM'000
Cost											
At 1 January 2021	14,784	-	-	36,033	136,648	102,585	480,558	943	3,987	56,675	832,213
From group reorganisation	-	143	481	273	5	9	1,027	-	509	-	2,447
Additions	-	-	-	508	2,419	3,407	13,502	-	815	50,504	71,155
Reclassifications	-	-	-	-	-	29	36,506	-	(45)	(36,490)	-
Disposals	-	-	-	-	-	(94)	(6,222)	(74)	-	-	(6,390)
Written-off	-	-	-	(184)	(823)	(5,971)	(21,694)	-	-	-	(28,672)
Exchange difference	-	-	-	-	11	10	12	-	-	-	33
At 31 December 2021	14,784	143	481	36,630	138,260	99,975	503,689	869	5,266	70,689	870,786
Accumulated depreciation											
At 1 January 2021	2,348	-	-	29,123	108,486	91,229	369,233	794	-	-	601,213
Depreciation for the year	174	-	12	1,743	7,756	5,040	44,407	93	-	-	59,225
Disposals	-	-	-	-	-	(92)	(6,218)	(74)	-	-	(6,384)
Written-off	-	-	-	(86)	(469)	(5,840)	(21,658)	-	-	-	(28,053)
Exchange difference	-	-	-	-	11	10	11	-	-	-	32
At 31 December 2021	2,522	-	12	30,780	115,784	90,347	385,775	813	-	-	626,033
Net carrying amount											
At 31 December 2021	12,262	143	469	5,850	22,476	9,628	117,914	56	5,266	70,689	244,753

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14. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Long term leasehold land ^a RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2022	14,784	36,119	138,172	99,586	500,207	869	4,739	70,689	865,165
Additions	12	461	5,301	5,653	25,131	-	1,985	24,867	63,410
Reclassifications	-	78	828	105	7,025	-	(1,011)	(7,025)	-
Reclassification to intangible assets	-	-	-	-	(33,454)	-	-	-	(33,454)
Disposals	-	-	-	-	-	-	-	-	-
Written-off	-	(213)	(1,130)	(1,434)	(3,075)	-	-	-	(5,852)
Exchange difference	-	-	16	18	3	-	-	-	37
At 31 December 2021	14,796	36,445	143,187	103,928	495,837	869	5,713	88,531	889,306
Accumulated depreciation									
At 1 January 2022	2,522	30,513	115,706	90,106	383,553	813	-	-	623,213
Depreciation for the year	174	1,435	6,021	4,249	46,995	54	-	-	58,928
Reclassification to intangible assets	-	-	-	-	(9,329)	-	-	-	(9,329)
Disposals	-	-	-	-	-	-	-	-	-
Written-off	-	(129)	(809)	(1,367)	(3,065)	-	-	-	(5,370)
Exchange difference	-	-	16	10	3	-	-	-	29
At 31 December 2022	2,696	31,819	120,934	92,998	418,157	867	-	-	667,471
Net carrying amount									
At 31 December 2022	12,100	4,626	22,253	10,930	77,680	2	5,713	88,531	221,835

^a The leasehold land identified as right-of-use assets for the Group and the Bank as disclosed in Note 12.

**14. PROPERTY AND EQUIPMENT (CONTINUED)**

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2021	14,784	35,795	136,559	102,269	478,250	943	3,987	56,675	829,262
Additions	-	508	2,419	3,305	13,374	-	752	50,504	70,862
Reclassifications	-	-	-	-	36,490	-	-	(36,490)	-
Disposals	-	-	-	(48)	(6,220)	(74)	-	-	(6,342)
Written-off	-	(184)	(817)	(5,947)	(21,690)	-	-	-	(28,638)
Exchange difference	-	-	11	7	3	-	-	-	21
At 31 December 2021	14,784	36,119	138,172	99,586	500,207	869	4,739	70,689	865,165
Accumulated depreciation									
At 1 January 2021	2,348	28,896	108,411	90,931	367,366	794	-	-	598,746
Depreciation for the year	174	1,703	7,747	5,031	44,055	93	-	-	58,803
Disposals	-	-	-	(47)	(6,216)	(74)	-	-	(6,337)
Written-off	-	(86)	(463)	(5,816)	(21,654)	-	-	-	(28,019)
Exchange difference	-	-	11	7	2	-	-	-	20
At 31 December 2021	2,522	30,513	115,706	90,106	383,553	813	-	-	623,213
Net carrying amount									
At 31 December 2021	12,262	5,606	22,466	9,480	116,654	56	4,739	70,689	241,952

15. INTANGIBLE ASSETS

	Group and Bank
	Computer software RM'000
Cost	
At 1 January 2022	-
Additions	31,477
Transferred from property and equipment	33,454
At 31 December 2022	64,931
Accumulated amortisation and impairment	
At 1 January 2022	-
Amortisation for the year	1,024
Transferred from property and equipment	9,329
At 31 December 2022	10,353
Net Book Value as at 31 December 2022	54,578

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16. DEPOSITS FROM CUSTOMERS

(a) By type of deposit

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Savings Deposit				
<i>Qard</i>	6,646,714	7,221,380	6,646,714	7,221,380
Demand Deposit				
<i>Qard</i>	13,724,699	12,954,014	13,830,033	12,968,663
Term Deposit	40,220,734	37,044,548	40,229,611	37,054,991
General Investment Deposit <i>Mudharabah</i>	118,094	149,833	118,094	149,833
Term Deposit-i <i>Tawarruq</i>	39,982,616	35,721,908	39,991,493	35,732,351
Negotiable Islamic Debt Certificates ("NIDC")	120,024	1,172,807	120,024	1,172,807
Others	115,357	118,892	115,357	118,892
Total Deposits	60,707,504	57,338,834	60,821,715	57,363,926

(b) Maturity structure of term deposits are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Due within six months	27,734,736	22,267,682	27,736,556	22,268,464
More than six months to one year	7,680,524	11,193,457	7,685,806	11,196,267
More than one year to three years	2,074,887	1,252,439	2,076,662	1,259,290
More than three years to five years	2,730,587	2,330,970	2,730,587	2,330,970
	40,220,734	37,044,548	40,229,611	37,054,991

**16. DEPOSITS FROM CUSTOMERS (CONTINUED)****(c) By type of customers**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic non-bank financial institutions	6,590,672	6,059,847	6,704,883	6,084,939
Business enterprises	21,229,580	22,935,511	21,229,580	22,935,511
Government and statutory bodies	20,848,877	16,414,063	20,848,877	16,414,063
Individuals	8,748,143	7,864,062	8,748,143	7,864,062
Domestic banking institutions	349,296	976,873	349,296	976,873
Others	2,940,936	3,088,478	2,940,936	3,088,478
	60,707,504	57,338,834	60,821,715	57,363,926

17. INVESTMENT ACCOUNTS OF CUSTOMERS**(a) By type and Shariah contract**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unrestricted investment accounts				
Without maturity:				
<i>Mudharabah</i>	7,313,658	6,655,637	7,313,658	6,655,637
– Savings	5,086,821	5,343,189	5,086,821	5,343,189
– Demand	2,226,837	1,312,448	2,226,837	1,312,448
With maturity:				
<i>Wakalah</i>	7,147,781	3,797,265	7,251,304	3,905,964
	14,461,439	10,452,902	14,564,962	10,561,601
Restricted investment accounts ("RA") managed by the Bank[^]				
With maturity:				
<i>Wakalah</i>	43	849	43	849

[^] Included in RA managed by the Bank is an arrangement between the Bank and Lembaga Tabung Haji where the Bank acts as an investment agent to manage and administer the RA, with underlying assets amounting to RM43,000 (2021: RM849,000).

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17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(b) By type of customers

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Individuals	5,390,121	5,745,138	5,390,121	5,745,138
Government and statutory bodies	5,359,249	2,437,046	5,359,249	2,437,046
Business Enterprises	2,561,251	1,267,853	2,561,251	1,267,853
Non-bank financial institutions	971,742	835,758	1,075,265	944,457
International Islamic Bank	11,005	–	11,005	–
Others	168,071	167,107	168,071	167,107
	14,461,439	10,452,902	14,564,962	10,561,601

(c) Movement of investment accounts of customers

Group	Unrestricted investment accounts			Restricted investment accounts Wakalah RM'000
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	
As at 1 January 2021	5,113,275	7,255,253	12,368,528	11,915
<i>Funding inflows/outflows:</i>				
Net movement	1,528,718	–	1,528,718	–
New placement	–	7,534,543	7,534,543	–
Redemption/Principal repayment	–	(11,139,014)	(11,139,014)	(10,784)
Income from investment	209,529	282,542	492,071	26
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(195,885)	–	(195,885)	–
Wakalah fees	–	(136,059)	(136,059)	(308)
As at 31 December 2021/ 1 January 2022	6,655,637	3,797,265	10,452,902	849
<i>Funding inflows/outflows:</i>				
Net movement	633,857	–	633,857	–
New placement	–	10,013,370	10,013,370	–
Redemption/Principal repayment	–	(6,834,176)	(6,834,176)	(747)
Income from investment	265,087	313,900	578,987	–
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(240,923)	–	(240,923)	–
Wakalah fees	–	(142,578)	(142,578)	(59)
As at 31 December 2022	7,313,658	7,147,781	14,461,439	43

**17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)****(c) Movement of investment accounts of customers (continued)**

Bank	Unrestricted investment accounts			Restricted investment accounts Wakalah RM'000
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	
As at 1 January 2021	5,113,275	7,255,622	12,368,897	11,915
<i>Funding inflows/outflows:</i>				
Net movement	1,528,718	–	1,528,718	–
New placement	–	7,745,505	7,745,505	–
Redemption/Principal repayment	–	(11,242,162)	(11,242,162)	(10,784)
Income from investment	209,529	283,058	492,587	26
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(195,885)	–	(195,885)	–
Wakalah fees	–	(136,059)	(136,059)	(308)
As at 31 December 2021/ 1 January 2022	6,655,637	3,905,964	10,561,601	849
<i>Funding inflows/outflows:</i>				
Net movement	633,857	–	633,857	–
New placement	–	10,500,225	10,500,225	–
Redemption/Principal repayment	–	(7,327,256)	(7,327,256)	(747)
Income from investment	265,087	314,949	580,036	–
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(240,923)	–	(240,923)	–
Wakalah fees	–	(142,578)	(142,578)	(59)
As at 31 December 2022	7,313,658	7,251,304	14,564,962	43

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17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(c) Movement of investment accounts of customers (continued)

	Unrestricted investment accounts			Restricted investment accounts Wakalah RM'000
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	
Group				
<i>Investment portfolio:</i>				
2022				
House financing	7,313,658	3,573,891	10,887,549	–
Personal financing	–	3,573,890	3,573,890	–
Other term financing	–	–	–	43
	7,313,658	7,147,781	14,461,439	43
2021				
House financing	6,655,637	1,898,633	8,554,270	–
Personal financing	–	1,898,632	1,898,632	–
Other term financing	–	–	–	849
	6,655,637	3,797,265	10,452,902	849
Bank				
<i>Investment portfolio:</i>				
2022				
House financing	7,313,658	3,625,652	10,939,310	–
Personal financing	–	3,625,652	3,625,652	–
Other term financing	–	–	–	43
	7,313,658	7,251,304	14,564,962	43
2021				
House financing	6,655,637	1,952,982	8,608,619	–
Personal financing	–	1,952,982	1,952,982	–
Other term financing	–	–	–	849
	6,655,637	3,905,964	10,561,601	849

**17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)****(d) By maturity structures, profit sharing ratio and rate of return**

Group	Total amount RM'000	Investment account holders		
		Average profit sharing ratio (%)	Average rate of return (%)	Bank's wakalah fee (%)
2022				
Unrestricted investment accounts:				
Less than 3 months				
– Mudharabah	7,313,658	2	0.36	–
– Wakalah	1,872,865	–	2.44	1.78
	9,186,523			
Between 3 to 12 months				
– Wakalah	5,266,992	–	2.63	1.60
Between 1 to 2 years				
– Wakalah	7,924	–	2.20	2.03
	5,274,916			
	14,461,439			
Restricted investment accounts:				
Between 2 to 5 years	43	–	0.81	10.50
2021				
Unrestricted investment accounts:				
Less than 3 months				
– Mudharabah	6,655,637	2	0.24	–
– Wakalah	1,347,882	–	1.94	1.77
	8,003,519			
Between 3 to 12 months				
– Wakalah	2,431,471	–	2.30	1.40
Between 1 to 2 years				
– Wakalah	17,912	–	1.59	2.12
	2,449,383			
	10,452,902			
Restricted investment accounts:				
Between 2 to 5 years	849	–	0.56	6.79

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for the financial year ended 31 December 2022

17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(d) By maturity structures, profit sharing ratio and rate of return (continued)

Bank	Total amount RM'000	Investment account holders		
		Average profit sharing ratio (%)	Average rate of return (%)	Bank's wakalah fee (%)
2022				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	7,313,658	2	0.36	–
– Wakalah	1,896,394	–	2.44	1.78
	9,210,052			
<i>Between 3 to 12 months</i>				
– Wakalah	5,268,928	–	2.63	1.60
<i>Between 1 to 2 years</i>				
– Wakalah	85,982	–	2.20	2.03
	5,354,910			
	14,564,962			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	43	–	0.81	10.50
2021				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	6,655,637	2	0.24	–
– Wakalah	1,456,461	–	1.94	1.77
	8,112,098			
<i>Between 3 to 12 months</i>				
– Wakalah	2,431,471	–	2.30	1.40
<i>Between 1 to 2 years</i>				
– Wakalah	18,032	–	1.59	2.12
	2,449,503			
	10,561,601			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	849	–	0.56	6.79

**18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTION**

	Group and Bank	
	2022 RM'000	2021 RM'000
Licensed investment bank	50,048	–
Development financial institution	20,020	–
	70,068	–

19. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

Recourse obligations on financing sold to Cagamas represents house financing accounts that are sold to Cagamas with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed- upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de- recognised and are analysed in Note 8. The details are as follows:

Note	Nominal value RM'000	Issue date	Maturity Date	Profit rate (% p.a.)
(a)	1,500,000	25 May 2018	25 May 2023	4.75
(b)	500,000	15 May 2021	15 May 2024	2.95
(c)	1,000,000	4 November 2022	4 November 2027	4.83

20. SUBORDINATED SUKUK AND CAPITAL SECURITIES

	Note	Group and Bank	
		2022 RM'000	2021 RM'000
Subordinated sukuk			
<i>Issued under the RM1.0 billion Programme</i>			
Third tranche	(a)	–	301,962
<i>Issued under the RM10.0 billion Programme</i>			
First tranche	(b)	302,328	302,286
Second tranche	(c)	403,986	403,945
Third tranche	(d)	704,971	704,971
Fourth tranche	(e)	301,618	301,685
		1,712,903	1,712,887
		1,712,903	2,014,849
<i>Capital securities</i>	(f)	509,189	–
		2,222,092	2,014,849
Finance cost on subordinated sukuk and capital securities		90,375	72,575

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for the financial year ended 31 December 2022

20. SUBORDINATED SUKUK AND CAPITAL SECURITIES (CONTINUED)

The details of the issued subordinated sukuk and capital securities are as follows:

Note	Nominal value RM'000	Issue date	First call date*	Maturity Date	Profit rate (% p.a.)#
(a)	300,000	13 November 2017	13 November 2022	13 November 2027	5.08
(b)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15
(c)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75
(d)	700,000	21 October 2020	21 October 2025	21 October 2030	3.60
(e)	300,000	12 November 2021	12 November 2026	12 November 2031	4.10
(f)	500,000	24 August 2022	24 August 2027	Perpetual	5.16

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

21. OTHER LIABILITIES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	1,126,596	651,008	968,098	621,696
Dividend payable	224,148	226,893	224,148	226,893
Advance payment	580,612	575,288	580,433	575,288
Accruals	139,608	117,413	137,783	114,498
	2,070,964	1,570,602	1,910,462	1,538,375

Included in other payables is amount due to trustee amounting to RM718,000 (2021: RM10,391,000) attributed to the creation of unit trust funds.

Other payables also include funds received by the Bank under various government funding schemes as part of government support measure in response to COVID-19 pandemic for specific financing purposes amounting to RM384,045,000 (2021: RM310,967,326) at concession rate.

**22. ZAKAT AND TAXATION**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Zakat	13,717	12,307	13,632	12,227
Taxation	48,951	21,081	48,950	21,029
	62,668	33,388	62,582	33,256

23. SHARE CAPITAL

	Number of shares (units)		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Group and Bank				
<i>Issued and fully paid</i>				
Ordinary shares				
At 1 January	2,075,873	2,600,367	3,445,757	3,306,118
Consolidation of shares	–	(567,460)	–	–
Allotment of new ordinary shares	79,396	42,966	199,286	139,639
At 31 December	2,155,269	2,075,873	3,645,043	3,445,757

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for the financial year ended 31 December 2022

24. RESERVES

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
FVOCI reserve	(a)	(182,869)	(101,288)	(182,869)	(101,288)
Translation reserve	(b)	(9,722)	(20,798)	(9,499)	(20,555)
Regulatory reserve	(c)	136,000	–	136,000	–
Merger reserve	(d)	111,187	111,187	–	–
Total other reserves		54,596	(10,899)	(56,368)	(121,843)
Retained earnings		3,096,604	2,965,080	3,105,912	2,965,659
		3,151,200	2,954,181	3,049,544	2,843,816

- (a) The FVOCI reserve includes the cumulative net change in the fair value of financial assets FVOCI until the financial asset is derecognised.
- (b) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.
- (c) The regulatory reserve represents the Bank's compliance with BNM's Guideline on Financial Reporting for Islamic Banking Institution to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. No regulatory reserve recognised in 2021.
- (d) Merger reserve arising from the Proposed Internal Reorganisation and acquisition of two (2) new BIMB Holdings Sdn. Bhd. ordinary shares.

25. SOURCES AND USES OF CHARITY FUNDS

Movement of sources and uses of charity funds are as follows:

Group and Bank	2022 RM'000	2021 RM'000
Undistributed funds as at the beginning of the financial year	12	11
Shariah non-compliance income: <i>Funds collected/received during the year</i>	39	41
Uses of funds during the year: <i>Contribution to Public Benefit</i>	(48)	(40)
Undistributed funds as at the end of the financial year	3	12

**26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS**

	Group and Bank	
	2022 RM'000	2021 RM'000
Income derived from investment of:		
(i) General investment deposits	7,342	8,891
(ii) Term deposit-i	1,667,444	1,394,791
(iii) Savings and demand deposits	886,740	808,972
(iv) Other deposits	24,386	47,418
	2,585,912	2,260,072

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	6,454	7,713
Financial assets:		
– fair value through profit and loss	8	49
– fair value through other comprehensive income	384	604
– other financial assets at amortised cost	140	38
Money at call and deposits with financial institutions	311	202
	7,297	8,606
Other dealing income		
Net loss from sale of financial assets at fair value through profit or loss	(1)	(25)
Net gain on revaluation of financial assets at fair value through profit or loss	43	15
	42	(10)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	3	295
	7,342	8,891
<i>of which,</i>		
Financing income earned on impaired financing	101	102
Unwinding of modification loss	68	28

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for the financial year ended 31 December 2022

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(ii) Income derived from investment of term deposit-i

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	1,418,850	1,171,513
Financial assets:		
– fair value through profit and loss	2,445	9,140
– fair value through other comprehensive income	105,252	114,824
– other financial assets at amortised cost	40,743	7,940
Money at call and deposits with financial institutions	87,530	37,770
	1,654,820	1,341,187
Other dealing income		
Net gain/(loss) from sale of financial assets at fair value through profit or loss	94	(4,481)
Net gain on revaluation of financial assets at fair value through profit or loss	11,775	3,414
	11,869	(1,067)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	755	54,669
Other income		
Gain on disposal of leased assets	–	2
	1,667,444	1,394,791
of which,		
Financing income earned on impaired financing	28,060	18,964
Unwinding of modification loss	18,751	10,615

**26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)****(iii) Income derived from investment of savings and demand deposits**

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	755,503	680,037
Financial assets:		
– fair value through profit and loss	1,251	5,287
– fair value through other comprehensive income	56,550	66,690
– other financial assets at amortised cost	21,153	4,622
Money at call and deposits with financial institutions	45,621	21,920
	880,078	778,556
Other dealing income		
Net gain/(loss) from sale of financial assets at fair value through profit or loss	1	(2,673)
Net gain on revaluation of financial assets at fair value through profit or loss	6,252	1,949
	6,253	(724)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	409	31,139
Other income		
Gain on disposal of leased assets	–	1
	886,740	808,972
of which,		
Financing income earned on impaired financing	14,996	10,970
Unwinding of modification loss	10,000	7,032

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for the financial year ended 31 December 2022

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(iv) Income derived from investment of other deposits

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	21,089	39,928
Financial assets:		
– fair value through profit and loss	24	314
– fair value through other comprehensive income	1,725	3,978
– other financial assets at amortised cost	426	248
Money at call and deposits with financial institutions	945	1,254
	24,209	45,722
Other dealing income		
Net gain/(loss) from sale of financial assets at fair value through profit or loss	14	(194)
Net gain on revaluation of financial assets at fair value through profit or loss	149	90
	163	(104)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	14	1,800
	24,386	47,418
of which,		
Financing income earned on impaired financing	422	638
Unwinding of modification loss	292	601

27. INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income		
Unrestricted investment accounts		
– Mudharabah	264,924	209,367
– Wakalah	314,792	282,865
Unwinding of modification loss	8,208	5,306
	587,924	497,538

**28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance income and hibah				
Financing, advances and others	13,308	9,783	13,308	9,783
Financial assets:				
– fair value through other comprehensive income	177,266	177,794	177,266	177,794
Money at call and deposits with financial institutions	325	131	3	–
	190,899	187,708	190,577	187,577
Other dealing income				
Net (loss)/gain from foreign exchange transactions	(14,891)	32,485	(14,875)	32,519
Net derivatives gain	3	7	3	7
Net gain from sale of financial assets at fair value through profit or loss	–	26	–	–
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	(34,939)	11,029	(34,999)	10,882
	(49,827)	43,547	(49,871)	43,408
Other operating income				
Dividend from financial assets at FVTPL	10,065	11,677	9,598	11,326
Dividend from financial assets at FVOCI	237	–	237	–
Dividend from subsidiary	–	–	3,000	800
Rebate on investment in unit trust	1,915	2,217	1,915	2,217
	12,217	13,894	14,750	14,343

Notes to the financial statements

for the financial year ended 31 December 2022

28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONTINUED)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees and commission				
Card fees and commission	83,402	78,655	83,402	78,655
Takaful service fees and commission	40,769	31,929	40,769	31,929
Financing fees	22,597	19,372	22,597	19,372
Sales charges on unit trust	7,091	13,150	–	–
Unit trust management fees	13,361	16,835	–	–
Commission on MEPS	28,025	7,854	28,025	7,854
Ar-Rahnu fees	–	63	–	63
Mobile banking fees	7,422	7,794	7,422	7,794
Corporate advisory fees	9,419	8,885	8,877	8,700
Deposit and payment service fees	4,308	3,819	4,308	3,819
Processing fees	5,866	3,790	5,856	3,648
Commission on bills payment system	1,060	1,815	1,060	1,815
Commission from wealth management services	128	188	4,594	5,706
Ta'widh Charges	1,435	1,555	1,431	1,554
Others	23,053	15,406	13,551	11,717
	247,936	211,110	221,892	182,626
Other income				
Rental income	751	1,631	1,259	2,308
Net gain on disposal of property and equipment	68	603	–	602
Other income	415	257	278	86
	1,234	2,491	1,537	2,996
	402,459	458,750	378,885	430,950

29. NET ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group and Bank	
	2022 RM'000	2021 RM'000
Net allowance for impairment on financing, advances and others:		
– Stage 1	(103,299)	(159,674)
– Stage 2	(74,812)	151,178
– Stage 3	410,589	274,433
Bad debts and financing recovered	(92,446)	(75,199)
	140,032	190,738

**30. INCOME ATTRIBUTABLE TO DEPOSITORS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers:				
– Mudharabah fund	1,217	2,109	1,217	2,109
– Non-Mudharabah fund	973,642	736,559	973,824	736,754
Deposits and placements of banks and other financial institutions:				
– Mudharabah fund	6	–	6	–
– Non-Mudharabah fund	4,554	36	4,554	36
Recourse obligation on financing sold to Cagamas	92,923	79,984	92,923	79,984
	1,072,342	818,688	1,072,524	818,883

31. INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unrestricted investment accounts				
– Mudharabah	24,164	13,644	24,164	13,644
– Wakalah	169,902	146,483	172,371	146,999
	194,066	160,127	196,535	160,643

32. PERSONNEL EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and wages	495,679	443,849	476,532	429,717
Allowances and bonuses	134,878	120,910	128,328	118,317
Employees' Provident Fund	87,541	80,482	83,899	78,019
Directors and Shariah Supervisory Council Members' remuneration	9,193	8,150	6,941	6,473
Medical benefits	36,579	27,188	35,986	26,705
Staff sales commission	30,546	22,391	30,546	22,391
Others	27,539	20,860	26,188	20,162
	821,955	723,830	788,420	701,784

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for the financial year ended 31 December 2022

33. OTHER OVERHEAD EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Promotion				
Credit and debit card expenses	56,674	48,642	56,674	48,642
Advertisement and publicity	14,952	20,290	14,819	16,061
Others	12,850	16,680	7,875	7,314
	84,476	85,612	79,368	72,017
Establishment				
Depreciation of property and equipment	59,785	59,225	58,928	58,803
Amortisation of intangible assets	1,024	–	1,024	–
Depreciation of right-of-use assets	17,198	18,197	16,726	18,042
Office rental	28,288	29,215	28,196	29,186
Information technology expenses	82,668	72,490	82,668	72,490
Security services	9,211	8,877	9,211	8,877
Utilities	11,063	11,170	10,806	11,036
Office maintenance	10,403	10,216	9,994	9,973
Takaful	12,403	7,261	12,341	6,379
Rental of equipment	6,626	5,950	6,322	5,826
Others	320	320	320	320
	238,989	222,921	236,536	220,932
General expenses				
Outsourcing fees				
– Management of self-service terminal	11,350	8,564	11,350	8,564
– Credit recovery	–	–	6,209	7,318
– Others	4,116	4,109	4,116	4,109
Office supplies	7,657	8,333	7,582	8,239
Licenses	2,101	1,852	1,889	1,852
Bank and service charges	10,179	8,240	10,163	8,207
General expenses	28,686	30,814	28,686	30,814
Security services for cash in transit	4,606	4,915	4,606	4,915
Postage and delivery charges	12,347	11,678	12,270	11,545
Management fees	–	–	13,908	6,839
Subscription fees	12,482	12,633	12,480	12,630
SMS service charges	17,805	19,647	17,805	19,647
Professional fees	14,305	15,267	13,551	13,396
Mobile banking expenses	1,667	1,923	1,667	1,923
Auditors' remuneration				
– Statutory audit	1,664	1,550	1,489	1,324
– Regulatory related	282	263	282	263
– Non-audit	438	345	438	345
Processing charges	2,033	1,030	2,033	1,030
Property and equipment written-off	769	619	482	619
Others	27,515	21,607	16,356	12,534
	160,002	153,389	167,362	156,113
	483,467	461,922	483,266	449,062

**34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<i>Chief Executive Officer:</i>				
Salaries and other remuneration, including meeting allowances	3,268	2,814	3,268	2,814
Benefits-in-kind	34	38	34	38
	3,302	2,852	3,302	2,852
<i>Non-Executive Directors:</i>				
Fees	1,588	1,466	1,509	1,396
Other emoluments	1,478	1,627	1,438	1,480
Benefits-in-kind	681	621	681	621
	3,747	3,714	3,628	3,497
Directors of subsidiaries				
<i>Executive Director:</i>				
Salaries and other remuneration, including meeting allowances	1,454	946	–	–
<i>Non-Executive Directors:</i>				
Fees	207	221	–	–
Other emoluments	210	240	–	–
	417	461	–	–
Total	8,920	7,973	6,930	6,349
Members of Shariah Supervisory Council (SSC)				
– SSC of the Bank	939	797	726	783
– SSC of a subsidiary	49	39	–	–
Total	988	836	726	783
Grand total (excluding benefits-in-kind)	9,193	8,150	6,941	6,473

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34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows:

31 December 2022	← Remuneration received from the Bank →				Bank Total RM'000	Remuneration received ← from subsidiaries →		Group Total RM'000
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000		Fees RM'000	Others RM'000	
<i>Chief Executive Officer:</i> Mohd Muazzam Mohamed	2,590	-	678	34	3,302	-	-	3,302
<i>Non-Executive Directors:</i> Tan Sri Dr. Ismail Hj. Bakar	-	144	185	80	409	-	-	409
Azizan Ahmad	-	216	195	75	486	-	-	486
Datuk Nik Mohd Hasyudeen Yusoff	-	156	189	100	445	-	-	445
Mohd Yuzaidi Mohd Yusoff	-	180	167	64	411	-	-	411
Mashitah Haji Osman	-	144	141	65	350	-	-	350
Dato' Sri Amrin Awaluddin	-	72	36	25	133	-	-	133
Mohd Asri Awang	-	144	120	35	299	24	13	336
Datuk Bazlan Osman	-	120	81	25	226	-	-	226
Nuraini Ismail	-	108	63	25	196	-	-	196
Dato' Sri Khazali Ahmad	-	126	124	82	332	-	-	332
Mohamed Ridza Mohamed Abdulla	-	99	137	105	341	55	27	423
	-	1,509	1,438	681	3,628	79	40	3,747
	2,590	1,509	2,116	715	6,930	79	40	7,049



34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows: (continued)

31 December 2021	← Remuneration received from the Bank →				Bank Total RM'000	Remuneration received ← from subsidiaries →		Group Total RM'000
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000		Fees RM'000	Others RM'000	
Chief Executive Officer:								
Mohd Muazzam Mohamed					2,852	-	-	2,852
Non-Executive Directors:								
Tan Sri Dr. Ismail Hj. Bakar					360	-	-	360
Azizan Ahmad					473	-	-	473
Mohamed Ridza Mohamed Abdulla					298	24	17	339
Datuk Nik Mohd Hasyudeen Yusoff					291	4	53	348
Dato' Sri Khazali Ahmad					284	-	-	284
Mohd Yuzaidi Mohd Yusoff					463	-	-	463
Mashitah Haji Osman					359	-	-	359
Dato' Sri Amrin Awaluddin					39	-	-	39
Mohd Asri Awang					88	-	-	88
Zahari @ Mohd Zin Idris					478	42	47	567
Noraini Che Dan					364	-	30	394
					3,497	70	147	3,714
					6,349	70	147	6,566

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34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows:

	Remuneration received ← from the Bank →		Bank Total RM'000	Remuneration received ← from → subsidiary	Group Total RM'000
	Fees RM'000	Other Emoluments RM'000		Fees RM'000	
31 December 2022					
Professor Dato' Dr. Ahmad Hidayat Buang	72	99	171	–	171
Ustazah Dr. Yasmin Hanani Mohd Safian	66	38	104	23	127
Asmadi Mohamed Naim	66	71	137	31	168
Shamsiah Mohamad	66	77	143	80	223
Datu Haji Kipli Haji Yassin	66	38	104	–	104
Muhammad Fuad Abdullah	50	17	67	79	146
	386	340	726	213	939
31 December 2021					
Professor Dato' Dr. Ahmad Hidayat Buang	72	108	180	–	180
Ustazah Dr. Yasmin Hanani Mohd Safian	66	71	137	–	137
Asmadi Mohamed Naim	66	72	138	–	138
Shamsiah Mohamad	66	36	102	6	108
Datu Haji Kipli Haji Yassin	66	18	84	–	84
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	17	64	81	8	89
Assistant Professor Dr. Uzaimah Ibrahim	17	44	61	–	61
	370	413	783	14	797

35. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group. The compensation for key management personnel other than the Directors' remuneration is as follows:

	Group and Bank	
	2022 RM'000	2021 RM'000
Other key management personnel: Short-term employee benefits	18,382	27,787

Number of employees categorised as key management personnel as at 31 December 2022 was 19 (2021: 29).

**36. FINANCE COST**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance cost:				
Subordinated sukuk and capital securities	90,375	72,575	90,375	72,575
Profit expense on lease	16,796	17,312	16,781	17,303
	107,171	89,887	107,156	89,878

37. TAX EXPENSE

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax:				
Current year	234,758	183,112	234,063	182,802
Under provision/(over provision) in prior year	(282)	145,996	(261)	146,001
	234,476	329,108	233,802	328,803
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	6,567	(23,614)	6,567	(23,614)
Under/(Over) provision in prior year	469	(147,853)	-	(147,933)
	7,036	(171,467)	6,567	(171,547)
	241,512	157,641	240,369	157,256

As per Finance Act 2021 gazetted on 31 December 2021, effective for Year of Assessment ("YA") 2022, a special one-off tax ("Cukai Makmur") was introduced on companies with chargeable income in excess of RM100.0 million. The excess is taxed at a rate of 33% (first RM100.0 million of chargeable income will be taxed at 24%). Tax expenses for YA 2022 above have been computed based on tax rates as described accordingly.

A reconciliation of effective tax expense for the Group and the Bank are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	746,866	704,221	754,392	710,625
Income tax calculated using Malaysian tax rate of 24%	179,248	169,013	181,054	170,550
Income not subject to tax	(5,154)	(4,806)	(4,897)	(4,713)
Non-deductible expenses	6,355	5,182	3,852	3,242
Impact of Cukai Makmur	63,818	(7,011)	63,818	(7,011)
Zakat	(3,191)	(2,880)	(3,197)	(2,880)
Deferred tax assets not recognised	249	-	-	-
Under/(Over) provision in prior years	187	(1,857)	(261)	(1,932)
	241,512	157,641	240,369	157,256

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38. EARNINGS PER SHARE

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM491,672,000 (2021: RM534,305,000) and the weighted average number of ordinary shares outstanding during the year of 2,150,919,000 (2021: 2,443,188,000). The Group has no dilution in its earnings per ordinary shares in the current and previous financial year as there are no dilutive potential ordinary shares.

39. DIVIDENDS

Dividends paid by the Bank:

	Sen per share	Total amount RM'000	Date of payment
2022			
Interim 2021	10.40	224,148	30 January 2023
2021			
Final 2020	5.37	139,639	4 June 2021
Interim 2021	10.93	226,893	20 January 2022
		<u>366,532</u>	

On 21 January 2022, the Group and the Bank increased its issued and paid-up capital from 2,075,872,514 to 2,155,269,114 via the issuance of 79,396,600 new ordinary shares for a consideration of RM2.51 each arising from Dividend Reinvestment Plan.

40. OPERATING SEGMENTS

The Group's reportable segments, as described below, can be classified into four segments. Each segment offers different products and services. The following summary describes the operations in each of the segments:

- Consumer Banking Includes financing, deposits and other transactions and balances with retail customers
- Corporate and Commercial Banking Includes corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises
- Treasury Undertakes funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities
- Shareholders unit Operates shareholders' funds

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.



40. OPERATING SEGMENTS (CONTINUED)

2022		Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	(a)	2,355,432	668,568	512,032	69,360	(29,038)	3,576,354
Net fund based income	(b)	1,194,710	494,038	73,457	316,614	–	2,078,819
Non-fund based income	(c)	183,078	37,792	(29,743)	66,387	(26,387)	231,127
Net income		1,377,788	531,830	43,714	383,001	(26,387)	2,309,946
Net allowance for impairment on financial assets		(84,853)	(55,179)	1,314	(355)	–	(139,073)
Profit before overheads, zakat and tax		1,292,935	476,651	45,028	382,646	(26,387)	2,170,873
Operating expenses							(1,424,007)
Profit before zakat and tax							746,866
Segment assets		48,171,809	16,730,185	21,857,219	504,693	(358,859)	86,905,047
Unallocated assets							2,946,624
Total assets							89,851,671

(a) Included in total revenue are income derived from investment of depositors' funds, investment account funds, investment of shareholders' funds, loss on modification of financial assets, and wakalah fees from restricted investment accounts.

(b) Net fund based income is derived after deducting the income attributable to depositors and income attributable to investment account holders.

(c) Included in non-fund based income are fee and commission income that amounted to RM221,950,000 and investment income of RM20,769,000.

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40. OPERATING SEGMENTS (CONTINUED)

2021	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	1,929,505	609,975	582,957	67,426	(22,106)	3,167,757
Net fund based income	1,079,038	382,804	111,097	258,653	–	1,831,592
Non-fund based income	149,087	32,791	130,283	66,584	(21,395)	357,350
Net income	1,228,125	415,595	241,380	325,237	(21,395)	2,188,942
Net allowance for impairment on financial assets	37,290	(228,028)	(6,650)	(756)	–	(198,144)
Profit before overheads, zakat and tax	1,265,415	187,567	234,730	324,481	(21,395)	1,990,798
Operating expenses						(1,286,577)
Profit before zakat and tax						704,221
Segment assets	44,032,459	14,121,310	19,983,824	385,141	(274,839)	78,247,895
Unallocated assets						1,908,319
Total assets						80,156,214

- (a) Included in total revenue are income derived from investment of depositors' funds, investment account funds, investment of shareholders' funds, loss on modification of financial assets, and wakalah fees from restricted investment accounts.
- (b) Net fund based income is derived after deducting the income attributable to depositors and income attributable to investment account holders.
- (c) Included in non-fund based income are fee and commission income that amounted to RM182,872,000 and investment income of RM85,998,000.



41. FINANCIAL RISK MANAGEMENT

Overview

The Group's and the Bank's business activities involve the use of financial instruments which expose the Group and the Bank to various financial risks, namely credit risk, market risk and liquidity risk.

The Group's and the Bank's financial risk management is guided by the Group's Risk Appetite Statement and Risk Management Policies/Guidelines and subject to the oversight by the Board of Directors ("Board") via the Board Risk Committee ("BRC").

The BRC is assisted by the specific Risk Management Committees namely the Management Risk Control Committee ("MRCC") and the Asset & Liability Management Committee ("ALCO").

(a) Financial instruments by categories

The table in subsequent pages provides an analysis of financial instruments categorised as follows:

- Fair value through profit or loss ("FVTPL")
- Financial assets at fair value through other comprehensive income ("FVOCI")
- Other financial assets at amortised cost ("AC")
- Financial liabilities measured at amortised cost ("FL")

Group 31 December 2022	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	7,145,114	–	–	7,145,114
Financial assets at FVTPL	299,128	299,128	–	–
Derivative financial assets	123,000	123,000	–	–
Financial assets at FVOCI	12,093,417	–	12,093,417	–
Financial assets at AC	3,055,256	–	–	3,055,256
Financing, advances and others	64,901,994	–	–	64,901,994
Other financial assets at AC*	578,615	–	–	578,615
Statutory deposits with Bank Negara Malaysia	950,508	–	–	950,508
	89,147,032	422,128	12,093,417	76,631,487
Financial liabilities				
Deposits from customers	60,707,504	–	–	60,707,504
Investment accounts of customers	14,461,439	–	–	14,461,439
Deposits and placements of banks and other financial institutions	70,068	–	–	70,068
Derivative financial liabilities	137,324	137,324	–	–
Bills and acceptance payable	22,441	–	–	22,441
Recourse obligations on financing sold to Cagamas	3,005,343	–	–	3,005,343
Subordinated sukuk and capital securities	2,222,092	–	–	2,222,092
Other liabilities	2,070,964	–	–	2,070,964
Lease liabilities	295,585	–	–	295,585
	82,992,760	137,324	–	82,855,436

* Excludes prepayment

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments by categories (continued)

Group 31 December 2021	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	5,222,848	–	–	5,222,848
Financial assets at FVTPL	1,582,494	1,582,494	–	–
Derivative financial assets	26,037	26,037	–	–
Financial assets at FVOCI	12,604,204	–	12,604,204	–
Financial assets at AC	1,348,844	–	–	1,348,844
Financing, advances and others	58,153,769	–	–	58,153,769
Other financial assets at AC*	294,508	–	–	294,508
Statutory deposits with Bank Negara Malaysia	264,050	–	–	264,050
	79,496,754	1,608,531	12,604,204	65,284,019
Financial liabilities				
Deposits from customers	57,338,834	–	–	57,338,834
Investment accounts of customers	10,452,902	–	–	10,452,902
Derivative financial liabilities	20,421	20,421	–	–
Bills and acceptance payable	20,112	–	–	20,112
Recourse obligations on financing sold to Cagamas	2,001,720	–	–	2,001,720
Subordinated sukuk and capital securities	2,014,849	–	–	2,014,849
Other liabilities	1,570,602	–	–	1,570,602
Lease liabilities	303,448	–	–	303,448
	73,722,888	20,421	–	73,702,467

* Excludes prepayment

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial instruments by categories (continued)**

Bank 31 December 2022	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
<i>Financial assets</i>				
Cash and short-term funds and deposits and placements with financial institutions	7,128,159	–	–	7,128,159
Financial assets at FVTPL	272,735	272,735	–	–
Derivative financial assets	123,000	123,000	–	–
Financial assets at FVOCI	12,094,304	–	12,094,304	–
Financial assets at AC	3,055,256	–	–	3,055,256
Financing, advances and others	64,901,994	–	–	64,901,994
Other financial assets at AC*	480,595	–	–	480,595
Statutory deposits with Bank Negara Malaysia	950,508	–	–	950,508
	89,006,551	395,735	12,094,304	76,516,512
<i>Financial liabilities</i>				
Deposits from customers	60,821,715	–	–	60,821,715
Investment accounts of customers	14,564,962	–	–	14,564,962
Deposits and placements of banks and other financial institutions	70,068			70,068
Derivative financial liabilities	137,324	137,324	–	–
Bills and acceptance payable	22,441	–	–	22,441
Recourse obligations on financing sold to Cagamas	3,005,343	–	–	3,005,343
Subordinated sukuk and capital securities	2,222,092	–	–	2,222,092
Other liabilities	1,910,462	–	–	1,910,462
Lease liabilities	295,167	–	–	295,167
	83,049,574	137,324	–	82,912,250

* Excludes prepayment

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments by categories (continued)

Bank 31 December 2021	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	5,204,364	–	–	5,204,364
Financial assets at FVTPL	1,550,700	1,550,700	–	–
Derivative financial assets	26,037	26,037	–	–
Financial assets at FVOCI	12,605,067	–	12,605,067	–
Financial assets at AC	1,348,844	–	–	1,348,844
Financing, advances and others	58,153,769	–	–	58,153,769
Other financial assets at AC*	239,257	–	–	239,257
Statutory deposits with Bank Negara Malaysia	264,050	–	–	264,050
	79,392,088	1,576,737	12,605,067	65,210,284
Financial liabilities				
Deposits from customers	57,363,926	–	–	57,363,926
Investment accounts of customers	10,561,601	–	–	10,561,601
Derivative financial liabilities	20,421	20,421	–	–
Bills and acceptance payable	20,112	–	–	20,112
Recourse obligations on financing sold to Cagamas	2,001,720	–	–	2,001,720
Subordinated sukuk and capital securities	2,014,849	–	–	2,014,849
Other liabilities	1,538,375	–	–	1,538,375
Lease liabilities	302,984	–	–	302,984
	73,823,988	20,421	–	73,803,567

* Excludes prepayment

(b) Credit risk

Overview

Credit risk is the risk of a customer or counterparty failing to perform its obligations. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Group and the Bank considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the MRCC and/or BRC, guided by the Board of Directors' approved Group Risk Appetite Statement.

The Group and the Bank have instituted two (2) levels of Financing Committees, which assess and approve credits at their specified authority levels.

The MRCC is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Group's and the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's and the Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's and the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of credit risk

The management of credit risk is being performed by Group Credit Management Division ("GCMD") and Group Risk Management Division ("GRMD"), and two other units outside of the GCMD and GRMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Group's and the Bank's overall strategy and risk appetite;
- To ensure that the Group and the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Group and the Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk

The following table presents the Group's and Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For financial guarantee contracts, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	Group	
		2022 RM'000	2021 RM'000
Cash and short-term funds and deposits and placements with financial institutions		7,145,114	5,222,848
Financial assets at FVTPL*		54,868	1,287,099
Derivative financial assets	(a)	123,000	26,037
Financial assets at FVOCI^		12,017,378	12,526,670
Financial assets at AC		3,055,256	1,348,844
Financing, advances and others	(b)	64,901,994	58,153,769
Other financial assets at AC®		578,615	294,508
Sub-total		87,876,225	78,859,775
Credit related obligation:			
Financial guarantee contracts	(c)	1,926,256	1,822,909
Financing commitments#	(d)	9,201,594	9,357,082
Sub-total		11,127,850	11,179,991
Total credit exposures		99,004,075	90,039,766

* Excludes unit trust

^ Excludes equity instruments

® Excludes prepayment

Excludes derivative financial instruments

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****Maximum exposure to credit risk (continued)**

	Note	Bank	
		2022 RM'000	2021 RM'000
Cash and short-term funds and deposits and placements with financial institutions		7,128,159	5,204,364
Financial assets at FVTPL*		54,858	1,287,089
Derivative financial assets	(a)	123,000	26,037
Financial assets at FVOCI^		12,017,378	12,526,670
Financial assets at AC		3,055,256	1,348,844
Financing, advances and others	(b)	64,901,994	58,153,769
Other financial assets at AC®		480,595	239,257
Sub-total		87,761,240	78,786,030
Credit related obligation:			
Financial guarantee contracts	(c)	1,926,256	1,822,909
Financing commitments#	(d)	9,201,594	9,357,082
Sub-total		11,127,850	11,179,991
Total credit exposures		98,889,090	89,966,021

* Excludes unit trust

^ Excludes equity instruments

® Excludes prepayment

Excludes derivative financial instruments

(a) Derivative financial assets

In mitigating the counterparty credit risks from foreign exchange and derivatives transactions, the Group and the Bank enter into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

(b) Financing, advances and others*Business and retail*

Financing, advances and others will have levels of collateralisation depending on the nature of the product. The general creditworthiness of a corporate and commercial customer tends to be the most relevant indicator of credit quality of a financing extended to it.

The Group and the Bank manage its exposures to these customers by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments in a timely manner. The Group and the Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(b) Financing, advances and others (continued)

The Group and the Bank routinely update the valuation of collateral held against all financing as it adopts an annual internal valuation policy and a 2 years external valuation policy.

At 31 December 2022, the gross exposure of credit-impaired financing and advances to business customers amounted to RM464,334,000 (2021: RM395,179,000) and the forced sales value of collateral held against those financing and advances amounted to RM526,060,000 (2021: RM278,957,000).

House financing

The following table presents credit exposures from financing and advances that are credit impaired by ranges of financing-to-value ("FTV") ratio. FTV is calculated as the ratio of the gross amount of the financing, or the amount committed for financing commitments - to the value of the collateral.

FTV ratio	Group and Bank	
	2022 RM'000	2021 RM'000
<i>Credit-impaired financing</i>		
Less than 51%	25,773	9,180
51-70%	17,930	8,303
More than 70%	186,682	115,688
Total	230,385	133,171

Vulnerable sectors

The Group and the Bank have also identified certain vulnerable sectors that are mostly impacted by the pandemic, of which tighter assessment was made on the customers' credit rating, credit risk, credit cost and available financing.

Financing, advances and others	Group and Bank On balance sheet (net of impairment)	
	2022 RM'000	2021 RM'000
Tourism, airlines, oil and gas, transportation, restaurant, hotel and others	357,462	10,667,494
% over total maximum exposure	1%	18%

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****Maximum exposure to credit risk (continued)**

(b) Financing, advances and others (continued)

Relief and support measures

As mentioned in Note 2.1(a)(i), the Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The table below summarised total payment moratoriums and repayment assistances granted to the affected customers;

2022	Matured and repaying as per revised schedules RM'000	Extended RM'000	Missed payments RM'000	Total granted RM'000
Consumer	28,544,807	322,309	712,513	29,579,629
Mortgages	18,630,603	210,739	436,899	19,278,241
Hire purchase	803,631	3,357	32,940	839,928
Personal financing	9,110,573	108,213	242,674	9,461,460
Commercial	1,810,567	531	76,411	1,887,509
of which SME	896,710	531	75,109	972,350
Corporate	1,653,301	–	–	1,653,301
	32,008,675	322,840	788,924	33,120,439
As a percentage of total:				
Consumer	96.5%	1.1%	2.4%	100.0%
Mortgages	96.6%	1.1%	2.3%	100.0%
Hire purchase	95.7%	0.4%	3.9%	100.0%
Personal financing	96.3%	1.1%	2.6%	100.0%
Commercial	95.9%	0.0%	4.1%	100.0%
of which SME	92.2%	0.1%	7.7%	100.0%
Corporate	100.0%	0.0%	0.0%	100.0%
	96.6%	1.0%	2.4%	100.0%

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(b) Financing, advances and others (continued)

Relief and support measures (continued)

2021	Matured and repaying as per revised schedules RM'000	Extended RM'000	Missed payments RM'000	Total granted RM'000
Consumer	13,709,948	19,987,014	267,364	33,964,326
Mortgages	8,939,906	11,242,682	166,485	20,349,073
Hire purchase	50,421	446,387	12,971	509,779
Personal financing	4,719,621	8,297,945	87,908	13,105,474
Commercial	288,137	1,972,308	51,084	2,311,529
of which SME	207,125	1,065,715	34,177	1,307,017
Corporate	1,022,145	964,132	–	1,986,277
	15,020,230	22,923,454	318,448	38,262,132
As a percentage of total:				
Consumer	40.4%	58.8%	0.8%	100.0%
Mortgages	43.9%	55.3%	0.8%	100.0%
Hire purchase	9.9%	87.6%	2.5%	100.0%
Personal financing	36.0%	63.3%	0.7%	100.0%
Commercial	12.5%	85.3%	2.2%	100.0%
of which SME	15.9%	81.5%	2.6%	100.0%
Corporate	51.5%	48.5%	0.0%	100.0%
	39.3%	59.9%	0.8%	100.0%

(c) Financial guarantee contracts ("FGC")

FGCs mainly comprise guarantees to customers, standby or documentary letters of credit and performance related contingencies. The Group and the Bank will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Group and the Bank have guaranteed its obligations to a third party.

(d) Financing commitments

Financing commitments mainly comprise irrevocable financing commitments to finance a customer provided there is no breach of any condition established in the contract. If such financing commitments are drawn down by the customer there will typically be specific collateral requirements that will need to be satisfied by the customer in order to access credit facilities.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****Maximum exposure to credit risk (continued)****(i) Concentration of credit risk for Group and Bank**

Group 2022	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	1	-	70,348	-	867,280	-	937,629	2,617	88,331
Mining and quarrying	-	-	-	-	-	110,359	-	110,359	11,187	97,809
Manufacturing (including agro-based)	-	-	41	35,704	-	595,433	-	631,178	97,623	744,130
Electricity, gas and water	-	-	-	342,004	127,100	2,180,055	-	2,649,159	77,063	242,456
Wholesale & retail trade, and hotels & restaurants	-	-	102,892	-	-	1,158,408	-	1,261,300	172,370	278,370
Construction	-	-	-	991,318	216,897	1,914,249	-	3,122,464	576,307	1,350,187
Transport, storage and communications	-	-	9	1,260,553	45,663	2,793,909	-	4,100,134	118,464	377,962
Finance, insurance, real estate and business activities	7,145,114	54,857	1,625	6,657,638	2,538,921	4,645,665	578,615	21,622,435	212,113	1,478,871
Education, health and others	-	-	3,902	817,133	10,111	2,465,138	-	3,296,284	352,927	1,814,482
Household sectors	-	-	-	-	-	48,171,498	-	48,171,498	-	2,366,077
Other sectors	-	10	14,531	1,842,680	116,564	-	-	1,973,785	305,585	362,919
	7,145,114	54,868	123,000	12,017,378	3,055,256	64,901,994	578,615	87,876,225	1,926,256	9,201,594

* Financing commitments excluding derivative financial assets

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Group 2021	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	122,923	-	946,230	-	1,069,153	1,765	96,540
Mining and quarrying	-	-	-	-	-	64,750	-	64,750	10,198	93,940
Manufacturing (including agro-based)	-	-	4	47,066	-	908,794	-	955,864	110,587	564,756
Electricity, gas and water	-	10,215	-	635,629	104,270	2,014,732	-	2,764,846	71,617	142,967
Wholesale & retail trade, and hotels & restaurants	-	-	11,505	-	-	902,904	-	914,409	155,005	235,621
Construction	-	-	16	1,062,079	158,591	2,597,014	-	3,817,700	527,396	1,476,088
Transport, storage and communications	-	-	-	1,233,098	46,220	689,359	-	1,968,677	85,578	337,313
Finance, insurance, real estate and business activities	5,222,848	1,276,884	1,773	6,407,069	72,508	4,644,988	293,393	17,919,463	180,041	1,511,015
Education, health and others	-	-	7,497	838,381	60,640	1,351,617	-	2,258,135	454,975	1,921,771
Household sectors	-	-	-	-	-	44,033,381	-	44,033,381	-	2,273,312
Other sectors	-	-	5,242	2,180,425	906,615	-	1,115	3,093,397	225,747	703,759
	5,222,848	1,287,099	26,037	12,526,670	1,348,844	58,153,769	294,508	78,859,775	1,822,909	9,357,082

* Financing commitments excluding derivative financial assets

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(i) Concentration of credit risk for Group and Bank (continued)**

Bank 2022	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other financial assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	1	-	70,348	-	867,280	-	937,629	2,617	88,331
Mining and quarrying	-	-	-	-	-	110,359	-	110,359	11,187	97,809
Manufacturing (including agro-based)	-	-	41	35,704	-	595,433	-	631,178	97,623	744,130
Electricity, gas and water	-	-	-	342,004	127,100	2,180,055	-	2,649,159	77,063	242,456
Wholesale & retail trade, and hotels & restaurants	-	-	102,892	-	-	1,158,408	-	1,261,300	172,370	278,370
Construction	-	-	-	991,318	216,897	1,914,249	-	3,122,464	576,307	1,350,187
Transport, storage and communications	-	-	9	1,260,553	45,663	2,793,909	-	4,100,134	118,464	377,962
Finance, insurance, real estate and business activities	7,128,159	54,857	1,625	6,657,638	2,538,921	4,645,665	480,595	21,507,460	212,113	1,478,871
Education, health and others	-	-	3,902	817,133	10,111	2,465,138	-	3,296,284	352,927	1,814,482
Household sectors	-	-	-	-	-	48,171,498	-	48,171,498	-	2,366,077
Other sectors	-	-	14,531	1,842,680	116,564	-	-	1,973,775	305,585	362,919
	7,128,159	54,858	123,000	12,017,378	3,055,256	64,901,994	480,595	87,761,240	1,926,256	9,201,594

* Financing commitments excluding derivative financial assets

Notes to the financial statements

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank 2021	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other financial assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	122,923	-	946,230	-	1,069,153	1,765	96,540
Mining and quarrying	-	-	-	-	-	64,750	-	64,750	10,198	93,940
Manufacturing (including agro-based)	-	-	4	47,066	-	908,794	-	955,864	110,587	564,756
Electricity, gas and water	-	10,215	-	635,629	104,270	2,014,732	-	2,764,846	71,617	142,967
Wholesale & retail trade, and hotels & restaurants	-	-	11,505	-	-	902,904	-	914,409	155,005	235,621
Construction	-	-	16	1,062,079	158,591	2,597,014	-	3,817,700	527,396	1,476,088
Transport, storage and communications	-	-	-	1,233,098	46,220	689,359	-	1,968,677	85,578	337,313
Finance, insurance, real estate and business activities	5,204,364	1,276,874	1,773	6,407,069	72,508	4,644,988	238,316	17,845,892	180,041	1,511,015
Education, health and others	-	-	7,497	838,381	60,640	1,351,617	-	2,258,135	454,975	1,921,771
Household sectors	-	-	-	-	-	44,033,381	-	44,033,381	-	2,273,312
Other sectors	-	-	5,242	2,180,425	906,615	-	941	3,093,223	225,747	703,759
	5,204,364	1,287,089	26,037	12,526,670	1,348,844	58,153,769	239,257	78,786,030	1,822,909	9,357,082

* Financing commitments excluding derivative financial assets

(ii) Collateral

The main types of collateral obtained by the Bank to mitigate the credit risk are as follows:

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing under Ijarah Thumma Al-Bai – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or cash deposits

As at 31 December 2022 and 31 December 2021, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iii) Credit quality of financing, advances and others**

The credit quality of the Bank's financing, advances and others are summarised as follows:

Group and Bank 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired ("NPDNI"):				
– Excellent	56,362,010	1,249,542	–	57,611,552
– Satisfactory	5,492,711	993,602	–	6,486,313
– Fair	225,748	114,210	–	339,958
	62,080,469	2,357,354	–	64,437,823
Past due but not impaired ("PDNI")	–	668,802	–	668,802
Impaired	–	–	835,232	835,232
Gross carrying amount	62,080,469	3,026,156	835,232	65,941,857
Financing commitments				
NPDNI:				
– Excellent	6,230,780	137,500	–	6,368,280
– Satisfactory	2,544,577	189,731	–	2,734,308
– Fair	52,339	4,715	–	57,054
	8,827,696	331,946	–	9,159,642
PDNI	–	10,087	–	10,087
Impaired	–	–	31,865	31,865
Gross exposure	8,827,696	342,033	31,865	9,201,594
Impairment allowances	(343,543)	(222,838)	(449,263)	(1,015,644)
Net exposure	70,564,622	3,145,351	417,834	74,127,807
Financial guarantee contracts				
NPDNI:				
– Excellent	1,078,020	23,571	–	1,101,591
– Satisfactory	681,327	141,151	–	822,478
– Fair	647	941	–	1,588
	1,759,994	165,663	–	1,925,657
PDNI	–	–	–	–
Impaired	–	–	599	599
Gross exposure	1,759,994	165,663	599	1,926,256
Impairment allowances	(22,508)	(1,559)	(152)	(24,219)
Net exposure	1,737,486	164,104	447	1,902,037

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for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

The credit quality of the Bank's financing, advances and others are summarised as follows: (continued)

Group and Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired ("NPDNI"):				
– Excellent	53,198,963	774,614	–	53,973,577
– Satisfactory	3,178,361	778,566	–	3,956,927
– Fair	166,537	137,945	–	304,482
	56,543,861	1,691,125	–	58,234,986
PDNI	–	414,366	–	414,366
Impaired	–	–	568,383	568,383
Gross carrying amount	56,543,861	2,105,491	568,383	59,217,735
Financing commitments				
NPDNI:				
– Excellent	8,898,782	179,252	–	9,078,034
– Satisfactory	198,506	3,584	–	202,090
– Fair	35,876	3,537	–	39,413
	9,133,164	186,373	–	9,319,537
PDNI	–	5,499	–	5,499
Impaired	–	–	32,046	32,046
Gross exposure	9,133,164	191,872	32,046	9,357,082
Impairment allowances	(463,844)	(279,621)	(272,660)	(1,016,125)
Net exposure	65,213,181	2,017,742	327,769	67,558,692
Financial guarantee contracts				
NPDNI:				
– Excellent	1,434,065	3,275	–	1,437,340
– Satisfactory	357,840	16,079	–	373,919
– Fair	428	172	–	600
	1,792,333	19,526	–	1,811,859
PDNI	–	11,045	–	11,045
Impaired	–	–	5	5
Gross exposure	1,792,333	30,571	5	1,822,909
Impairment allowances	(23,464)	(456)	–	(23,920)
Net exposure	1,768,869	30,115	5	1,798,989



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

No significant changes to estimation techniques or assumptions were made during the year.

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: Higher risks on payment obligations. Financial performance may continue to deteriorate.

Classification of financing, advances and others:-

- **Neither past due nor impaired financing**

Financing for which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.

- **Past due but not impaired financing**

Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

- **Impaired financing**

In addition to Note 2.1(a)(ii), financing is classified as impaired/defaulted:

- (i) where the principal or profit or both are past due for three months or more;
- (ii) in the case of revolving credit facilities, where the outstanding amount has remained in excess of the approved limit for a period of three months or more;
- (iii) where the amount is past due or the outstanding amount has been in excess of the approved limit for three months or less and the financing exhibits indications of significant credit weakness;
- (iv) as soon as default occurs where the principal and/or profit repayments are schedule on intervals of 3 months or longer.

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for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

Past due but not impaired financing

	Group and Bank			
	2022		2021	
	RM'000	% to gross financing	RM'000	% to gross financing
By ageing				
Month-in-arrears 1	452,425	0.69	217,722	0.37
Month-in-arrears 2	216,377	0.33	196,644	0.33
	668,802	1.02	414,366	0.70

Impaired financing

	Group and Bank	
	2022 RM'000	2021 RM'000
By ageing		
Month-in-arrears 0	83,572	279,211
Month-in-arrears 1	11,124	9,002
Month-in-arrears 2	6,102	3,746
Month-in-arrears 3 and above	734,434	276,424
	835,232	568,383

Impaired financing of which rescheduled and restructured financing

	Group and Bank	
	2022 RM'000	2021 RM'000
Consumer	40,756	26,791
Business	69,211	74,352
	109,967	101,143

Rescheduled or restructured financings are financings that have been rescheduled or restructured due to deterioration in the customers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to performing.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iii) Credit quality of financing, advances and others (continued)****Key macroeconomic variables**

The following table shows certain key macroeconomic variables ("MEV") used in modelling the allowance for credit losses for Stages 1 and 2. For the base, upside and downside scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-term view.

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months (2023)	Remaining forecast period (2024)	Next 12 months (2023)	Remaining forecast period (2024)	Next 12 months (2023)	Remaining forecast period (2024)
Consumer Price Index ("CPI")	1.90%	2.30%	2.04%	2.44%	1.10%	1.50%
Gross Domestic Production ("GDP")	4.45%	4.70%	5.67%	5.92%	-1.81%	-1.50%
House Price Index ("HPI")	1.74%	2.70%	2.10%	3.06%	0.68%	1.64%
Kuala Lumpur Composite Index ("KLCI")	1,640	1,677	1,742	1,779	1,029	1,066

An increase in unemployment rate or CPI will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (KLCI, HPI and GDP) will generally correlate with lower allowances for credit losses. If there is an event or situation that cannot be reflected in the MEVs such as the unprecedented COVID-19 pandemic, post-model or ECL overlays need to be considered.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and potential impact to delinquencies and defaults. The impact estimated at portfolio and maintained by the Group and by the Bank as at 31 December 2022 are RM143,263,000 (31 December 2021: RM335,526,000).

The reduction of ECL Overlays during the financial year were mainly due to the following:

	RM'000
Deterioration of accounts to stage 2 and stage 3	(93,121)
Remeasurement of overlays and changes of assumptions used in estimating and measuring overlays	(45,935)
Reversal of overlays due to good conduct of accounts	(49,304)
Revision of the forward looking adjustments ("FLA") for the extremely worst-case scenario	(3,903)
	(192,263)

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits

Credit quality of other financial assets by external rating is as follows:

Group 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI				
Debt instrument				
Government bonds and GG	8,361,333	–	–	8,361,333
Sukuk:				
Rated AAA	2,299,242	–	–	2,299,242
Rated AA1 to AA3	1,140,139	151,530	–	1,291,669
Lower than A	–	50,298	14,836	65,134
Gross carrying amount	11,800,714	201,828	14,836	12,017,378
Impairment allowances [^]	231	481	10,500	11,212
Derivative financial assets				
Bank and financial institution counterparties				122,144
Corporate				856
				123,000
Financial assets at FVTPL				
Government bonds and GG				49,847
Sukuk:				
Rated AA1 to AA3				5,021
				54,868
Financial assets at AC				
Government bonds and GG	2,934,910	–	–	2,934,910
Sukuk:				
Rated AAA	120,346	–	–	120,346
Net carrying amount	3,055,256	–	–	3,055,256
Other financial assets at AC				
Other unrated financial assets	578,615	–	4,086	582,701
Impairment allowances	–	–	(4,086)	(4,086)
Net carrying amount	578,615	–	–	578,615

[^] The impairment allowances are recognised in OCI reserve.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)**

Credit quality of other financial assets by external rating is as follows: (continued)

Group 2021	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI			
Debt instrument			
Government bonds and GG	8,690,000	–	8,690,000
Sukuk:			
Rated AAA	2,391,696	–	2,391,696
Rated AA1 to AA3	1,429,133	–	1,429,133
Lower than A	15,841	–	15,841
Gross carrying amount	12,526,670	–	12,526,670
Impairment allowances [^]	7,237	–	7,237
Derivative financial assets			
Bank and financial institution counterparties			16,044
Corporate			9,993
			26,037
Financial assets at FVTPL			
Government bonds and GG			1,131,574
Sukuk:			
Rated AA1 to AA3			155,525
			1,287,099
Financial assets at AC			
Government bonds and GG	1,348,844	–	1,348,844
MARC C	–	5,289	5,289
Impairment allowance	–	(5,289)	(5,289)
Net carrying amount	1,348,844	–	1,348,844
Other financial assets at AC			
Other unrated financial assets	294,508	2,975	297,483
Impairment allowances	–	(2,975)	(2,975)
Net carrying amount	294,508	–	294,508

[^] The impairment allowances are recognised in OCI reserve.

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)

Credit quality of other financial assets by external rating is as follows: (continued)

Bank 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI				
Debt instrument				
Government bonds and GG	8,361,333	–	–	8,361,333
Sukuk:				
Rated AAA	2,299,242	–	–	2,299,242
Rated AA1 to AA3	1,140,139	151,530	–	1,291,669
Lower than A	–	50,298	14,836	65,134
Gross carrying amount	11,800,714	201,828	14,836	12,017,378
Impairment allowances [^]	231	481	10,500	11,212
Derivative financial assets				
Bank and financial institution counterparties				122,144
Corporate				856
				123,000
Financial assets at FVTPL				
Government bonds and treasury bills				49,847
Sukuk:				
Rated AA1 to AA3				5,011
				54,858
Financial assets at AC				
Government bonds and GG	2,934,910	–	–	2,934,910
Sukuk:	–	–	–	–
Rated AAA	120,346	–	–	120,346
Net carrying amount	3,055,256	–	–	3,055,256
Other financial assets at AC				
Other unrated financial assets	480,595	–	4,086	484,681
Impairment allowances	–	–	(4,086)	(4,086)
Net carrying amount	480,595	–	–	480,595

[^] The impairment allowances are recognised in OCI reserve.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)**

Credit quality of other financial assets by external rating is as follows: (continued)

Bank 2021	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI			
Debt instrument			
Government bonds and treasury bills	8,690,000	–	8,690,000
Sukuk:			
Rated AAA	2,391,696	–	2,391,696
Rated AA1 to AA3	1,429,133	–	1,429,133
Lower than A	15,841	–	15,841
Gross carrying amount	12,526,670	–	12,526,670
Impairment allowances [^]	7,237	–	7,237
Derivative financial assets			
Bank and financial institution counterparties			16,044
Corporate			9,993
			26,037
Financial assets at FVTPL			
Government bonds and treasury bills			1,131,574
Sukuk:			
Rated AA1 to AA3			155,515
			1,287,089
Financial assets at AC			
Government bonds and GG	1,348,844	–	1,348,844
MARC C	–	5,289	5,289
Impairment allowance	–	(5,289)	(5,289)
Net carrying amount	1,348,844	–	1,348,844
Other financial assets at AC			
Other unrated financial assets	239,257	2,975	242,232
Impairment allowances	–	(2,975)	(2,975)
Net carrying amount	239,257	–	239,257

[^] The impairment allowances are recognised in OCI reserve.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Overview

Market risk is the risk of adverse impact to the Group's and the Bank's arising from fluctuations of market prices and rates. The following are the main market risk factors that the Group and the Bank are exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk, is the potential impact on the Group's and the Bank's profitability caused by changes in the rate of return due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's and the Bank's currency positions; and
- **Equity Instrument Risk:** the profitability impact on the Group's and the Bank's equity positions or investments caused by changes in equity prices or values.

The Group and the Bank separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board-approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's and the Bank's profit rate management of the Bank's assets and liabilities and investment portfolio mainly for liquidity management.

Market risk governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by the ALCO and/or BRC, guided by the Board-approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing market risk at strategic level.

Management of market risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's and the Bank's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

The Market Risk Management Department ("MRMD") is the independent risk control function that is responsible for the implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's and the Bank's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC. In addition, the market risk exposures and limits are reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, adhoc simulations and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's and the Bank's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group and the Bank.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(i) Profit rate risk**

The table below summarises the Group's and the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group 2022	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	6,327,678	-	-	-	-	817,436	-	7,145,114	2.04
Financial assets at FVTPL	-	-	-	-	-	-	299,128	299,128	-0.07
Derivative financial assets	-	-	-	-	-	-	123,000	123,000	1.66
Financial assets at FVOCI	246,611	317,855	1,798,666	6,783,979	2,946,306	-	-	12,093,417	2.92
Financial assets at amortised cost	-	208,783	966,785	1,190,089	689,599	-	-	3,055,256	2.65
Financing, advances and others									
– non-impaired	52,476,405	4,998,646	1,223,793	1,455,143	4,659,256	293,383	-	65,106,626	4.65
– impaired net of allowances *	-	-	-	-	-	(204,632)	-	(204,632)	-
Other financial assets at amortised cost	-	-	-	-	-	578,615	-	578,615	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	950,508	-	950,508	-
Total assets	59,050,694	5,525,284	3,989,244	9,429,211	8,295,161	2,435,310	422,128	89,147,032	
Liabilities									
Deposits from customers	13,315,612	13,738,264	10,503,444	2,571,806	91,608	20,486,770	-	60,707,504	1.72
Investment accounts of customers	2,459,970	1,429,276	3,256,789	1,746	-	7,313,658	-	14,461,439	1.40
Deposits from banks and other financial institutions	-	70,068	-	-	-	-	-	70,068	-
Derivative financial liabilities	-	-	-	-	-	-	137,324	137,324	1.85
Bills and acceptance payable	-	-	-	-	-	22,441	-	22,441	-
Recourse obligations on financing sold to Cagamas	-	-	1,500,000	1,500,000	-	5,343	-	3,005,343	4.28
Subordinated Sukuk Murabahah	-	-	-	-	2,200,000	22,092	-	2,222,092	4.14
Other liabilities	-	-	-	-	-	2,070,964	-	2,070,964	-
Lease liabilities	1,175	2,362	11,910	59,355	220,783	-	-	295,585	-
Total liabilities	15,776,757	15,239,970	15,272,143	4,132,907	2,512,391	29,921,268	137,324	82,992,760	
On-balance sheet profit sensitivity gap	43,273,937	(9,714,686)	(11,282,899)	5,296,304	5,782,770	(27,485,958)	284,804	6,154,272	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	42,286	-	-	-	42,286	
Total profit sensitivity gap	43,273,937	(9,714,686)	(11,282,899)	5,338,590	5,782,770	(27,485,958)	284,804	6,196,558	

* This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group 2021	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,468,535	-	-	-	-	754,313	-	5,222,848	1.53
Financial assets at FVTPL	-	-	-	-	-	-	1,582,494	1,582,494	2.51
Derivative financial assets	-	-	-	-	-	-	26,037	26,037	0.34
Financial assets at FVOCI	748,201	200,402	2,227,959	6,755,240	2,672,402	-	-	12,604,204	3.69
Financial assets at amortised cost	-	-	50,529	1,288,203	10,112	-	-	1,348,844	2.04
Financing, advances and others									
- non-impaired	46,991,212	4,788,799	1,040,059	1,251,679	3,656,933	920,670	-	58,649,352	4.24
- impaired net of allowances *	-	-	-	-	-	(495,583)	-	(495,583)	-
Other financial assets at amortised cost	-	-	-	-	-	294,508	-	294,508	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	264,050	-	264,050	-
Total assets	52,207,948	4,989,201	3,318,547	9,295,122	6,339,447	1,737,958	1,608,531	79,496,754	
Liabilities									
Deposits from customers	13,126,938	9,285,290	14,086,170	497,276	48,874	20,294,286	-	57,338,834	1.45
Investment accounts of customers	1,340,131	1,322,364	1,126,857	7,913	-	6,655,637	-	10,452,902	1.29
Derivative financial liabilities	-	-	-	-	-	-	20,421	20,421	0.27
Bills and acceptance payable	-	-	-	-	-	20,112	-	20,112	-
Recourse obligations on financing sold to Cagamas	-	-	-	2,000,000	-	1,720	-	2,001,720	4.36
Subordinated Sukuk Murabahah	-	-	-	-	2,000,000	14,849	-	2,014,849	4.11
Other liabilities	-	-	-	-	-	1,570,602	-	1,570,602	-
Lease liabilities	728	2,283	9,409	53,502	237,526	-	-	303,448	-
Total liabilities	14,467,797	10,609,937	15,222,436	2,558,691	2,286,400	28,557,206	20,421	73,722,888	
On-balance sheet profit sensitivity gap	37,740,151	(5,620,736)	(11,903,889)	6,736,431	4,053,047	(26,819,248)	1,588,110	5,773,866	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	79,153	-	-	-	79,153	
Total profit sensitivity gap	37,740,151	(5,620,736)	(11,903,889)	6,815,584	4,053,047	(26,819,248)	1,588,110	5,853,019	

* This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank 2022	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	6,311,925	-	-	-	-	816,234	-	7,128,159	2.04
Financial assets at FVTPL	-	-	-	-	-	-	272,735	272,735	-0.12
Derivative financial assets	-	-	-	-	-	-	123,000	123,000	1.66
Financial assets at FVOCI	247,498	317,855	1,798,666	6,783,979	2,946,306	-	-	12,094,304	2.92
Financial assets at amortised cost	-	208,783	966,785	1,190,089	689,599	-	-	3,055,256	2.65
Financing, advances and others									
– non-impaired	52,476,405	4,998,646	1,223,793	1,455,143	4,659,256	293,383	-	65,106,626	4.65
– impaired net of allowances *	-	-	-	-	-	(204,632)	-	(204,632)	-
Other financial assets at amortised cost	-	-	-	-	-	480,595	-	480,595	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	950,508	-	950,508	-
Total assets	59,035,828	5,525,284	3,989,244	9,429,211	8,295,161	2,336,088	395,735	89,006,551	
Liabilities									
Deposits from customers	13,316,727	13,739,569	10,509,901	2,571,806	91,608	20,592,104	-	60,821,715	1.72
Investment accounts of customers	2,483,432	1,508,975	3,257,151	1,746	-	7,313,658	-	14,564,962	1.40
Deposits from banks and financial institutions	-	70,068	-	-	-	-	-	70,068	-
Derivative financial liabilities	-	-	-	-	-	-	137,324	137,324	1.85
Bills and acceptance payable	-	-	-	-	-	22,441	-	22,441	-
Recourse obligations on financing sold to Cagamas	-	-	1,500,000	1,500,000	-	5,343	-	3,005,343	4.28
Subordinated Sukuk Murabahah	-	-	-	-	2,200,000	22,092	-	2,222,092	4.14
Other liabilities	-	-	-	-	-	1,910,462	-	1,910,462	-
Lease liabilities	1,129	2,270	11,630	59,355	220,783	-	-	295,167	5.70
Total liabilities	15,801,288	15,320,882	15,278,682	4,132,907	2,512,391	29,866,100	137,324	83,049,574	
On-balance sheet profit sensitivity gap	43,234,540	(9,795,598)	(11,289,438)	5,296,304	5,782,770	(27,530,012)	258,411	5,956,977	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	42,286	-	-	-	42,286	
Total profit sensitivity gap	43,234,540	(9,795,598)	(11,289,438)	5,338,590	5,782,770	(27,530,012)	258,411	5,999,263	

* This is arrived at after impairment allowances from the outstanding gross impaired financing.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank 2021	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,453,177	-	-	-	-	751,187	-	5,204,364	1.53
Financial assets at FVTPL	-	-	-	-	-	-	1,550,700	1,550,700	2.50
Derivative financial assets	-	-	-	-	-	-	26,037	26,037	0.34
Financial assets at FVOCI	749,064	200,402	2,227,959	6,755,240	2,672,402	-	-	12,605,067	3.69
Financial assets at amortised cost	-	-	50,529	1,288,203	10,112	-	-	1,348,844	2.04
Financing, advances and others									
- non-impaired	46,991,212	4,788,799	1,040,059	1,251,679	3,656,933	920,670	-	58,649,352	4.24
- impaired net of allowances *	-	-	-	-	-	(495,583)	-	(495,583)	-
Other financial assets at amortised cost	-	-	-	-	-	239,257	-	239,257	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	264,050	-	264,050	
Total assets	52,193,453	4,989,201	3,318,547	9,295,122	6,339,447	1,679,581	1,576,737	79,392,088	
Liabilities									
Deposits from customers	13,127,720	9,286,497	14,094,624	497,276	48,874	20,308,935	-	57,363,926	1.45
Investment accounts of customers	1,371,739	1,399,335	1,126,857	8,033	-	6,655,637	-	10,561,601	1.29
Derivative financial liabilities	-	-	-	-	-	-	20,421	20,421	0.27
Bills and acceptance payable	-	-	-	-	-	20,112	-	20,112	-
Recourse obligations on financing sold to Cagamas	-	-	-	2,000,000	-	1,720	-	2,001,720	4.36
Subordinated Sukuk Murabahah	-	-	-	-	2,000,000	14,849	-	2,014,849	4.11
Other liabilities	-	-	-	-	-	1,538,375	-	1,538,375	-
Lease liabilities	683	2,191	9,082	53,502	237,526	-	-	302,984	5.70
Total liabilities	14,500,142	10,688,023	15,230,563	2,558,811	2,286,400	28,539,628	20,421	73,823,988	
On-balance sheet profit sensitivity gap	37,693,311	(5,698,822)	(11,912,016)	6,736,311	4,053,047	(26,860,047)	1,556,316	5,568,110	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	79,153	-	-	-	79,153	
Total profit sensitivity gap	37,693,311	(5,698,822)	(11,912,016)	6,815,464	4,053,047	(26,860,047)	1,556,316	5,647,253	

* This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(i) Profit rate risk (continued)****Profit rate risk in the banking book portfolio**

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings at Risk ("EaR") and Economic Value of Equity ("EVE").

The Group and the Bank monitor the sensitivity of EaR and EVE under varying profit rate scenarios (i.e. simulation modeling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategise to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Bank's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group's and the Bank's profit rate sensitivity to a 150 basis points parallel shift as at reporting date.

	Impact on profit after tax/reserves – Increase/(Decrease)			
	2022		2021	
	-150bps RM million	+150bps RM million	+150bps RM million	+150bps RM million
Group				
Impact on EaR	(194.6)	194.6	(206.6)	206.6
Impact on EVE	381.7	(381.7)	294.0	(294.0)
Bank				
Impact on EaR	(192.3)	192.3	(204.7)	204.7
Impact on EVE	380.0	(380.0)	293.6	(293.6)

Control to manage the profit rate risk in the banking book portfolio includes present value of 1 basis point change ("PV01") which measures the portfolio's sensitivity to market rates movement.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Market risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and controlled using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VaR model used by the Bank are based on historical simulation which derives plausible future scenarios from past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios at the reporting date is as follows:

Bank	As at 31.12.2022 RM million	1.1.2021 to 31.12.2022		
		Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	0.004	0.58	1.66	0.004
Foreign exchange risk	0.19	1.58	3.35	0.19
Overall	0.20	2.15	4.49	0.20

Bank	As at 31.12.2021 RM million	1.1.2021 to 31.12.2021		
		Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	0.14	1.05	2.39	0.14
Foreign exchange risk	0.36	0.66	1.19	0.34
Overall	0.50	1.71	2.78	0.50

In addition to VaR, the Bank has put in place the maximum loss limits, position limits, tenor limits and PV01 limits in monitoring the trading book portfolio.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(iii) Foreign exchange risk**

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. The Bank also has in place the sensitivity limit. For the Bank-wide (trading book and banking book portfolios) foreign exchange risk, the Bank manage and control by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	Impact on profit after tax - Increase/(Decrease)			
	2022		2021	
	-1% Depreciation RM'000	+1% Appreciation RM'000	-1% Depreciation RM'000	+1% Appreciation RM'000
Bank				
US Dollar vs RM	(4,805)	4,805	12,136	(12,136)
Euro vs RM	4,348	(4,348)	4,576	(4,576)
Others vs RM	(143)	143	(193)	193

(d) Liquidity risk**Overview**

Liquidity risk is the potential inability of the Group and the Bank to meet its funding needs and regulatory obligation when they fall due, or will have to do it at excessive cost. This risk can arise from mismatches in the timing of cash flows.

The Group and the Bank maintains a diversified and stable funding base comprising of retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objective of the Group's and the Bank's liquidity management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market remains accessible and cost effective.

Savings account, current account, investment accounts (IA) and term deposits form a critical part of the Group's and the Bank's funding profile and the Group and the Bank place considerable importance on maintaining their stability. The stability depends upon preserving depositor confidence in the Group and the Bank and the Group's and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Overview (continued)

The Group's and the Bank's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits are approved by the ALCO and/or BRC. The limits vary to take account of the depth and liquidity of the local market in which the Group and the Bank operate. The Group and the Bank maintain a strong liquidity position and manage the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity risk at strategic level.

Management of liquidity risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and other risk controls are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring cash flows are relatively diversified across all maturities;
- Ensuring deposit base is diversified and not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market
- Maintain sufficient highly liquid financial assets;
- Not over-extending financing activities relative to the deposit base; and
- Not over-relying on non-Ringggit liabilities to fund Ringggit assets.

MRMD is also responsible for the implementation of liquidity risk management framework. It develops the Group's and the Bank's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC, with proper authorities to ratify or approve any excess. In addition, the liquidity risk exposures and limits are reported to the ALCO and the BRC.

Stress testing and scenario analysis are important tools used by the Group and the Bank to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group and the Bank.

Another key control feature of the Group's and the Bank's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on the actions to be taken in order to minimise the adverse implications to the Group and the Bank.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Maturity analysis**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

Group As at 31 December 2022	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	817,436	6,327,678	-	-	-	-	7,145,114
Financial assets at FVTPL	-	244,270	49,845	5,010	-	3	299,128
Derivative financial assets	-	40,263	77,540	4,949	75	173	123,000
Financial assets at FVOCI	-	246,611	317,855	376,002	1,422,664	9,730,285	12,093,417
Financial assets at amortised cost	-	-	208,783	20,292	946,493	1,879,688	3,055,256
Financing, advances and others	-	4,027,871	1,391,930	584,178	585,384	58,312,631	64,901,994
Other financial assets at amortised cost	578,615	-	-	-	-	-	578,615
Statutory deposits with Bank Negara Malaysia	950,508	-	-	-	-	-	950,508
Total assets	2,346,559	10,886,693	2,045,953	990,431	2,954,616	69,922,780	89,147,032
Liabilities							
Deposits from customers	20,486,770	13,315,612	13,738,264	6,667,213	3,836,231	2,663,414	60,707,504
Investment accounts of customers	7,313,658	2,459,970	1,429,276	3,059,148	197,641	1,746	14,461,439
Deposits from banks and other financial institutions	-	-	70,068	-	-	-	70,068
Derivative financial liabilities	-	41,938	77,808	17,477	-	101	137,324
Bills and acceptance payable	22,441	-	-	-	-	-	22,441
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,505,343	3,005,343
Subordinated sukuk and capital securities	-	-	13,175	8,917	-	2,200,000	2,222,092
Other liabilities	2,070,964	-	-	-	-	-	2,070,964
Lease liabilities	-	1,175	2,362	3,752	8,158	280,138	295,585
Total liabilities	29,893,833	15,818,695	15,330,953	11,256,507	4,042,030	6,650,742	82,992,760
Net liquidity gap on statement of financial position	(27,547,274)	(4,932,002)	(13,285,000)	(10,266,076)	(1,087,414)	63,272,038	6,154,272

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (continued)

Group As at 31 December 2021	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	754,313	4,468,535	–	–	–	–	5,222,848
Financial assets at FVTPL	295,395	10,225	494,559	447,071	335,244	–	1,582,494
Derivative financial assets	–	5,316	7,759	11,972	73	917	26,037
Financial assets at FVOCI	77,534	670,667	200,402	1,010,231	1,217,728	9,427,642	12,604,204
Financial assets at amortised cost	–	–	–	50,529	–	1,298,315	1,348,844
Financing, advances and others	–	2,405,500	1,325,153	691,800	505,753	53,225,563	58,153,769
Other financial assets at amortised cost	294,508	–	–	–	–	–	294,508
Statutory deposits with Bank Negara Malaysia	264,050	–	–	–	–	–	264,050
Total assets	1,685,800	7,560,243	2,027,873	2,211,603	2,058,798	63,952,437	79,496,754
Liabilities							
Deposits from customers	20,294,286	13,126,938	9,285,290	8,116,272	5,969,898	546,150	57,338,834
Investment accounts of customers	6,655,637	1,340,131	1,322,364	907,940	218,917	7,913	10,452,902
Derivative financial liabilities	–	5,176	7,565	6,387	625	668	20,421
Bills and acceptance payable	20,112	–	–	–	–	–	20,112
Recourse obligations on financing sold to Cagamas	–	–	–	–	–	2,001,720	2,001,720
Subordinated sukuk and capital securities	–	–	3,945	10,904	–	2,000,000	2,014,849
Other liabilities	1,570,602	–	–	–	–	–	1,570,602
Lease liabilities	–	728	2,283	3,461	5,948	291,028	303,448
Total liabilities	28,540,637	14,472,973	10,621,447	9,044,964	6,195,388	4,847,479	73,722,888
Net liquidity gap on statement of financial position	(26,854,837)	(6,912,730)	(8,593,574)	(6,833,361)	(4,136,590)	59,104,958	5,773,866



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2022	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	816,234	6,311,925	-	-	-	-	7,128,159
Financial assets at FVTPL	-	217,877	49,845	5,010	-	3	272,735
Derivative financial assets	-	40,263	77,540	4,949	75	173	123,000
Financial assets at FVOCI	-	247,498	317,855	376,002	1,422,664	9,730,285	12,094,304
Financial assets at amortised cost	-	-	208,783	20,292	946,493	1,879,688	3,055,256
Financing, advances and others	-	4,027,871	1,391,930	584,178	585,384	58,312,631	64,901,994
Other financial assets at amortised cost	480,595	-	-	-	-	-	480,595
Statutory deposits with Bank Negara Malaysia	950,508	-	-	-	-	-	950,508
Total assets	2,247,337	10,845,434	2,045,953	990,431	2,954,616	69,922,780	89,006,551
Liabilities							
Deposits from customers	20,592,104	13,316,727	13,739,569	6,670,552	3,839,349	2,663,414	60,821,715
Investment accounts of customers	7,313,658	2,483,432	1,508,975	3,059,370	197,781	1,746	14,564,962
Deposits from banks and other financial institutions	-	-	70,068	-	-	-	70,068
Derivative financial liabilities	-	41,938	77,808	17,477	-	101	137,324
Bills and acceptance payable	22,441	-	-	-	-	-	22,441
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,505,343	3,005,343
Subordinated sukuk and capital securities	-	-	13,175	8,917	-	2,200,000	2,222,092
Other liabilities	1,910,462	-	-	-	-	-	1,910,462
Lease liabilities	-	1,129	2,270	3,613	8,017	280,138	295,167
Total liabilities	29,838,665	15,843,226	15,411,865	11,259,929	4,045,147	6,650,742	83,049,574
Net liquidity gap on statement of financial position	(27,591,328)	(4,997,792)	(13,365,912)	(10,269,498)	(1,090,531)	63,272,038	5,956,977

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2021	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	751,187	4,453,177	–	–	–	–	5,204,364
Financial assets at FVTPL	263,611	10,215	494,559	447,071	335,244	–	1,550,700
Derivative financial assets	–	5,316	7,759	11,972	73	917	26,037
Financial assets at FVOCI	78,397	670,667	200,402	1,010,231	1,217,728	9,427,642	12,605,067
Financial assets at amortised cost	–	–	–	50,529	–	1,298,315	1,348,844
Financing, advances and others	–	2,405,500	1,325,153	691,800	505,753	53,225,563	58,153,769
Other financial assets at amortised cost	239,257	–	–	–	–	–	239,257
Statutory deposits with Bank Negara Malaysia	264,050	–	–	–	–	–	264,050
Total assets	1,596,502	7,544,875	2,027,873	2,211,603	2,058,798	63,952,437	79,392,088
Liabilities							
Deposits from customers	20,308,935	13,127,720	9,286,497	8,120,947	5,973,677	546,150	57,363,926
Investment accounts of customers	6,655,637	1,371,739	1,399,335	907,940	218,917	8,033	10,561,601
Derivative financial liabilities	–	5,176	7,565	6,387	625	668	20,421
Bills and acceptance payable	20,112	–	–	–	–	–	20,112
Recourse obligations on financing sold to Cagamas	–	–	–	–	–	2,001,720	2,001,720
Subordinated sukuk and capital securities	–	–	3,945	10,904	–	2,000,000	2,014,849
Other liabilities	1,538,375	–	–	–	–	–	1,538,375
Lease liabilities	–	683	2,191	3,322	5,760	291,028	302,984
Total liabilities	28,523,059	14,505,318	10,699,533	9,049,500	6,198,979	4,847,599	73,823,988
Net liquidity gap on statement of financial position	(26,926,557)	(6,960,443)	(8,671,660)	(6,837,897)	(4,140,181)	59,104,838	5,568,100

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Contractual maturity of financial liabilities on an undiscounted basis**

The table below present the cash flows payable by the Group and Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group As at 31 December 2022	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	33,061,779	14,473,079	6,511,528	4,209,466	3,124,189	61,380,041
Investment accounts of customers	9,749,120	1,501,789	3,094,246	208,390	1,807	14,555,352
Deposits and placements of bank and other financial institutions	–	70,690	–	–	–	70,690
Derivative financial liabilities	41,876	78,568	19,641	8,792	2,045	150,922
<i>Forward contract</i>	41,806	77,940	17,477	–	–	137,223
<i>Islamic Profit Rate Swap</i>	70	628	2,164	8,792	2,045	13,699
Bills and acceptance payable	22,441	–	–	–	–	22,441
Recourse obligations on financing sold to Cagamas	11,110	22,222	1,527,473	31,507	1,695,306	3,287,618
Subordinated sukuk and capital securities	–	20,485	26,301	47,068	2,752,960	2,846,814
Other liabilities	1,695,964	–	–	–	375,000	2,070,964
Lease liabilities	2,550	5,081	7,792	16,121	395,745	427,289
	44,584,840	16,171,914	11,186,981	4,521,344	8,347,052	84,812,131
Commitments and Contingencies						
Financial guarantee contracts	148,283	221,488	187,671	487,916	880,898	1,926,256
	148,283	221,488	187,671	487,916	880,898	1,926,256

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

Group As at 31 December 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	32,567,363	10,079,216	7,855,452	6,427,787	614,697	57,544,515
Investment accounts of customers	8,019,903	1,432,649	796,052	341,948	8,287	10,598,839
Derivative financial liabilities	5,239	9,929	13,915	31,208	136,957	197,248
<i>Forward contract</i>	4,995	7,746	6,387	625	–	19,753
<i>Islamic Profit Rate Swap</i>	244	2,183	7,528	30,583	136,957	177,495
Bills and acceptance payable	20,112	–	–	–	–	20,112
Recourse obligations on financing sold to Cagamas	7,120	14,240	21,359	42,719	2,050,345	2,135,783
Subordinated sukuk and capital securities	–	7,479	33,843	41,810	2,593,902	2,677,034
Other liabilities	1,270,602	–	–	–	300,000	1,570,602
Lease liabilities	2,542	5,084	7,626	14,155	422,605	452,012
	41,892,881	11,548,597	8,728,247	6,899,627	6,126,793	75,196,145
Commitments and Contingencies						
Financial guarantee contracts	205,501	144,324	132,935	365,503	974,646	1,822,909
	205,501	144,324	132,935	365,503	974,646	1,822,909

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Contractual maturity of financial liabilities on an undiscounted basis (continued)**

Bank As at 31 December 2022	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	33,168,234	14,474,390	6,514,897	4,212,654	3,124,189	61,494,364
Investment accounts of customers	9,767,598	1,586,919	3,094,470	208,534	1,807	14,659,328
Deposits and placements of bank and other financial institutions	–	70,690	–	–	–	70,690
Derivative financial liabilities	41,876	78,568	19,641	8,792	2,045	150,922
<i>Forward contract</i>	41,806	77,940	17,477	–	–	137,223
<i>Islamic Profit Rate Swap</i>	70	628	2,164	8,792	2,045	13,699
Bills and acceptance payable	22,441	–	–	–	–	22,441
Recourse obligations on financing sold to Cagamas	11,110	22,222	1,527,473	31,507	1,695,306	3,287,618
Subordinated sukuk and capital securities	–	20,485	26,301	47,068	2,752,960	2,846,814
Other liabilities	1,535,462	–	–	–	375,000	1,910,462
Lease liabilities	2,495	4,989	7,653	15,980	395,745	426,862
	44,549,216	16,258,263	11,190,435	4,524,535	8,347,052	84,869,501
Commitments and Contingencies						
Financial guarantee contracts	148,283	221,488	187,671	487,916	880,898	1,926,256
	148,283	221,488	187,671	487,916	880,898	1,926,256

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank As at 31 December 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	32,567,363	10,079,216	7,855,452	6,427,787	614,697	57,544,515
Investment accounts of customers	8,019,903	1,432,649	796,052	341,948	8,287	10,598,839
Derivative financial liabilities	5,239	9,929	13,915	31,208	136,957	197,248
<i>Forward contract</i>	4,995	7,746	6,387	625	–	19,753
<i>Islamic Profit Rate Swap</i>	244	2,183	7,528	30,583	136,957	177,495
Bills and acceptance payable	20,112	–	–	–	–	20,112
Recourse obligations on financing sold to Cagamas	7,120	14,240	21,359	42,719	2,050,345	2,135,783
Subordinated sukuk and capital securities	–	7,479	33,843	41,810	2,593,902	2,677,034
Other liabilities	1,238,375	–	–	–	300,000	1,538,375
Lease liabilities	2,495	4,989	7,484	13,965	422,605	451,538
	41,860,607	11,548,502	8,728,105	6,899,437	6,126,793	75,163,444
Commitments and Contingencies						
Financial guarantee contracts	205,501	144,324	132,935	365,503	974,646	1,822,909
	205,501	144,324	132,935	365,503	974,646	1,822,909

(e) Operational Risk

Overview

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk.

Management of operational risk

The Group and the Bank recognises and emphasises the importance of operational risk management ("ORM") and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits.



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational Risk (continued)

Management of operational risk (continued)

The Group's and the Bank's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

- **1st line of defence** – The risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. Head of Division/Department ("HOD") are accountable for effective management of operational risk within their respective divisions.

To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Group and the Bank.

In addition, an Embedded Risk & Compliance Unit ("ERU") has been established within the significant business and support units ("BU/SU"). The ERU would assist in implementing and monitoring the ORM activities within the BU/SU. The ERU's relationship and knowledge of the business allow for a more focused implementation and effective oversight of ORM within the BU/SU.

- **2nd line of defence** – Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM via an integrated operational risk management system, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group and the Bank.

Shariah Risk Management ("SRM") Unit of ORMD, Group Compliance Division which includes Shariah Compliance Department ("SCD") and Group Information Security Governance ("GISGD") complement the role of ORMD as the second line of defence. SRM is responsible for managing the Shariah compliance risk ("SCR") by establishing and maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

Group Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and develops, reviews and enhances compliance-related training programmes as well as conducts training that promotes awareness creation.

SCD of Group Compliance Division, is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities and services at BU/SU level.

GISGD is responsible in managing technology risk by establishing, maintaining and enforcing technology risk policies and guidelines, as well as promoting Group-wide awareness on technology risk. It also works closely with Group Digital Division ("GDD") in identifying, assessing, mitigating and monitoring of technology risk in the Group and the Bank.

- **3rd line of defence** – Group Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities

The Group and the Bank report financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Net amount presented in statement of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collateral received RM'000	
2022						
Derivatives assets	123,000	–	123,000	(62,402)	(130)	60,468
Derivatives liabilities	–	137,324	137,324	(62,402)	(130)	74,792
2021						
Derivatives assets	26,037	–	26,037	(14,574)	(130)	11,333
Derivatives liabilities	–	20,421	20,421	(14,574)	(130)	5,717



42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets measured at FVTPL and FVOCI

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

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42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profiles.

Fair value hierarchy

MFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- **Level 1** – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rate swaps and structured debt. The sources of input parameters include BNM indicative yields or counterparty credit risk.
- **Level 3** – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The table does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

**42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Fair value hierarchy (continued)**

Group 31 December 2022	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Financial assets							
Financial assets at FVTPL	-	299,128	-	299,128	-	299,128	299,128
Derivative financial assets	-	123,000	-	123,000	-	123,000	123,000
Financial assets at FVOCI	7,000	12,017,378	69,039	12,093,417	-	12,093,417	12,093,417
Financial assets at AC	-	-	-	-	3,008,360	3,008,360	3,055,256
Financing, advances and others	-	-	-	-	68,151,645	68,151,645	64,901,994
Financial liabilities							
Derivative financial liabilities	-	137,324	-	137,324	-	137,324	137,324
Recourse obligations on financing sold to Cagamas	-	-	-	-	3,011,090	3,011,090	3,005,343
Subordinated sukuk and capital securities	-	-	-	-	2,181,013	2,181,013	2,222,092

Group 31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Financial assets							
Financial assets at FVTPL	-	1,582,494	-	1,582,494	-	1,582,494	1,582,494
Derivative financial assets	-	26,037	-	26,037	-	26,037	26,037
Financial assets at FVOCI	17,004	12,526,670	60,530	12,604,204	-	12,604,204	12,604,204
Financial assets at AC	-	-	-	-	1,330,502	1,330,502	1,348,844
Financing, advances and others	-	-	-	-	61,303,303	61,303,303	58,153,769
Financial liabilities							
Derivative financial liabilities	-	20,421	-	20,421	-	20,421	20,421
Recourse obligations on financing sold to Cagamas	-	-	-	-	2,044,330	2,044,330	2,001,720
Subordinated sukuk and capital securities	-	-	-	-	2,009,745	2,009,745	2,014,849

Notes to the financial statements

for the financial year ended 31 December 2022

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Bank							
31 December 2022							
Financial assets							
Financial assets at FVTPL	-	272,735	-	272,735	-	272,735	272,735
Derivative financial assets	-	123,000	-	123,000	-	123,000	123,000
Financial assets at FVOCI	7,000	12,017,378	69,926	12,094,304	-	12,094,304	12,094,304
Financial assets at AC	-	-	-	-	3,008,360	3,008,360	3,055,256
Financing, advances and others	-	-	-	-	68,151,645	68,151,645	64,901,994
Financial liabilities							
Derivative financial liabilities	-	137,324	-	137,324	-	137,324	137,324
Recourse obligations on financing sold to Cagamas	-	-	-	-	3,011,090	3,011,090	3,005,343
Subordinated sukuk and capital securities	-	-	-	-	2,181,013	2,181,013	2,222,092

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Bank							
31 December 2021							
Financial assets							
Financial assets at FVTPL	-	1,550,700	-	1,550,700	-	1,550,700	1,550,700
Derivative financial assets	-	26,037	-	26,037	-	26,037	26,037
Financial assets at FVOCI	17,004	12,526,670	61,393	12,605,067	-	12,605,067	12,605,067
Financial assets at AC	-	-	-	-	1,330,502	1,330,502	1,348,844
Financing, advances and others	-	-	-	-	61,303,303	61,303,303	58,153,769
Financial liabilities							
Derivative financial liabilities	-	20,421	-	20,421	-	20,421	20,421
Recourse obligations on financing sold to Cagamas	-	-	-	-	2,044,330	2,044,330	2,001,720
Subordinated sukuk and capital securities	-	-	-	-	2,009,745	2,009,745	2,014,849

**42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Unobservable inputs used in measuring fair value**

The following tables show the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at FVOCI	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

(b) Financial instruments not carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted mid prices. For non-actively traded securities, the fair values are estimated using valuation techniques such as discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values 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 borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah and Recourse obligations on financing sold to Cagamas

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risk profiles.

43. CAPITAL COMMITMENTS

	Group and Bank	
	2022 RM'000	2021 RM'000
Property and equipment Contracted but not provided for in the financial statements	277,699	205,214

Notes to the financial statements

for the financial year ended 31 December 2022

42. COMMITMENTS AND CONTINGENCIES

(a) Commitment and contingencies

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2022

Nature of item	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures				
Direct credit substitutes	533,884		533,884	578,339
Transaction related contingent items	985,002		492,501	483,516
Short-term self-liquidating trade related contingencies	407,370		81,474	80,143
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	1,392,315		696,158	575,432
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,809,279		–	–
	11,127,850		1,804,017	1,717,430

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	7,713,420	122,827	212,579	78,664
Profit rate related contracts				
– one year to less than five years	42,286	173	501	325
	7,755,706	123,000	213,080	78,989
Total	18,883,556	123,000	2,017,097	1,796,419

**42. COMMITMENTS AND CONTINGENCIES (CONTINUED)****(a) Commitment and contingencies (continued)**

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows: (continued)

31 December 2021

Nature of item	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Credit related exposures</i>				
Direct credit substitutes	501,511		501,511	503,088
Transaction related contingent items	903,458		451,729	438,976
Short-term self-liquidating trade related contingencies	417,940		83,588	83,012
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	1,246,592		623,295	503,494
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,110,490		–	–
	<u>11,179,991</u>		<u>1,660,123</u>	<u>1,528,570</u>
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
– less than one year	7,505,850	25,120	114,431	66,277
Profit rate related contracts				
– one year to less than five years	79,153	917	2,368	1,735
	<u>7,585,003</u>	<u>26,037</u>	<u>116,799</u>	<u>68,012</u>
Total	18,764,994	26,037	1,776,922	1,596,582

Notes to the financial statements

for the financial year ended 31 December 2022

42. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingent liabilities

Perbadanan Harta Intelek Malaysia ("MyIPO" or "Plaintiff") vide a Writ and Statement of Claim dated 18 October 2021, filed a claim against BIMB Investment Management Berhad ("BIMB Invest" or "First Defendant"), a wholly owned subsidiary of the Bank and Ahmad Azwan Bin Aboo Mansor ("Second Defendant")

The Plaintiff has filed a statement of claim that the Defendants are liable for loss and damage caused by fraudulent misrepresentation, negligence, and breach of statutory duty in respect of placement of monies amounting to RM85.5 million with the First Defendant upon representation made by Second Defendant.

BIMB Invest had on 8 December 2021 filed a Defense and subsequently, the Reply to Defense by the Plaintiff was filed on 5 January 2022.

The Court has fixed the next Case Management on 12 September 2022 with the directions, as follows;

- The Plaintiff is to file and serve its Affidavit in Reply on or before 29 July 2022;
- First Defendant is to file and serve its Affidavit in Reply on or before 12 August 2022;
- Both Parties are to file respective written submission simultaneously on or before 23 August 2022; and
- Both Parties are to file respective written submission in Reply simultaneously on or before 30 August 2022.

Hearing of Enclosure 32 and Case Management for Writ was fixed on 12 September 2022 with full trial fixed on the 27th, 28th and 29th of May 2024.

The potential liability of BIMB Invest if there was an adverse decision related to the claim is estimated to be approximately RM59.8 million.

The possible obligation towards BIMB Invest to settle the litigation claim is subject to decision by the court and as the case is still preliminary, the settlement to the litigation claim may not be probable at this juncture and therefore no provision is recognised in the financial statements.

45. CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Group and the Bank have been computed based on Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Group and the Bank is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively.

To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer ("CCB") of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I Capital above the minimum CET I Capital, Tier I Capital and Total Capital adequacy at 2.5% starting 1 January 2019 onwards.

Therefore, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 7.0%, 8.5% and 10.5% respectively starting year 2019 onwards. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

**45. CAPITAL ADEQUACY (CONTINUED)**

The capital adequacy ratios of the Group and the Bank are set out below:

	Group		Bank	
	2022	2021	2022	2021
Common Equity Tier I ("CET I") Capital Ratio	13.578%	13.179%	13.230%	12.799%
Tier I Capital Ratio	14.640%	13.179%	14.298%	12.799%
Total Capital Ratio	19.392%	18.561%	19.074%	18.203%

The components of CET I, Tier I and Tier II capital:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Paid-up share capital	3,645,043	3,445,757	3,645,043	3,445,757
Retained earnings	3,096,604	2,965,080	3,105,912	2,965,659
Other reserves	54,596	(10,899)	(56,368)	(121,843)
Less:				
Deferred tax assets	(212,349)	(193,214)	(211,377)	(191,773)
Regulatory reserves	(136,000)	–	(136,000)	–
Investment in subsidiaries	–	–	(100,905)	(100,905)
Intangible assets	(54,578)	–	(54,578)	–
Total CET I	6,393,316	6,206,724	6,191,727	5,996,895
Capital securities	500,000	–	500,000	–
Total Tier I Capital	6,893,316	6,206,724	6,691,727	5,996,895
Sukuk Murabahah	1,700,000	2,000,000	1,700,000	2,000,000
Loss provisions [^]	537,883	534,465	535,095	532,094
Total Tier II Capital	2,237,883	2,534,465	2,235,095	2,532,094
Total Capital	9,131,199	8,741,189	8,926,822	8,528,989

[^] Impairment allowances on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.

Notes to the financial statements

for the financial year ended 31 December 2022

45. CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit risk	53,650,821	50,180,739	53,513,221	50,080,971
Less: Credit risk absorbed by unrestricted investment accounts	(10,620,157)	(7,423,579)	(10,705,652)	(7,513,437)
	43,030,664	42,757,160	42,807,569	42,567,534
Market risk	84,876	489,559	84,876	489,559
Operational risk	3,971,313	3,847,886	3,909,361	3,797,811
	47,086,853	47,094,605	46,801,806	46,854,904

46. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties that have material transactions and their relationship with the Bank are as follows:

Parties	Relationship
Lembaga Tabung Haji	Major shareholder
Syarikat Takaful Malaysia Berhad	Other related companies
Subsidiaries of Bank Islam Malaysia Berhad as disclosed in Note 13	Subsidiaries
Associate company of Lembaga Tabung Haji	Other related companies
Koperasi Kakitangan Kumpulan BIMB Holdings Malaysia Berhad	Co-operative society in which the employees have interest

Related party transactions have been entered into in the normal course of business under normal trade terms.

**46. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (a) The related party transactions of the Bank, other than key management personnel compensation, are as follows (continued):

	Transaction amounts for	
	2022 RM'000	2021 RM'000
Major shareholder		
<u>Income</u>		
Wakalah fee	59	308
Office rental	68	65
Fees and commission	401	–
<u>Expenses</u>		
Income attributable to depositors	40,164	68,936
Income attributable to investment account holders	12,074	12,149
Finance cost on subordinated sukuk and capital securities	4,318	3,145
Office rental	1,250	1,260
Depreciation of right-of-use assets	13,193	13,193
Profit expense on lease	16,550	17,043
Other rental	359	335
Subsidiaries		
<u>Income</u>		
Fees and commission	4,466	5,518
Office rental	563	1,526
Others	59	115
<u>Expenses</u>		
Fees and commission	17,589	5,830
Income attributable to depositors	181	206
Income attributable to investment account holders	2,469	5,756
Office rental	196	179

Notes to the financial statements

for the financial year ended 31 December 2022

46. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The related party transactions of the Bank, other than key management personnel compensation, are as follows (continued):

	Transaction amounts for	
	2022 RM'000	2021 RM'000
<i>Other related companies</i>		
<i>Income</i>		
Income from financing, advances and others	608	116
Fees and commission income	89	342
Bancatakaful service fee	39,070	25,190
Others	1,684	2,023
<i>Expenses</i>		
Income attributable to depositors	14,800	13,572
Income attributable to investment account holders	403	637
Office rental	3,160	3,191
Other rental	14	13
Takaful fee	4,129	4,607
<i>Co-operative society in which the employees have interest</i>		
<i>Income</i>		
Income from financing, advances and others	2,562	2,550
<i>Expenses</i>		
Income attributable to depositors	4	4
Income attributable investment account holders	18	10
Others	183	1,768

The inter-company charges of the Group and the Bank with related parties were mainly transacted in Central region.

**46. RELATED PARTY TRANSACTIONS (CONTINUED)**

(b) The outstanding balances of the Bank with related parties, are as follows:

	2022 RM'000	2021 RM'000
Major shareholder		
Amount due from		
Financing, advances and others	10	9
Amount due to		
Deposits from customers	2,156,712	2,317,337
Investment account of customers	400,000	600,000
Income payable to depositors	2,815	20,412
Income payable to investment account holders	8,252	11,305
Subordinated sukuk and capital securities	135,000	100,000
Finance cost payable on subordinated sukuk and capital securities	1,328	688
Subsidiaries		
Amount due from		
Other receivables	12	854
Amount due to		
Deposits from customers	112,203	23,877
Investment account of customers	102,144	108,369
Income payable to investment account holders	1,379	330
Income payable to depositors	64	106
Other payables	2,688	10
Other related companies		
Amount due from		
Financing, advances and others	20,866	3,993
Other receivables	54	176
Amount due to		
Deposits from customers	742,940	1,094,392
Investment account of customers	26,186	34,768
Income payable to depositors	1,226	6,385
Income payable to investment account holders	6	2
Commitments and contingencies	14,361	13,216
Co-operative society in which the employees have interest		
Amount due from		
Financing, advances and others	53,075	57,987
Amount due to		
Deposits from customers	147	119
Investment account of customers	-	581
Income payable to depositors	1	1
Income payable to investment account holders	-	4

Notes to the financial statements

for the financial year ended 31 December 2022

47. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

Credit exposures with connected parties as per BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group and Bank	
	2022 RM'000	2021 RM'000
Outstanding credit exposures with connected parties	1,952,597	2,132,777
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.69%	3.24%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	0.00%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.



Pillar 3 Disclosure

as at 31 December 2022

OVERVIEW

The Pillar 3 Disclosure for financial year ended 31 December 2022 for Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") describes the risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements governed by Bank Negara Malaysia's ("BNM") "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3)".

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with BNM's Guidelines on CAFIB (Basel II – Risk Weighted Assets ("RWA")) since January 2008:

- Credit and Market Risk – the Standardised Approach ("SA"); and
- Operational Risk – the Basic Indicator Approach ("BIA").

Under the Standardised Approach, standard risk weights are used to assess the capital requirements whilst under the Basic Indicator Approach, the capital requirements are computed based on a fixed percentage over the Group's average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process ("ICAAP") framework which closely integrates the risk and capital assessment processes and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented since 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee ("BRC") and Board of Directors ("Board").

BASIS OF DISCLOSURE

The Pillar 3 Disclosure is prepared in accordance with BNM's Pillar 3 Disclosure Guidelines issued in July 2010 and the Group's internal policy on Pillar 3 Disclosure; which aims to enhance transparency on the risk management practices and capital adequacy of the Bank and the Group. The disclosures include both qualitative and quantitative disclosures with respect to capital adequacy, credit risk, market risk, liquidity risk, operational risk, management of Investment Account (IA) and key aspects of Shariah governance.

Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Full-Year Financial Statements 2022 published by the Group.

These disclosures have been reviewed and verified by the Group Internal Auditor and attested by the Group Chief Executive Officer.

MEDIUM AND LOCATION OF DISCLOSURE

The Group's Pillar 3 Disclosure is made available at www.bankislam.com.

Pillar 3 Disclosure

as at 31 December 2022

MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Group's main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

Group	31.12.2022		31.12.2021	
	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000
Credit Risk	53,650,821	4,292,066	50,180,739	4,014,459
Less: Credit Risk absorbed by IA	(10,620,157)	(849,613)	(7,423,579)	(593,886)
Market Risk	84,876	6,790	489,559	39,165
Operational Risk	3,971,313	317,705	3,847,886	307,831
Total	47,086,853	3,766,948	47,094,605	3,767,569

Bank	31.12.2022		31.12.2021	
	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000
Credit Risk	53,513,221	4,281,058	50,080,971	4,006,478
Less: Credit Risk absorbed by IA	(10,705,652)	(856,452)	(7,513,437)	(601,075)
Market Risk	84,876	6,790	489,559	39,165
Operational Risk	3,909,361	312,749	3,797,811	303,825
Total	46,801,806	3,744,145	46,854,904	3,748,393

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's CAFIB (Risk-Weighted Assets) Guideline.

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.



2. CAPITAL ADEQUACY

2.1 Capital Management

The Group's primary objectives when managing capital are to maintain a strong capital position to support business growth and to maintain investors, depositors, customers, and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk-taking activities, the Group has implemented a sound capital management process in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long-term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- Meeting regulatory capital requirements;
- Optimising returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- Ensuring adequate capital to withstand shocks and stress;
- Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- Allocating an appropriate amount of capital to business units to optimise return on capital.

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure the management of capital is consistent and aligned with the Group's Risk Appetite Statement and ICAAP Document Policy.

The Group's capital management processes comprise:

- Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group's growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting appropriate, most cost-effective mix of capital instruments;
- Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital; and
- Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
 - reshaping of the balance sheet;
 - capital planning, allocation and optimisation; and
 - a sound management of the capital buffer.

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

Pillar 3 Disclosure

as at 31 December 2022

2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three-year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against the industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach, as well as ICAAP and stress testing results.

The Group has fully issued Subordinated Sukuk Murabahah under its Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value ("Subordinated Sukuk Murabahah Programme") which was approved by the Securities Commission Malaysia ("SC") on 7 October 2014. On 6 September 2018, the Group successfully lodged with SC under Lodge and Launch Framework, a Sukuk Murabahah Programme of up to RM10.0 billion in nominal value, which allows issuances of Subordinated Sukuk Murabahah and Senior Sukuk Murabahah. The purpose of the Subordinated Sukuk Murabahah issuance under both programmes is to enhance the capital adequacy of the Group, in line with the requirements under the Basel III capital framework. Both programmes are qualified as Tier 2 regulatory capital of the Bank and the Group in accordance with BNM's CAFIB (Capital Components) Guideline.

Additionally, on 27 June 2022, the Group successfully lodged with SC under Lodge and Launch Framework, a Sukuk Wakalah Programme of up to RM5.0 billion in nominal value, for the issuances of Additional Tier-1 Capital Sukuk Wakalah. Subsequently, on 24 August 2022, the Group issued RM500 million Additional Tier 1 Sukuk Wakalah under the RM5.0 billion Sukuk Wakalah Programme. This shall qualify as Tier 1 regulatory capital of the Bank and the Group.

Table below depicts a summary of the Subordinated Sukuk Murabahah and Sukuk Wakalah Programme of the Group:

Capital Instrument	Capital Component	Main Features
1) Subordinated Sukuk Murabahah Programme of up to RM1.0 billion (Programme 1)		
a) Tranche 1: RM300 million at 5.75% <ul style="list-style-type: none"> Issued on 22 April 2015 Mature on 22 April 2025 Note: Tranche 1 was called on 22 April 2020	Tier 2 Capital	<ul style="list-style-type: none"> The tenure of both programmes are as follows: <ol style="list-style-type: none"> Programme 1 – up to thirty (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme. Programme 2 – perpetual. The tenure of each issuance of the Subordinated Sukuk Murabahah under both programmes are as follows: <ol style="list-style-type: none"> Programme 1 – shall be not less than five (5) years and up to thirty (30) years from the issue date and provided that the Subordinated Sukuk Murabahah matures on or prior to the expiry of the tenure of the Subordinated Sukuk Murabahah Programme. Programme 2 – shall be not less than five (5) years from the issue date. Each of the Subordinated Sukuk Murabahah may have a call option to allow the Group to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied. Unsecured.
b) Tranche 2: RM400 million at 5.50% <ul style="list-style-type: none"> Issued on 15 December 2015 Mature on 15 December 2025 Note: Tranche 2 was called on 15 December 2020		
c) Tranche 3: RM300 million at 5.08% <ul style="list-style-type: none"> Issued on 13 November 2017 Mature on 12 November 2027 		



2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

Capital Instrument	Capital Component	Main Features
2) Sukuk Murabahah Programme of up to RM10.0 billion (Programme 2)		
a) Tranche 1: RM300 million at 5.15% <ul style="list-style-type: none">Type: Subordinated Sukuk MurabahahIssued on 7 November 2018Mature on 7 November 2028	Tier 2 Capital	<ul style="list-style-type: none">Subordinated Sukuk Murabahah shall be utilised to finance the Group's Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Sukuk Murabahah issued under both programmes. All utilisations shall be Shariah Compliant.Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off.No Conversion into Equity.
b) Tranche 2: RM400 million at 3.75% <ul style="list-style-type: none">Type: Subordinated Sukuk MurabahahIssued on 26 March 2020Mature on 26 March 2030		
c) RM700 million at 3.60% <ul style="list-style-type: none">Type: Subordinated Sukuk MurabahahIssued on 21 October 2020Mature on 21 October 2030		
d) RM300 million at 4.10% <ul style="list-style-type: none">Type: Subordinated Sukuk MurabahahIssued on 12 November 2021Mature on 12 November 2031		
3) Additional Tier 1 Capital Sukuk Wakalah Programme of up to RM5.0 billion		
RM500 million at 5.16% <ul style="list-style-type: none">Issued on 24 August 2022Mature on 22 August 2121 (perpetual)	Tier 1 Capital	<ul style="list-style-type: none">Tenure of the Sukuk Wakalah is perpetual, subject to the Call Option (where applicable).Each Series of the Sukuk Wakalah issued under the Sukuk Wakalah Programme may have a call option (to be determined prior to the relevant issue date) to allow the Group to redeem (in whole or in part) that Series of the Sukuk Wakalah on any Periodic Distribution Date on or after the fifth (5th) anniversary of the issue date of that Series of the Sukuk Wakalah at the Dissolution Distribution Amount.Unsecured.The proceeds from the Sukuk Wakalah Programme shall be utilised to finance the Group's working capital requirements and/or other general corporate purposes and to defray fees and expenses related to the Sukuk Wakalah Programme. It may also be utilised to refinance/for redemption of any earlier issuance of Sukuk Wakalah under the Sukuk Wakalah Programme. All utilisations shall be Shariah Compliant.Upon the occurrence of a Non-Viability Event, the Group shall irrevocably, without the need for the consent of the Sukuk Trustee or the Sukukholders, write-off the Sukuk Wakalah (in whole or in part) if so required by BNM and/or PIDM at their full discretion.No Conversion into Equity.Non-Convertible and non-Exchangeable

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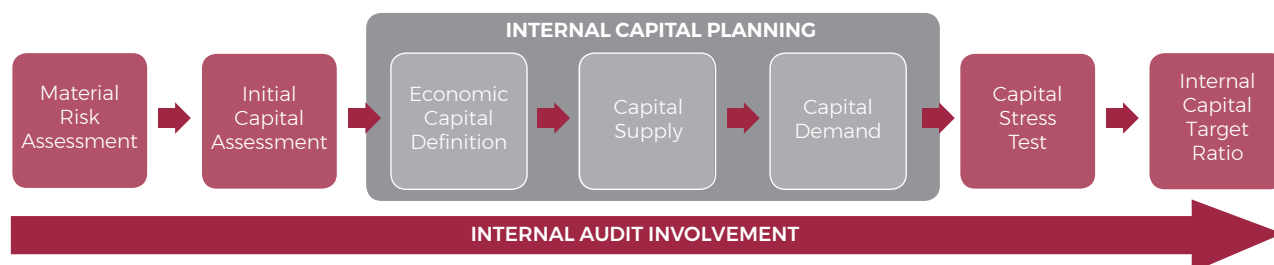
2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

Total outstanding Subordinated Sukuk Murabahah and Sukuk Wakalah issued under all programmes which are qualified as Tier 1 and Tier 2 regulatory capital of the Bank and the Group as of 31 December 2022 is RM2.2 billion.

2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

The Group has carried out the internal assessment process on capital as prescribed in BNM's CAFIB - ICAAP ("Pillar 2") to complement its current capital management practices. The first ICAAP Document Policy was formalised and approved by the Board in March 2013 and is being reviewed on an annual basis. The Group's ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.



The Group's ICAAP is conducted on a consolidated basis covering all the Bank's legal entities as suggested by BNM's Pillar 2 Guideline.

The Group's ICAAP methodology can be summarised as follows:

Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e. Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g. Migration and Residual Risk); and
- Risk not covered under Pillar 1 (e.g. Credit Concentration Risk, Profit Rate in the Banking Book, Shariah Non-Compliance Risk, Regulatory/Compliance Risk, Contagion Risk, and IT Risk).

2.3 Stress Testing

Regular stress testing (including reverse stress testing) is performed to assess the Group's ability to maintain adequate capital under both normal business cycle and unfavourable economic conditions. The stress testing is embedded within the risk and capital management process of the Group and is a key function of capital planning and business planning processes. Stress Testing also plays an important role in:

- Identifying the possible events or future changes in the financial and economic conditions of the country and globally that could potentially have unfavourable effects on the Group's exposures;
- Identifying the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- Evaluating the Group's ability to withstand such changes, i.e. its capacity in terms of its capital and earnings, to absorb potentially significant losses; and
- Analysing the Group's ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

The Group has put in place a stress testing programme (including reverse stress testing) which has taken into account all risks deemed material to the Group, namely credit risk, market risk, liquidity risk and operational risk including Shariah non-compliance risk, regulatory compliance risk, contagion risk and IT risk.

In line with the Group's Stress Testing Policy, ad-hoc and more frequent stress testing has been conducted to assess the impact of deterioration on specific risk areas, in line with stressed macroeconomic variables. The impact of COVID-19 pandemic outbreak such as repayment assistance, vulnerable portfolio and liquidity risk to the Group were assessed to ensure the Group's ability to maintain adequate capital under stressed conditions.



2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio ("TCR") as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Total capital and capital adequacy ratios of the Group have been computed based on the updated BNM's CAFIB - Capital Components Guideline issued on 9 December 2020 and BNM's CAFIB – RWA Guideline issued on 3 May 2019. The minimum regulatory capital adequacy ratios requirement for CET 1 capital ratio, Tier 1 capital ratio and TCR including capital buffers i.e., Capital Conservation Buffers ("CCB") are 7.0%, 8.5% and 10.5% respectively.

The CCB is intended to encourage the build-up of capital buffers by individual Islamic banking institutions during normal times that can be drawn down during stress periods.

The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2022, determined by the requirements of the CAFIB. The capital adequacy ratios of the Group and Bank are set as per below:

(a) The capital adequacy ratios of the Group and of the Bank:

	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Before effect of IA				
Before deducting proposed dividends				
CET 1 Capital Ratio	11.08%	11.39%	10.77%	11.03%
Tier 1 Capital Ratio	11.95%	11.39%	11.64%	11.03%
Total Capital Ratio	16.05%	16.03%	15.76%	15.69%
After deducting proposed dividends				
CET 1 Capital Ratio	10.73%	10.82%	10.41%	10.45%
Tier 1 Capital Ratio	11.60%	10.82%	11.28%	10.45%
Total Capital Ratio	15.70%	15.47%	15.40%	15.11%

	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
After effect of IA				
Before deducting proposed dividends				
CET 1 Capital Ratio	13.58%	13.18%	13.23%	12.80%
Tier 1 Capital Ratio	14.64%	13.18%	14.30%	12.80%
Total Capital Ratio	19.39%	18.56%	19.07%	18.20%
After deducting proposed dividends				
CET 1 Capital Ratio	13.15%	12.53%	12.80%	12.13%
Tier 1 Capital Ratio	14.21%	12.53%	13.86%	12.13%
Total Capital Ratio	18.96%	17.91%	18.64%	17.53%

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2022	
	Group RM'000	Bank RM'000
Tier I Capital		
Paid-up share capital	3,645,043	3,645,043
Share Premium	–	–
Retained earnings	3,096,604	3,105,912
Other reserves	54,596	(56,368)
Less: Deferred tax assets	(212,349)	(211,377)
Less: 55% of fair value	–	–
Less: Regulatory reserve attributable to financing	(136,000)	(136,000)
Less: Investment in subsidiaries	–	(100,905)
Less: Intangible Assets	(54,578)	(54,578)
Total Common Equity Tier I Capital	6,393,316	6,191,727
Total Additional Tier I Capital	500,000	500,000
Total Tier I Capital	6,893,316	6,691,727
Subordinated Sukuk	1,700,000	1,700,000
Collective assessment allowance [^]	537,883	535,095
Total Tier II Capital	2,237,883	2,235,095
Total Capital	9,131,199	8,926,822

[^] Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

**2. CAPITAL ADEQUACY (CONTINUED)****2.4 Capital Adequacy Ratios (continued)****(b) CET 1, Tier I and Tier II capital components of the Group and of the Bank (continued):**

	31.12.2021	
	Group RM'000	Bank RM'000
Tier I Capital		
Paid-up share capital	3,445,757	3,445,757
Share Premium	–	–
Retained earnings	2,965,080	2,965,659
Other reserves	(10,899)	(121,843)
Less: Deferred tax assets	(193,214)	(191,773)
Less: 55% of fair value	–	–
Less: Regulatory reserve attributable to financing	–	–
Less: Investment in subsidiaries	–	(100,905)
Total Common Equity Tier I Capital	6,206,724	5,996,895
Total Additional Tier I Capital	–	–
Total Tier I Capital	6,206,724	5,996,895
Subordinated Sukuk	2,000,000	2,000,000
Collective assessment allowance [^]	534,465	532,094
Total Tier II Capital	2,534,465	2,532,094
Total Capital	8,741,189	8,528,989

[^] Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

(i) Group

31 December 2022 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement At 8% RM'000	
Credit Risk					
On-Balance Sheet Exposures					
Sovereign/Central Banks	12,113,373	12,113,373	–	–	
Public Sector Entities	2,958,245	2,936,320	591,451	47,316	
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	1,694,857	1,694,857	338,972	27,118	
Corporate	19,498,516	19,032,779	9,608,732	768,699	
Regulatory Retail	22,618,237	22,581,227	21,781,936	1,742,555	
Residential Mortgages	25,971,590	25,965,665	16,961,580	1,356,926	
Higher Risk Assets	2,538	2,538	3,807	305	
Other Assets	2,947,702	2,947,702	1,248,192	99,855	
Defaulted Exposures	1,601,818	1,541,551	1,319,732	105,579	
Total for On-Balance Sheet Exposures	89,406,876	88,816,012	51,854,402	4,148,352	
Off-Balance Sheet Exposures					
Credit-related Exposures	1,646,533	1,645,018	1,484,364	118,749	
Derivative Financial Instruments	213,080	213,080	78,989	6,319	
Defaulted Exposures	157,484	157,343	233,066	18,645	
Total for Off-Balance Sheet Exposures	2,017,097	2,015,441	1,796,419	143,714	
Total On and Off-Balance Sheet Exposures	91,423,973	90,831,453	53,650,821	4,292,066	
Less: Credit Risk absorbed by IA			(10,620,157)	(849,613)	
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	7,768,278	(7,713,549)	54,729	55,377	4,430
Foreign Exchange Risk	29,500	(272)	29,228	29,500	2,360
Inventory Risk	–	–	–	–	–
Total Market Risk	7,797,778	(7,713,821)	83,957	84,877	6,790
Operational Risk				3,971,313	317,705
Total RWA and Capital Requirements				47,086,854	3,766,948

Note: As at 31 December 2022, the Group did not have any exposures under securitisation.



2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(i) Group (continued)

31 December 2021 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement At 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	9,052,249	9,052,249	–	–
Public Sector Entities	1,701,095	1,690,995	461,944	36,955
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,026,027	1,026,027	206,060	16,485
Corporate	19,388,649	19,013,390	10,336,801	826,944
Regulatory Retail	20,743,307	20,708,120	20,057,433	1,604,595
Residential Mortgages	23,669,331	23,662,639	15,511,861	1,240,949
Higher Risk Assets	3,173	3,173	4,760	381
Other Assets	1,937,277	1,937,277	991,753	79,340
Defaulted Exposures	1,128,766	1,089,559	1,013,545	81,084
Total for On-Balance Sheet Exposures	78,649,874	78,183,429	48,584,157	3,886,733
Off-Balance Sheet Exposures				
Credit-related Exposures	1,623,839	1,614,088	1,478,572	118,286
Derivative Financial Instruments	116,795	116,795	68,005	5,440
Defaulted Exposures	36,288	36,278	50,005	4,000
Total for Off-Balance Sheet Exposures	1,776,922	1,767,161	1,596,582	127,726
Total On and Off-Balance Sheet Exposures	80,426,796	79,950,590	50,180,739	4,014,459
Less: Credit Risk absorbed by IA			(7,423,579)	(593,886)
	Long Position	Short Position		
Market Risk				
Benchmark Rate Risk	8,792,939	(7,505,740)	1,287,199	99,335
Foreign Exchange Risk	28,311	(390,224)	(361,914)	390,224
Inventory Risk			–	–
Total Market Risk	8,821,250	(7,895,964)	925,285	489,559
Operational Risk			3,847,886	307,831
Total RWA and Capital Requirements			47,094,605	3,767,569

Note: As at 31 December 2021, the Group did not have any exposures under securitisation.

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank

31 December 2022 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000	
Credit Risk					
On-Balance Sheet Exposures					
Sovereign/Central Banks	12,113,373	12,113,373	–	–	
Public Sector Entities	2,958,245	2,936,320	591,451	47,316	
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	1,677,905	1,677,905	335,581	26,846	
Corporate	19,498,516	19,032,779	9,608,732	768,699	
Regulatory Retail	22,618,237	22,581,227	21,781,936	1,742,555	
Residential Mortgages	25,971,590	25,965,665	16,961,580	1,356,926	
Higher Risk Assets	2,538	2,538	3,807	305	
Other Assets	2,819,804	2,819,804	1,113,983	89,119	
Defaulted Exposures	1,601,818	1,541,551	1,319,732	105,579	
Total for On-Balance Sheet Exposures	89,262,025	88,671,160	51,716,802	4,137,344	
Off-Balance Sheet Exposures					
Credit-related Exposures	1,646,533	1,645,018	1,484,364	118,749	
Derivative Financial Instruments	213,080	213,080	78,989	6,319	
Defaulted Exposures	157,484	157,343	233,066	18,645	
Total for Off-Balance Sheet Exposures	2,017,097	2,015,441	1,796,419	143,714	
Total On and Off-Balance Sheet Exposures	91,279,122	90,686,601	53,513,221	4,281,058	
Less: Credit Risk absorbed by IA			(10,705,652)	(856,452)	
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	7,768,278	(7,713,549)	54,729	55,377	4,430
Foreign Exchange Risk	29,500	(272)	29,228	29,500	2,360
Inventory Risk	–	–	–	–	–
Total Market Risk	7,797,778	(7,713,821)	83,957	84,877	6,790
Operational Risk				3,909,361	312,749
Total RWA and Capital Requirements				46,801,807	3,744,144

Note: As at 31 December 2022, the Bank did not have any exposures under securitisation.



2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank (continued)

31 December 2021 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	9,052,249	9,052,249	–	–
Public Sector Entities	1,701,095	1,690,995	461,944	36,956
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,007,556	1,007,556	202,366	16,189
Corporate	19,388,649	19,013,389	10,336,801	826,944
Regulatory Retail	20,743,307	20,708,121	20,057,433	1,604,595
Residential Mortgages	23,669,331	23,662,639	15,511,861	1,240,949
Higher Risk Assets	3,173	3,173	4,760	381
Other Assets	1,846,888	1,846,888	895,679	71,654
Defaulted Exposures	1,128,766	1,089,559	1,013,545	81,084
Total for On-Balance Sheet Exposures	78,541,014	78,074,569	48,484,389	3,878,752
Off-Balance Sheet Exposures				
Credit-related Exposures	1,623,839	1,614,088	1,478,572	118,286
Derivative Financial Instruments	116,795	116,795	68,005	5,440
Defaulted Exposures	36,288	36,278	50,005	4,000
Total for Off-Balance Sheet Exposures	1,776,922	1,767,161	1,596,582	127,726
Total On and Off-Balance Sheet Exposures	80,317,936	79,841,730	50,080,971	4,006,478
Less: Credit Risk absorbed by IA			(7,513,437)	(601,075)
	Long Position	Short Position		
Market Risk				
Benchmark Rate Risk	8,792,939	(7,505,740)	1,287,199	99,335
Foreign Exchange Risk	28,311	(390,224)	(361,914)	390,224
Inventory Risk			–	–
Total Market Risk	8,821,250	(7,895,964)	925,285	489,559
Operational Risk			3,797,811	303,825
Total RWA and Capital Requirements			46,854,904	3,748,393

Note: As at 31 December 2021, the Bank did not have any exposures under securitisation.

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3. RISK MANAGEMENT

3.1 Overview

The Group's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

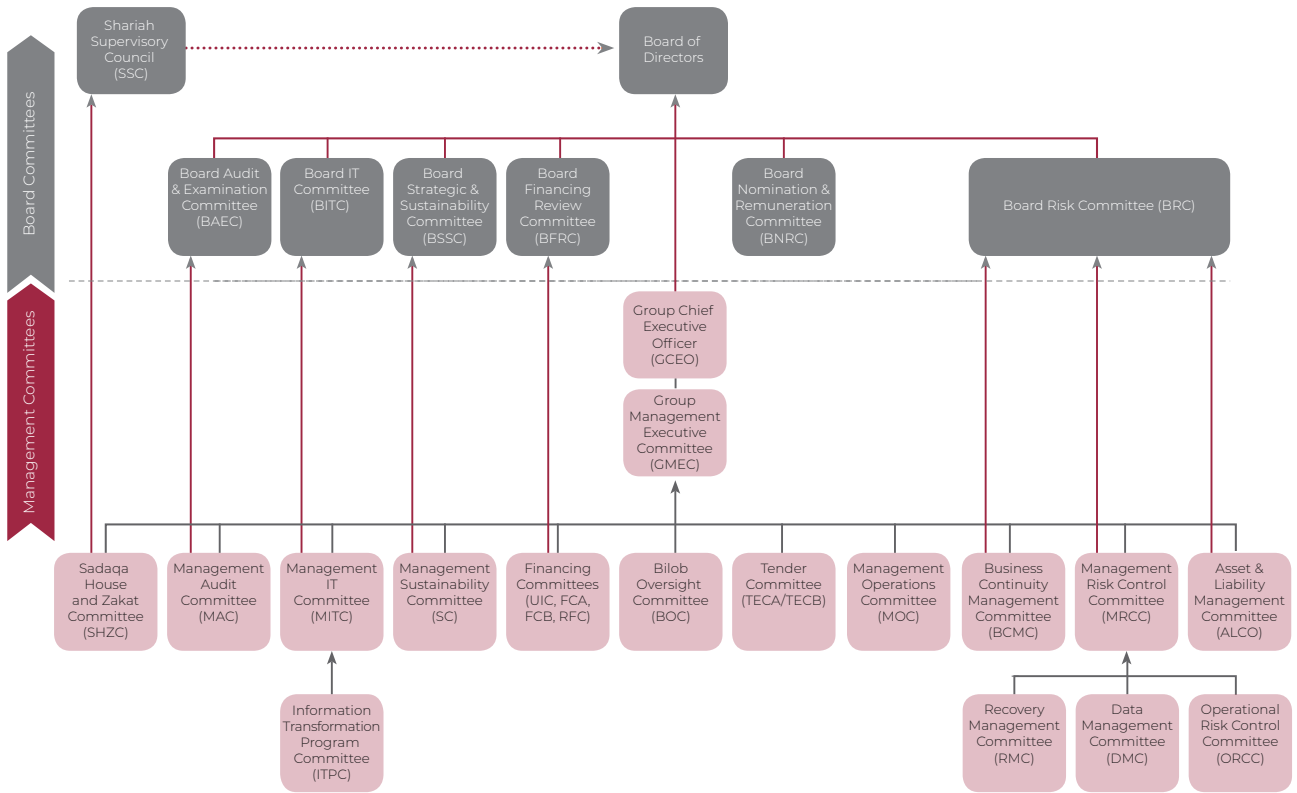
In that regard, the specific objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing risks namely credit, market, liquidity, operational, IT & cyber risk, compliance risks and contagion risk across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets the international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

3.2 Risk Management Functional and Governance Structure

The Group has aligned its organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of prudence and good governance, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and segregated from the business divisions and centralised at head office.

The following illustrates the Group's governance structure:





3. RISK MANAGEMENT (CONTINUED)

3.2 Risk Management Functional and Governance Structure (continued)

The Group recognises the fact that the essence of banking and financial services is centred on risk taking activities. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reaches an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensures effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established the Group Risk Appetite Statement Policy that forms an integral part of the Group's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

4. CREDIT RISK

4.1 Overview

Credit risk is the risk of a customer or counterparty failing to fulfil its financial obligations in accordance with agreed terms. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor (collectively referred to as counterparties). The types of credit risks that the Group considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk and Migration Risk.

4.2 Credit Risk Governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Management Risk Control Committee ("MRCC") and/or BRC, guided by the Boards' approved Group Risk Appetite Statement Policy.

The Group has several levels of Financing Committees, which assess and approve credits at their specified authority levels.

MRCC is responsible under the authority delegated by BRC for managing credit risk at strategic level. MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

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4. CREDIT RISK

4.3 Management of Credit Risk

The management of credit risk is being performed by the Group Credit Management Division ("CMD") and Group Risk Management Division ("RMD") and two other units outside of CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio which is in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardised Approach to compute the credit risk capital requirement under BNM's CAFIB.



4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Neither past due nor impaired	64,437,823	58,234,986
Past due but not impaired	668,802	414,366
Impaired	835,232	568,383
	65,941,857	59,217,735
Gross Impaired Financing as a percentage of Gross Financing and Advances	1.27%	0.96%

(a) Neither Past Due nor Impaired

Financings classified as neither past due nor impaired are financings of which the customers have not missed contractual payments (profit or principal) when contractually due and are not impaired as there is no objective evidence of impairment.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Excellent to Good	57,611,552	52,111,710
Satisfactory	6,486,313	5,813,008
Fair	339,958	310,268
	64,437,823	58,234,986

Internal rating definition:

- **Excellent to Good:** Sound financial position of the customer with no difficulty in meeting its obligations.
- **Satisfactory:** Adequate safety of the customer meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair:** High risks on payment obligations. Financial performance may continue to deteriorate.

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4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(b) Past Due but Not Impaired

Financings classified as past due but not impaired are financings of which their contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by ageing:

By ageing	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Month-in-arrears 1	452,425	217,722
Month-in-arrears 2	216,377	196,644
	668,802	414,366

Analysis of the past due but not impaired financing and advances by sector:

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Primary agriculture	139	–
Mining and quarrying	–	–
Manufacturing (including agro-based)	4,229	9,910
Electricity, gas and water	–	–
Wholesale & retail trade, and hotels & restaurants	5,033	667
Construction	8,880	342
Real estate	19	–
Transport, storage and communications	1,102	25,536
Finance, insurance and business activities	798	183
Education, health and others	922	27
Household sectors	647,681	377,701
Other sectors	–	–
	668,802	414,366



4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Impairment financing by assessment type:		
Individually Assessed	516,711	423,603
of which:		
Month-in-Arrears 0	64,818	268,316
Month-in-Arrears 1	5,544	3,478
Month-in-Arrears 2	3,701	1,479
Month-in-Arrears 3 and above	442,648	150,330
Collectively Assessed	318,521	144,780
	835,232	568,383

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4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 December 2022 RM'000	Impaired Financing at 31.12.2022	Individual Assessment Allowance				Collective Assessment Allowance at 31.12.2022	Total Impairment Allowances for Financing At 31.12.2022
		Individual Assessment as at 01.01.2022	Net Charge for the Financial Year	Amounts Written Off/ Other Movements	Individual Assessment as at 31.12.2022		
Primary Agriculture	-	-	-	-	-	9,684	9,684
Mining and Quarrying	257,925	185,000	75,830	(3,834)	256,996	4,092	261,088
Manufacturing (including Agro-based)	37,452	1,914	130,568	(128,754)	3,728	16,315	20,043
Electricity, Gas and Water	467	-	-	-	-	46,082	46,082
Wholesale & Retail Trade and Restaurants & Hotels	75,788	6,831	2,016	(6,829)	2,018	47,677	49,695
Construction	32,449	11,344	(3,959)	(3,482)	3,903	49,382	53,285
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	20,222	888	5,464	-	6,352	29,379	35,731
Finance, Insurance and Business Services	37,872	-	1,021	-	1,021	78,201	79,222
Education, Health and Others	2,158	361	(361)	-	-	14,534	14,534
Household Sectors	370,899	14,616	14,262	-	28,878	441,621	470,499
Other Sectors	-	-	-	-	-	-	-
Total	835,232	220,954	224,841	(142,899)	302,896	736,967	1,039,863



4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 December 2021 RM'000	Impaired Financing at 31.12.2021	Individual Assessment Allowance				Collective Assessment Allowance at 31.12.2021	Total Impairment Allowances for Financing At 31.12.2021
		Individual Assessment as at 01.01.2021	Net Charge for the Financial Year	Amounts Written Off/ Other Movements	Individual Assessment as at 31.12.2021		
Primary Agriculture	-	-	-	-	-	14,579	14,579
Mining and Quarrying	-	-	-	-	-	2,887	2,887
Manufacturing (including Agro-based)	10,307	6,775	1,578	(6,439)	1,914	104,621	106,535
Electricity, Gas and Water	-	-	-	-	-	43,233	43,233
Wholesale & Retail Trade and Restaurants & Hotels	76,992	23,765	5,868	(23,116)	6,517	48,216	54,733
Construction	285,246	14,432	187,722	(5,810)	196,344	74,274	270,618
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	15,311	4,567	55	(3,210)	1,412	35,947	37,359
Finance, Insurance and Business Services	5,932	258	(257)	-	-	92,613	92,613
Education, Health and Others	1,391	519	(369)	-	150	19,286	19,436
Household Sectors	173,204	14,879	482	(745)	14,617	407,356	421,973
Other Sectors	-	-	-	-	-	-	-
Total	568,383	65,195	195,079	(39,320)	220,954	843,012	1,063,966

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4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(d) Gross Financing and Advances – Exposures by Geographical Areas

31 December 2022 RM'000	Gross Financing	Of Which:		Individual Allowances	Collective Allowances
		Past Due But Not Impaired Financing	Impaired Financing		
Central Region	30,904,086	306,748	510,998	290,032	422,768
Eastern Region	9,980,174	93,516	95,756	8,580	77,717
Northern Region	8,825,148	90,902	146,491	–	88,023
Southern Region	11,281,525	118,043	55,567	4,005	96,403
East Malaysia Region	4,950,924	59,593	26,420	279	52,056
Grand Total	65,941,857	668,802	835,232	302,896	736,967

31 December 2021 RM'000	Gross Financing	Of Which:		Individual Allowances	Collective Allowances
		Past Due But Not Impaired Financing	Impaired Financing		
Central Region	26,946,146	215,749	395,781	210,034	436,151
Eastern Region	9,368,591	58,516	68,146	10,063	157,554
Northern Region	8,066,342	43,096	74,751	–	93,755
Southern Region	10,247,330	73,033	17,458	857	105,491
East Malaysia Region	4,589,326	23,972	12,247	–	50,061
Grand Total	59,217,735	414,366	568,383	220,954	843,012

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures****(a) Geographic Distribution of Credit Exposures****(i) Group**

31 December 2022 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	12,113,373	-	-	-	-	12,113,373
Public Sector Entities	2,391,846	125,988	55,417	360,841	27,466	2,961,558
Banks, Developments Financial Institutions and Multilateral Development Banks	1,694,858	-	-	-	-	1,694,858
Corporate	16,881,638	1,017,194	795,619	1,445,454	679,693	20,819,598
Regulatory Retail	8,900,694	4,070,123	3,642,169	3,606,221	2,544,262	22,763,469
Residential Mortgages	9,501,123	4,741,727	4,294,956	5,866,906	1,699,066	26,103,778
Higher Risk Assets	942	857	315	321	106	2,541
Other Assets	2,874,903	-	-	-	72,799	2,947,702
Total for On-Balance Sheet Exposures	54,359,377	9,955,889	8,788,476	11,279,743	5,023,392	89,406,877
Off-Balance Sheet Exposures						
Credit-related Exposures	1,389,368	64,284	115,307	84,268	150,789	1,804,016
Derivative Financial Instruments	213,080	-	-	-	-	213,080
Total for Off-Balance Sheet Exposures	1,602,448	64,284	115,307	84,268	150,789	2,017,096
Total On and Off-Balance Sheet Exposures	55,961,825	10,020,173	8,903,783	11,364,011	5,174,181	91,423,973

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(i) Group (continued)

31 December 2021 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	9,052,249	–	–	–	–	9,052,249
Public Sector Entities	1,128,435	128,848	87,712	329,923	26,177	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	1,025,652	299	–	75	–	1,026,026
Corporate	16,303,740	1,080,165	728,181	1,464,805	783,541	20,360,432
Regulatory Retail	8,208,436	3,790,825	3,296,613	3,285,672	2,244,038	20,825,584
Residential Mortgages	8,764,194	4,344,115	3,924,785	5,174,453	1,536,322	23,743,869
Higher Risk Assets	1,921	438	217	98	668	3,342
Other Assets	1,936,666	–	–	–	611	1,937,277
Total for On-Balance Sheet Exposures	46,421,293	9,344,690	8,037,508	10,255,026	4,591,357	78,649,874
Off-Balance Sheet Exposures						
Credit-related Exposures	1,255,100	81,379	70,193	109,475	143,976	1,660,123
Derivative Financial Instruments	116,799	–	–	–	–	116,799
Total for Off-Balance Sheet Exposures	1,371,899	81,379	70,193	109,475	143,976	1,776,922
Total On and Off-Balance Sheet Exposures	47,793,192	9,426,069	8,107,701	10,364,501	4,735,333	80,426,796



4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank

31 December 2022 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	12,113,373	–	–	–	–	12,113,373
Public Sector Entities	2,391,846	125,987	55,417	360,841	27,466	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,677,905	–	–	–	–	1,677,905
Corporate	16,881,638	1,017,194	795,619	1,445,454	679,693	20,819,598
Regulatory Retail	8,900,694	4,070,123	3,642,169	3,606,221	2,544,262	22,763,469
Residential Mortgages	9,501,123	4,741,727	4,294,956	5,866,906	1,699,066	26,103,778
Higher Risk Assets	942	857	315	321	106	2,541
Other Assets	2,747,005	–	–	–	72,799	2,819,804
Total for On-Balance Sheet Exposures	54,214,526	9,955,888	8,788,476	11,279,743	5,023,392	89,262,025
Off-Balance Sheet Exposures						
Credit-related Exposures	1,389,368	64,284	115,307	84,268	150,789	1,804,016
Derivative Financial Instruments	213,080	–	–	–	–	213,080
Total for Off-Balance Sheet Exposures	1,602,448	64,284	115,307	84,268	150,789	2,017,096
Total On and Off-Balance Sheet Exposures	55,816,974	10,020,172	8,903,783	11,364,011	5,174,181	91,279,121

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank (continued)

31 December 2021 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	9,052,249	–	–	–	–	9,052,249
Public Sector Entities	1,128,435	128,848	87,712	329,923	26,177	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	1,007,181	299	–	75	–	1,007,555
Corporate	16,303,740	1,080,165	728,182	1,464,805	783,541	20,360,433
Regulatory Retail	8,208,436	3,790,825	3,296,612	3,285,672	2,244,038	20,825,583
Residential Mortgages	8,764,194	4,344,115	3,924,785	5,174,453	1,536,322	23,743,869
Higher Risk Assets	1,921	438	217	98	668	3,342
Other Assets	1,846,277	–	–	–	611	1,846,888
Total for On-Balance Sheet Exposures	46,312,433	9,344,690	8,037,508	10,255,026	4,591,357	78,541,014
Off-Balance Sheet Exposures						
Credit-related Exposures	1,255,100	81,379	70,193	109,475	143,976	1,660,123
Derivative Financial Instruments	116,799	–	–	–	–	116,799
Total for Off-Balance Sheet Exposures	1,371,899	81,379	70,193	109,475	143,976	1,776,922
Total On and Off-Balance Sheet Exposures	47,684,332	9,426,069	8,107,701	10,364,501	4,735,333	80,317,936



4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group

31 December 2022 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM'000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,066,974	-	-	7,046,399	12,113,373
Public Sector Entities	1,087	-	-	-	-	68,478	23,260	-	296,354	2,572,172	206	-	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	1,616,853	-	-	78,005	1,694,858
Corporate	950,160	57,811	685,073	2,443,393	836,658	3,272,988	1,878,143	4,084,110	4,100,132	544,740	193,302	1,773,088	20,819,598
Regulatory Retail	5,755	5,193	59,533	2,878	301,287	140,808	43,218	36,356	123,176	65,852	21,973,514	5,899	22,763,469
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	26,103,778	-	26,103,778
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,947,702	2,947,702
Total for On-Balance Sheet Exposures	957,002	63,004	744,606	2,446,271	1,137,945	3,482,274	1,944,621	4,120,466	11,203,489	3,182,764	48,273,342	11,851,093	89,406,877
Off-Balance Sheet Exposures													
Credit-related Exposures	2,098	5,688	165,008	97,426	102,407	433,849	12,300	102,594	141,396	122,381	438,449	180,420	1,804,016
Derivative Financial Instruments	-	-	668	-	105	-	-	9	147,800	44,319	-	20,179	213,080
Total for Off-Balance Sheet Exposures	2,098	5,688	165,676	97,426	102,512	433,849	12,300	102,603	289,196	166,700	438,449	200,599	2,017,096
Total On and Off-Balance Sheet Exposures	959,100	68,692	910,282	2,543,697	1,240,457	3,916,123	1,956,921	4,223,069	11,492,685	3,349,464	48,711,791	12,051,692	91,423,973



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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(i) Group (continued)

31 December 2021 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM '000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet													
Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3789,685	-	-	5,262,565	9,052,250
Public Sector Entities	1,162	-	-	-	-	58,695	8,832	-	234,644	1,397,518	244	-	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	943,022	-	374	82,629	1,026,025
Corporate	1,079,683	64,205	966,355	2,793,913	702,350	3,739,417	1,885,932	1,956,311	4,093,785	834,970	143,296	2,100,216	20,360,433
Regulatory Retail	6,426	3,945	52,606	1,023	157,189	103,232	42,637	29,645	81,752	48,037	20,294,212	4,880	20,825,584
Residential Mortgages	-	-	1,005	-	-	-	-	-	-	-	23,742,863	-	23,743,868
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,342	-	3,342
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,937,277	1,937,277
Total for On-Balance Sheet Exposures	1,087,271	68,150	1,019,966	2,794,936	859,539	3,901,344	1,937,401	1,985,956	9,142,888	2,280,525	44,184,331	9,387,567	78,649,874
Off-Balance Sheet													
Exposures													
Credit-related Exposures	25,443	7,189	110,873	70,971	103,172	409,607	10,372	89,420	109,493	184,349	381,302	157,932	1,660,123
Derivative Financial Instruments	-	-	361	-	24,175	37	-	-	27,773	50,613	-	13,840	116,799
Total for Off-Balance Sheet Exposures	25,443	7,189	111,234	70,971	127,347	409,644	10,372	89,420	137,266	234,962	381,302	171,772	1,776,922
Total On and Off-Balance Sheet Exposures	1,112,714	75,339	1,131,200	2,865,907	986,886	4,310,988	1,947,773	2,075,376	9,280,154	2,515,487	44,565,633	9,559,339	80,426,796



4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank

31 December 2022 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM'000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,066,974	-	-	7,046,399	12,113,373
Public Sector Entities	1,087	-	-	-	-	68,478	23,260	-	296,354	2,572,172	206	-	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	1,616,853	-	-	61,052	1,677,905
Corporate	950,160	57,811	685,073	2,443,393	836,658	3,272,988	1,878,143	4,084,110	4,100,132	544,740	193,302	1,773,088	20,819,598
Regulatory Retail	5,755	5,193	59,533	2,877	301,287	140,808	43,218	36,356	123,176	65,852	21,973,514	5,899	22,763,468
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	26,103,778	-	26,103,778
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,819,804	2,819,804
Total for On-Balance Sheet Exposures	957,002	63,004	744,606	2,446,270	1,137,945	3,482,274	1,944,621	4,120,466	11,203,489	3,182,764	48,273,342	11,706,242	89,262,025
Off-Balance Sheet Exposures													
Credit-related Exposures	2,098	5,688	165,008	97,426	102,407	433,849	12,300	102,594	141,396	122,381	438,449	180,420	1,804,016
Derivative Financial Instruments	-	-	668	-	105	-	-	9	147,800	44,319	-	20,179	213,080
Total for Off-Balance Sheet Exposures	2,098	5,688	165,676	97,426	102,512	433,849	12,300	102,603	289,196	166,700	438,449	200,599	2,017,096
Total On and Off-Balance Sheet Exposures	959,100	68,692	910,282	2,543,696	1,240,457	3,916,123	1,956,921	4,223,069	11,492,685	3,349,464	48,711,791	11,906,841	91,279,121

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank (continued)

31 December 2021 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM '000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet													
Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3789,685	-	-	5,262,565	9,052,250
Public Sector Entities	1,162	-	-	-	-	58,695	8,832	-	234,643	1,397,518	244	-	1,701,094
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	943,023	-	374	64,158	1,007,555
Corporate	1,079,683	64,205	966,355	2,793,913	702,350	3,739,417	1,885,932	1,956,311	4,093,785	834,969	143,296	2,100,216	20,360,432
Regulatory Retail	6,426	3,945	52,606	1,023	157,190	103,232	42,637	29,645	81,752	48,037	20,294,212	4,880	20,825,585
Residential Mortgages	-	-	1,005	-	-	-	-	-	-	-	23,742,863	-	23,743,868
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,342	-	3,342
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,846,888	1,846,888
Total for On-Balance Sheet Exposures	1,087,271	68,150	1,019,966	2,794,936	859,540	3,901,344	1,937,401	1,985,956	9,142,888	2,280,524	44,184,331	9,278,707	78,541,014
Off-Balance Sheet													
Exposures													
Credit-related Exposures	25,443	7,189	110,873	70,971	103,172	409,607	10,372	89,420	109,493	184,349	381,302	157,932	1,660,123
Derivative Financial Instruments	-	-	361	-	24,175	37	-	-	27,773	50,613	-	13,840	116,799
Total for Off-Balance Sheet Exposures	25,443	7,189	111,234	70,971	127,347	409,644	10,372	89,420	137,266	234,962	381,302	171,772	1,776,922
Total On and Off-Balance Sheet Exposures	1,112,714	75,339	1,131,200	2,865,907	986,887	4,310,988	1,947,773	2,075,376	9,280,154	2,515,486	44,565,633	9,450,479	80,317,936

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures (continued)****(c) Residual Contractual Maturity Breakdown****(i) Group**

31 December 2022 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	6,612,283	2,713,450	2,787,640	12,113,373
Public Sector Entities	843,501	344,240	1,773,816	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,494,131	200,727	–	1,694,858
Corporate	5,711,877	7,526,468	7,581,253	20,819,598
Regulatory Retail	103,854	3,201,349	19,458,266	22,763,469
Residential Mortgages	28,135	145,653	25,929,990	26,103,778
Higher Risk Assets	–	188	2,353	2,541
Other Assets	1,424,346	–	1,523,357	2,947,703
Total for On-Balance Sheet Exposures	16,218,127	14,132,075	59,056,675	89,406,877
Off-Balance Sheet Exposures				
Credit-related Exposures	799,082	399,012	605,922	1,804,016
Derivative Financial Instruments	212,579	501	–	213,080
Total for Off-Balance Sheet Exposures	1,011,661	399,513	605,922	2,017,096
Total On and Off-Balance Sheet Exposures	17,229,788	14,531,588	59,662,597	91,423,973

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(i) Group (continued)

31 December 2021 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	4,574,778	2,811,303	1,666,169	9,052,250
Public Sector Entities	106,851	814,612	779,632	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	823,210	200,384	2,432	1,026,026
Corporate	5,152,471	6,005,414	9,202,547	20,360,432
Regulatory Retail	134,369	3,018,105	17,673,110	20,825,584
Residential Mortgages	17,442	136,540	23,589,887	23,743,869
Higher Risk Assets	–	34	3,307	3,341
Other Assets	457,052	–	1,480,225	1,937,277
Total for On-Balance Sheet Exposures	11,266,173	12,986,392	54,397,309	78,649,874
Off-Balance Sheet Exposures				
Credit-related Exposures	656,789	448,316	555,018	1,660,123
Derivative Financial Instruments	114,431	2,368	–	116,799
Total for Off-Balance Sheet Exposures	771,220	450,684	555,018	1,776,922
Total On and Off-Balance Sheet Exposures	12,037,393	13,437,076	54,952,327	80,426,796

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures (continued)****(c) Residual Contractual Maturity Breakdown (continued)****(ii) Bank**

31 December 2022 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	6,612,283	2,713,450	2,787,640	12,113,373
Public Sector Entities	843,501	344,240	1,773,816	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,477,178	200,727	–	1,677,905
Corporate	5,711,877	7,526,468	7,581,253	20,819,598
Regulatory Retail	103,854	3,201,349	19,458,266	22,763,469
Residential Mortgages	28,135	145,653	25,929,990	26,103,778
Higher Risk Assets	–	188	2,353	2,541
Other Assets	1,296,448	–	1,523,356	2,819,804
Total for On-Balance Sheet Exposures	16,073,276	14,132,075	59,056,674	89,262,025
Off-Balance Sheet Exposures				
Credit-related Exposures	799,082	399,012	605,922	1,804,016
Derivative Financial Instruments	212,579	501	–	213,080
Total for Off-Balance Sheet Exposures	1,011,661	399,513	605,922	2,017,096
Total On and Off-Balance Sheet Exposures	17,084,937	14,531,588	59,662,596	91,279,121

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(ii) Bank (continued)

31 December 2021 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	4,574,778	2,811,303	1,666,169	9,052,250
Public Sector Entities	106,851	814,612	779,632	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	804,739	200,384	2,432	1,007,555
Corporate	5,152,471	6,005,414	9,202,547	20,360,432
Regulatory Retail	134,369	3,018,105	17,673,110	20,825,584
Residential Mortgages	17,442	136,540	23,589,887	23,743,869
Higher Risk Assets	–	34	3,307	3,341
Other Assets	366,663	–	1,480,225	1,846,888
Total for On-Balance Sheet Exposures	11,157,313	12,986,392	54,397,309	78,541,014
Off-Balance Sheet Exposures				
Credit-related Exposures	656,789	448,316	555,018	1,660,123
Derivative Financial Instruments	114,431	2,368	–	116,799
Total for Off-Balance Sheet Exposures	771,220	450,684	555,018	1,776,922
Total On and Off-Balance Sheet Exposures	11,928,533	13,437,076	54,952,327	80,317,936

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

- Standard & Poor's ("S&P")
- Moody's Investors Services ("MOODY'S")
- Fitch Ratings ("FITCH")
- Rating Agency Malaysia Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- Sovereigns and central banks
- Banking institutions
- Corporates



4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e., the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least *pari passu* with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

Rating Category	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caal and below	CCC+ and below	C1 and below	C+ and below

The below table summarises risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class				
	Sovereign and Central Banks	Corporate	Banking Institutions		
			Maturity > 6 months	Maturity <= 6 months	Maturity <= 3 months
1	0%	20%	20%	20%	
2	20%	50%	50%	20%	
3	50%	100%	50%	20%	
4	100%	100%	100%	50%	20%
5	100%	150%	100%	50%	
6	150%	150%	150%	150%	
Unrated	100%	100%	50%	20%	

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

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4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2022

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)								Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
0%	12,113,373	1,890,688	-	5,275,289	373,678	-	-	1,699,510	21,352,538	-
20%	-	252,932	1,863,619	3,544,125	60	-	-	-	5,660,736	1,132,147
35%	-	-	-	-	-	7,367,798	-	-	7,367,798	2,578,729
50%	-	507,004	1,221	3,311,106	366,153	4,907,979	-	-	9,093,464	4,546,732
75%	-	-	-	572,678	1,144,318	7,468,822	-	-	9,185,817	6,889,363
100%	-	354,619	-	8,462,662	20,775,534	6,664,591	-	1,248,192	37,505,598	37,505,598
150%	-	-	-	478,981	67,256	110,597	8,667	-	665,501	998,252
Total Exposures	12,113,373	3,005,243	1,864,840	21,644,841	22,726,999	26,519,787	8,667	2,947,702	90,831,452	53,650,821
RWA by Exposures	-	658,707	373,334	11,975,020	21,917,745	17,464,822	13,001	1,248,192	53,650,821	
Average Risk Weight	0.0%	21.9%	20.0%	55.3%	96.4%	65.9%	150.0%	42.3%	59.1%	
Deduction from Capital Base										



4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (continued):

(ii) As at 31 December 2021

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)							Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	
0%	9,052,249	826,833	–	3,904,705	196,450	–	–	945,524	14,925,761
20%	–	170,004	1,076,679	3,768,647	97	–	–	–	5,015,427
35%	–	–	–	–	–	6,996,669	–	–	6,996,669
50%	–	547,870	7,322	3,841,980	398,237	5,098,127	–	–	9,893,536
75%	–	–	–	571,402	1,120,993	4,575,502	–	–	6,267,898
100%	–	230,234	–	8,755,974	19,047,746	7,365,935	–	991,753	36,391,642
150%	–	–	–	359,641	28,089	60,084	11,843	–	459,657
Total Exposures	9,052,249	1,774,941	1,084,001	21,202,349	20,791,612	24,096,317	11,843	1,937,277	79,950,590
RWA by Exposures	–	538,170	218,997	12,398,706	20,129,762	15,885,585	17,765	991,753	50,180,738
Average Risk Weight	0.0%	30.3%	20.2%	58.5%	96.8%	65.9%	150.0%	51.2%	62.8%
Deduction from Capital Base									

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4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2022

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)								Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
0%	12,113,373	1,890,688	-	5,275,289	373,678	-	-	1,705,821	21,358,849	-
20%	-	252,932	1,846,666	3,544,125	60	-	-	-	5,643,783	1,128,757
35%	-	-	-	-	-	7,367,798	-	-	7,367,798	2,578,729
50%	-	507,004	1,221	3,311,106	366,153	4,907,979	-	-	9,093,464	4,546,732
75%	-	-	-	572,678	1,144,318	7,468,822	-	-	9,185,817	6,889,363
100%	-	354,619	-	8,462,662	20,775,534	6,664,591	-	1,113,983	37,371,389	37,371,388
150%	-	-	-	478,981	67,256	110,597	8,667	-	665,501	998,252
Total Exposures	12,113,373	3,005,243	1,847,887	21,644,841	22,726,999	26,519,787	8,667	2,819,804	90,686,601	53,513,221
RWA by Exposures	-	658,707	369,944	11,975,020	21,917,745	17,464,822	13,001	1,113,983	53,513,222	
Average Risk Weight	0.0%	21.9%	20.0%	55.3%	96.4%	65.9%	150.0%	39.5%	59.0%	
Deduction from Capital Base										



4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(ii) As at 31 December 2021

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)							Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	
0%	9,052,249	826,833	–	3,904,705	196,450	–	–	951,209	14,931,446
20%	–	170,004	1,058,208	3,768,647	97	–	–	–	4,996,956
35%	–	–	–	–	–	6,996,669	–	–	6,996,669
50%	–	547,870	7,322	3,841,980	398,237	5,098,127	–	–	9,893,536
75%	–	–	–	571,402	1,120,993	4,575,502	–	–	6,267,898
100%	–	230,234	–	8,755,974	19,047,746	7,365,935	–	895,679	36,295,568
150%	–	–	–	359,641	28,089	60,084	11,843	–	459,657
Total Exposures	9,052,249	1,774,941	1,065,530	21,202,349	20,791,612	24,096,317	11,843	1,846,888	79,841,730
RWA by Exposures	–	538,170	215,303	12,398,706	20,129,762	15,885,585	17,765	895,679	50,080,970
Average Risk Weight	0.0%	30.3%	20.2%	58.5%	96.8%	65.9%	150.0%	48.5%	62.7%
Deduction from Capital Base									

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4. CREDIT RISK (CONTINUED)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

a) Ratings of Sovereigns and Central Banks by Approved ECAIs

31 December 2022 Exposure Class	Moody's S&P Fitch	Ratings of sovereigns and central banks by approved ECAIs					Unrated Unrated Unrated
		Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Caa1 to C CCC+ to D CCC+ to D	
On and Off Balance-Sheet Credit Exposures Sovereign and Central Banks*		-	12,113,373	-	-	-	-
Total		-	12,113,373	-	-	-	-

31 December 2021 Exposure Class	Moody's S&P Fitch	Ratings of sovereigns and central banks by approved ECAIs					Unrated Unrated Unrated
		Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Caa1 to C CCC+ to D CCC+ to D	
On and Off Balance-Sheet Credit Exposures Sovereign and Central Banks*		-	9,052,249	-	-	-	-
Total		-	9,052,249	-	-	-	-

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

b) Ratings of Corporate by Approved ECAIs

31 December 2022 Exposure Class	Moody's S&P Fitch RAMs MARC	Ratings of corporate by approved ECAIs				Unrated Unrated Unrated Unrated Unrated
		Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB to BB BBB+ to BB-	B+ to C B+ to D B+ to D B to D B+ to D	
On and Off Balance-Sheet Credit Exposures Public Sector Entities Insurance Cos, Securities Firms & Fund Manager Corporate		252,932	-	-	-	2,752,311
Total		3,459,814	51,646	153,258	-	17,980,124
Total		3,712,746	51,646	153,258	-	20,732,435



4. CREDIT RISK (CONTINUED)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (continued)

b) Ratings of Corporate by Approved ECAIs (continued)

31 December 2021 Exposure Class	Moody's	Ratings of corporate by approved ECAIS				Unrated
		Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<u>On and Off Balance-Sheet Credit Exposures</u>						
Public Sector Entities		170,004	–	–	–	1,604,937
Insurance Cos, Securities Firms & Fund Manager						
Corporate		3,757,659	27,107	77,480	–	17,334,814
Total		3,927,663	27,107	77,480	–	18,939,751

c) Ratings of Banking Institutions by Approved ECAIs

31 December 2022 Exposure Class	Moody's S&P Fitch RAMs MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	Ratings of banking institutions by approved ECAIS				Unrated Unrated Unrated Unrated Unrated
			A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caal to C	
			A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
			A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
			A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	
			A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	
<u>On and Off Balance-Sheet Credit Exposures</u>							
Banks, MDBs, and DFIs		1,207,092	262,483	-	-	-	395,265
Total		1,207,092	262,483	-	-	-	395,265

31 December 2021 Exposure Class	Moody's S&P Fitch RAMs MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	Ratings of banking institutions by approved ECAIS				Unrated Unrated Unrated Unrated Unrated
			A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caal to C	
			A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
			A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
			A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	
			A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	
<u>On and Off Balance-Sheet Credit Exposures</u>							
Banks, MDBs, and DFIs		743,371	151,728	-	-	-	188,903
Total		743,371	151,728	-	-	-	188,903

Note: There are no exposures under Short-term ratings for the period under review.

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4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flow as the main source of payment and not on the collateral offered. However, the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The types of collateral accepted by the Group would have an impact on the calculation of the Group's capital adequacy as the quality and the type of collateral determine whether the Group is able to obtain capital relief and the extent of such relief. Capital relief is defined as the assignment of a lower or zero risk weight to the counterparty exposure by setting off or reducing the counterparty exposure against the collateral value.

The main types of collaterals obtained by the Group to mitigate credit risks are as follows:

- (a) Cash on lien
- (b) Landed property
- (c) Shariah compliant quoted shares and unit trusts
- (d) Malaysian Federal Government Securities
- (e) Rated/Unrated Islamic Securities/Sukuk
- (f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. The Group has put in place policies and procedures which govern the determination of eligibility of various collaterals to protect the Group's position from the onset of a customer relationship on the CRM, for instance, in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

In order to obtain a fair assessment of collateral securing the financing facility, a valuation is performed periodically ranging from weekly to annually, depending on the type, liquidity and volatility of the collateral value.

In mitigating the counterparty credit risks arising from foreign exchange and derivatives transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between the two parties, creates a greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.



4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM) (continued)

The Group manages its credit risk concentrations by diversifying its portfolios through several measures. The Group monitors credit risk limits via, among others, sector limits, programme limits, deviation limits and Single Counterparty Exposure Limits (SCEL). The following tables disclose the extent to which exposures are covered by eligible credit risk mitigants.

Disclosure of Credit Risk Mitigation (CRM):

31 December 2022 Exposure class	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial and non-financial collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	12,113,373	–	–
Public Sector Entities	2,958,245	–	92,495
Banks, DFIs and MDBs	1,677,905	–	–
Corporates	19,498,516	2,533,329	1,281,624
Regulatory Retail	22,618,237	355,970	221,676
Residential Mortgages	25,971,590	447	94,862
Higher Risk Assets	2,538	–	–
Other Assets	2,819,804	–	–
Defaulted Exposures	1,601,818	290,778	118,332
Total for On-Balance Sheet Exposures	89,262,026	3,180,524	1,808,989
Off-Balance Sheet Exposures			
Credit-related Exposures	1,646,532	115	31,946
Derivative Financial Instruments	213,080	–	–
Defaulted Exposures	157,484	4,571	418
Total for Off-Balance Sheet Exposures	2,017,096	4,686	32,364
Total On and Off-Balance Sheet Exposures	91,279,122	3,185,210	1,841,353

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4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM) (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 December 2021 Exposure class	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial and non-financial collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	9,052,249	–	–
Public Sector Entities	1,701,095	–	10,101
Banks, DFIs and MDBs	1,007,555	–	–
Corporates	19,388,649	706,085	1,224,343
Regulatory Retail	20,743,307	194,327	136,111
Residential Mortgages	23,669,331	452	100,983
Higher Risk Assets	3,173	–	–
Other Assets	1,846,888	–	–
Defaulted Exposures	1,128,766	384,941	69,715
Total for On-Balance Sheet Exposures	78,541,013	1,285,805	1,541,253
Off-Balance Sheet Exposures			
Credit-related Exposures	1,623,840	4,805	56,026
Derivative Financial Instruments	116,795	–	–
Defaulted Exposures	36,288	4,752	10
Total for Off-Balance Sheet Exposures	1,776,923	9,557	56,036
Total On and Off-Balance Sheet Exposures	80,317,936	1,295,362	1,597,289



4. CREDIT RISK (CONTINUED)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 31 December 2022

Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
<i>Credit related Exposures</i>				
Direct credit substitutes	533,884		533,884	578,339
Assets sold with recourse	–		–	–
Transaction related contingent items	985,002		492,501	483,516
Short term self-liquidating trade related contingencies	407,370		81,474	80,143
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	–		–	–
– exceeding one year	1,392,315		696,158	575,432
Unutilised credit card lines	–		–	–
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,809,279		–	–
	11,127,850		1,804,017	1,717,430
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
– less than one year	7,713,420	122,827	212,579	78,664
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
Profit rate related contracts				
– less than one year	–	–	–	–
– one year to less than five years	42,286	173	501	325
– five years and above	–	–	–	–
Equity related contracts				
– less than one year	–	–	–	–
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
	7,755,706	123,000	213,080	78,989
Total	18,883,556	123,000	2,017,097	1,796,419

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4. CREDIT RISK (CONTINUED)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (continued)

(ii) As at 31 December 2021

Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
<i>Credit related Exposures</i>				
Direct credit substitutes	501,511		501,511	503,088
Assets sold with recourse	–		–	–
Transaction related contingent items	903,458		451,729	438,976
Short term self-liquidating trade related contingencies	417,940		83,588	83,012
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	–		–	–
– exceeding one year	1,246,592		623,295	503,494
Unutilised credit card lines	–		–	–
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	8,110,490		–	–
	11,179,991		1,660,123	1,528,570
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
– less than one year	7,505,850	25,120	114,431	66,277
– one year to less than five years				
– Five years and above	–	–	–	–
Profit rate related contracts				
– less than one year	–	–	–	–
– one year to less than five years	79,153	917	2,368	1,735
– five years and above	–	–	–	–
Equity related contracts				
– less than one year	–	–	–	–
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
	7,585,003	26,037	116,799	68,012
Total	18,764,994	26,037	1,776,922	1,596,582



5. MARKET RISK

5.1 Overview

All the Group's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. The following are the main market risk factors that the Group is exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk is the potential impact on the Group's profitability and capital caused by changes in the rate of return, due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk:** the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;

The Group separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's profit rate management of the Group's asset & liabilities and investment portfolio mainly for liquidity management.

5.2 Market Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by Asset & Liability Committee ("ALCO") and/or BRC, guided by the Board's approved Group Risk Appetite Statement Policy.

ALCO is responsible under the authority delegated by BRC for managing market risk at strategic level.

5.3 Management of Market Risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring effective implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC. In addition, the market risk exposures and limits are regularly reported to ALCO and BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, ad-hoc simulations, and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

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5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

a) Profit rate risk in the banking book portfolio

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings-at-Risk ("EaR") and Economic Value of Equity ("EVE"). The Group monitors the sensitivity of EaR and EVE under varying profit rate scenarios (i.e., simulation modelling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategise to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Group's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group's and Bank's profit rate sensitivity to a 150 basis points parallel shift as at reporting date.

	31 December 2022 (Decrease)/Increase		31 December 2021 (Decrease)/Increase	
	-150bps RM million	+150bps RM million	-150bps RM million	+150bps RM million
Group				
Impact on EaR	(194.6)	194.6	(206.6)	206.6
Impact on EVE	381.7	(381.7)	294.0	(294.0)
	31 December 2022 (Decrease)/Increase		31 December 2021 (Decrease)/Increase	
	-150bps RM million	+150bps RM million	-150bps RM million	+150bps RM million
Bank				
Impact on EaR	(192.3)	192.3	(204.7)	204.7
Impact on EVE	380.0	(380.0)	293.6	(293.6)



5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

b) Market Risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and managed using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur as a result of market rates movements over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on historical simulation which derives plausible future scenarios from the past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios as at the reporting date is as follows:

Bank	As at 31.12.2022	1.1.2021 to 31.12.2022		
	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	0.004	0.58	1.66	0.004
Foreign Exchange Risk	0.19	1.58	3.35	0.19
Overall	0.20	2.15	4.49	0.20

Bank	As at 31.12.2021	1.1.2021 to 31.12.2021		
	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	0.14	1.05	2.39	0.14
Foreign Exchange Risk	0.36	0.66	1.19	0.34
Overall	0.50	1.71	2.78	0.50

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5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

c) Foreign Exchange Risk

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. For the Bank-wide (trading and banking portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

The Bank has a sensitivity limit for managing the foreign exchange risk in place. The foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as "Others"):

Bank	31 December 2022		31 December 2021	
	-1% Depreciation RM'000	+1% Appreciation RM'000	-1% Depreciation RM'000	+1% Appreciation RM'000
US Dollar	(4,805)	4,805	12,136	(12,136)
Euro	4,348	(4,348)	4,576	(4,576)
Others	(143)	143	(193)	193

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

6. LIQUIDITY RISK

6.1 Overview

Liquidity risk is the risk of adverse impact to the financial condition of the Group, or the soundness of the Group being adversely affected by an inability (or perceived inability) to meet its contractual obligations. This risk can arise from mismatches in the timing of cash flows.

The Group maintains a diversified and stable funding base comprising retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objectives of the Group's liquidity management are to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Savings accounts, current accounts, investment accounts (IA) and term deposits form a critical part of the Group's funding profile and the Group places considerable importance on maintaining their stability. The stability depends upon preserving depositors' confidence in the Group and the Group's capital strength and liquidity, and on competitive and transparent pricing.



6. LIQUIDITY RISK (CONTINUED)

6.1 Overview (continued)

The Group's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits approved by ALCO and/or BRC. The limits vary, taking into account the depth and liquidity of the market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities, and commitments to ensure that cash flows are appropriately balanced, and all obligations are met when due.

The Group's liquidity management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

6.2 Liquidity Risk Governance

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Group Risk Appetite Statement Policy. ALCO is responsible under the authority delegated by BRC for managing liquidity risk at strategic level.

6.3 Management of Liquidity Risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated on a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

MRMD is an independent risk control function and is responsible for ensuring efficient implementation of liquidity risk framework. It is also responsible for developing the Group's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to ALCO and BRC.

Stress testing and scenario analysis are important tools used by the Group to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group.

Another key control feature of the Group's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on actions to be taken in order to minimise the adverse implications to the Group.

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7. OPERATIONAL RISK

7.1 Overview

Operational Risk is defined as the “risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah non-compliance risk but excludes strategic and reputational risk”.

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank's risk management programme.

7.2 Operational Risk Governance

The Group's operational risk management (“ORM”) is guided by its ORM Policy, Guideline and Group Enterprise-Wide Risk Management Policy, as well as its Group Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

BRC is a committee of Board to oversee the Management's activities in managing risks for the Group, including operational risk. Its roles, with regard to ORM, include reviewing and recommending ORM Policy, strategies and risk appetite for Board's approval.

MRCC, under the authority delegated by BRC is responsible to perform the oversight function and to ensure effective management of issues relating to operational risk at strategic level. Operational Risk Control Committee (“ORCC”) which is a sub-committee of MRCC is primarily responsible in ensuring effective implementation and maintenance of policies, processes, and systems for managing operational risk for the Group.

Notwithstanding the above, the various Business & Support Units (“BU/SU”) are responsible for managing operational risk within their respective domains on a day-to-day basis and ensuring that their business & operational activities are carried out within the established ORM policies, guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller (“RC”) for each BU/SU is appointed and Embedded Risk and Compliance Unit (“ERU”) is established at selected BU/SU to assist in driving the risk & control programme for the Group.

Ultimately, all staff of the Group are to ensure they properly discharge their day-to-day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline, i.e., “Managing Risk is Everyone's Business”.



7. OPERATIONAL RISK (CONTINUED)

7.3 Management of Operational Risk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored, and business activities are carried out within the established ORM policies, guidelines, procedures, and limits.

The Group's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

- a) 1st Line of Defence** – The risk owner or risk-taking unit i.e., BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control within 1st Line of Defence, the RC is appointed at each BU/SU and ERU is established at selected BU/SU.

2nd Line of Defence – Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Policy and its supporting guidelines/manuals, developing methodologies and various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating operational risk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group. Shariah Risk Management Unit ("SRMU"), which forms part of ORMD, is responsible for managing the Shariah non-compliance risk ("SNCR") by establishing and maintaining appropriate guidelines on Shariah Risk Management (SRM) by facilitating the process of identifying, assessing, controlling, and monitoring SNCR and promoting SNCR awareness.

Group Compliance Division, which includes Shariah Compliance Department and Group Information Security & Governance Division ("ISGD") complement the role of ORMD as the 2nd Line of Defence.

Group Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk, corruption risk, money laundering and terrorism financing risks through proper classification of risks and developing, reviewing, and enhancing compliance-related training programmes, as well as conducting trainings that promote awareness creation. Shariah Compliance Department under Group Compliance Division is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities, and services at BU/ SU level.

ISGD is responsible in managing information technology risk by establishing, maintaining, and enforcing information technology risk policies/guidelines and it works closely with Group Technology Division in identifying, assessing, mitigating, and monitoring of information technology risk in the Group.

- b) 3rd Line of Defence** – Group Internal Audit including Shariah Audit Department provides independent assurance to the Board and senior management on the effectiveness of the ORM and SRM process.

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7. OPERATIONAL RISK (CONTINUED)

7.4 ORM Tools & Mitigation Strategies

The Group employs ORM tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating operational risks, namely:

Overview of ORM Tools				
Proactive Tools				Reactive Tools
Risk Control Self-Assessment	Key Risk Indicator	Operational Risk Review	New Product Services Approval Process	Risk Loss Event Management & Reporting
<ul style="list-style-type: none"> Self-assessment to identify and assess operational risks by Risk Owners; The tool creates ownership and increases operational risk awareness. 	<ul style="list-style-type: none"> A forward-looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system); To assist management to focus on high-risk issues. 	<ul style="list-style-type: none"> End-to-end review of activities to identify risks and ensure appropriate controls are in place and are effective; To ensure controls are aligned with RCSA and able to mitigate the identified risk. 	<ul style="list-style-type: none"> To ensure risks are identified and adequate controls are in place prior to launching of new product/ services. 	<ul style="list-style-type: none"> Centralised group-wide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.
Risk Analysis & Reporting				
<ul style="list-style-type: none"> Analysis and reporting of qualitative and quantitative results from various ORM tools. 				
Scenario Analysis				
<ul style="list-style-type: none"> A systematic and forward-looking tool of obtaining expert opinions to derive new risks, test the efficiency of existing controls and highlights unexpected risks. 				

In addition, a comprehensive Business Continuity Management ("BCM") function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group's risk management process by providing a controlled response to potential operational risk that could have a significant impact on the Group's critical processes and revenue streams. The Group is also continuously reviewing its critical business operations' resilience through regular testing and dependencies assessment on its assets (systems, data, third parties, facilities, processes and people) in order to ensure it has the required capability and resources to effectively prepare for different disruption events.



7. OPERATIONAL RISK (CONTINUED)

7.4 ORM Tools & Mitigation Strategies (continued)

As part of the risk transfer strategy, the Group obtains a 3rd party Takaful coverage to cover for the Group's high impact loss events.

The Group also ensures that the group-wide Operational Risk awareness programme is conducted on an ongoing basis. This training programme emphasises on inculcating an operational risk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

7.5 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM's CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

8. SHARIAH GOVERNANCE

8.1 Overview

By virtue of BNM's Shariah Governance Policy Document ("SGPD"), the Group has established a sound and robust Shariah governance framework with the emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions.

As part of the robust Shariah governance framework, to date, the Group has put in place the Group Shariah Compliance Policy, Shariah Compliance Guideline, Shariah Compliance Marketing Guideline, Business Zakat Guideline and Charity Fund Management Guideline. These help to ensure the Group's business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGPD and its other rules and regulations, and the resolutions of BNM, Securities Commission ("SC") and Labuan Financial Services Authority ("LFSA")'s Shariah Advisory Council and the SSC.

8.2 Shariah Risk Management

The Group's Shariah risk management as part of operational risk management is guided by Operational Risk Management ("ORM") Policy and Guidelines which set out the high-level framework supporting the Shariah Compliance Policy and detail out the Shariah risk management processes and tools. The policy and guidelines serve to provide a consistent group-wide framework for managing SNCR across the Group.

In addition to this, the Group Risk Loss Event Management and Reporting ("RLEMR") Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting, in order to ensure the Group strictly complies with Shariah rules and principles, as well as the regulatory requirements. The guideline has been established to be in line with the mechanism set out by BNM's Operational Risk Reporting Requirement – Operational Risk Integrated Online Network ("ORION") and to ensure compliance with section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Additionally, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

Being part of operational risk, Shariah risk management leverages on the same ORM principles, processes, and tools. The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit ("SRMU"). In general, all ORM tools are extended to the process of managing SNCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

Pillar 3 Disclosure

as at 31 December 2022

8. SHARIAH GOVERNANCE (CONTINUED)

8.2 Shariah Risk Management (continued)

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Group's staff and Risk Controllers ("RC") to ensure understanding towards Shariah requirements/rulings, effective identification of SNC risks, establishment of controls to prevent SNC event, and to keep updated on the latest Shariah requirements/rulings issued by Shariah Division, SSC and regulators, and any occurrence of Shariah non-compliance event. In the year 2022, five (5) Shariah risk awareness sessions were conducted involving Bank's staff from HQ and branches. In addition, it is compulsory for all staff to participate in Shariah training via e-Learning as a refresher course.

8.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles as determined by the Bank's Shariah Supervisory Council, as well as other relevant body or institution such as the Shariah Advisory Council of BNM, Securities Commission and Labuan Financial Services Authority.

Throughout the year 2022, there were three (3) incidences of SNC events, whereby the events were related to improper execution of aqad for deposit-based product, granting of financing facilities to a company with SNC activities and absence of commodity trading for Tawarruq-based deposit. To prevent similar recurrence, the Group is continuously improving its Shariah compliance culture through the issuance of reminders, conducting on-going awareness trainings, as well as establishing additional controls to ensure compliance with Shariah requirements.

8.4 Shariah Non-Compliant Income

31 December 2022	31 December 2021
RM 39,312.59	RM41,182.96

The main contributors of the SNC income for 2022 were commissions from SNC merchants of card business (RM22,055.73) and commissions from third party investment product offering (RM17,132.03). The amount was disposed to charitable causes upon SSC's approval.

All SNC events and rectification plans were presented and approved by the Board/ SSC and reported to BNM in accordance with the prescribed reporting requirement by the regulator.

9. INVESTMENT ACCOUNT

9.1 Overview

Islamic Financial Services Act 2013 ("IFSA") distinguishes Investment Account (IA) from Islamic deposits, where Shariah contracts that need to be applied for IA products are non-principal guaranteed, while Shariah contracts for deposit products are principal guaranteed.

In line with the implementation of the IFSA, the Group has developed investment account products based on Mudarabah and Wakalah contracts.

Mudarabah is a contract between a customer as capital provider and the Group as an entrepreneur under which the customer provides capital to be managed by the Group and any profit generated is shared according to a mutually agreed profit-sharing ratio (PSR) whilst financial losses are borne by the customer provided that such losses are not due to the Group's misconduct, negligence or breach of specified terms.



9. INVESTMENT ACCOUNT (CONTINUED)

9.1 Overview (continued)

Wakalah refers to a contract where a customer, as the principal, authorises the Group as his agent to perform a particular task on matters that may be delegated i.e., investment, with or without imposition of a fee. In this context, the Shariah contract applied is Wakalah bi al-Istithmar (Wakalah for the purpose of investment).

In terms of offering, the Group currently has the following two categories of IA:

Unrestricted Investment Account (UA)	Restricted Investment Account (RA)
Unrestricted Investment Account refers to a type of IA where the customer/Investment Account Holder (IAH) provides the Bank with the mandate to make the ultimate investment decision without specifying any particular restrictions or conditions.	Restricted Investment Account (RA) refers to a type of IA where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period for investment.

The Bank will apply risk management controls over portfolio, legal and operational activities; including asset allocation, liquidity adherence to investment objectives and parameters, valuation, monitoring performance, Shariah compliance and others as per guided in the Bank Negara Malaysia (BNM)'s Investment Account Policy. Notwithstanding the above, in times of adversity in the markets, the Bank may manage its asset allocation to safeguard the investment portfolio provided that such investment is within the investment objectives of the fund.

IA product is not capital guaranteed and is not protected by the Perbadanan Insurans Deposit Malaysia (PIDM). Among the risks associated with IA include but not limited to the following:

- Risk of Capital Loss – refers to the potential decrease in the value of the original investment amount.
- Market Risk – refers to the potential impact of adverse price on the economic value of an asset.
- Liquidity Risk – refers to the potential inability of the Bank to meet short term withdrawal demands from the IAH.
- Credit Risk – refers to the potential event that may arise when substantial amount of assets for the fund goes into default.
- Legal Risk – IAH should ensure that, in entering into this investment it is not in breach of any laws, regulations, contractual or any other legal limitations that may apply to investors. This investment is issued subject to all applicable laws, regulations and guidelines. In the event of change in such laws, regulations or guidelines, Bank Islam may be obliged to change some or all the terms and conditions of the investment, including the possibility of an early termination.
- Shariah Non-Compliance Risk – refers to the possible failures to comply with the rulings of BNM's Shariah Advisory Council (SAC) and standards on Shariah matters issued by BNM or decisions or advice of Bank Islam's Shariah Supervisory Council.

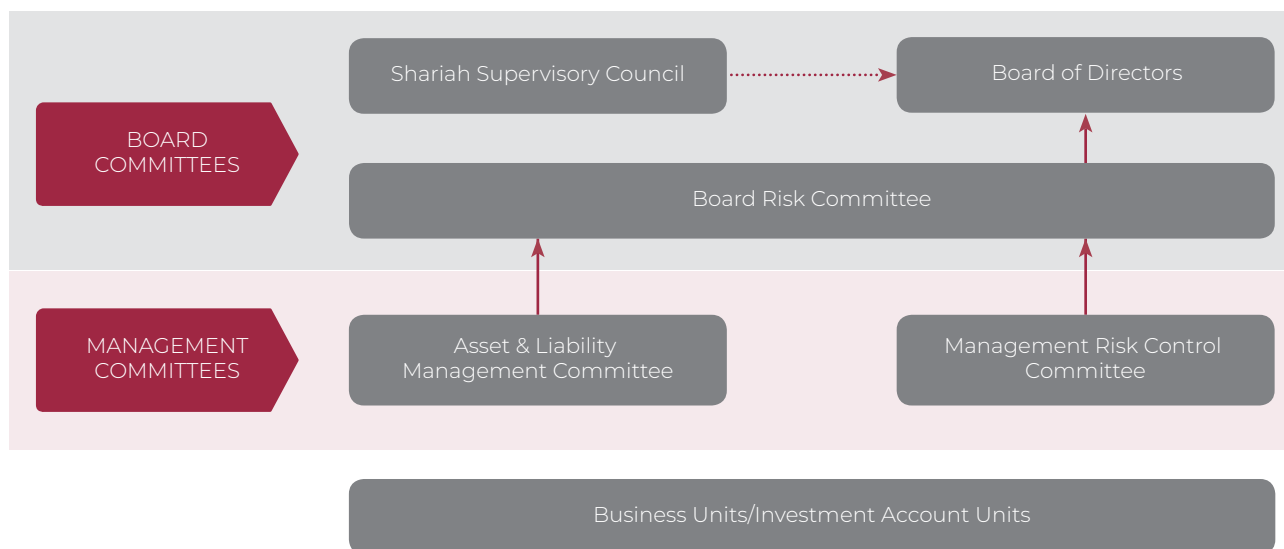
Pillar 3 Disclosure

as at 31 December 2022

9. INVESTMENT ACCOUNT (CONTINUED)

9.2 Governance Structure

To safeguard the IAH's interest, the investment mandates, strategies and parameters are carried out in accordance with the Group's governance set-up. The IA governance structure adopted by the Group is as depicted in the following diagram:



The roles and responsibilities of the above respective committees are as follows:

Committee	Responsibility
Board of Directors (Board)	Responsible to establish an effective governance arrangement to facilitate effective monitoring and control of the overall management and conduct of the IA. The adequacy of the governance arrangement shall be commensurate with the nature, scale, complexity, and risk profile associated with the conduct of the IA.
Board Risk Committee (BRC)	Assists the Board in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA, as well as to play the role of Board Investment Committee.
Shariah Supervisory Council	Advises and provides clarification on relevant Shariah rulings, decisions, or policies on Shariah matters and endorses the terms and conditions stipulated in IA documentation and ensures that information published is in compliance with Shariah.
Management Risk Control Committee	Assists BRC in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA.
Asset & Liability Management Committee	<ul style="list-style-type: none"> Responsible to perform the oversight function and to deliberate key issues related to the Bank's asset and liability management and market risk. Approves and reviews proposals with regard to acquisition, allocation and management of funds to be consistent with the regulatory requirements, liquidity needs and market factors, and also other matters which are market and liquidity risk related and where necessary, making recommendations to the Board Risk Committee and/or the Board.

**9. INVESTMENT ACCOUNT (CONTINUED)****9.3 IA Performance**

	31 December 2022	31 December 2021
	RM	RM
Gross Exposure: Financing funded by UA	14,564,961,537.77	RM10,561,600,658.98
	%	%
Return on Assets ("ROA")	4.23%	3.92%
Average Net Distributable Income	4.08%	3.49%
Average/Proportion Net Distributable Income Attributable to the IAH	1.43%	1.28%
Average Profit Sharing Ratio/Return to the IAH	35.16%	36.68%
	RM'000	RM'000
Impaired assets/financing funded by UA (bank-wide)	835,231.84	568,382.80
Total allowance for UA	20,993.16	54,648.62
Collective allowance provisions funded by UA	NA	NA
Individual allowance provisions funded by UA	NA	NA

Pillar 3 Disclosure

as at 31 December 2022

GROUP CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 December 2022 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.



Mohd Muazzam Mohamed

Group Chief Executive, Bank Islam Malaysia Berhad



Shareholdings' Analysis

as at 31 March 2023

ANALYSIS OF HOLDINGS (MALAYSIAN & FOREIGN)

Size of Shareholdings	No. of Shareholders		No. of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1-99	672	8	6,774	143	–	–
100-1,000	2,747	34	1,675,001	21,675	0.07	–
1,001-10,000	4,973	63	20,394,259	266,686	0.91	0.01
10,001-100,000	1,388	75	37,948,305	2,963,913	1.69	0.13
100,001-112,200,254 (*)	277	66	604,617,066	39,321,942	26.94	1.75
112,200,255 and above (**)	3	–	1,536,789,350	–	68.50	–
Directors' shareholdings	–	–	–	–	–	–
Total	10,060	246	2,201,430,755	42,574,359	98.11	1.89

* Less than 5% of issued shareholdings

** 5% and above of issued shareholdings

DISTRIBUTION TABLE ACCORDING TO CATEGORY OF HOLDERS

Category of Shareholders	No. of Shareholders			No. of Shares			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1. Individual	2,164	5,662	86	9,358,755	51,433,075	1,029,338	0.42	2.29	0.05
2. Body Corporate									
a. Banks/Finance Companies	55	3	–	1,508,537,223	518,000	–	67.23	0.02	–
B. Investments									
Trusts/									
Foundation/									
Charities	1	–	–	2,678,140	–	–	0.12	–	–
C. Other Types of Companies	66	56	1	14,316,536	8,255,659	452,090	0.64	0.37	0.02
3. Government									
Agencies/Institutions	15	–	–	66,550,488	–	–	2.96	–	–
4. Nominees	1,407	630	159	58,294,573	481,488,296	41,092,931	2.59	21.46	1.83
5. Trustee	–	–	–	–	–	–	–	–	–
6. Others	–	1	–	–	10	–	–	–	–
Total	3,708	6,352	246	1,659,735,715	541,695,040	42,574,359	73.96	24.14	1.90

Shareholdings' Analysis

as at 31 March 2023

LIST OF DIRECTORS SHAREHOLDINGS

Name of Director	No. of Shares Held Through Own Name	No. of Shares Held Through Nominees	Total Shares	%
Tan Sri Dr. Ismail Hj. Bakar	-	-	-	-
Datuk Nik Mohd Hasyudeen Yusoff	-	-	-	-
Azizan Ahmad	-	-	-	-
Mohd Yuzaidi Mohd Yusoff	-	-	-	-
Mashitah Haji Osman	-	-	-	-
Dato' Sri Amrin Awaluddin	-	-	-	-
Mohd Asri Awang	-	-	-	-
Datuk Bazlan Osman	-	-	-	-
Nuraini Ismail	-	-	-	-
Total	-	-	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS HOLDINGS OF 5% AND ABOVE

No.	Name	NRIC/ Regn. No.	Shareholdings	Total Shareholdings	%
1.	Lembaga Tabung Haji	ACT5351995	1,088,416,900	1,088,416,900	48.50
2.	Citigroup Nominees (Tempatan) Sdn Bhd	199301012273		353,882,323	15.77
	Employees Provident Fund Board				
	Employees Provident Fund Board (AMUNDI)		10,309,000		
	Employees Provident Fund Board (AM INV)		3,617,800		
	Employees Provident Fund Board (CIMB PRIN)		6,153,100		
	Employees Provident Fund Board		301,220,150		
	Employees Provident Fund Board (ASIANISLAMIC)		10,542,800		
	Employees Provident Fund Board (RHBISLAMIC)		941,300		
	Employees Provident Fund Board (F.TEMISLAMIC)		1,761,100		
	Employees Provident Fund Board (ABERISLAMIC)		702,500		
	Employees Provident Fund Board (BNP NAJMAH EQ)		4,433,700		
	Employees Provident Fund Board (CPIAM EQ)		3,400,000		
	Employees Provident Fund Board (NIAM EQ)		5,164,800		
	Employees Provident Fund Board (CGS CIMB)		5,636,073		
3.	Amanahraya Trustees Berhad	200701008892	147,152,300	147,152,300	6.56
	Amanah Saham Bumiputera				
Total			1,589,451,523		70.83



TOP 30 HOLDERS

No.	Name	Total Shareholdings	%
1.	LEMBAGA TABUNG HAJI	1,088,416,900	48.50
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	301,220,150	13.42
3.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	147,152,300	6.56
4.	PERMODALAN NASIONAL BERHAD	87,792,606	3.91
5.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	79,014,680	3.52
6.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	26,934,202	1.20
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (2)	20,909,921	0.93
8.	MAJLIS UGAMA ISLAM SABAH	11,717,299	0.52
9.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PBTB FOR TAKAFULINK DANA EKUITI	11,019,330	0.49
10.	LEMBAGA TABUNG ANGKATAN TENTERA	10,879,452	0.48
11.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	10,799,171	0.48
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	10,542,800	0.47
13.	PERTUBUHAN KESELAMATAN SOSIAL	10,514,900	0.47
14.	MAJLIS UGAMA ISLAM SABAH	10,421,700	0.46
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	10,309,000	0.46
16.	AMIN BAITULMAL JOHOR	8,316,000	0.37
17.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	8,138,800	0.36
18.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	8,072,000	0.36
19.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	7,149,700	0.32
20.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	6,928,900	0.31
21.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR MAJLIS UGAMA ISLAM DAN ADAT RESAM MELAYU PAHANG	6,836,800	0.30
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	6,698,400	0.30
23.	MAJLIS AGAMA ISLAM SELANGOR	6,573,488	0.29
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	6,153,100	0.27
25.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 – DIDIK	5,980,364	0.27
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CGS CIMB)	5,636,073	0.25
27.	MAJLIS AGAMA ISLAM NEGERI PULAU PINANG	5,544,000	0.25
28.	MAJLIS AMANAH RAKYAT	5,544,000	0.25
29.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NIAM EQ)	5,164,800	0.23
30.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK DANA UNGGUL	5,132,027	0.23
TOTAL		1,935,512,863	86.23



Properties Owned by BIMB Group

PROPERTY LISTING FOR BANK ISLAM MALAYSIA BERHAD

Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square metre)	Net Book Value as at 31.12.2022 (RM)	Date of Acquisition
HS (D) 80625 Lot 147, Seksyen 87 Jalan Tun Razak 50750 Kuala Lumpur	Building site	Leasehold for 99 years expiring on 29.12.2093	NA	6,410	11,509,482.07	30.12.1994
H S (M) 2660 & 2661 Lot 50624 & 50625 Batu 5 1/2 Jalan Cheras 56100 Kuala Lumpur	Vacant land	Leasehold for 99 years expiring on 02.04.2085	NA	Lot 50624 – 171 Lot 50625 – 403	56,356.42	03.04.1986
Lot No. PT 805-HSD 1323 Mukim Bagan Nakhoda Omar, Sabak Bernam, Selangor	Vacant land	Leasehold for 99 years expiring on 03.02.2101	NA	405,000	526,146.67	07.03.2007

PROPERTY LISTING FOR SYARIKAT AL-IJARAH SDN BHD

Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square metre)	Net Book Value as at 31.12.2022 (RM)	Date of Acquisition
No. PT Lot 002600 & 002601 No. HS (D) 815 & 816 No. 71 & 73, Jalan Taman Selat Off Jalan Bagan Luar 12720 Butterworth Pulau Pinang	4-storey shophouse/ office for Bank Islam Operation	Freehold	37	Lot 002600 – 171 Lot 002601 – 273	577,723.59	30.09.1985



Directory of Main and Regional Offices



→ Central Region

01

Level 28
Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : 03 2707 8563

02

2 & 4, Jalan 6C/7
Seksyen 16
43650 Bandar Baru Bangi
Selangor
Tel : 03 8655 9280

03

1st Floor, No. 1
Jalan Elektron EU16/E
Seksyen U16, Denai Alam
40160 Shah Alam, Selangor
Tel : 03-5021 1595

W.P. KUALA LUMPUR

- **Bandar Tasik Permaisuri**
Tel : 03 9764 9966
Fax : NA
- **Bandar Wawasan**
Tel : 03 2705 2939
Fax : 03 2705 2938
- **Bukit Damansara**
Tel : 03 2708 4988
Fax : 03 2708 4989
- **Jalan Tun Razak**
Tel : 03 2706 2900
Fax : 03 2706 2909
- **KL Sentral**
Tel : 03 2706 9999
Fax : 03 2706 9998
- **Medan Mara**
Tel : 03 2707 2900
Fax : 03 2707 2909
- **Menara Bank Islam**
Tel : 03 2705 2979
Fax : 03 2705 2978
- **Menara TM**
Tel : 03 2706 2910
Fax : 03 2706 2919

Selayang

Tel : 03 6414 9933
Fax : 03 6414 9939

Semarak

Tel : 03 2708 4979
Fax : 03 2708 4978

Seri Petaling

Tel : 03 9764 2000
Fax : 03 9764 2009

Taman Melawati

Tel : 03 4815 9955
Fax : 03 4815 9959

Taman Tun Dr Ismail

Tel : 03 7612 8000
Fax : 03 7612 8009

UIA Gombak

Tel : 03 6413 8010
Fax : 03 6413 8016

UM KL

Tel : 03 7669 9397
Fax : 03 7669 9396

Wangsa Maju

Tel : 03 4810 7999
Fax : NA

SELANGOR

Ampang

Tel : 03 4810 0030
Fax : 03 4810 0039

Ara Damansara

Tel : 03 7680 0930
Fax : 03 7680 0938

Bandar Baru Bangi

Tel : 03 8691 0022
Fax : 03 8691 0029

Bandar Botanic Klang

Tel : 03 3000 8400
Fax : 03 3000 8409

Bandar Kinrara

Tel : 03 8600 3939
Fax : 03 8600 3935

Banting

Tel : 03 3008 2100
Fax : 03 3008 2109

Bukit Jelutong

Tel : 03 5021 0140
Fax : 03 5021 0149

Cyberjaya

Tel : 03 8688 0999
Fax : NA

Denai Alam

Tel : 03 5036 1080
Fax : 03 5036 1089

Kajang

Tel : 03 8691 9988
Fax : 03 8691 9989

Kelana Jaya

Tel : 03 7688 1020
Fax : 03 7688 1029

Klang

Tel : 03 3050 9090
Fax : 03 3050 9099

Kota Damansara

Tel : 03 6414 9988
Fax : 03 6414 9989

Petaling Jaya

Tel : 03 7650 2929
Fax : 03 7650 2928

PJ New Town

Tel : 03 7613 8000
Fax : 03 7613 8009

Putra Heights

Tel : 03 8603 3140
Fax : 03 8603 3149

Rawang

Tel : 03 6420 2010
Fax : 03 6420 2019



Directory of Main and Regional Offices

- **Saujana Utama**
Tel : 03 6414 9977
Fax : NA
- **Seksyen 18 Shah Alam**
Tel : 03 5022 2410
Fax : 03 5022 2419
- **Semenyih**
Tel : 03 8690 1133
Fax : NA
- **Setia Alam**
Tel : 03 5036 1070
Fax : 03 5036 1079

- **Shah Alam**
Tel : 03 5040 7999
Fax : 03 5040 7998

- **Sri Gombak**
Tel : 03 6414 9966
Fax : 03 6414 9969

- **Subang Jaya**
Tel : 03 8603 3120
Fax : 03 8603 3129

- **Sungai Besar**
Tel : 03 3006 1999
Fax : 03 3006 1998

- **Sungai Buloh**
Tel : 03 6413 8070
Fax : 03 6413 8079

- **Tanjung Karang**
Tel : 03 3007 1999
Fax : 03 3007 1998

- **UITM Shah Alam**
Tel : 03 5021 0130
Fax : 03 5021 0139

W.P. PUTRAJAYA

- **Putrajaya**
Tel : 03 8682 1111
Fax : 03 8682 1119

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→ Northern Region

01

1st Floor, No. 3009
Bangunan KWSP Seberang Jaya
Lebuh Tenggiri 2
13700 Seberang Jaya
Pulau Pinang
Tel : 04 382 9100

02

1st Floor, 21 & 23
Jalan Taman Meru
Utama A1
Medan Meru Utama
Meru Raya, 30020 Ipoh, Perak
Tel : 05 236 9740

PERLIS

- **Kangar**
Tel : 04 908 9988
Fax : 04 908 9989

KEDAH

- **Alor Setar**
Tel : 04 776 9999
Fax : 04 776 9998

- **Alor Setar 2**
Tel : 04 702 0011
Fax : 04 702 0018

- **Baling**
Tel : 04 449 1999
Fax : 04 449 1998

- **Guar Chempedak**
Tel : 04 454 9988
Fax : 04 454 9989

- **Jitra**
Tel : 04 901 9999
Fax : 04 901 9998

- **Kulim**
Tel : 04 481 9595
Fax : 04 481 9599

- **Langkawi**
Tel : 04 933 1000
Fax : 04 933 1009

- **Pokok Sena**
Tel : 04 704 0990
Fax : 04 704 0999

- **Sik**
Tel : 04 454 9977
Fax : 04 454 9979

- **Sungai Petani**
Tel : 04 454 9999
Fax : 04 454 9998

- **Universiti Utara Malaysia**
Tel : 04 901 9988
Fax : 04 901 9989

PULAU PINANG

- **Bandar Baru Perda**
Tel : 04 372 4979
Fax : 04 372 4978

- **Bayan Baru**
Tel : 04 371 9898
Fax : 04 371 9899

- **Butterworth**
Tel : 04 372 4989
Fax : 04 372 4988

- **Georgetown**
Tel : 04 286 4199
Fax : 04 286 4198

- **Kepala Batas**
Tel : 04 565 1909
Fax : 04 565 1908

PERAK

- **Bagan Serai**
Tel : 05 732 9988
Fax : 05 732 9989

- **Ipoh**
Tel : 05 220 7699
Fax : NA

- **Meru Raya**
Tel : 05 220 0500
Fax : 05 220 0509

- **Parit Buntar**
Tel : 05 732 9999
Fax : 05 732 9998

- **Seri Iskandar**
Tel : 05 348 1999
Fax : 05 348 1998

- **Sri Manjung**
Tel : 05 617 9988
Fax : 05 617 9989

- **Taiping**
Tel : 05 834 1000
Fax : 05 834 1009

- **Tanjung Malim**
Tel : 05 481 5999
Fax : 05 481 5998

- **Teluk Intan**
Tel : 05 617 9979
Fax : NA



→ Eastern Region

01 No. 8033, 2nd Floor
Bandar Satelit Pasir Tumboh
16150 Kota Bharu
Kelantan
Tel : 09 949 0999

02 2nd Floor
Putra Square Branch
25200 Kuantan
Pahang
Tel : 09 520 9970

03 3rd & 4th Floor, Lot 35308
Dataran Austin Gong Badak
Mukim Kuala Nerus
20200 Kuala Terengganu
Terengganu
Tel : 09 637 9999

KELANTAN

- **Bandar Baru Tunjung**
Tel : 09 708 2000
Fax: 09 708 2009
- **Gua Musang**
Tel : 09 918 1000
Fax: NA
- **Kota Bharu**
Tel : 09 706 1540
Fax: 09 706 1549
- **Kuala Krai**
Tel : 09 978 1999
Fax: 09 978 1998
- **Kubang Kerian**
Tel : 09 706 7999
Fax: 09 706 7998
- **Machang**
Tel : 09 979 9988
Fax: 09 979 9989

- **Padang Garong**
Tel : 09 706 7980
Fax: 09 706 7989
- **Pasir Mas**
Tel : 09 707 2990
Fax: NA
- **Pasir Puteh**
Tel : 09 759 0420
Fax: 09 759 0429
- **Pasir Tumboh**
Tel : 09 706 1555
Fax: 09 706 1559
- **Tanah Merah**
Tel : 09 949 0999
Fax: 09 949 0998
- **Wakaf Bharu**
Tel : 09 706 7979
Fax: 09 706 7978

PAHANG

- **Jengka**
Tel : 09 592 0999
Fax: NA
- **Jerantut**
Tel : 09 380 2906
Fax: NA
- **Kuala Rompin**
Tel : 09 408 0020
Fax: 09 408 0021
- **Kuantan**
Tel : 09 520 9999
Fax: NA
- **Muadzam Shah**
Tel : 09 431 2090
Fax: 09 431 2099
- **Pekan**
Tel : 09 431 2020
Fax: NA
- **Putra Square**
Tel : 09 556 0820
Fax: 09 556 0829
- **Raub**
Tel : 09 345 0120
Fax: 09 345 0129

• **Temerloh**

Tel : 09 285 0084
Fax: 09 285 0088

TERENGGANU

- **Chukai**
Tel : 09 856 9988
Fax: 09 856 9989
- **Dungun**
Tel : 09 817 9980
Fax: NA
- **Jerteh**
Tel : 09 650 2000
Fax: NA
- **Kuala Nerus**
Tel : 09 637 6380
Fax: NA
- **Kuala Terengganu**
Tel : 09 637 6390
Fax: 09 637 6399
- **Padang Hiliran**
Tel : 09 637 5180
Fax: NA



→ Southern Region

01 15th Floor, Menara TH
Jalan Ayer Molek
80000 Johor Bahru
Johor
Tel : 07 266 8950

02 JC 526 & 527, Tingkat 1
Jalan Bestari 5
77200 Jasin
Melaka
Tel : 06 221 9055

Directory of Main and Regional Offices

JOHOR

• **Austin Height**
Tel : 07 266 9080
Fax : 07 266 9089

• **Bandar Penawar**
Tel : 07 838 0011
Fax : 07 838 0019

• **Batu Pahat**
Tel : 07 447 9988
Fax : NA

• **Johor Bahru**
Tel : 07 266 9090
Fax : 07 266 9099

• **Kluang**
Tel : 07 707 2000
Fax : 07 707 2009

• **Kota Tinggi**
Tel : 07 878 7700
Fax : 07 878 7709

• **Kulai Jaya**
Tel : 07 668 1010
Fax : NA

• **Mersing**
Tel : 07 722 6999
Fax : 07 722 6998

• **Muar**
Tel : 06 906 0880
Fax : 06 906 0889

• **Pasir Gudang**
Tel : 07 266 8999
Fax : NA

• **Pontian**
Tel : 07 685 1000
Fax : 07 685 1009

• **Segamat**
Tel : 07 961 5999
Fax : 07 961 5998

• **Taman Bukit Indah**
Tel : 07 266 1470
Fax : 07 266 1479

• **Tampoi**
Tel : 07 267 9280
Fax : 07 267 9289

MELAKA

• **Ayer Keroh**
Tel : 06 221 9080
Fax : 06 221 9089

• **Bandar Melaka**
Tel : 06 221 9090
Fax : 06 221 9099

• **Jasin**
Tel : 06 527 9988
Fax : NA

• **Masjid Tanah**
Tel : 06 228 1100
Fax : 06 228 1109

NEGERI SEMBILAN

• **Bandar Baru Nilai**
Tel : 06 726 9988
Fax : 06 726 9989

• **Kuala Pilah**
Tel : 06 428 0990
Fax : 06 428 0999

• **Port Dickson**
Tel : 06 644 1000
Fax : 06 644 1009

• **Senawang**
Tel : 06 726 0232
Fax : 06 726 0239

• **Seremban**
Tel : 06 726 9999
Fax : 06 726 9998

• **Tampin**
Tel : 06 425 0990
Fax : 06 425 0999



→ East Malaysia Region

01 1st Floor, UMNO Building
Jalan Kemajuan
88500 Kota Kinabalu
Sabah
Tel : 088 361 799

02 Lot 423 – 426, Bangunan Aiman
Jalan Kulas Barat
Section 5
93400 Kuching Sarawak
Tel : 082 229 999

SABAH

• **Alamesra**
Tel : 088 360 170
Fax : 088 360 179

• **Keningau**
Tel : 08 7250 980
Fax : 08 7250 989

• **Kota Kinabalu**
Tel : 08 8360 450
Fax : 08 8360 469

• **Lahad Datu**
Tel : 08 9805 500
Fax : 08 9805 509

• **Sandakan**
Tel : 089 290 800
Fax : 089 290 809

• **Tawau**
Tel : 08 9730 986
Fax : 08 9730 987

SARAWAK

• **Bintulu**
Tel : 08 6350 290
Fax : 08 6350 299

• **Kota Samarahan**
Tel : 08 2707 910
Fax : 08 2707 919

• **Kuching**
Tel : 08 2229 050
Fax : 08 2229 059

• **Miri**
Tel : 08 5540 999
Fax : 08 5540 998

• **Sibu**
Tel : 084 480 040
Fax : 084 480 049

• **Simpang Tiga, Kuching**
Tel : 08 2262 520
Fax : 08 2262 529

W.P. LABUAN

• **Labuan**
Tel : 08 7436 999
Fax : 08 7436 998



Ar-Rahnu Branches

ALOR SETAR

- Lot 2024
Jalan Langgar
05000 Alor Setar
Kedah
Tel : (6) 04 702 1569
Fax : (6) 04 730 5050

SUNGAI PETANI

- 21-B, Jalan Ibrahim
08000 Sungai Petani
Kedah
Tel : (6) 04 454 9965
Fax : (6) 04 421 5050

KOTA BHARU

- No. 1154 & 1155, Seksyen 11
Lorong Medan MARA
Bandar Kota Bharu
15000 Kota Bharu
Kelantan
Tel : (6) 09 706 7961
Fax : (6) 09 748 9050

KUBANG KERIAN

- Ground Floor, PT 816
Bandar Baru Kubang Kerian
Jalan Raja Perempuan Zainab II
16150 Kota Bharu
Kelantan
Tel : (6) 09 706 7963
Fax : (6) 09 764 5090

PASIR MAS

- Lot 319, Seksyen 1
Jalan Pasir Pekan
17000 Pasir Mas
Kelantan
Tel : (6) 09 759 4990
Fax : (6) 09 790 3090

PASIR PUTEH

- No. PT 546, Seksyen 2
Jalan Nara
16800 Pasir Puteh
Kelantan
Tel : (6) 09 759 9980
Fax : (6) 09 786 5050

TANAH MERAH

- Lot PT175
Jalan Hospital
17500 Tanah Merah
Kelantan
Tel : (6) 09 979 9971
Fax : (6) 09 955 5090

KUALA TERENGGANU

- MBKT-No 19
Pusat Niaga Paya Keladi
Kampung Paya Keladi
20200 Kuala Terengganu
Terengganu
Tel : (6) 09 637 6375
Fax : (6) 09 623 5050

KUANTAN

- No. G-11, Ground Floor
Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang
Tel : (6) 09 520 9960
Fax : (6) 09 514 5050

→ Ar-Rahnu Counters At BIMB Branch

CENTRAL REGION

- **Bandar Baru Bangi**
Bank Islam Malaysia Berhad
No. 2 & 4, Jalan 6C/7
43650 Bandar Baru Bangi
Selangor
Tel : 03-8691 0022
Fax : 03-8691 0029
- **Petaling Jaya**
Bank Islam Malaysia Berhad
Ground & First Floor No. 2 & 4
Jalan 14/22, Section 14
46100 Petaling Jaya
Selangor
Tel : 03-5021 1585
Fax : 03-7650 2928
- **Seksyen 18, Shah Alam**
Bank Islam Malaysia Berhad
No. 18 & 20
Jalan Pinang G 18/G, Section 18
40200 Shah Alam
Selangor
Tel : 03-5541 0250 / 5541 0255
Fax : 03-5541 0259
- **Kajang**
Bank Islam Malaysia Berhad
No. 20 & 21, Jalan Jeloh 3
43000 Kajang
Selangor
Tel : 03-8691 9988
Fax : 03-8691 9989
- **Denai Alam**
Bank Islam Malaysia Berhad
No. 1, Jalan Elektron E U16/E
Seksyen U16 Denai Alam
40160 Shah Alam
Selangor
Tel : 03-5036 1080
Fax : 03-5036 1089

Ar-Rahnu Branches

- **Setia Alam**

Bank Islam Malaysia Berhad
Lot 106, 106-1 & 108
Jalan Setia Gemilang
BJ/U13 Setia Alam, Seksyen U13
40170 Shah Alam
Selangor
Tel : 03-3358 1359
Fax : 03-3362 3216

NORTHERN

- **Guar Chempedak**

Bank Islam Malaysia Berhad
Lot No. 00681, Jalan Besar
Bangunan Tabung Haji
08800 Guar Chempedak
Kedah
Tel : 04-454 9988
Fax : 04-454 9989

- **Bandar Baru Perda**

Bank Islam Malaysia Berhad
No. 32 & 34, Tingkat Bawah
Jalan Perda Selatan, Bandar Perda
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-372 4979
Fax : 04-372 4978

- **Seri Iskandar**

Bank Islam Malaysia Berhad
No. 21 & 22, Ground Floor
Persiaran SIBC 2
32610 Bandar Seri Iskandar
Perak
Tel : 05-348 1999
Fax : 05-348 1998

- **Parit Buntar**

Bank Islam Malaysia Berhad
No. 1 & 2, Bangunan Ypeim
Jalan Kelichap
Pekan Baru Parit Buntar
34200 Parit Buntar
Perak
Tel : 05-732 9999
Fax : 05-732 9999

- **Taiping**

Bank Islam Malaysia Berhad
Tingkat Bawah & Satu
Lot 29 & 30
Pusat Perniagaan Tupai
34000 Taiping
Perak
Tel : 05-834 1000
Fax : 05-834 1009

- **Ipoh**

Bank Islam Malaysia Berhad
Tingkat Bawah
Kompleks Islam Darul Ridzuan
Jalan Panglima Bukit Gantang Wahab
P.O.Box 671
30770 Ipoh
Perak
Tel : 05-255 3866
Fax : 05-255 3867

EASTERN

- **Machang**

Bank Islam Malaysia Berhad
No. 26 & 27
Jalan Tanjung, Pasar Baru
18500 Machang
Kelantan
Tel : 09-979 9988
Fax : 09-979 9989

- **Dungun**

Bank Islam Malaysia Berhad
Ground & First Floor
Lot 7928 & 7929
Jalan Baru Pak Sabah
23000 Dungun
Terengganu
Tel : 09-848 5498
Fax : 09-848 5502

- **Temerloh**

Bank Islam Malaysia Berhad
Lot 86 & 88
Persiaran Damai 1, Damai Court
28000 Temerloh
Pahang
Tel : 09-285 0084
Fax : 09-285 0088

SOUTHERN

- **Tampin**

Bank Islam Malaysia Berhad
Lot 40 & 41, Jalan Besar
73000 Tampin
Negeri Sembilan
Tel : 06-441 4131
Fax : 06-441 7479

- **Bandar Baru Nilai**

Bank Islam Malaysia Berhad
Ground Floor PT7183 & PT7184
Jalan BBN 1/2E, Bandar Baru Nilai
71800 Nilai
Negeri Sembilan
Tel : 06-726 9988
Fax : 06-726 9989

- **Muar**

Bank Islam Malaysia Berhad
Tingkat Bawah & Mezanin
No. 75-4 & 75-5, Jalan Arab
8400 Muar
Johor
Tel : 06-982 5301
Fax : 06-952 8304

- **Kota Tinggi**

Bank Islam Malaysia Berhad
No. 14C & 14D
Jalan Tun Habab
81900 Kota Tinggi
Johor
Tel : 07-883 8800
Fax : 07-882 4485

- **Bandar Penawar**

Bank Islam Malaysia Berhad
No. 43 & 45, Jalan Kempas 3
Taman Desaru Utama
81930 Bandar Penawar
Johor
Tel : 07-838 0011
Fax : 07-838 0019



SME Hub



→ Headquarters

- Level 29, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : 03-2028 3286

CENTRAL REGION

- **SME Banking Shah Alam**
Tingkat Bawah, Wisma PKPS
Seksyen 14, Persiaran Perbandaran
40675 Shah Alam
Selangor
General Line : 03-5510 0103 / 0018 / 0288
- **SME Banking Bangi**
Bank Islam Bandar Baru Bangi
No. 2 & 4, Jalan 6C/7
43650 Bandar Baru Bangi
Selangor
General Line : 03-8920 1062
- **SME Banking Sri Gombak**
Lot No. 120 & 121, Jalan Prima Sg 5
Prima Sri Gombak
68100 Batu Caves
Selangor
General Line : 03-6181 1058
- **SME Banking Sri Petaling**
No. 1
Jalan Radin Bagus
Bandar Baru Seri Petaling
57100 Kuala Lumpur
General Line : 03-9056 1421

EASTERN REGION

- **SME Banking Kelantan State**
Tingkat 2, PT 1540, 1541 & 1542
Persiaran Kk6, Jalan Raja
Perempuan Zainab li
Bandar Baru Kubang Kerian
16150 Kota Bharu
Kelantan
General Line : 09-764 1049

- **SME Banking Terengganu State**

Tingkat 2 & 3, PT 35308 & PT 35309
Dataran Austin, Mukim Kuala Nerus
21300 Kuala Terengganu
Terengganu
Tel: 09-637 9989 / 9990

- **SME Banking Pahang State**

Bank Islam Putra Square
No. 1 & 3, Tingkat 2
Jalan Putra Square 2
25200 Kuantan
Pahang
General Line : 09-517 3491
Fax : 09-517 3605

SOUTHERN REGION

- **SME Banking Johor State**
Tingkat 15, Menara Tabung Haji
Jalan Ayer Molek
80000 Johor Bahru
Johor
General Line : 07-225 8800
Fax : 07-225 8899
- **SME Banking Ayer Keroh**
No. 1 & 3, Jalan KF4
Kota Fesyen-MITC, Hang Tuah Jaya
75450 Ayer Keroh
Melaka
General Line : 06-232 6216
Fax : 06-232 6494

NORTHERN REGION

- **SME Banking Kedah/ Perlis State**
No. 212 & 213, Kompleks
Perniagaan Sultan Abdul Hamid
Persiaran Sultan Abdul Hamid
05050 Alor Setar
Kedah
Tel : 04-771 0102
Fax : 04-771 0112

- **SME Banking**

- Pulau Pinang State**

Tingkat 1 (Mezzanine)
Bangunan KWSP, Seberang Jaya
No. 3009, Lebuhr Tenggiri 2
13700 Seberang Jaya
Pulau Pinang
General Line : 04-382 9100
Fax : 04-382 9166

- **SME Banking Georgetown**

Ground Floor
Wisma Great Eastern
Light Street
Peti Surat 1204
10200 Georgetown
Pulau Pinang
General Line : 04-262 4724
Fax : 04-262 2594

- **SME Banking Perak State**

No. 21 & 23
Jalan Taman Meru Utama A1
Medan Meru Utama
30020 Ipoh
Perak
General Line : 05-527 2125

- **SME Banking Sg Petani**

Lot 71 & 72
Jalan Lagenda 1
Lagenda Height
08000 Sungai Petani
Kedah
Tel : 04-422 0620

EAST MALAYSIA

- **SME Banking Sarawak State**
Lot 10898 & 10900, Section 64
KTLD, Jalan Tun Jugah
93350 Kuching
Sarawak
Tel : 082 453716 / 726 / 736
(Ext 212)
- **SME Banking Sabah State**
Ground & First Floor
UMNO Building
Jalan Kemajuan Karamunsing
88850 Kota Kinabalu
Sabah
Tel : 088-447 274



Bureau de Change

KLIA ARRIVAL LANDSIDE

- Lot No. MTB-3-L11
Level 3, Arrival Hall
Main Terminal Building
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9966

KLIA CONTACT PIER

- Lot No. CPI-4-A02
Contact Pier International
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9967

KLIA IMMIGRATION

- Lot No. MTB-3-A21
Arrival Hall (Immigration)
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9960

KLIA SATELLITE

- Lot No. SAT-P-A41
Passenger Level, Satellite Building
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9963

KLIA 2 LANDSIDE

- Lot L2-24A
Gateway @ KLIA2, Terminal KLIA2
Kuala Lumpur International Airport 2
Jalan KLIA2/1
64000 Sepang
Selangor
Tel : 03-8661 9955

KOTA KINABALU INTERNATIONAL AIRPORT

- Lot No. L1L01 (C7)
Level 1, Arrival Hall (Landside)
88740 Kota Kinabalu
International Airport
Sabah
Tel : 088-360 939

PENANG INTERNATIONAL AIRPORT

- Lot No. L1AS14
Level 1, International Arrival (Airside)
Penang International Airport
11900 Bayan Lepas
Pulau Pinang
Tel : 04-286 4180



Vehicle Financing Sales Hub

CENTRAL REGION

- Kuala Lumpur**
 3rd Floor, Wisma Rkt
 No. 10 Block E
 Jalan Raja Abdullah
 Off Jalan Sultan Ismail
 50300 Kuala Lumpur
 Tel : 603 2691 0277
 Fax : 603 2698 8636
- Shah Alam**
 Ground Floor, Wisma PKPS
 Section 14
 Persiaran Perbandaran
 40675 Shah Alam
 Selangor
 Tel : 603 5519 5188
 Fax : 603 5519 6188
- Seri Petaling**
 C/O Bank Islam Malaysia Berhad
 Seri Petaling
 No. 1 Jalan Radin Bagus
 Bandar Baru Seri Petaling
 57100 Kuala Lumpur
 Tel : 603 9056 1013 / 1024
 Fax : 603 9056 2982
- Petaling Jaya**
 C/O Bank Islam Malaysia Berhad
 Petaling Jaya
 First Floor
 No. 2 & 4
 Jalan 14/22, Section 14
 46100 Petaling Jaya
 Selangor
 Tel : 603 7957 3131
 Fax : 603 7957 4141
- Kajang**
 C/O Bank Islam Malaysia Berhad
 Kajang
 No. 20 & 21
 Jalan Jeloh 3
 43000 Kajang
 Selangor
 Tel : 603 8736 0798 / 1773 / 2185
 Fax : 603 8736 2362

NORTHERN REGION

- Butterworth**
 C/O Bank Islam Malaysia Berhad
 Butterworth
 1st & 2nd Floor
 No. 71 & 73, Jalan Taman Selat
 Off Jalan Bagan Luar
 P.O. Box 303, 12720 Butterworth
 Pulau Pinang
 Tel : 604-332 3326 / 6845 / 6754
 Fax : 604 333 4477
- Georgetown**
 C/O Bank Islam Malaysia Berhad
 Georgetown
 Ground Floor, Wisma Great Eastern
 Light Street, Peti Surat 1204
 10200 Georgetown
 Pulau Pinang
 Tel : 604 262 4724 / 4933 / 5019 /
 604 262 0626
 Fax : 605 262 2594
- Sungai Petani**
 C/O Bank Islam Malaysia Berhad
 Sungai Petani
 Lot 71 & 72
 Jalan Legenda 1
 Legenda Height
 08000 Sungai Petani
 Kedah
 Tel : 604 422 0620 / 0621
 Fax : 604 421 3912
- Alor Setar**
 C/O Bank Islam Malaysia Berhad
 Alor Setar
 First Floor
 No. 1, Kompleks Perniagaan Utama
 Jalan Sultanah Sambungan
 05150 Alor Setar
 Kedah
 Tel : 604 735 5966
 Fax : 604 735 1002

Meru Raya

C/O Bank Islam Malaysia Berhad
 Meru Raya
 Ground Floor
 No. 19, Jalan Taman Meru Utama A1
 Medan Meru Utama
 30020 Ipoh, Perak
 Tel : 605 527 7742 / 7743
 Fax : 605 527 7751

Seri Manjung

C/O Bank Islam Malaysia Berhad
 Seri Manjung
 First Floor
 No. 2408, Taman Samudera
 32040 Sri Manjung
 Perak
 Tel : 605 688 1227 / 9071
 Fax : 605 688 1672

EASTERN REGION

Kuala Terengganu

C/O Bank Islam Malaysia Berhad
 Kuala Terengganu
 First Floor
 Lot 1128, Bangunan Majlis Agama
 Islam & Adat Melayu Terengganu
 Jalan Banggol
 20720 Kuala Terengganu
 Terengganu
 Tel : 609 631 4544 / 6544 / 7544
 Fax : 609 631 5455

Kota Bharu

C/O Bank Islam Malaysia Berhad
 Kota Bharu
 1st Floor
 No. 72, Jalan Sultan Yahya Petra
 Section 25
 15720 Kota Bharu
 Kelantan
 Tel : 609 747 3488
 Fax : 609 747 3491

Vehicle Financing Sales Hub

- **Kuantan**

C/O Bank Islam Malaysia Berhad
Kuantan
Lot 1-06 & 1-07
1st Floor, Mahkota Square
Jalan Mahkota
25000 Kuantan, Pahang
Tel : 609 513 6262
Fax: 609 515 8623

- **Temerloh**

C/O Bank Islam Malaysia Berhad
Temerloh
Lot 86 & Lot 88, First Floor
Persiaran Damai 1
Damai Court
28000 Temerloh
Pahang
Tel : 609 520 9967
Fax: 609 296 5300

SOUTHERN REGION

- **Johor Bahru**

C/O Bank Islam Malaysia Berhad
Johor Bahru
No. 8-01, Jalan Padi Emas 5/2
Bandar Baru Uda
81200 Johor Bahru
Johor
Tel : 607 237 9155
Fax: 607 237 9166

- **Austin Height**

C/O Bank Islam Malaysia Berhad
Austin Height
No. 22A, First Floor
Jalan Austin Height 8/9
Taman Mount Austin
81100 Johor Bahru
Johor
Tel : 607 364 3070 / 3081 / 3293
Fax: 607 678 2734

- **Ayer Keroh**

C/O Bank Islam Malaysia Berhad
Ayer Keroh
First Floor, No. 1 & 3, Jalan KF4
Kota Fesyen – MITC, Hang Tuah Jaya
75450 Ayer Keroh
Melaka
Tel : 606 232 6216 / 6024
Fax: 606 232 6494

- **Senawang**

C/O Bank Islam Malaysia Berhad
Senawang
No. 554, First Floor
Jalan Bandar Senawang 16
Pusat Bandar Senawang
70450 Seremban
Negeri Sembilan
Tel : 606 678 2731 / 2732 / 2733
Fax: 606 678 2734

- **Batu Pahat**

C/O Bank Islam Malaysia Berhad
Batu Pahat
No. 91-5 & 91-6
Jalan Rahmat
83000 Batu Pahat
Johor
Tel : 607 431 9350 / 9352 / 8927
Fax: 607 431 9351

EAST MALAYSIA REGION

- **Kota Kinabalu**

C/O Bank Islam Malaysia Berhad
Kota Kinabalu
First Floor, Bangunan Umno Sabah
Jalan Kemajuan, Karamunsing
88000 Kota Kinabalu
Sabah
Tel : 6088 447 294 / 295
Fax: 6088 447 305

- **Kuching**

C/O Bank Islam Malaysia Berhad
Kuching
Lot 433, 434 & 435
Section 11, KTLD
Bangunan Tunku Muhammad
Al-Idrus
Jalan Kulas
93400 Kuching
Sarawak
Tel : 6082 412 259 / 413 229
Fax: 6082 410 446



Subsidiaries of BIMB Group

BIMB INVESTMENT MANAGEMENT BERHAD

- 19th Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2161 2524 / 2924
Toll Free: 1800 88 1196
Fax : (6) 03 2161 2464
Website: www.bimbinvestment.com.my

BANK ISLAM TRUST COMPANY (LABUAN) LTD & BIMB OFFSHORE COMPANY MANAGEMENT SERVICES SDN BHD

- Level 15 (A), Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 F.T. Labuan
Tel : (6) 087 451 806
Fax : (6) 087 451 808
Website : www.bankislamtrust.com.my

BIMB SOLUTIONS SDN BHD (Formerly known as Farihan Corporation Sdn Bhd)

- 19th Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2708 2770
Fax : (6) 03 2782 1355

AL-WAKALAH NOMINEES (TEMPATAN) SENDIRIAN BERHAD

- 21st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2707 8583

BIMB HOLDINGS SDN BHD

- 32nd Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

SYARIKAT AL-IJARAH SENDIRIAN BERHAD

- 32nd Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

BIMB SECURITIES (HOLDINGS) SDN BHD

- 32nd Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

BIMB SECURITIES SDN BHD

- Level 32, Menara Multi-Purpose Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (6) 03 2613 1600
Fax : (6) 03 2613 1799
Website : www.bimbsec.com.my
Online : www.bisonline.com.my trading

BIMSEC NOMINEES (TEMPATAN) SDN BHD

- Level 32, Menara Multi-Purpose Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (6) 03 2613 1600
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BIMSEC NOMINEES (ASING) SDN BHD

- Level 32, Menara Multi-Purpose Capital Square
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50100 Kuala Lumpur
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GRI

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The Bank Islam Integrated Report 2022 was prepared 'In Reference' with GRI Standards 2021.

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	2-3 Reporting period, frequency and contact point	About Our Report Corporate Information, page 154
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Social Impact: Talent and Development, pages 130-135
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Notice of the 40th Annual General Meeting

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of Bank Islam Malaysia Berhad (“**BIMB**” or “**the Company**”) will be held virtually at the broadcast venue at Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 May 2023 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1)**
2. To re-elect the following Directors, each of whom is retiring by rotation in accordance with Clause 133 of the Company's Constitution and being eligible, has offered himself/herself for re-election:
 - i) Tan Sri Dr. Ismail Haji Bakar **(Ordinary Resolution 1)**
 - ii) Encik Azizan Ahmad **(Ordinary Resolution 2)**
 - iii) Puan Mashitah Haji Osman **(Ordinary Resolution 3)**
3. To re-elect Dato' Professor Dr. Noor Inayah Yaakub, who is retiring in accordance with Clause 142 of the Company's Constitution and being eligible, has offered herself for re-election. **(Ordinary Resolution 4)**
4. To approve the revision of Directors' fees and Board Committees' allowances from the 40th AGM of the Company and further to approve the payment of the same to the Non-Executive Directors for the period from the 40th AGM to the 41st AGM of the Company. **(Ordinary Resolution 5)**
5. To approve the payment of benefits of up to RM1,105,000.00 to eligible Non-Executive Directors for the period from the 40th AGM to the 41st AGM of the Company. **(Ordinary Resolution 6)**
6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the External Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**



SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions:

7. Proposed renewal of the authority for Directors to allot and issue new ordinary shares of BIMB, for the purpose of the Company's Dividend Reinvestment Plan ("**DRP**") that provides the shareholders of BIMB the option to elect to reinvest their cash dividend in new BIMB Shares.

(Ordinary Resolution 8)

"**THAT** pursuant to the **DRP** as approved by the Shareholders at the Extraordinary General Meeting held on 19 November 2021 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new BIMB Shares from time to time as may be required to be allotted and issued pursuant to the **DRP** until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new BIMB Shares shall be fixed by the Directors based on the adjusted five (5) market days volume weighted average market price ("**VWAP**") of BIMB Shares immediately prior to the price-fixing date after applying a discount of not more than 10%, of which the **VWAP** shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the **DRP** with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

8. To transact any other ordinary business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

MARIA MAT SAID

Company Secretary (LS 0009400)

Practicing Certificate No. 202008002449

Kuala Lumpur

25 April 2023



Notice of the 40th Annual General Meeting

EXPLANATORY NOTES:

1. AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for the shareholders' information and discussion only. It does not require the shareholders' approval and therefore the Audited Financial Statements are not put forward for voting.

2. RE-ELECTION OF DIRECTORS

Ordinary Resolutions 1, 2, 3 and 4

Clause 133 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being, or if their number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) shall retire from office, provided that all Directors shall retire from office at least once in three (3) years but shall be eligible for re-election.

Clause 142 of the Company's Constitution provides that the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be considered in determining the Directors who are to retire by rotation at that meeting.

Based on the number of Directors who are subject to retirement by rotation under Clause 133 of the Company's Constitution, three (3) out of nine (9) Directors shall retire at this 40th AGM. Tan Sri Dr. Ismail Haji Bakar, Encik Azizan Ahmad and Puan Mashitah Haji Osman will retire by rotation at this 40th AGM and being eligible, have offered themselves for re-election as Directors of the Company.

During the year under review, there was one (1) new Director being appointed to the Company. According to Clause 142 of the Company's Constitution, the newly appointed Director, namely, Dato' Professor Dr. Noor Inayah Yaakob (appointed on 7 April 2023) will retire at this 40th AGM and being eligible, has offered herself for re-election as a Director of the Company.

The Board Nomination and Remuneration Committee ("BNRC") of the Company has considered the performance and contribution of each retiring Directors and has also assessed the independence of the Independent Non-Executive Directors seeking re-election.

Based on the results of the annual Board Effectiveness Evaluation conducted for the financial year ended 31 December 2022, the performance for each of the retiring Directors was found to be satisfactory (rated between 83% to 90%) with the exception of Dato' Professor Dr. Noor Inayah Yaakub who was evaluated separately as she was appointed on 7 April 2023. In addition, all retiring Directors met with all requirements of fit and proper issued Bank Negara Malaysia ("BNM"). The retiring Independent Non-Executive Directors have also fulfilled the independence criteria as set out in BNM Corporate Governance Policy ("BNM CG Policy"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the Company's Board Charter. All the retiring Directors have no record of adverse finding under the Companies Act 2016, Malaysian Anti-Corruption Commission Act ("MACC Act 2009), LEXIS NEXIS, Insolvency Act 1967 or for any mismanagement that could adversely affect the Company.

The Board has endorsed the BNRC's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberation and decisions on their re-election at the BNRC and Board meetings.

The Board is of the collective view that all of the said Directors who are retiring at this 40th AGM have satisfactorily discharged their roles and responsibilities to act in the best interest of the Company. The Board is satisfied that considering the wealth of expertise and experience that the retiring Directors possessed and brought to the Board shall further strengthen the Board's composition and dynamic.

The profiles of the Directors seeking re-election are set out on pages 157 to 166 under Profile of Directors' section of the Company's Integrated Annual Report 2022.



3. DIRECTORS' FEES AND BENEFITS

Ordinary Resolutions 5 and 6 – Payment of Director's Fees, Board Committees allowances and benefits to the Non-Executive Directors.

The Directors' remuneration has not been revised since the shareholders' approval at the 34th AGM of the Company held on 6 May 2017.

The last review was conducted in 2020 and based on the peers' comparison conducted, the remunerations and benefits of the Directors were viewed to be still competitive with the industry. Therefore, the Directors' fees and sitting fees remained the same.

The Company's Board Charter stipulates that the Directors' remuneration be reviewed once every three (3) years. Thus, a periodical review was performed to ensure the Company will remain competitive against

its peers. The review also took into consideration the heightened responsibilities and accountabilities of the Directors pursuant to the requirements of the Companies Act 2016, the Islamic Financial Services Act 2013, the Capital Markets & Services Act 2007, MACC Act 2009, the Main Market Listing Requirements, the Malaysian Code of Corporate Governance, the ESG & Sustainability commitment and digital journey. The revision served to ensure the Directors' remuneration commensurates with the level of responsibilities of the Directors as the Company embarked on a five-year strategy roadmap, LEAP25 to deliver the promise of technology, redefine growth by fortifying our five (5) business drivers: Social Finance, Wealth Management, Enterprises and Wholesale Banking, and Digital Bank. The six (6) pillars of LEAP25 amongst others, include Digitalisation and Sustainable Prosperity. These initiatives will enable the Company to achieve organic growth as well as provide leadership in digital banking and social finance.

The proposed remuneration review was comprehensively deliberated by the BNRC on 29 March 2023 and was duly approved by the Board for tabling at the 40th AGM for the Shareholders' approval. Accordingly, the existing Directors' Fees, Board Committees' Allowances and Directors' Remuneration are proposed to be revised as follows:-

No.	Descriptions	Existing		Proposed	
		Non-Executive Chairman (RM)	Non-Executive Directors/ Members (RM)	Non-Executive Chairman (RM)	Non-Executive Directors/ Members (RM)
1.	Annual Directors' Fees	144,000.00	72,000.00	240,000.00*	No change
Annual Board Committees Allowances					
2.	Board Audit & Examination Committee	48,000.00	36,000.00	No change	
3.	Board Risk Committee	90,000.00	72,000.00	No change	
4.	Board Nomination & Remuneration Committee	18,000.00	12,000.00	No change	
5.	Board Financing Review Committee	24,000.00	18,000.00	No change	
6.	Board Information Technology Committee	Nil	Nil	24,000.00	18,000.00
7.	Board Strategy and Sustainability Committee	Nil	Nil	24,000.00	18,000.00

Notes:

* The monthly fixed allowance is given to the Chairman to commensurate with his responsibilities being the person primarily responsible for the stewardship and smooth functioning of the Board. To enable the Chairman to be effective and in line with best governance practice, the Chairman of the Board does not sit on any Board Committees.

Notice of the 40th Annual General Meeting

No.	Descriptions	Existing		Proposed	
		Non-Executive Chairman (RM)	Non-Executive Directors (RM)	Non-Executive Chairman (RM)	Non-Executive Directors (RM)
Monthly Fixed Allowance					
1.	Car Allowance	10,000.00	Nil	No change	
2.	Senior Independent Allowance	Nil	2,000.00	No change	
Sitting Allowance (per meeting)					
3.	Board	5,000.00	3,000.00	No change	
4.	Board Committees	5,000.00	3,000.00	No change	
5.	Other Benefits: Includes benefits that are claimable or otherwise such as leave passage, medical and insurance benefits and other payments made available by the Company to eligible Non-Executive Directors.				

Based on the above revised benefits, the proposed amount of up to RM1,105,000.00 to be paid as benefits to eligible Non-Executive Directors from this 40th AGM to the next AGM of the Company will be paid on monthly basis and/or as and when claimed or incurred.

For the shareholders' ease of reference, the Board had endorsed the BNRC's recommendation to provide the breakdown of the total fees and other benefits to be paid to Non-Executive Directors from the 40th AGM until the 41st AGM. The details on the fees to be paid to the Non-Executive Directors are as follows:-

Retainer Fees	RM1,638,000.00
Sitting Allowances	RM1,268,000.00
Other Benefits	RM1,105,000.00
Total	RM4,011,000.00

Based on the above computation, the total remuneration (retainer and sitting fees together with other benefits) will be RM4,011,000.00 based on the Board's composition of ten (10) Directors. This amount is lower than the amount approved by the Shareholders of RM4,538,500.00 at the 39th AGM on 23 May 2022 (which was based on eleven (11) Directors). The total remuneration being tabled at this 40th AGM is also lower due to the revision to the composition of the Board Committees undertaken by the Company earlier this year. The Company viewed that the amount proposed is reasonable taking into consideration the Company's financial health and performance.

If the proposed Ordinary Resolutions 5 and 6 are passed at the 40th AGM of the Company, it will be fair and reasonable the Non-Executive Directors to be paid the Directors' remuneration on a monthly basis and/or as and when claimed or incurred as the Directors have discharged their responsibilities and rendered their services to the Company throughout the relevant period.



4. RE-APPOINTMENT OF AUDITORS

Ordinary Resolution 7

The Board, through the Board Audit and Examination Committee ("BAEC") had, on 25 January 2023, completed its annual assessment on the external auditors, i.e., Messrs. PricewaterhouseCoopers PLT ("PwC") in accordance with BNM CG Policy for the appointment/re-appointment of external auditors. The assessment covered the following aspects:

- i. Level of knowledge, capabilities, experience and quality of previous work;
- ii. Level of engagement with the BAEC and the Management;
- iii. Ability to provide constructive observations, implications and recommendations in areas requiring improvements;
- iv. Adequacy in audit coverage, effectiveness in planning and conduct of audit;
- v. Ability to perform audit work within agreed timeframe;
- vi. Non-audit services rendered by the external auditors did not impede independence; and
- vii. The external auditors demonstrated unbiased stance when interpreting standards/policies adopted by the Company.

Being satisfied with PwC's performance in 2022, their technical competency and audit independence as well as fulfillment of the criteria set out in BNM's Guideline for the Appointment/Re-appointment of External Auditors, the Board, at its meeting held on 30 January 2023, had resolved on the re-appointment of PwC as the external auditors of the Company for the financial year ending 31 December 2023.

5. RENEWAL OF AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN RESPECT OF THE DIVIDEND REINVESTMENT PLAN ("DRP")

Ordinary Resolution 8

If passed, this Resolution will give authority to the Directors to allot and issue new ordinary shares in respect of dividends to be declared before the next Annual General Meeting to be applied towards the DRP. A renewal of this authority will be sought at the next Annual General Meeting.

NOTES ON ABSTENTION FROM VOTING

Any Director referred to in Ordinary Resolutions 1, 2, 3 and 4, who is a Shareholder of the Company will abstain from voting on the resolutions in respect of his/her re-election at this AGM.

All Directors who are Shareholders of the Company will abstain from voting on Ordinary Resolutions 5 and 6 concerning Directors' remuneration at this AGM.

For the record, none of the Directors holds any shares in the Company.

NOTES ON VIRTUAL AGM, VOTING RIGHTS AND PROCEDURES

- 1) The 40th AGM of the Company will be conducted **on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities** ("RPEV"). The Virtual Meeting via RPEV will be available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the Administrative Guide for the 40th AGM in order to register, participate and vote remotely.
- 2) The venue of the 40th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 96 of the Company's Constitution which requires the Chairman of the meeting to be present at the main venue of the meeting. The notification of the venue of the 40th AGM is to inform shareholders where the electronic AGM production and streaming will be conducted. No shareholders/proxies from the public will be physically allowed at the meeting venue.
- 3) In accordance with Clause 109 of the Company's Constitution, each member of the Company ("Member") shall be entitled to be present and to vote at any general meeting of the Company, either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partially paid shares where calls are not due and unpaid. Members may exercise their rights to participate (including pose questions via the RPEV) during the 40th AGM.
- 4) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of the 40th AGM will be conducted by way of a poll.

Notice of the 40th Annual General Meeting

- 5) The Company has appointed its share registrar, i.e., Boardroom Share Registrars Sdn Bhd ("Boardroom") as a poll administrator to conduct the poll by way of electronic voting ("e-voting") and SKY Corporate Services Sdn Bhd as the Independent Scrutineers to verify the poll results.
- 4) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, under its Seal or the hand of its attorney.
- 5) The instrument appointing a proxy ("Proxy Form") must be deposited at the Registrar's office in the following manner:

NOTES ON APPOINTMENT OF PROXY

- 1) In accordance with Clause 94 of the Company's Constitution, a Member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to exercise all or any of his/her rights to attend, participate, speak and vote for him/her subject to the following provisions:-
 - a) save as provided for Note (2) below, Clause 113 of the Company's Constitution and the Companies Act 2016, each member shall not be permitted to appoint more than two (2) proxies to attend the same meeting; and
 - b) where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 2) For the avoidance of doubt and subject always to Note (1)(b) above, the Company's Constitution and the Companies Act 2016:
 - a) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds; and
 - b) where a Member is an authorised nominee, he/she may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one (1) instrument of proxy, should specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
- 3) There shall be no restriction as to the qualification of the proxy. Hence, a proxy may not need to be a Member.
- a) by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> by logging in and selecting "E-PROXY LODGEMENT"; or
- b) by hand or post to Boardroom Share Registrar Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than 48 hours before the time appointed for holding the meeting which is no later than 10.00 a.m. on Wednesday, 24 May 2023.
- 6) The lodgment of a completed Proxy Form does not preclude a Member from attending and voting should the Member decided to do so. If the Member subsequently decided to attend the 40th AGM, the Member is requested to revoke the earlier appointment of proxy by notifying Boardroom in writing, no later than Wednesday, 24 May 2023 at 10.00 a.m.

MEMBERS ENTITLED TO ATTEND THE VIRTUAL AGM

For the purpose of determining a Member who is entitled to attend the virtual 40th AGM, the Company will request Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 95 of the Company's Constitution, to issue a Record of Depositor ("ROD") as at 19 May 2023. Only Depositors whose name appear on the ROD as at 19 May 2023 shall be entitled to attend the meeting or appoint a proxy(ies) to attend and/or vote on his/her behalf.



Statement Accompanying Notice of the 40th Annual General Meeting

DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 40TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Bank Islam Malaysia Berhad wishes to highlight the Directors who are standing for re-election pursuant to Clause 133 and Clause 142 of the Company's Constitution at the 40th Annual General Meeting of the Company are as follows:

1. Clause 133 of the Company's Constitution
 - Tan Sri Dr. Ismail Haji Bakar (*Chairman/Independent Non-Executive Director*)
 - Encik Azizan Ahmad (*Senior Independent Non-Executive Director*)
 - Puan Mashitah Haji Osman (*Independent Non-Executive Director*)
2. Clause 142 of the Company's Constitution
 - Dato' Professor Dr. Noor Inayah Yaakub (*Independent Non-Executive Director*)

The Profiles of the above Directors are set out on page 157 to 166 of this Integrated Annual Report.

AUTHORITY TO DIRECTORS TO ALLOT SHARES

Details on the authority to allot shares in BIMB pursuant to Section 75 of the Companies Act 2016 are provided under the explanatory notes no. 5 in the Notice of the 40th AGM.

DATE, TIME AND PLACE OF THE 40TH ANNUAL GENERAL MEETING

The 40th Annual General Meeting of BIMB will be held as follows:

Date : Friday, 26 May 2023

Time : 10.00 a.m.

How : Virtual Meeting

Where : Broadcast venue at Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur, Malaysia.

Administrative Guide

For the 40th Annual General Meeting ('40th AGM')

Day and Date	: Friday, 26 May 2023
Time	: 10.00 a.m.
Online Meeting Platform	: https://meeting.boardroomlimited.my
Registration	: Virtual meeting via Remote Participation and Electronic Voting (" RPEV ") facilities.
Broadcast Venue	: Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Mode of Communication	: <ol style="list-style-type: none">1. Type text in the meeting platform. The Messaging window facility will be opened concurrently with the Virtual Meeting Portal, i.e., one (1) hour before the meeting, which is from 9.00 a.m. on Friday, 26 May 2023.2. Shareholders may also submit their questions before the meeting via Boardroom Share Registrars Sdn Bhd ("Boardroom")'s website at https://investor.boardroomlimited.com by selecting "SUBMIT QUESTION" to pose and submit their questions electronically. Please submit any questions in relation to the agenda items for the 40th AGM no later than 10.00 a.m. on Friday, 19 May 2023.

DEAR SHAREHOLDERS,

With reference to the revised 'Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers' issued by the Securities Commission Malaysia (SC's Guidance) on 7 April 2022, listed issuers are encouraged to continue leveraging technology in conducting general meetings beyond Movement Control Order.

With the RPEV facilities, you may exercise your right as a member of the Company to participate remotely (including pose questions to the Board of Directors and/or Management of the Company) and vote via electronic voting at the 40th AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when the 40th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. The quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

VIRTUAL 40TH AGM

1. The 40th AGM of the Company will be conducted entirely **on a virtual basis through live streaming and online remote voting via RPEV.**
2. The Company invites shareholders to participate in the 40th AGM from their home or office and follow the entire proceedings as the 40th AGM will be conducted via RPEV. With the RPEV facilities, you may exercise your right as a member of the Company to participate and vote at the 40th AGM. The RPEV is in line with Practices 12.1 and 13.3 of the Malaysian Code on Corporate Governance 2021 and pursuant to Section 327 of the Companies Act 2016 ("the **Act**") and Clause 96 of the Company's Constitution.
3. The broadcast venue is strictly for the purpose of complying with Section 327 (2) of the Act and Clause 96 of the Company's Constitution that requires the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders/proxies from the public will be physically allowed at the meeting venue.** All members are urged to attend the 40th AGM remotely via meeting platform available on the designated link at <https://meeting.boardroomlimited.my>.
4. Shareholders can participate in our virtual 40th AGM by registering online via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>.



PROCEDURE OF THE 40TH AGM

1. The Login User Guide for participation, posing questions and voting guide at the 40th AGM, will be emailed to you together with your remote access user ID and password once your registration for the 40th AGM has been approved.
2. The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by the Shareholders which are related to the resolutions to be tabled at the live streaming of the 40th AGM as well as the financial performance/prospect of the Company.
3. The 40th AGM will start promptly at 10.00 a.m.
4. The resolutions set out in the Notice of the 40th AGM will be considered at the 40th AGM and you will vote on these resolutions. You are able to view the Company's presentation slides via live streaming.
5. Shareholders may proceed to cast votes on each of the proposed resolutions to be tabled at the live streaming of the 40th AGM after the Chairman has announced the opening of the poll on the resolutions. Shareholders are reminded to cast their votes before the poll is closed.
6. No recording or photography of the live streaming of the 40th AGM proceedings is allowed without prior written permission of the Company.
7. You must ensure that you are connected to the internet at all times in order to participate and vote when live streaming of the 40th AGM has commenced. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

ENTITLEMENT TO PARTICIPATE AND VOTE

In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 May 2023 (General Meeting Record of Depositors) shall be eligible to participate the Meeting or appoint proxy(ies) to participate on his/her behalf.

APPOINTMENT OF PROXY

1. Shareholders entitled to participate and vote at the 40th AGM are entitled to appoint proxy(ies) to participate and vote in his/her stead. If you are not able to participate in the 40th AGM remotely, you are encouraged to appoint the Chairman of the Meeting as your proxy and indicate the voting instruction in the Form of Proxy.
2. You may download the Form of Proxy from our website at www.bankislam.com
3. The Form of Proxy and/or documents relating to the appointment of proxy for the 40th AGM shall be deposited or submitted in the following manner not less than 48 hours before the time for the holding of the 40th AGM or no later than Wednesday, 24 May 2023 at 10.00 a.m. in accordance with the Company's Constitution:
 - (i) In hard copy form
The Form of Proxy, Corporate Representative, Power of Attorney or other authority, if any, under which it is signed or a notarised certified copy of that power of authority shall be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn Bhd, at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or by fax to +603-7890 4670.
 - (ii) By Boardroom Smart Investor Portal
Online via the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, by logging in and selecting "Submit eProxy Form" not less than 48 hours before the meeting. Please refer to "Online Registration Procedure and RPEV" for information and guidance.

Administrative Guide

For the 40th Annual General Meeting

CORPORATE SHAREHOLDER

Corporate shareholders who require their corporate representative to participate and vote at the 40th AGM must deposit their certificate of appointment of corporate representative to Boardroom no later than Wednesday, 24 May 2023 at 10.00 a.m.

REVOCATION OF PROXY

If you have submitted your Form of Proxy and subsequently decide to appoint another person or wish to participate in our virtual 40th AGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy 48 hours before the meeting.

ONLINE REGISTRATION PROCEDURE AND RPEV

1. Please note that the RPEV facilities are available to:
 - i. Individual member;
 - ii. Corporate shareholder;
 - iii. Authorised Nominee; and
 - iv. Exempt Authorised Nominee
2. You will be able to view a live webcast of the 40th AGM proceedings, pose questions to the Board of Directors and submit your votes in real-time whilst the meeting is in progress.
3. Kindly follow the steps below on how to request for login ID and password.

Procedure	Action
Prior to AGM Date	
1. Register Online with Boardroom Smart Investor Portal ("BSIP") (for first time registration only)	<p><i>(Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2)</i></p> <ol style="list-style-type: none"> (a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended. (b) Go to BSIP website at https://investor.boardroomlimited.com (c) Click Register to sign up for a BSIP account. (d) Please select the correct account type i.e sign up as Shareholder or Corporate Holder (e) Complete registration with all required information. Upload and attach your MyKad front and back image. Click Register. (f) For Corporate Holder, kindly upload the authorisation letter as well. Click Sign Up. (g) You will receive an e-mail from BSIP Online for e-mail address verification. Click on Verify E-mail Address from the e-mail received to proceed with the registration. (h) Once your email address is verified, you will be re-directed to BSIP Online for verification of mobile number. Click on Request OTP Code and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click Enter to complete the process. (i) Your registration will be verified and approved within one (1) business day and an email notification will be provided to you.
2. Submit request for Remote Participation User ID and Password	<p><i>(Note: Registration for RPEV will open from 25 April 2023. You are required to register to ascertain your eligibility to participate in the 40th AGM by using RPEV). Shareholders are encouraged to register at least 48 hours before the commencement of the meeting to avoid any delay in the registration.</i></p> <p>Individual Members</p> <ol style="list-style-type: none"> (a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended. (b) Go to BSIP website at https://investor.boardroomlimited.com






Procedure	Action
Prior to AGM Date	<p>(c) Login with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free – refer to Item Step 1 for guide.]</p> <p>(d) Select and click on Meeting Event(s).</p> <p>(e) Go to “BANK ISLAM 40TH VIRTUAL ANNUAL GENERAL MEETING” and click Enter.</p> <p>(f) Click on Register for RPEV.</p> <p>(g) Read and agree to the Terms & Conditions.</p> <p>(h) Enter your CDS Account Number and click Submit to complete your request.</p> <p>(i) You will receive a notification that your RPV registration has been received and is being verified.</p> <p>(j) Upon system verification against the AGM’s Record of Depositors as at 19 May 2023, you will receive an email from Boardroom either approving or rejecting your registration for the remote participation.</p> <p>(k) If approved, RPEV credential will be provided in your email.</p> <p>(l) Please note that one (1) user ID and password can only log on to one (1) device at a time.</p> <p>Please note that the closing for submission of request is by Wednesday, 24 May 2023 at 10.00 a.m.</p> <p><u>Appointment of Proxy – Individual Members</u></p> <p>(a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended.</p> <p>(b) Go to BSIP website at https://investor.boardroomlimited.com</p> <p>(c) Login with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free – refer to Item Step 1 for guide.]</p> <p>(d) Select and click on Meeting Event(s).</p> <p>(e) Go to “BANK ISLAM 40TH VIRTUAL ANNUAL GENERAL MEETING” and click Enter.</p> <p>(f) Click on Submit eProxy Form.</p> <p>(g) Read and agree to the Terms & Conditions.</p> <p>(h) Enter your CDS Account Number and insert the number of securities.</p> <p>(i) Appoint the Chairman of the meeting or your proxy(ies) and enter the required particulars for your proxy(ies).</p> <p>(j) Indicate your voting instruction – FOR or AGAINST, otherwise your proxy(ies) will decide your votes during meeting.</p> <p>(k) Review and confirm your proxy(ies) appointment.</p> <p>(l) Click Submit.</p> <p>(m) Download or print the e-Proxy Form acknowledgement.</p> <p>Please note that the closing for submission of request is by Wednesday, 24 May 2023 at 10.00 a.m.</p>

Administrative Guide

For the 40th Annual General Meeting

Procedure	Action
Prior to AGM Date	
	<p>Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee</p> <p>Via Email</p> <ol style="list-style-type: none"> Write in to Boardroom at bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request. Please provide a copy of corporate representative's or proxy holder's MyKad/Identification Card (front and back) or Passport as well as his/her email address. You will receive notification from Boardroom that your request has been received. Upon system verification of your registration against the General Meeting ROD as at 19 May 2023, you will receive your remote access User ID and Password along with the email from Boardroom if your registration is approved. Please note that one (1) user ID and password can only log on to one (1) device at a time. <p>Via BSIP</p> <ol style="list-style-type: none"> Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended. Go to BSIP website at https://investor.boardroomlimited.com Login with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free – refer to Item Step 1 for guide.] Select and click on Meeting Event(s). Go to BANK ISLAM 40TH VIRTUAL ANNUAL GENERAL MEETING and click Enter. Click on Submit eProxy Form. Proceed to download the file format for Submission of Proxy Form from BSIP. Prepare the file for the appointment of proxies by inserting the required data. Proceed to download the duly completed proxy appointment file. Review and confirm your proxy appointment and click Submit. Download or print the eProxy form as acknowledgement. <p>Please note that the closing for submission of request is by Wednesday, 24 May 2023 at 10.00 a.m.</p>
On the day of the AGM	
3. Login to Meeting Platform	<ol style="list-style-type: none"> The Meeting Platform will be opened for login one (1) hour before the commencement of the 40th AGM. The Meeting Platform can be accessed via one of the following: <ul style="list-style-type: none"> Launch the meeting platform by scanning the QR Code given to you in the user login guide along with your remote participation User ID and Password; OR Navigate to the website at https://meeting.boardroomlimited.my Enter the Meeting ID No. and sign in with the user ID and password provided to you via the email notification in Step 2.



Procedure	Action
Prior to AGM Date	
4. Participation	<p>(Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition)</p> <p>(a) If you would like to view the live webcast, select the broadcast icon .</p> <p>(b) If you would like to ask a question during the 40th AGM, select the messaging icon .</p> <p>(c) Type your message within the chat box and click the send button once completed.</p> <p>Please note that the quality of the connectivity to the Meeting Platform for live webcast, as well as for remote voting is highly dependent on the bandwidth and stability of the internet connection available at the location of the remote users. Kindly ensure that you are connected to the internet at all times in order to participate and vote when the virtual 40th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained.</p>
5. Voting	<p>(a) Once the meeting is opened for voting, the polling icon  will appear with the resolutions and your voting choices.</p> <p>(b) To vote, simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.</p> <p>(c) To change your vote, simply select another voting direction.</p> <p>(d) If you wish to cancel your vote, please press "Cancel".</p>
6. End of Participation	<p>(a) Upon the announcement by the Chairman on the closure of the 40th AGM, the live webcast will end.</p> <p>(b) You can now logout from the Meeting Platform.</p>

PARTICIPATION THROUGH LIVE WEBCAST AND QUESTION AT THE 40TH AGM

- Shareholders who participate in the virtual 40th AGM are able to view the Company's presentation or slides via the live webcast.
- All modes of communications are accepted for the purpose of posting questions to the Chairman and the Board of Directors before or during the 40th AGM. Shareholders are however encouraged to post questions via the online platform during the 40th AGM.
- You may submit your questions in advance electronically in relation to the agenda items for the 40th AGM via Boardroom's website at <https://investor.boardroomlimited.com> by selecting "SUBMIT QUESTION". If you have any questions, please submit them no later than 10.00 a.m. on Friday, 19 May 2023.
- You may also use the Messaging window facility to submit your questions during the meeting. The Messaging window facility will be opened one (1) hour before the 40th AGM which is from 9.00 a.m. on Friday, 26 May 2023.

- The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by the shareholders which are related to the resolutions to be tabled at the 40th AGM. If there is time constraint, the responses to relevant questions will be published on the Company's website at the earliest possible, after the 40th AGM.

VOTING PROCEDURE AT THE 40TH AGM

- The voting procedure will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Boardroom as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and SKY Corporate Services Sdn Bhd as the Independent Scrutineers to verify and validate the poll results.
- At the Meeting, you will be provided a briefing on the e-voting housekeeping rules.
- For the purposes of this 40th AGM, e-voting will be carried out via personal smart mobiles, tablets or personal computer/laptops.



Administrative Guide

For the 40th Annual General Meeting

4. Shareholders and proxies are required to use one (1) of the following methods to vote remotely:
 - a. Launch the meeting platform by scanning the QR code given to you in the user login guide along with your remote participation User ID and Password; OR
 - b. Access to the website at URL <https://meeting.boardroomlimited.my>
5. You may proceed to cast your votes on each of the proposed resolutions as soon as the Chairman calls for the poll to be opened until such time when the Chairman announces the closure of the poll. You are reminded to cast your votes before the poll is closed.
6. The Independent Scrutineers will verify the poll results reports upon closing of the poll session by the Chairman and the Chairman will declare whether with resolutions put on vote were successfully carried or otherwise.

COMMUNICATION GUIDANCE

Shareholders are also reminded to refer to the Company's website and announcements at www.bankislam.com for any changes to the arrangements of the live streaming of the 40th AGM.

INTEGRATED ANNUAL REPORT 2022

As part of our commitment to sustainable practices, the Integrated Annual Report ("IAR") 2022 and the following documents are available on Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com under Company Announcements of Bank Islam Malaysia Berhad and also at the Company's website at www.bankislam.com

- i. Corporate Governance ("CG") Report 2022.
- ii. Notice of the 40th AGM, Form of Proxy and Administrative Guide for the 40th AGM.
- iii. Request IAR 2022 Hardcopy Form.

NO VOUCHERS/DOOR GIFTS

There will be no voucher(s) or any door gift(s) for shareholders/proxies who participate in the 40th AGM.

PERSONAL DATA PRIVACY

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company (or their proxies) has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member (or their proxies) agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder/proxies' breach of warranty.

ENQUIRIES FOR 40TH AGM

If you have general administrative enquiries on the 40th AGM, please contact the following during office hours from Monday to Friday (except Public Holidays) between 8.30 a.m. to 5.30 p.m.:

Boardroom Share Registrars Sdn Bhd

Office Helpdesk	:	03-7890 4700
Puan Nursyahirah Binti Che Rahimi	:	03-7890 4754
Facsimile No.	:	03-7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com
	:	nursyahirah.cherahimi@boardroomlimited.com

Form of Proxy

For the 40th Annual General Meeting

BANK ISLAM

BANK ISLAM MALAYSIA BERHAD

(Company No.: 198301002944 (98127-X))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

No. of Shares held	CDS Account No.

*I/We _____

*NRIC No./Passport No./Company No. _____

of _____

and telephone no./email address _____ being a *member/members of

Bank Islam Malaysia Berhad ("BIMB" or "the Company"), hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings
Email Address		Tel No	

*and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings
Email Address		Tel No	

or failing *him/her, the Chairman of the meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 40th Annual General Meeting of the Company to be held virtually at the broadcast venue at Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 May 2023 at 10.00 a.m. or any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an "x" in the appropriate space(s) below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

No.	Ordinary Resolution	For	Against
1	To re-elect Tan Sri Dr. Ismail Haji Bakar as Director who is to retire pursuant to Clause 133 of the Company's Constitution.		
2	To re-elect Encik Azizan Ahmad as Director who is to retire pursuant to Clause 133 of the Company's Constitution.		
3	To re-elect Puan Mashitah Haji Osman as Director who is to retire pursuant to Clause 133 of the Company's Constitution.		
4	To re-elect Dato' Professor Dr. Noor Inayah Yaakub as Director who is to retire pursuant to Clause 142 of the Company's Constitution.		
5	To approve the revision and payment of directors' fees and board committees' allowances to the non-executive directors from the 40 th AGM to the 41 st AGM of the Company.		
6	To approve the payment of benefit to the non-executive directors of up to RM1,105,000.00 from the 40 th AGM to the 41 st AGM of the Company.		
7	To re-appoint Messrs. PricewaterhouseCoopers PLT as the external auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration.		
Special Business			
8	Renewal of authority for the Directors to allot and issue ordinary shares of the Company in relation to the Dividend Reinvestment Plan		

Signed this _____ day of _____, 2023.

Signature of Member/Common Seal

**Strike out whichever is not relevant.*



Notes:

1. The 40th AGM of the Company will be conducted online through live streaming and online remote voting via Remote Participation and Electronic Voting Facilities ("**RPEV**"). The virtual meeting Facilities will be available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the Administrative Guide for the 40th AGM in order to participate remotely.
2. The venue of the 40th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 96 of the Company's Constitution which requires the Chairman of the meeting to be present at the main venue of the meeting. The notification of the venue of the 40th AGM is to inform shareholders of the broadcast venue where the production and streaming of the Company's virtual 40th AGM will be conducted. No shareholders/proxies from the public will be allowed to physically be present at the meeting venue.
3. In accordance with Clause 109 of the Company's Constitution, each member of the Company ("**Member**") shall be entitled to attend, participate, speak and to vote at any general meeting of the Company, either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partially paid shares where calls are not due and unpaid. Members may exercise their rights to participate (including pose questions via the RPEV) during the 40th AGM.
4. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of the 40th AGM will be conducted by way of a poll.
5. The Company has appointed its share registrar, i.e., Boardroom Share Registrar Sdn. Bhd. ("**Boardroom**" or "**Registrar**") as the poll administrator to conduct the poll by way of electronic voting ("**e-voting**") and SKY Corporate Services Sdn. Bhd. as the Independent Scrutineers to verify the poll results.
6. For the purpose of determining a Member who is entitled to attend the virtual 40th AGM, the Company will request Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 95 of the Company's Constitution, to issue a Record of Depositor ("**ROD**") as at 19 May 2023. Only Members whose names appear on the ROD as at 19 May 2023 shall be entitled to attend the meeting or appoint a proxy(ies) to attend and/or vote on his/her behalf.
7. Notes on Appointment of Proxy:
 - (a) In accordance with Clause 94 of the Company's Constitution, a Member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to exercise all or any of his/her rights to attend, participate, speak and vote for him/her subject to the following provisions:

- (i) save as provided under Note (b) below, Clause 113 of the Company's Constitution and the Companies Act 2016, each Member shall not be permitted to appoint more than two (2) proxies to attend the same meeting; and
 - (ii) where a Member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- (b) For the avoidance of doubt and subject always to Note (a)(ii) above, the Company's Constitution and the Companies Act 2016:
 - (i) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds; and
 - (ii) where a Member is an authorised nominee, he/she may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy should specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
- (c) There shall be no restriction as to the qualification of the proxy. Hence, a proxy need not be a Member.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, under its Seal or the hand of its attorney.
 - (e) The instrument appointing a proxy ("**Proxy Form**") must be deposited at the Registrar's office in the following manner:
 - (i) by electronic means through the Boardroom Smart Investor Portal at <https://boardroomlimited.my> by logging in and selecting "**E-PROXY LODGEMENT**"; or
 - (ii) by hand or post to Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than 48 hours before the time appointed for holding the meeting which is no later than Wednesday, 24 May 2023 at 10.00 a.m.
- (f) The lodgement of a completed Proxy Form does not preclude a Member from attending and voting should the Member decide to do so. If the Member subsequently decided to attend the 40th AGM, the Member is requested to revoke the earlier appointment of proxy by notifying the Boardroom in writing, no later than Wednesday, 24 May 2023 at 10.00 a.m.

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STAMP

BOARDROOM SHARE REGISTRARS SDN BHD

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

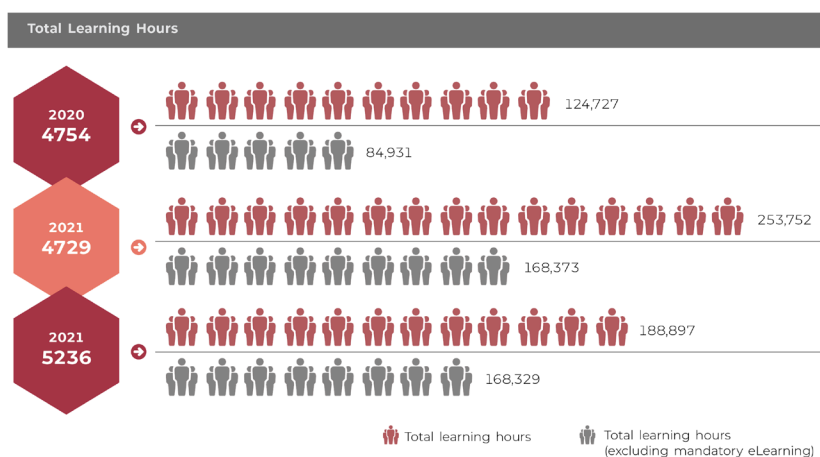
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ERRATA TO BANK ISLAM MALAYSIA BERHAD (BIMB) INTEGRATED REPORT 2022

Dear Valued Shareholders of BIMB

We wish to inform shareholders of the following errors in the BIMB Integrated Report 2022 published on 25th April 2023:

No	Section	Page	Error
1.	Chapter 5, Sustainability Statement section	135	Under the title 'Total Learning Hours' The third diagram indication total learning hours should read as the year 2022 , instead of 2021.



No	Section	Page	Error
2.	Chapter 6, Leadership section – Heads of Subsidiaries' Profile	176	Under the title of Heads of Subsidiaries' Profile Puan Azdini Binti Nor Azman's Concurrent Roles stated as; <i>Executive Director, BIMB Investment Management Berhad since 2015</i> should be omitted.

Concurrent Roles

- Executive Director, BIMB Investment Management Berhad since 2015

We regret the errors and apologise for any inconvenience caused.

Your faithfully

Bank Islam Malaysia Berhad (BIMB)

BANK ISLAM MALAYSIA BERHAD [198301002944 (98127-X)]

Level 32, Menara Bank Islam, No. 22, Jalan Perak, 50450 Kuala Lumpur

Tel: 603 2707 8000

www.bankislam.com

