MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

MBSB BANK BERHAD (200501033981 / 716122-P)
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MBSB BANK BERHAD (200501033981 / 716122-P)
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Directors' Report
for the financial year ended 31 December 2023

The Directors have pleasure in presenting their report together with the audited financial statements of MBSB Bank Berhad ("the Bank") and its subsidiary (together referred to as "the Bank Group") for the financial year ended 31 December 2023.

Principal activities

The Bank is principally engaged in Islamic banking business and the provision of related financial services.

Financial results

	Bank Group RM'000	Bank RM'000
Profit for the year	217,209	275,965

Dividends

The dividends on ordinary shares paid or declared by the Bank since 31 December 2022 were as follows:

	RM'000
In respect of the financial year ended 31 December 2022:	
- single-tier interim dividend of 7.0 sen per ordinary share on 6,297,537,187 shares paid on 12 April 2023.	440,828

On 29 January 2024, the Directors approved a proposed single-tier final dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2023. Based on the number of shares in issue of 6,462,826,443 ordinary shares as at 31 December 2023, the dividend payable would be RM226,198,926.

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the Bank's shareholder in the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

Reserves, provisions and allowances

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

Issue of shares and debentures

During the year, the Bank increased its issued and paid-up share capital from RM6,427,971,970 to RM6,627,971,969 via the issuance of 165,289,256 new ordinary shares.

Save as disclosed above, there were no other new shares or debentures issued during the financial year.

Bad and doubtful debts and financing

Before the financial statements of the Bank Group and of the Bank were prepared, 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 allowance for doubtful financing and satisfied themselves that all known bad financing and advances had been written off and that adequate allowance had been made for doubtful financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amount written off for bad financing and advances, or the amount of the allowance for doubtful financing in the financial statements of the Bank Group and of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Bank Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to realise in the ordinary course of business, including the values of current assets as shown in the accounting records of the Bank Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

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

Valuation methods

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank Group and of the Bank 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 Bank Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Bank Group or of the Bank which has arisen since the end of the financial year other than those arising from the normal course of business of the Bank Group and of the Bank.

No contingent or other liability in the Bank Group or the Bank 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 affect the ability of the Bank Group and of the Bank to meet their obligations as and when they fall due.

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 of the Bank Group and of the Bank, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Bank Group and of the Bank for the financial year ended 31 December 2023, have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors

The Directors of the Bank and the Bank's subsidiary who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

<u>The Bank</u>
Datuk Johar bin Che Mat
Encik Sazaliza bin Zainuddin
Datuk Azrulnizam bin Abdul Aziz
Encik Kamarulzaman bin Ahmad
Encik Arul Sothy Mylvaganam
Encik Ho Kwong Hoong
Dato' Wan Kamaruzaman bin Wan Ahmad (appointed on 24 January 2024)
Tan Sri Azlan bin Mohd Zainol (deceased on 12 January 2023)

<u>The subsidiary of the Bank</u>
Ms. Rupavathy a/p A.V. Govindasamy
Encik Asrul Hazli Salleh
Encik Ng Jui Shan

Directors' interests in shares and share options

None of the Directors in office at the end of the financial year had any interest in shares and options over shares in the Bank or its related corporations during the financial year.

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any of its related corporations during the financial year.

Indemnity and Takaful cost

The Directors, Shariah Advisory Committee members and Officers of the Bank Group and of the Bank are covered by Directors' and Officers' Liability Takaful of the holding company, Malaysia Building Society Berhad ("MBSB"). The total takaful coverage amounts to RM50,000,000 and the annual takaful cost that is payable amounts to RM135,000 which is borne by the immediate holding company.

Immediate and ultimate holding company/body

The immediate holding company is MBSB, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is Employees Provident Fund ("EPF"), a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

Subsidiary

The details of the Bank's subsidiary is disclosed in Note 13 to the financial statements.

Directors' remuneration

The remuneration in aggregate for Directors of the Bank Group and the Bank for the financial year are as follows:

	Bank Group and Bank RM'000
Directors' fees	976
Directors' other emoluments	850

Auditors' remuneration

Auditors' remuneration of the Bank Group and Bank are RM2,157,000 (2022: RM2,000,000) and RM2,137,000 (2022: RM1,977,000) respectively. Details of auditors' remuneration are as set out in Note 33 to the financial statements.

Business review for 2023

The Bank Group registered a profit before taxation and zakat of RM249 million for 2023 as compared to a profit before taxation and zakat of RM643 million in prior year. As at 31 December 2023, the Bank Group had assets of RM59,035 million (2022: RM54,076 million), gross financing and advances of RM39,603 million (2022: RM37,931 million), total deposits of RM42,062 million (2022: RM36,624 million) and shareholders' equity of RM8,114 million (2022: RM7,917 million).

MBSB Bank's financing grew by 4.41% for the year to RM40 billion, mainly supported by its consumer and commercial financing. Consumer Banking, which accounts for 73.62% of the total gross financing portfolio, grew by 5.51%, led by property financing and followed by personal financing ("PF-i"). The increase in PF-i was mainly driven by Ihsan-i financing amounting to RM1 billion. In Commercial Banking gross financing grew by 1.45% contributed by the wholesale & retail trade, manufacturing, and primary agriculture sectors.

Outlook for 2024

The global economy is projected to grow moderately in 2024 for both advanced and emerging economies. The International Monetary Fund forecasts global gross domestic product growth to be 2.9%, a slight decrease from 3.0% in 2023, with inflation subsiding and labor markets showing resilience. According to the Ministry of Finance, Malaysia's economy is expected to grow by approximately 4.0% in 2024, driven by sustained domestic consumption and improved export activities. Meanwhile, Bank Negara Malaysia ("BNM") raised the Overnight Policy Rate ("OPR") once in 2023 by 25 basis points to 3.0%. At the current OPR level, the monetary policy stance is supportive of the economy and aligns with the current assessment of inflation and growth prospects.

The Bank's key strategy for 2024 is to continue raising Current Accounts and Savings Accounts ("CASA") level and improve its funding costs. At the holding company, the highlight of the year is the completion of Malaysian Industrial Development Finance Berhad ("MIDF") acquisition in October 2023. With the acquisition, MBSB Bank will also aim to realise synergies between MBSB and MIDF to provide customers with better service, innovative products, and personalised solutions, especially for small medium enterprises ("SMEs") and retail customers in the mass affluent segment. This strategy will be anchored in our continuous improvement in digitalisation, making it easier for our customers to conduct banking and manage their operations.

Statement of Corporate Governance

The Board of Directors ("the Board") of the Bank is pleased to report the application by the Bank of the principles contained in the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance with the best practices of the Code. Although the Bank is not a listed company, the Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code. The Bank is also required to comply with BNM's policy document on Corporate Governance ("BNM/RH/PD 029-9") issued on 3 August 2016.

Statement of Shariah Governance

The Board members of the Bank have maintained regular engagement with members of the Shariah Advisory Committee ("SAC") via their attendance to observe the SAC meetings as well as their standing invitation for the Chairman or Deputy Chairman of the SAC to attend the Board meetings.

The Board equally understands its role to be ultimately accountable and responsible for the Shariah governance and overall Shariah compliance of the Bank and has put in place a robust Shariah governance arrangement and has performed an effective oversight over the implementation of Ruling of the BNM SAC, SAC resolutions, internal control framework as well as the performance of the Bank in relation to the Shariah governance implementation.

Towards achieving this goal, the Board has evaluated and is of the view that the planned resources to be put in place in 2024-2025 for the Shariah support and control functions which have been reviewed by the SAC are in line to achieve this goal and to accommodate the Bank's current and strategic initiatives.

Sound Shariah compliance culture within the Bank is outlined in the existing policies and procedures which are also reviewed and approved by the SAC or its delegates to ensure that its overall operations, business, affairs and activities are conducted, at all times, in conformity with Shariah.

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Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 APR 2024

Dato' Wan Kamaruzaman bin Wan Ahmad
Director

Arul Sothy Mylvaganam
Director

Petaling Jaya, Malaysia

MBSB BANK BERHAD (200501033981 / 716122-P)
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Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Wan Kamaruzaman bin Wan Ahmad and Arul Sothy Mylvaganam, being two of the Directors of MBSB Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 18 to 193 are drawn up so as to give a true and fair view of the financial position of the Bank Group and of the Bank as at 31 December 2023 and of the financial performance and cash flows of the Bank Group and of the Bank 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.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated
2 2 APR 2024

Dato' Wan Kamaruzaman bin Wan Ahmad Director	Arul Sothy Mylvaganam Director

Petaling Jaya, Malaysia

MBSB BANK BERHAD (200501033981 / 716122-P)
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Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ramanathan Rajoo, being the officer primarily responsible for the financial management of MBSB Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 18 to 193 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ramanathan Rajoo at
Petaling Jaya in the State of
Selangor Darul Ehsan on 22 APR 2024

Ramanathan Rajoo
MIA No. CA7012

Before me,

PESURUHJAYA SUMPAH
B 532
AMMAR BIN MOHAMAD DAHALAN
1 JANUARI 2024 HINGGA 31 DISEMBER 2026
MALAYSIA

No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor

Shariah Advisory Committee's Report

In the Name of Allah, the Most Gracious, the Most Merciful.

All the praises and thanks be to Allah, blessing and peace be upon the Allah's Prophet Muhammad, and be upon his kin, companions and followers.

Shariah Governance, Duties, Responsibilities and Accountabilities

The SAC of the Bank performs an oversight role on Shariah matters related to business operations and activities of the relevant Islamic businesses within the Bank.

SAC is required to report to the Board as it performs its duties in overseeing the overall Shariah matters of the Bank. Where the SAC has a reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank, the SAC shall immediately update the Board of such matter.

The roles and responsibilities of SAC in monitoring the Bank's activities include, but not limited to the following:

a) providing a decision or advice to the Bank on the application of any ruling of the Shariah Advisory Council of Bank Negara Malaysia ("SAC of BNM") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;

b) providing a decision or advice on matters which require reference to be made to the SAC of BNM;

c) providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;

d) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and

e) endorsing a rectification measure to address a Shariah non-compliance event.

MBSB BANK BERHAD (200501033981 / 716122-P)
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Opinion on the State of the Bank's Compliance with Shariah

In carrying out our roles and responsibilities as prescribed in the Shariah Governance policy document issued by Bank Negara Malaysia ("SGPD"), SAC Terms of Reference and our letter of appointment, we hereby submit the following report for the financial year ended 31 December 2023:

We have reviewed the principles and contracts relating to the transactions and applications introduced by the Bank during the year ended 31 December 2023. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the SAC of BNM, as well as Shariah decisions made by us.

The management of the Bank is responsible for ensuring that the Bank conducts its business in accordance with the Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We have assessed the work carried out by the Shariah compliance review, Shariah risk and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

We planned and performed our review to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank did not violate Shariah principles.

We, members of the SAC of the Bank to the best of our knowledge based on material evidences presented to us, do hereby confirm that:

1) The overall operations, business, affairs and activities of the Bank during the year ended 31 December 2023 are in compliance with Shariah, and no instances of Shariah non-compliance ("SNC") have been recorded;

2) the gharamah or earnings that are not recognised as an income by Shariah but have been confirmed and collected was set for purification; and

3) the calculation and disbursement of zakat are in compliance with Shariah principles.

We have performed our review and provided our advice based on material evidences, information and explanations provided to us, which in turn allow us to give reasonable assurance that the Bank complies with Shariah rules and principles.

MBSB BANK BERHAD (200501033981 / 716122-P)
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Shariah Advisory Committee Meetings

During the financial year ended 31 December 2023, a total of 19 meetings were held i.e. 12 monthly SAC meetings and 7 Special SAC meetings. The SAC comprises the following members and the number of attendances of each member at the meetings held during the financial year is as follows:

No.	Members	Attendance to Monthly SAC meetings	Attendance to Special SAC meetings
1	Tn. Hj. Mohd Bahroddin bin Badri (Chairman)	12/12	7/7
2	Tn. Hj. Nasrun bin Mohamad @ Ghazali (Deputy Chairman)	12/12	7/7
3	Sahibus Samahah Datuk Dr. Luqman bin Haji Abdullah	11/12	3/5
4	Tn. Hj. Mohd Nasiruddin bin Mohd Kamaruddin	12/12	7/7
5	Dr. Ahmad Faizol bin Ismail	12/12	7/7
6	Pn. Apnizan binti Abdullah	11/12	7/7

Allah the Almighty knows best. We pray to Him to grant us success and the right path of straightforwardness.

Chairman of Shariah Advisory Committee

Tn. Hj. Mohd Bahroddin bin Badri

Deputy Chairman of Shariah Advisory Committee

Tn. Hj. Nasrun bin Mohamad @ Ghazali

22 APR 2024

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200501033981 (716122-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MBSB Bank Berhad ("the Bank") and its subsidiary ("the Bank Group") give a true and fair view of the financial position of the Bank Group and of the Bank as at 31 December 2023, 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 Bank Group and of the Bank, which comprise the statements of financial position as at 31 December 2023 of the Bank Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Bank Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 18 to 193.

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

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Shariah Advisory Committee's Report, but does not include the financial statements of the Bank Group and of the Bank and our auditors' report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501033981 (716122-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Bank 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 Bank 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 Bank Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Bank 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 Bank Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank Group and of the Bank, the Directors are responsible for assessing the Bank 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 Bank 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 Bank 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501033981 (716122-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Bank 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 Bank Group's and of the Bank's internal control.

(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 Bank 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 Bank 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 Bank 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 Bank Group and of the Bank, including the disclosures, and whether the financial statements of the Bank 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 Bank Group to express an opinion on the financial statements of the Bank Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MBSB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501033981 (716122-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

OTHER MATTERS

This report is made solely to the member 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

WILLIAM MAH JIN CHIEK
03085/07/2025 J
Chartered Accountant

Kuala Lumpur
22 April 2024

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Bank Group		Bank	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Cash and short-term funds	3(a)	4,572,309	2,192,818	4,548,164	2,079,255
Deposits and placements with banks and other financial institutions	3(b)	749,812	597,746	92,540	-
Financial assets at fair value through profit or loss	4	250,725	240,357	250,725	240,357
Financial investments at fair value through other comprehensive income	5	10,869,679	11,392,780	10,869,679	11,392,780
Financial investments at amortised cost	6	2,316,393	1,625,792	2,316,393	1,625,792
Sukuk Commodity Murabahah	7	-	-	1,935,936	2,104,499
Derivative financial assets	8	32,805	15,017	32,805	15,017
Financing and advances	9	38,471,883	36,565,207	38,471,883	36,565,207
Other receivables	10	648,780	514,926	644,523	583,692
Tax recoverable		69,727	209	69,727	-
Deferred tax assets	11	83,529	107,238	83,529	107,238
Statutory deposits with Bank Negara Malaysia	12	720,000	610,000	720,000	610,000
Investment in subsidiary	13	-	-	-	-
Property and equipment	14	96,635	87,491	96,635	87,491
Right-of-use assets	15(a)	63,711	28,778	63,711	28,778
Investment property	16	820	820	820	820
Intangible assets	17	88,167	96,157	88,167	96,157
Non-current assets held for sale	18	-	564	-	564
Total assets		59,034,975	54,075,900	60,285,237	55,537,647

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

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (cont'd)

		Bank Group		Bank	
	Note	**2023**	**2022**	**2023**	**2022**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Liabilities and shareholders' equity					
Deposits from customers	19	34,702,106	29,112,699	34,702,106	29,112,699
Deposits and placements of banks and other financial institutions	20	7,359,472	7,511,336	7,359,472	7,511,336
Investment accounts of customers	21	-	2,080,767	-	2,080,767
Islamic repurchase agreement		2,005,199	-	2,005,199	-
Derivative financial liabilities	8	5,158	23,470	5,158	23,470
Other payables	22	521,110	508,679	2,021,772	2,245,002
Lease liabilities	15(b)	64,560	29,370	64,560	29,370
Recourse obligation on financing sold	23	4,031,732	4,355,408	4,031,732	4,355,408
Provision for taxation		34,580	106,902	-	106,902
Sukuk	24	2,197,432	2,430,717	2,197,432	2,430,717
Total liabilities		50,921,349	46,159,348	52,387,431	47,895,671
Ordinary share capital	25	6,627,972	6,427,972	6,627,972	6,427,972
Regulatory reserve	26	69,320	-	69,320	-
Fair value reserves	27	(120,674)	(341,367)	(120,674)	(341,367)
Retained earnings		1,537,008	1,829,947	1,321,188	1,555,371
Total equity		8,113,626	7,916,552	7,897,806	7,641,976
Total liabilities and shareholders' equity		59,034,975	54,075,900	60,285,237	55,537,647
Commitments and contingencies	41	6,300,734	5,124,328	6,300,734	5,124,328

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

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

		Bank Group		Bank	
	Note	**2023**	**2022**	**2023**	**2022**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Income derived from investment of depositors' funds	28	2,255,119	2,097,597	2,329,744	2,187,144
Income derived from investment of shareholders' funds	29	444,014	515,906	458,717	535,177
Income derived from investment of investment accounts' funds	30	47,999	113,587	47,999	113,587
Expected credit losses on financing and advances and other impairment	31	(81,046)	(205,842)	(81,046)	(205,842)
Net loss on modification of cash flows		-	(59,973)	-	(59,973)
Total distributable income		2,666,086	2,461,275	2,755,414	2,570,093
Income attributable to depositors and others	32	(1,769,711)	(1,229,244)	(1,836,809)	(1,347,228)
Total net income		896,375	1,232,031	918,605	1,222,865
Operating expenses	33	(647,305)	(588,727)	(646,074)	(586,811)
Profit before taxation and zakat		249,070	643,304	272,531	636,054
Taxation	35(a)	(23,755)	(166,078)	11,540	(162,116)
Zakat	35(b)	(8,106)	(3,177)	(8,106)	(3,177)
Net profit for the year		217,209	474,049	275,965	470,761
Other comprehensive income/(expense), net of tax:					
Items that may be reclassified to profit or loss:					
Revaluation reserve on financial investments at fair value through other comprehensive income		220,693	(180,417)	220,693	(180,417)
- Net profit/(loss) from change in fair values		240,208	(224,323)	240,208	(224,323)
- Realised loss transferred to statements of income on disposal		50,142	(13,066)	50,142	(13,066)
- Transfer (to)/from deferred tax		(69,657)	56,972	(69,657)	56,972
Other comprehensive income/(expense), net of tax:		220,693	(180,417)	220,693	(180,417)
Total comprehensive income for the financial year		437,902	293,632	496,658	290,344
Total comprehensive income for the year attributable to:					
Equity holder of the Bank		437,902	293,632	496,658	290,344
Earnings per share (sen)					
Basic	36	3.45	8.39		

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	← Non-distributable		→	Distributable	
	Share capital	Regulatory reserve	Fair value reserves	Retained earnings	Total
Bank Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2023	6,427,972	-	(341,367)	1,829,947	7,916,552
Profit for the year	-	-	-	217,209	217,209
Other comprehensive income for the year:					
- net changes in fair value	-	-	240,208	-	240,208
- realised loss transferred to statements of income on disposal	-	-	50,142	-	50,142
- income tax relating to component of other comprehensive income	-	-	(69,657)	-	(69,657)
	-	-	220,693	-	220,693
Transfer of retained profits to regulatory reserve	-	69,320	-	(69,320)	-
Issuance of ordinary shares (Note 25)	200,000	-	-	-	200,000
Dividends to owner of the Bank (Note 37)	-	-	-	(440,828)	(440,828)
At 31 December 2023	6,627,972	69,320	(120,674)	1,537,008	8,113,626
At 1 January 2022	5,427,972	5,234	(160,950)	1,513,503	6,785,759
Profit for the year	-	-	-	474,049	474,049
Other comprehensive income for the year:					
- net changes in fair value	-	-	(224,323)	-	(224,323)
- realised loss transferred to statements of income on disposal	-	-	(13,066)	-	(13,066)
- income tax relating to component of other comprehensive income	-	-	56,972	-	56,972
	-	-	(180,417)	-	(180,417)
Transfer of regulatory reserve to retained profits	-	(5,234)	-	5,234	-
Issuance of ordinary shares (Note 25)	1,000,000	-	-	-	1,000,000
Dividends to owner of the Bank (Note 37)	-	-	-	(162,839)	(162,839)
At 31 December 2022	6,427,972	-	(341,367)	1,829,947	7,916,552

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022 (cont'd.)

	← Non-distributable		→	Distributable	
	Share capital	Regulatory reserve	Fair value reserves	Retained earnings	Total
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2023	6,427,972	-	(341,367)	1,555,371	7,641,976
Profit for the year	-	-	-	275,965	275,965
Other comprehensive income for the year:					
- net changes in fair value	-	-	240,208	-	240,208
- realised loss transferred to statements of income on disposal	-	-	50,142	-	50,142
- income tax relating to component of other comprehensive income	-	-	(69,657)	-	(69,657)
	-	-	220,693	-	220,693
Transfer of retained profits to regulatory reserve	-	69,320	-	(69,320)	-
Issuance of ordinary shares (Note 25)	200,000	-	-	-	200,000
Dividends to owner of the Bank (Note 37)	-	-	-	(440,828)	(440,828)
At 31 December 2023	6,627,972	69,320	(120,674)	1,321,188	7,897,806
At 1 January 2022	5,427,972	5,234	(160,950)	1,242,215	6,514,471
Profit for the year	-	-	-	470,761	470,761
Other comprehensive income for the year:					
- net changes in fair value	-	-	(224,323)	-	(224,323)
- realised loss transferred to statements of income on disposal	-	-	(13,066)	-	(13,066)
- income tax relating to component of other comprehensive income	-	-	56,972	-	56,972
	-	-	(180,417)	-	(180,417)
Transfer of regulatory reserve to retained profits	-	(5,234)	-	5,234	-
Issuance of ordinary shares (Note 25)	1,000,000	-	-	-	1,000,000
Dividends to owner of the Bank (Note 37)	-	-	-	(162,839)	(162,839)
At 31 December 2022	6,427,972	-	(341,367)	1,555,371	7,641,976

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

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation and zakat	249,070	643,304	272,531	636,054
Adjustments for:				
Depreciation of property and equipment	28,636	20,558	28,636	20,558
Amortisation of intangible assets	38,716	40,435	38,716	40,435
Depreciation of right-of-use asset	43,262	44,905	43,262	44,905
Lease profit expense	2,269	1,207	2,269	1,207
Loss on disposal of property and equipment	-	8	-	8
Net loss on sale of financial investments	51,892	31,261	51,892	31,261
Gain on financial assets at FVTPL	(4,275)	(4,200)	(4,275)	(4,200)
Loss/(gain) on foreign exchange transactions	13,505	(12,390)	13,505	(12,390)
Allowance for impairment	81,046	205,842	81,046	205,842
Profit adjustments:				
- financial assets at FVTPL	(24,775)	(6,586)	(24,775)	(6,586)
- financial investments at FVOCI	(372,795)	(409,619)	(372,795)	(409,619)
- financial investments at amortised cost	(94,752)	(50,943)	(94,752)	(50,943)
- Sukuk Commodity Murabahah	-	-	(107,135)	(121,351)
- Islamic repurchase agreement	21,732	-	21,732	-
- recourse obligation on financing sold	159,961	142,314	159,961	142,314
- Sukuk - MBSB SC Murabahah and Sukuk Wakalah	120,645	128,432	120,645	128,432
Operating profit before working capital changes	314,137	774,528	230,463	645,927
Working capital changes:				
(Increase)/decrease in deposits with financial institutions with maturity more than three months	(59,526)	246,142	-	100,093
(Increase)/decrease in statutory deposits with Bank Negara Malaysia	(110,000)	40,000	(110,000)	40,000
Increase in derivative assets	(31,603)	(4,776)	(31,603)	(4,776)
Increase in financing and advances	(1,946,844)	(2,764,144)	(1,946,844)	(2,764,144)
Increase in other receivables	(384,753)	(152,515)	(277,150)	(165,275)
	(2,532,726)	(2,635,293)	(2,365,597)	(2,794,102)

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

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (cont'd.)

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Working capital changes (cont'd.):				
Increase in deposits from customers, banks and other financial institutions	5,398,353	2,503,328	5,398,353	2,503,328
Decrease in investment accounts	(2,080,767)	(14,147)	(2,080,767)	(14,147)
(Decrease)/increase in derivative liabilities	(18,312)	21,107	(18,312)	21,107
Increase/(decrease) in other payables	34,425	(332,551)	(235,816)	(562,763)
	3,333,699	2,177,737	3,063,458	1,947,525
Cash generated from/(used in) operations	1,115,110	316,972	928,324	(200,650)
Net tax refund/(paid)	16,108	(100,451)	16,614	(97,330)
Zakat paid	(8,106)	(3,177)	(8,106)	(3,177)
Net cash generated from/(used in) operating activities	1,123,112	213,344	936,832	(301,157)
Cash flows from investing activities				
Purchase of property and equipment	(36,949)	(53,713)	(36,949)	(53,713)
Purchase of intangible assets	(31,557)	(35,408)	(31,557)	(35,408)
Proceeds from disposal of property and equipment	-	11	-	11
Profit income from:				
- financial assets at FVTPL	26,579	7,290	26,579	7,290
- financial investments at FVOCI	427,629	472,243	427,629	472,243
- financial investments at amortised cost	102,534	61,522	102,534	61,522
Net purchase of financial assets at FVTPL	(9,647)	(14,847)	(9,647)	(14,847)
Net sales proceeds of financial investments at FVOCI	708,361	105,259	708,361	105,259
Net purchase of financial investments at amortised cost	(697,942)	(1,005,932)	(697,942)	(1,005,932)
Profit income from Sukuk Commodity Murabahah	-	-	107,135	121,351
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	168,563	300,131
Net cash generated from/(used in) investing activities	489,008	(463,575)	764,706	(42,093)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (cont'd.)

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from financing activities				
Net issuance of Islamic repurchase agreement	1,999,658	-	1,999,658	-
Net issuance of recourse obligation on financing sold	(322,255)	1,210,324	(322,255)	1,210,324
Repayment of Sukuk	(232,871)	(237,786)	(232,871)	(237,786)
Issuance of sukuk	-	299,000	-	299,000
Profit expense paid on:				
- Islamic repurchase agreement	(16,191)	-	(16,191)	-
- Recourse obligation on financing sold	(161,382)	(138,539)	(161,382)	(138,539)
- Sukuk	(121,059)	(126,148)	(121,059)	(126,148)
Payment of lease liabilities	(45,161)	(46,136)	(45,161)	(46,136)
Dividends paid on ordinary shares	(440,828)	(162,839)	(440,828)	(162,839)
Proceeds from issuance of ordinary shares	200,000	1,000,000	200,000	1,000,000
Net cash generated from financing activities	859,911	1,797,876	859,911	1,797,876
Net increase in cash and cash equivalents	2,472,031	1,547,645	2,561,449	1,454,626
Cash and cash equivalents at 1 January	2,192,850	645,205	2,079,255	624,629
Cash and cash equivalents at 31 December	4,664,881	2,192,850	4,640,704	2,079,255

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

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (cont'd.)

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and cash equivalents is represented by:				
Cash and short-term funds (Note 3(a))	4,572,309	2,192,818	4,548,164	2,079,255
Deposits and placements with banks and other financial institutions (Note 3(b))	749,812	597,746	92,540	-
	5,322,121	2,790,564	4,640,704	2,079,255
Less:				
Deposits and placements with banks and other financial institutions with original maturity of more than three months	(657,240)	(597,714)	-	-
Cash and cash equivalents at 31 December	4,664,881	2,192,850	4,640,704	2,079,255

An analysis of changes in liabilities arising from financing activities for the financial year is as follows:

Bank Group and Bank	**Islamic repurchase agreements RM'000**	**Lease liabilities RM'000**	**Recourse obligation on financing sold RM'000**	**Sukuk RM'000**	**Total RM'000**
At 1 January 2023	-	29,370	4,355,408	2,430,717	6,815,495
Profit expense during the year	21,732	2,269	159,961	120,645	304,607
Profit paid during the year	(16,191)	-	(161,382)	(121,059)	(298,632)
Additions	1,999,658	78,082	-	-	2,077,740
Repayment and redemption	-	(45,161)	(322,255)	(232,871)	(600,287)
At 31 December 2023	2,005,199	64,560	4,031,732	2,197,432	8,298,923
At 1 January 2022	-	41,973	3,141,309	2,367,219	5,550,501
Profit expense during the year	-	1,207	142,314	128,432	271,953
Profit paid during the year	-	-	(138,539)	(126,148)	(264,687)
Additions	-	32,326	2,424,999	299,000	2,756,325
Repayment and redemption	-	(46,136)	(1,214,675)	(237,786)	(1,498,597)
At 31 December 2022	-	29,370	4,355,408	2,430,717	6,815,495

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

Notes to the financial statements
For the financial year ended 31 December 2023

Corporate information

The Bank is a licensed Islamic bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia. The address of the registered office and principal place of business of the Bank is as follows:

Level 25, Menara MBSB Bank,
PJ Sentral,
Lot 12, Persiaran Barat, Seksyen 52,
46200 Petaling Jaya,
Selangor

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The details of the Bank's subsidiary are disclosed in Note 13 to the financial statements.

The immediate holding company is MBSB, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is EPF, a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

The consolidated financial statements of the Bank Group as at and for the financial year ended 31 December 2023 comprise the Bank and its subsidiary.

These financial statements were approved by the Board of Directors on 22 April 2024.

1. Basis of preparation

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

The financial statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, debts instruments at fair value through other comprehensive income, derivatives financial instruments and non-current assets held for sale.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Bank Group’s and the Bank’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

1. Basis of preparation (cont'd.)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 50.

(A) Standards, amendments to published standards and interpretation that are effective and applicable to the Bank Group and the Bank

The relevant new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Bank Group and the Bank for the financial year beginning 1 January 2023 are as follows:

- 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, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates

  <u>Amendments on disclosure of accounting policies – Amendments to MFRS 101 and MFRS Practice Statement 2</u>

  The amendments to MFRS 101 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 Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

1. Basis of preparation (cont'd.)

(A) Standards, amendments to published standards and interpretation that are effective and applicable to the Bank Group and the Bank (cont'd.)

The relevant new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Bank Group and the Bank for the financial year beginning 1 January 2023 are as follows: (cont'd.)

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates (cont'd.)

  Amendments on definition of accounting estimates (Amendments to MFRS 108)

  The amendments to MFRS 108, 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.

The adoption of the above amendments to published standards did not have any impact on the current period or any period and is not likely to affect future periods.

(B) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank Group and the Bank but not yet effective

The Bank Group and the Bank will apply these standards and amendments to published standards from:

(i) Financial year beginning on/after 1 January 2024

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' and 'Non-current liabilities with covenants'

  There are two amendments to MFRS 101 'Presentation of Financial Statements'

  The first amendment, 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has the right to defer settlement for at least 12 months after the reporting period. Such a right exists when an entity complies with covenants based on its circumstances at the reporting date, even if compliance with such covenants were tested only within 12 months after that date.

1. Basis of preparation (cont'd.)

(B) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank Group and the Bank but not yet effective (cont'd.)

The Bank Group and the Bank will apply these standards and amendments to published standards from: (cont'd.)

(i) Financial year beginning on/after 1 January 2024 (cont'd.)

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' and 'Non-current liabilities with covenants' (cont'd.)

  The second amendment, 'Non-current liabilities with covenants' were in response to concerns raised on applying the 2020 amendments explained in the preceding paragraph on the current vs non-current classification of liabilities with covenants that would have become effective for annual periods beginning on or after 2023. The 2022 amendments specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

  Both amendments are effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively.

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

  The amendments specify that the measurement of the lease liability arises in a sale and leaseback transaction which satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

  The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

1. Basis of preparation (cont'd.)

(B) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank Group and the Bank but not yet effective (cont'd.)

The Bank Group and the Bank will apply these standards and amendments to published standards from: (cont'd.)

(ii) Financial year beginning on/after 1 January 2025

- Amendments to MFRS 121 'Lack of Exchangeability'

  An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

  A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

  When a currency is not exchangeable into another currency, the spot exchange rate needs to be estimated, i.e. to determine the rate at which an orderly exchange transaction would take place at that date between market participants under prevailing economic conditions.

  The amendments do not specify how an entity estimates the spot exchange rate but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective of estimating the spot exchange rate set out in the amendments.

  When the amendments are first applied, an entity is not permitted to restate comparative information. Instead, the entity should translate the amount affected by foreign currency that lacks exchangeability using the estimated spot exchange rates at the date of initial application. Entity is also required to make additional disclosures when exchangeability is lacking.

The adoption of the amendments to published standards are not expected to give rise to material financial impact to the Bank Group and the Bank.

2. Summary of material accounting policies

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

(a) Currency translations

(i) Functional and presentation currency

Items included in the financial statements of the Bank Group and the Bank is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank Group and the Bank's functional and presentation currency and has been rounded to the nearest thousand (RM'000) except when otherwise indicated.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated to the respective functional currencies using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within net other income. All other foreign exchange gains and losses are presented in profit or loss on a net basis.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Bank has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

In the Bank's separate financial statements, investment in subsidiary is accounted for at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o) below. On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss. Dividend income received from subsidiary is recognised in profit or loss on the date that the Bank's right to receive payment is established.

2. Summary of material accounting policies (cont'd.)

(b) Basis of consolidation (cont'd.)

(ii) Business combination

Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank Group obtains control, and continue to be consolidated until the date that such control ceases. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting when the acquired sets of activities and assets meet the definition of a business. The Bank Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The identifiable assets acquired and the liabilities assumed, with limited exceptions, are measured at their fair values at the acquisition date. Acquisition costs are expensed as incurred and included in administrative expenses.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition. Discount on acquisition which represents gain on bargain purchase is recognised immediately in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Bank Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

For each business combination, the Bank Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

2. Summary of material accounting policies (cont'd.)

(b) Basis of consolidation (cont'd.)

(ii) Business combination (cont'd.)

Changes in the Bank Group’s equity interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in Bank Group's reserves.

If the Bank Group losses control over a subsidiary, at the date the Bank Group losses control, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration or distribution received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank Group.

(iii) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between Bank Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

(c) Intangible assets and amortisation

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

The useful life of software and license is assessed to be finite and is amortised on a straight-line basis over 5 years.

2. Summary of material accounting policies (cont'd.)

(d) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Bank Group and the Bank and the cost of the item can be measured reliably.

Subsequent to recognition, property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses. When significant parts of property and equipment are required to be replaced, the Bank Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property and equipment is provided for on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life from the date they are available for use. The estimated useful life is as follows:

Work in progress	*
Buildings	40 years
Building renovation	5 years
Furniture and equipment	5 years
Motor vehicles	5 years
Data processing equipment	5 years

* Property and equipment in progress will not be depreciated until they become ready for use.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The residual values, useful lives and depreciation methods are reviewed at end of the reporting period, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. Summary of material accounting policies (cont'd.)

(e) Leases

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Bank Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Bank Group and the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank Group and the Bank, and affects whether the Bank Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2. Summary of material accounting policies (cont'd.)

(e) Leases

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Bank Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank Group and the Bank are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank Group and the Bank exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank Group and the Bank, an incremental borrowing rate is used in determining the discount rate which assumes the profit rate that the Bank Group and the Bank would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Bank Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Profit expense on the lease liability is presented within the operating expenses in the statements of profit or loss and other comprehensive income.

(iv) Short term leases and leases of low value assets

The Bank Group and the Bank elect to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise small items of office furniture. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of profit or loss and other comprehensive income.

2. Summary of material accounting policies (cont'd.)

(f) Investment property

Investment property, which is a freehold land, is owned for capital appreciation and is not occupied by the Bank.

The investment property is initially recognised at cost and subsequently at cost less any accumulated impairment losses. The carrying amount of the investment property is reviewed at the end of each reporting period to determine whether there is any indication of impairment based on market value determined by independent qualified valuers. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are expensed of in the year in which the associated services are rendered by employees of the Bank Group and the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the EPF, a defined contribution pension scheme. Such contributions are recognised as an expense in profit or loss when incurred.

(h) Foreclosed assets

Foreclosed assets are stated at the lower of carrying amount and fair value less costs to sell and reported within “other assets”.

2. Summary of material accounting policies (cont'd.)

(i) Provisions

Provisions are recognised when the Bank Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Bank Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(j) Commitments and contingencies

The Bank Group and the Bank issue financial guarantees, letter of credit and financing commitments but the norminal values of these instruments are not recorded in the statement of financial position. The same assessment criteria are used by the Bank Group and the Bank in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet financing assets.

The measurement of credit loss for these irrecoverable off-balance sheet assets is based on a three-stage ECL model as described in Note 2 (s).

2. Summary of material accounting policies (cont'd.)

(k) Contingent assets and liabilities

The Bank Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements.

A contingent liability is a possible obligation 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 Bank Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

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 Bank Group and the Bank. The Bank Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(l) Cash and cash equivalents

Cash and short-term funds in the statements of financial position consist of cash and balances with banks and other financial institutions, money at call and deposit placements with banks and other financial institutions with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above.

2. Summary of material accounting policies (cont'd.)

(m) Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation and/or amortisation, had no impairment loss been recognised previously.

(n) Financial assets

(i) Classification

The Bank Group and the Bank classify their financial assets into the following measurement categories:

- Fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- Amortised cost.

The classification depends on the Bank Group and the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

(a) Business model assessment

The Bank Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

2. Summary of material accounting policies (cont'd.)

(n) Financial assets (cont'd.)

(i) Classification (cont'd.)

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

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Bank Group and the Bank assess whether the financial assets' contractual cash flows represent solely payment of principal and profit. In applying the SPPI test, the Bank Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Bank Group and the Bank.

(i) Financial assets at fair value through OCI comprise of:

- Equity securities which are not held for trading, and for which the Bank Group and the Bank have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and profit and the objective of the Bank Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Bank Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

2. Summary of material accounting policies (cont'd.)

(n) Financial assets (cont'd.)

(i) Classification (cont'd.)

(b) Assessment whether contractual cash flows are solely payments of principal and profit ("SPPI") (cont'd.)

(iii) The Bank Group and the Bank classify the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income;
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

(ii) Recognition and initial measurement

A financial asset is recognised in the statement of financial position when the Bank Group and the Bank become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Bank Group and the Bank commit to purchase and sell the assets.

At initial recognition, the Bank Group and the Bank measure financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) Subsequent measurement

(a) Debt instrument

Subsequent measurement of debt instruments depends on the Bank Group’s and the Bank’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Bank Group and the Bank classify their debt instruments.

2. Summary of material accounting policies (cont'd.)

(n) Financial assets (cont'd.)

(iii) Subsequent measurement (cont'd.)

(a) Debt instrument (cont'd.)

(i) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at fair value through profit or loss are measured at amortised cost using the effective profit method. Any gain or loss on a debt investment measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets is included in profit/finance income using the effective profit rate method.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, profit income and foreign exchange gains and losses which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in non-profit income. Profit income from these financial assets is included in profit/finance income using the effective profit rate method.

(iii) Fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Bank Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within non-profit income in the period which it arises.

2. Summary of material accounting policies (cont'd.)

(n) Financial assets (cont'd.)

(iii) Subsequent measurement (cont'd.)

(b) Equity instrument

The Bank Group and the Bank subsequently measure all equity investments at fair value except where the management has elected, at initial recognition to irrevocably designate at equity instrument at FVOCI. Where the Bank Group’s and the Bank’s management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank Group’s and the Bank’s right to receive payments is established.

Changes in the fair value of financial investments at fair value through profit or loss are recognised in non-profit income in the statement of income as applicable.

(iv) Reclassification of financial assets

The Bank Group and the Bank reclassify financial assets when and only when their business model for managing those assets changes. In such cases, the Bank Group and the Bank are required to reclassify all affected financial assets. However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instrument that have been designated at FVOCI even when there is a change in business model. Such designation are irrevocable.

(v) Modification of financing

The Bank Group and the Bank may renegotiate or otherwise modify the contractual cash flows of financing to customers. When this happens, the Bank Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Bank Group and the Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the financing.
- Significant extension of the financing term when the borrower is not in financial difficulty.
- Significant change in the profit rate.
- Change in the currency the financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

2. Summary of material accounting policies (cont'd.)

(n) Financial assets (cont'd.)

(v) Modification of financing (cont'd.)

If the terms are substantially different, the Bank Group and the Bank derecognise the original financial asset and recognises a ”new” asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of profit or loss and other comprehensive income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank Group and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statements of profit or loss and other comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit–adjusted effective profit rate for purchased or originated credit-impaired financial assets).

2. Summary of material accounting policies (cont'd.)

(o) Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of profit or loss and other comprehensive income. Financial liabilities are derecognised when extinguished.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

The financial liabilities measured at fair value through profit and loss upon initial recognition are trading derivatives and financial liabilities designated at fair value.

Financial liabilities, other than those held for trading, are classified as financial liabilities designated at fair value through profit or loss if they meet one or more of the criteria set out below, and are so designated by management.

The Bank Group and the Bank may designate financial liabilities at fair value through profit or loss when the designation:

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases;
- Applies to groups of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- Relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

2. Summary of material accounting policies (cont'd.)

(o) Financial liabilities (cont'd.)

(i) Financial liabilities at fair value through profit or loss (cont'd.)

The fair value designation, once made, is irrevocable. Designated financial liabilities are recognised when the Bank Group and the Bank enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken to the statements of income. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in the statements of income.

The component of fair value changes relating to the Bank Group and the Bank’s own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realised.

The Bank Group and the Bank determine the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of financial liabilities at fair value through profit or loss. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes. The Bank Group and the Bank believe that this approach most faithfully represents the amount of change in fair value due to the Bank Group's and the Bank’s own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark interest rate are not deemed to be significant.

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost.

Financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, investment accounts of customers, Islamic repurchase agreement, other payables, lease liabilities, recourse obligation on financing sold and sukuk.

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of defaults, insolvency or bankcruptcy.

2. Summary of material accounting policies (cont'd.)

(q) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Bank Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Subsequent to initial recognition, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 “Financial instruments” and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 “Revenue from Contracts with Customers”, where appropriate.

Any increase in the liability relating to guarantees is reported in the statement of profit or loss and other comprehensive income within ECL for commitments and contingencies.

(r) Islamic repurchase agreements

Obligations on securities sold/transferred under Islamic repurchase agreements are securities which the Bank Group and the Bank had sold/transferred from its portfolio, with a commitment to repurchase/transfer back at future dates. Such financing transactions and the obligation to repurchase/transfer back the securities are reflected as a liability on the statements of financial position.

The difference between purchase and resale price is treated as profit and accrued over the life of the repurchase agreement using the effective yield method.

(s) Impairment of financial assets

The Bank Group and the Bank assess on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

The Bank Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Bank Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Bank Group and the Bank determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

The Bank Group and the Bank have adopted the general approach for ECL.

Measurement

The Bank Group and the Bank recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and financial investments measured at FVOCI (debt securities), but not on investments in equity instruments. ECL are a probability-weighted estimate of credit losses.

The Bank Group and the Bank measure loss allowances at an amount equal to lifetime ECL except for debt securities that are determined to have low credit risk at the reporting date and other financial instruments of which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank 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 Bank Group’s and the Bank's historical experience and informed credit assessment and including forward-looking information, where available.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

Measurement (cont'd.)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.

LGD is the magnitude of the likely loss if there is a default. The Bank Group and the Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank Group and the Bank derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank Group and the Bank measure ECL considering the risk of default over the maximum contractual period (including any customer’s extension options) over which they are exposed to credit risk, even if, for credit risk management purposes, the Bank Group and the Bank consider a longer period. The maximum contractual period extends to the date at which the Bank Group and the Bank have the right to require repayment of an advance or terminate a financing commitment or guarantee.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

Measurement (cont'd.)

However, for facilities that include both a financing and an undrawn commitment component, the Bank Group and the Bank measure ECL over a period longer than the maximum contractual period if the Bank Group's and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank Group's and the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure. The Bank Group and the Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank Group and the Bank become aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank Group and the Bank expect to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a financing with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include but not limited to:

- instrument type;
- credit risk gradings;
- collateral type;
- financing-to-value ("FTV") ratio for retail property financing;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the customer.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank Group and the Bank have limited historical data, external benchmark information is used to supplement the internally available data.

Recognition

Lifetime ECL is the ECL that results from all possible default events over the expected life of the asset, while 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECL is the maximum contractual period over which the Bank Group and the Bank are exposed to credit risk.

Financial assets are segregated into 3 stages depending on the changes in credit quality since initial recognition.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

Recognition (cont'd.)

Stage 1 includes financial assets that do not have a significant increase in credit risk since initial recognition or those that have low credit risk at reporting date. For these assets, 12-month ECL are recognised and profit income is calculated on the gross carrying amount of the assets.

Stage 2 includes financial assets that have a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For those assets, lifetime ECL is recognised and profit income is still calculated on the gross carrying amount of the asset.

Stage 3 includes financial assets that have objective evidence of impairment at reporting date. For these assets, lifetime ECL is recognised and profit income is calculated on the net carrying amount.

Significant increase in credit risk ("SICR")

Obligatory triggers applied by the Bank Group and the Bank in determining whether there has been a significant increase in credit risk is where the principal or profit or both of the financing assets are overdue for more than 1 month, but less than 3 months or hit any of the qualitative indicators but not limited to increase in internal credit spread of an existing facility, breach of covenants and decrease in securities prices.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank Group's and the Bank's credit risk management processes. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watchlist. Such qualitative factors are based on the management's expert judgement and relevant historical experiences.

The Bank Group and the Bank determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on a financial asset returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank Group and the Bank determine a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

Credit-impaired (Default)

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

The Bank Group and the Bank consider a financial asset to be in default when:

(a) Payment conduct

- Where the principal or profit or both of the financing is past due for more than ninety (90) days or three (3) months;

- In the case of revolving facilities (e.g. revolving working capital or overdraft facilities), notwithstanding the first trigger above, where the outstanding amount has remained in excess of the approved limit for a period of more than ninety (90) days or three (3) months;

- Where payments are scheduled on intervals of three (3) months or longer, the account shall be classified as impaired as soon as a default occurs (i.e. when the customer is unable to meet the contractual payment terms), unless it does not exhibit any weakness that would render it classified as impaired according to the Bank Group’s and the Bank's credit risk grading framework.

(b) Restructured and rescheduled (“R&R”) financing; or

(c) Customer/issuer is declared bankrupt/wound up

In assessing whether a customer is in default, the Bank Group and the Bank consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank Group or the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Bank Group and the Bank for regulatory capital purposes.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

Credit-impaired (Default) (cont'd.)

ECL against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows, including the realisation of any collateral held where appropriate. The ECL held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective profit rate, and the gross carrying value of the instrument prior to any credit impairment.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the customer, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

ECL for restructured financial assets that are not considered to be credit-impaired will be recognised on 12-month basis. However, if there is a significant increase in credit risk, the ECL will be recognised on a lifetime basis.

Incorporation of forward-looking information

MFRS 9 specifically requires measurement of ECL using not only past and current information, but also including forecast information. Hence, the ECL calculations include forward-looking adjustment according to the expected future macroeconomic conditions. Forward-looking adjustment incorporated within the ECL model is a combination of statistical analysis and expert judgements based on the availability of detailed information. External information considered includes economic data and forecasts published by external rating agencies.

Key macroeconomic variables ("MEV") that are incorporated into the ECL calculations include, but not limited to House Price Index ("HPI") and Consumer Price Index ("CPI"). Forward-looking MEVs are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios based on the available forecasts.

Methodology and assumptions including forecasts of future economic conditions are reviewed regularly.

2. Summary of material accounting policies (cont'd.)

(s) Impairment of financial assets (cont'd.)

Write-down/write-off

Financial assets and related impairment allowances are normally written down/written off, either partially or in full, when there is no realistic prospect of recovery of the financial assets. This is generally the case when the Bank Group and the Bank determine that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-down/write-off. This assessment is carried out at the individual asset level. Where financial assets are secured, the write-down/write-off is normally done after receipt of any proceeds from the realisation of security.

Financial assets that are written down/written off could still be subject to enforcement activities in order to comply with the Bank Group's and the Bank's procedures for recovery of amounts due.

(t) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(u) Earnings per ordinary share

The Bank Group and the Bank present the basic earnings per share ("EPS") data for their ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank Group and the Bank by the weighted average number of ordinary shares outstanding during the year.

(v) Recognition of profit income and profit expense

Profit income and expense for all profit-bearing financial instruments are recognised within “profit income” and “profit expense” in the statements of profit or loss and other comprehensive income using the effective profit method.

2. Summary of material accounting policies (cont'd.)

(v) Recognition of profit income and profit expense (cont'd.)

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit rate is the rate that exactly 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 asset or financial liability. When calculating the effective profit rate, the Bank Group and the Bank take into account all contractual terms of the financial instrument, but not future credit losses.

Profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Tawarruq

A tawarruq consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash spot basis. The tawarruq concept is applicable for the purpose of deposit taking and financing.

Murabahah

A sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser.

Al-Ijarah Thumma Al-Bai' ("AITAB")

AITAB refers to a leasing which ends with the sale of the asset.

Bai' Bithaman Ajil

A contract of sale of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income is recognised on effective profit rate basis over the expected life of the contract based on outstanding financing amount.

Qard

Qard refers to a contract of lending money by a lender to a borrower where the latter is bound to repay an equivalent replacement amount to the lender.

2. Summary of material accounting policies (cont'd.)

(v) Recognition of profit income and profit expense (cont'd.)

<u>Wakalah</u>

Wakalah refers to a contract where a party, as principal (muwakkil) authorizes another party as his agent (wakil) to perform a particular task on matters that may be delegated, with or without imposition of a fee.

<u>Mudarabah</u>

Mudarabah is a contract between a capital provider (rabbul mal) and an entrepreneur (mudarib) under which the rabbul mal provides capital to be managed by the mudarib and any profit generated from the capital is shared between the rabbul mal and the mudarib according to a mutually agreed profit sharing ratio whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudarib’s misconduct (ta`addi), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut).

(w) Recognition of fees and other income

The Bank earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Bank has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Bank generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to commissions, service charges and fees, and fees on financing and advances. These fees constitute a single performance obligation.

- For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

Directly related expenses typically include sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

2. Summary of material accounting policies (cont'd.)

(w) Recognition of fees and other income (cont'd.)

Other income recognition are as follows:

(a) Dividend income is recognised when the Bank Group's and/or the Bank's right to receive payment is established.

(b) Net gain or loss from disposal of financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised in statements of profit or loss and other comprehensive income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

(x) Current and deferred taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Bank Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to the fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

2. Summary of material accounting policies (cont'd.)

(x) Current and deferred taxes (cont'd.)

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(y) Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Bank Group and the Bank to comply with the rules and principles of Shariah. The zakat is computed based on working capital method at a rate of 2.5%. The zakat amount shall be distributed to individuals or groups that fall into any of the eight (8) categories of eligible recipients (asnaf):

(i) *Al-Fuqara* – the poor
(ii) *Al-Masakin* – the needy
(iii) *Al-'Amil* – the zakat collector
(iv) *Al-Muallaf* – those whose hearts are inclined to Islam
(v) *Al-Riqab* – slave or captive (prisoner of war)
(vi) *Al-Gharimin* – insolvent debtor
(vii) *Fi Sabilillah* – in the path of Allah
(viii) *Ibnu al-Sabil* – a traveler without provisions

The obligation and responsibility of specific payment of zakat on deposit fund lies with the muslim depositors. As such, no accrual of zakat expenses is recognised in the financial statements of the Bank Group.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Bank Group has determined the Board as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

2. Summary of material accounting policies (cont'd.)

(aa) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Bank Group and the Bank can access at the measurement date;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

3. Cash and short-term funds and deposits and placements with banks and other financial institutions

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Cash and short-term funds:				
Cash and balances with banks and other financial instituitions	542,377	354,349	518,232	240,786
Money at call and deposit placements maturing within 1 month	4,029,932	1,838,469	4,029,932	1,838,469
	4,572,309	2,192,818	4,548,164	2,079,255
(b) Deposits and placements with banks and other financial institutions with original maturity of more than 1 month	749,812	597,746	92,540	-
	5,322,121	2,790,564	4,640,704	2,079,255

The ECL for cash and short-term funds and deposits and placements above is nil (2022: nil).

4. Financial assets at FVTPL

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Money Market Instruments		
In Malaysia		
Private mandate investments	240,357	240,357
Malaysian Government Investment Issues	10,368	-
	250,725	240,357

5. Financial investments at FVOCI

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Money Market Instruments		
Malaysian Government Investment Issues	7,485,032	8,479,600
	7,485,032	8,479,600
Debt securities		
In Malaysia		
Private and Islamic debt securities	1,747,535	1,021,894
Government Guaranteed debt securities	1,637,112	1,891,286
	3,384,647	2,913,180
	10,869,679	11,392,780

During the year, a total gain amounting to RM240,093,000 (2022: loss of RM250,452,000) was recognised in other comprehensive income. Upon sale of the financial investments, the Bank Group and the Bank recognised a loss of RM50,142,000 (2022: loss of RM13,066,000) to the profit and loss.

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

5. Financial investments at FVOCI (cont'd.)

Movement of allowance for credit lossess recognised in FVOCI reserve:

	Bank Group and Bank			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January 2023	10	-	-	10
Total charge during the year:	114	-	-	114
New financial investments purchased during the year	114	-	-	114
At 31 December 2023	124	-	-	124

	Bank Group and Bank			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
At 1 January 2022	14	-	-	14
Total charge during the year:	(4)	-	-	(4)
Matured financial investments during the year	(4)	-	-	(4)
At 31 December 2022	10	-	-	10

6. Financial investments at amortised cost

	Bank Group and Bank	
	2023 RM'000	2022 RM'000
Money Market Instruments		
Malaysian Government Investment Issues	604,298	378,302
Debt securities		
In Malaysia		
Private and Islamic debt securities	1,637,076	1,183,318
Government Guaranteed corporate sukuk	75,684	65,279
	2,317,058	1,626,899
Less: ECL		
- Stage 1	(518)	(868)
- Stage 2	(147)	(239)
	2,316,393	1,625,792

ECL movement for financial investments at amortised cost:

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023	868	239	-	1,107
Total (reversal)/charge to profit or loss (Note 31):	(350)	(92)	-	(442)
Matured financial investments during the year	(1)	-	-	(1)
Changes in credit risk	(378)	(92)	-	(470)
New financial investments purchased during the year	29	-	-	29
At 31 December 2023	518	147	-	665

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2022	841	371	-	1,212
Total charge/(reversal) to profit or loss (Note 31):	27	(132)	-	(105)
Matured financial investments during the year	(2)	-	-	(2)
Changes in credit risk	(1)	(132)	-	(133)
New financial investments purchased during the year	30	-	-	30
At 31 December 2022	868	239	-	1,107

7. Sukuk Commodity Murabahah

	Bank	
	2023	**2022**
	RM'000	**RM'000**
Sukuk Commodity Murabahah	1,935,936	2,104,499
By tranche		
Tranche 2	269,866	324,800
Tranche 3	738,903	807,037
Tranche 4	927,167	972,662
	1,935,936	2,104,499

As part of the Bank's Sukuk-MBSB SC Murabahah programme ("the Programme"), JKSB, which is the Bank's subsidiary, issued an unconditional and irrevocable Covered Sukuk Guarantee to the holders of Sukuk-MBSB SC Murabahah. JKSB pledged an identified pool of PFi ("tranche Cover Assets") sold by the Bank.

JKSB issued a Sukuk Commodity Murabahah to the Bank to raise funds necessary for the purchase of tranche Cover Assets from the Bank. The salient terms of the Sukuk Commodity Murabahah are as follows:

(i) The Sukuk Commodity Murabahah will be issued in tranches corresponding to each tranche of Sukuk-MBSB SC Murabahah;

(ii) Each tranche consists of multiple series of Sukuk with different maturities;

(iii) The tenure of the Sukuk Commodity Murabahah will be equivalent to the tenure of each tranche of the Sukuk-MBSB SC Murabahah plus an additional year; and

(iv) The coupon profit rates of each tranche of the Sukuk Commodity Murabahah will be equivalent to the profit rates of the corresponding Sukuk-MBSB SC Murabahah, payable semi-annually in arrears, except for the final series of each tranche of the Sukuk Commodity Murabahah which has a zero coupon profit rate and is instead issued at a discount and will be redeemed at its nominal value unless stated otherwise.

7. Sukuk Commodity Murabahah (cont'd.)

On 24 December 2013, the first drawdown of the Programme amounting to approximately RM578 million was made with an equivalent issuance by JKSB amounting to approximately RM624 million. The first tranche of Sukuk-MBSB SC Murabahah and Sukuk Commodity Murabahah matured on 24 December 2021 and 24 December 2022 respectively.

On 10 December 2014, the second drawdown of the Programme amounting to approximately RM833 million was made with an equivalent issuance by JKSB amounting to approximately RM931 million. The second tranche is secured against tranche Cover Assets amounting to RM833,045,000 sold to JKSB on 1 November 2014. The second tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 10 and 11 years from their drawdown dates respectively and both instruments carry coupon profit rates ranging from 4.00% to 5.00% per annum, payable semi-annually in arrears.

On 29 May 2015, the third drawdown of the Programme amounting to approximately RM1,243 million was made with an equivalent issuance by JKSB amounting to approximately RM1,510 million. The third tranche is secured against tranche Cover Assets amounting to RM1,232,642,000 sold to JKSB on 1 May 2015. The third tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 10 and 11 years from their drawdown dates respectively and both instruments carry coupon profit rates ranging from 4.30% to 5.20% per annum, payable semi-annually in arrears.

On 21 October 2015, the fourth drawdown of the Programme amounting to approximately RM900 million was made with an equivalent issuance by JKSB amounting to approximately RM900 million. The fourth tranche is secured against tranche Cover Assets amounting to RM1,239,677,000 sold to JKSB on 1 October 2015. The fourth tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 12 and 13 years from their drawdown dates respectively and both instruments carry coupon profit rates ranging from 4.30% to 5.50% per annum, payable semi-annually in arrears.

Included in Sukuk Commodity Murabahah are amounts owing from JKSB of RM27,634,000 (2022: RM27,634,000) and amount granted to JKSB of RM556,220,000 (2022: RM525,883,000) which is repayable upon maturity of the tranche 4 of Sukuk Commodity Murabahah. These amounts are granted to JKSB as part of the Programme to raise the necessary funds for the purchase of the tranche Cover Assets and are unsecured.

8. Derivative financial assets/(liabilities)

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

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

	Bank Group and Bank		
2023	**Notional**	**Fair value**	
	amount	**Assets**	**Liabilities**
Derivatives	**RM'000**	**RM'000**	**RM'000**
Foreign exchange contracts:			
Currency forward			
- Less than one year	2,820,048	32,805	(5,158)

	Bank Group and Bank		
2022	**Notional**	**Fair value**	
	amount	**Assets**	**Liabilities**
Derivatives	**RM'000**	**RM'000**	**RM'000**
Foreign exchange contracts:			
Currency forward			
- Less than one year	1,976,886	15,017	(23,470)

9. Financing and advances

(i) By type and Shariah contract

At amortised cost

Bank Group and Bank 2023	**Tawarruq RM'000**	**Bai' RM'000**	**Ijarah RM'000**	**Total financing and advances RM'000**
Term financing:	33,094,530	2,325,831	1,209,916	36,630,277
Personal financing	19,467,390	92	-	19,467,482
Property financing	7,396,217	2,240,420	-	9,636,637
Industrial hire purchase	-	-	759,261	759,261
Bridging financing	472,581	-	-	472,581
Auto financing	-	-	22,667	22,667
Syndicated term financing	1,515,761	-	-	1,515,761
Other term financing	4,242,581	85,319	427,988	4,755,888
Revolving credit	113,356	-	-	113,356
Trade finance	2,637,621	-	-	2,637,621
Cashline	193,585	-	-	193,585
Staff financing	26,481	-	1,760	28,241
Gross financing and advances	36,065,573	2,325,831	1,211,676	39,603,080
Less: ECL				
- Stage 1				(340,378)
- Stage 2				(77,774)
- Stage 3				(713,045)
Net financing and advances				38,471,883

9. Financing and advances (cont'd.)

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

At amortised cost

Bank Group and Bank 2022	**Tawarruq RM'000**	**Bai' RM'000**	**Ijarah RM'000**	**Total financing and advances RM'000**
Term financing:	31,126,428	1,851,629	1,329,322	34,307,379
Personal financing	19,154,137	102	-	19,154,239
Property financing	6,628,198	1,765,272	-	8,393,470
Industrial hire purchase	-	-	718,549	718,549
Bridging financing	450,897	-	-	450,897
Auto financing	-	-	45,128	45,128
Other term financing	4,893,196	86,255	565,645	5,545,096
Revolving credit	1,614,785	-	-	1,614,785
Trade finance	1,827,761	-	-	1,827,761
Cashline	141,846	-	-	141,846
Staff financing	36,868	9	1,977	38,854
Gross financing and advances	34,747,688	1,851,638	1,331,299	37,930,625
Less: ECL				
- Stage 1				(292,757)
- Stage 2				(334,400)
- Stage 3				(738,261)
Net financing and advances				36,565,207

Included in personal financing and property financing are financing that have been assigned as security for financing facilities granted to the Bank Group and the Bank as shown below:

	Bank Group and Bank 2023 RM'000	**2022 RM'000**
Islamic financing facility granted by:		
(i) Cagamas Berhad (Note 23)	4,382,769	4,707,136
(ii) Sukuk* (Note 24(a))	1,502,126	1,736,343

* Islamic personal financing ("PFi") assigned as security for Sukuk-MBSB SC Murabahah relates to PFi sold to the Bank's subsidiary, Jana Kapital Sdn Bhd ("JKSB"). However, the sale of the PFi does not meet the derecognition criteria as the risks and rewards of ownership of the PFi are retained by the Bank. An amount equivalent to the carrying amount of the pledged PFi has been recognised in the financial statements of the Bank as an amount due to JKSB included in other payables, and, conversely, in JKSB's books, an equivalent amount has been recognised as an amount due from the Bank. Management is of the opinion that the described accounting treatment provides a more comprehensive and accurate representation of the arrangement between the Bank and JKSB.

9. Financing and advances (cont'd.)

(ii) By residual contractual maturity

	Bank Group and Bank 2023 RM'000	Bank Group and Bank 2022 RM'000
Maturing within one year	4,294,853	4,310,073
One year to three years	1,773,566	1,721,488
Three years to five years	2,454,274	2,144,712
Over five years	31,080,387	29,754,352
	39,603,080	37,930,625

(iii) By type of customers

	Bank Group and Bank 2023 RM'000	Bank Group and Bank 2022 RM'000
Individuals:		
- Malaysian nationals	29,098,618	27,559,728
Foreign nationals	774,843	127,679
Domestic business enterprises:		
- Small medium enterprises	3,121,688	2,658,304
- Non-bank financial institutions	718,567	1,422,819
- Others	5,889,364	6,162,095
	39,603,080	37,930,625

(iv) By sector

	Bank Group and Bank 2023 RM'000	Bank Group and Bank 2022 RM'000
Household sectors	29,098,618	27,560,564
Construction	3,231,727	3,194,534
Finance, insurance, real estate and business services	2,473,292	3,394,664
Wholesale & retail trade and restaurants & hotels	1,495,675	1,084,469
Manufacturing	1,587,943	1,088,782
Education, health and others	895,315	245,260
Transport, storage and communications	386,459	338,405
Mining and quarrying	49,301	65,077
Electricity, gas and water	182,148	911,234
Agriculture	202,602	47,636
	39,603,080	37,930,625

9. Financing and advances (cont'd.)

(v) By profit rate sensitivity

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Fixed rate:		
Personal financing	13,109,185	14,704,765
Bridging, structured and term financing	797,980	771,882
Property financing	345,748	378,941
Auto financing	24,427	47,105
Variable rate:		
Bridging, structured and term financing	9,650,073	9,527,053
Property financing	9,317,370	8,043,656
Personal financing	6,358,297	4,457,223
	39,603,080	37,930,625

(vi) By geographical distribution

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Malaysia	39,603,080	37,930,625

9. Financing and advances (cont'd.)

(vii) Movement of gross financing and advances

	Bank Group and Bank			
2023	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	33,370,254	2,490,767	2,069,604	37,930,625
Transfer to Stage 1	1,104,457	(1,027,677)	(76,780)	-
Transfer to Stage 2	(541,147)	620,888	(79,741)	-
Transfer to Stage 3	(168,120)	(376,846)	544,966	-
New financing/disbursement during the year	10,063,089	534,763	327,902	10,925,754
Repayment during the year	(8,235,564)	(519,503)	(331,054)	(9,086,121)
Other movements	95,343	(45,829)	153,814	203,328
Derecognition of credit impaired financial asset	-	-	(44,200)	(44,200)
Refinancing from MBSB	42	-	251	293
Reclassification from non-current assets held for sale	-	-	1,403	1,403
Write-offs	(790)	(903)	(326,309)	(328,002)
As at 31 December	35,687,564	1,675,660	2,239,856	39,603,080

	Bank Group and Bank			
2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	29,129,287	5,222,077	963,529	35,314,893
Transfer to Stage 1	2,174,885	(2,156,785)	(18,100)	-
Transfer to Stage 2	(860,946)	896,437	(35,491)	-
Transfer to Stage 3	(216,567)	(854,022)	1,070,589	-
New financing/disbursement during the year	8,024,790	498,002	112,761	8,635,553
Repayment during the year	(4,887,952)	(1,047,942)	(124,602)	(6,060,496)
Other movements	65,999	(108,349)	180,195	137,845
Loss on modification of cash flows	(57,135)	(2,839)	-	(59,974)
Refinancing from MBSB	376	47,810	130,239	178,425
Reclassification from non-current assets held for sale	-	-	12,214	12,214
Write-offs	(2,483)	(3,622)	(221,730)	(227,835)
As at 31 December	33,370,254	2,490,767	2,069,604	37,930,625

9. Financing and advances (cont'd.)

(viii) Movement of ECL for financing and advances

	Bank Group and Bank			
2023	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	292,757	334,400	738,261	1,365,418
(Reversal)/charge to profit or loss (Note 31)	47,621	(256,626)	297,460	88,455
Changes in the ECL due to transfer within stages:				
- Transfer to Stage 1	145,681	(91,775)	(53,906)	-
- Transfer to Stage 2	(4,752)	34,332	(29,580)	-
- Transfer to Stage 3	(2,418)	(80,799)	83,217	-
New financing/disbursement during the year	106,008	10,519	10,463	126,990
Repayment during the year	(205,583)	(102,467)	(49,083)	(357,133)
Changes in credit risk parameters #	18,438	(26,311)	355,426	347,553
Changes to model assumptions and methodologies ^	(9,754)	(125)	25	(9,854)
Derecognition of credit impaired financial asset	-	-	(19,245)	(19,245)
Refinancing from MBSB	1	-	143	144
Reclassification to non-current assets held for sale	-	-	1,417	1,417
Write-offs	-	-	(324,093)	(324,093)
As at 31 December	340,378	77,774	713,045	1,131,197

\# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEVs") and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to Probability of Default (“PD”) and Loss Given Default (“LGD”) modelling and revisions to management overlay assumptions.

9. Financing and advances (cont'd.)

(viii) Movement of ECL for financing and advances (cont'd.)

2022	Bank Group and Bank Stage 1 RM'000	 Stage 2 RM'000	 Stage 3 RM'000	 Total RM'000
As at 1 January	345,477	588,894	354,509	1,288,880
(Reversal)/charge to profit or loss (Note 31)	(52,720)	(254,494)	583,212	275,998
Changes in the ECL due to transfer within stages:				
- Transfer to Stage 1	230,355	(219,725)	(10,630)	-
- Transfer to Stage 2	(13,720)	36,753	(23,033)	-
- Transfer to Stage 3	(2,670)	(125,340)	128,010	-
New financing/disbursement during the year	85,737	27,214	14,897	127,848
Repayment during the year	(242,109)	(43,736)	(26,619)	(312,464)
Changes in credit risk parameters #	(8,904)	65,502	458,454	515,052
Change to model assumptions and methodologies ^	(101,424)	(1,882)	(47,147)	(150,453)
Refinancing from MBSB	15	6,720	89,280	96,015
Reclassification to non-current assets held for sale	-	-	10,656	10,656
Write-offs	-	-	(210,116)	(210,116)
As at 31 December	292,757	334,400	738,261	1,365,418

\# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEVs") and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to Probability of Default (“PD”) and Loss Given Default (“LGD”) modelling and revisions to management overlay assumptions.

9. Financing and advances (cont'd.)

(ix) Movements of impaired financing and advances

	Bank Group and Bank	
	2023 RM'000	2022 RM'000
Balance as at 1 January	2,069,604	963,529
Classified as impaired during the year	872,868	1,183,350
Reclassified as non-impaired	(156,521)	(53,591)
Amount recovered	(331,054)	(124,602)
Other movements	153,814	180,195
Derecognition of credit impaired financial asset	(44,200)	-
Refinancing from MBSB	251	130,239
Reclassification from non-current assets held for sale	1,403	12,214
Amount written off	(326,309)	(221,730)
Balance as at 31 December	2,239,856	2,069,604
Less: ECL stage 3	(713,045)	(738,261)
Net impaired advances and financing	1,526,811	1,331,343
Net impaired as a percentage of net financing and advances	3.97%	3.64%
Gross impaired as a percentage of gross financing and advances	5.66%	5.46%

9. Financing and advances (cont'd.)

(x) Impaired financing and advances by sector

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Household sector	691,907	486,393
Construction	800,101	782,599
Education, health and others	84,558	84,900
Finance, insurance, real estate and business services	205,023	194,807
Manufacturing	169,588	233,941
Wholesale & retail trade and restaurants & hotels	288,490	286,095
Transport, storage and communication	189	358
Mining and quarrying	-	511
	2,239,856	2,069,604

(xi) Impaired financing and advances by geographical distribution

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Malaysia	2,239,856	2,069,604

10. Other receivables

		Bank Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amount due from holding company		-	40,527	-	40,527
Amount due from subsidiary		-	-	-	71,825
Amount due from related companies		-	335	-	335
Financing to related companies	(a)	403,211	494,820	403,211	494,820
Prepayments and deposits		28,140	15,846	28,140	15,846
Foreclosed properties	(b)	36,271	-	36,271	-
Sundry receivables		144,277	20,958	140,020	17,899
Deferred expenses		60,849	41,706	60,849	41,706
		672,748	614,192	668,491	682,958
Less:					
ECL at stage 1		(4,037)	(4,414)	(4,037)	(4,414)
ECL at stage 3		(19,931)	(94,852)	(19,931)	(94,852)
		648,780	514,926	644,523	583,692

Movement in ECL for other assets is as follows:

	Bank Group and Bank			
2023	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	4,414	-	94,852	99,266
(Reversal)/charge to profit or loss (Note 31)	(377)	-	20,793	20,416
Other receivables	-	-	1	1
Recognition of credit impaired financial asset			19,245	19,245
Financing to related companies	(377)	-	1,547	1,170
Write-off	-	-	(95,714)	(95,714)
	4,037	-	19,931	23,968

	Bank Group and Bank			
2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	4,989	-	114,602	119,591
Reversal to profit or loss (Note 31)	(575)	-	(15,427)	(16,002)
Other receivables	-	-	(143)	(143)
Financing to related companies	(575)	-	(15,284)	(15,859)
Write-off	-	-	(4,323)	(4,323)
	4,414	-	94,852	99,266

10. Other receivables (cont'd.)

(a) Financing to related companies

The financing are repayable on demand and certain financing are secured against landed properties. The effective profit rate of financing to related companies at the reporting date is 6.75% (2022: 6.50%) per annum.

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
At gross	403,211	494,820
Less:		
ECL at stage 1	(4,037)	(4,414)
ECL at stage 3	(673)	(94,840)
Total ECL	(4,710)	(99,254)
	398,501	395,566

Included in financing to related companies is secured financing amounting to RM403,211,000 at gross (2022: RM467,548,000).

Movement in ECL for financing to related companies is as follows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Balance as at 1 January	99,254	119,436
Charge/(writeback) for the year (Note 31)	1,170	(15,859)
Write-off	(95,714)	(4,323)
Balance as at 31 December	4,710	99,254

(b) Foreclosed properties

During the year, the Bank acquired foreclosed properties vested from the holding company and from a related company.

The foreclosed properties are stated at the lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2023. The fair values are within Level 2 of the fair value hierarchy. The fair values have been derived using comparison method.

10. Other receivables (cont'd.)

(b) Foreclosed properties (cont'd.)

Movements of allowance on impairment for foreclosed properties during the financial year are as follows:

	Bank Group and Bank
	2023
	RM'000
Balance as at 1 January	-
Vested from holding company	2,321
Allowance made during the financial year	93
Balance as at 31 December	2,414

11. Deferred tax assets/(liabilities)

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	107,238	17,292
Recognised in profit or loss (Note 35)	45,948	32,974
Recognised in other comprehensive income (Note 35)	(69,657)	56,972
At 31 December	83,529	107,238
Presented, after appropriate offsetting, as follows:		
Deferred tax assets	83,529	107,238
	83,529	107,238

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Deferred tax assets (before offsetting)		
Impairment allowances	38,851	-
Fair value reserve of financial investment at FVOCI	38,144	107,801
Others	13,547	36,166
	90,542	143,967
Offsetting	(7,013)	(36,729)
	83,529	107,238
Deferred tax liabilities (before offsetting)		
Accelerated capital allowances	(7,013)	(26,827)
Impairment allowances	-	(9,902)
	(7,013)	(36,729)
Offsetting	7,013	36,729
	-	-

11. Deferred tax assets/(liabilities) (cont'd.)

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

	Accelerated capital allowances RM'000	Fair value reserve of financial investments at FVOCI RM'000	Impairment allowances RM'000	Others RM'000	Total RM'000
Bank Group and Bank					
Deferred tax assets/(liabilities)					
At 1 January 2023	(26,827)	107,801	(9,902)	36,166	107,238
Recognised in profit or loss (Note 35)	19,814	-	48,753	(22,619)	45,948
Recognised in other comprehensive income (Note 35)	-	(69,657)	-	-	(69,657)
At 31 December 2023	(7,013)	38,144	38,851	13,547	83,529
At 1 January 2022	(34,911)	50,829	(11,415)	12,789	17,292
Recognised in profit or loss (Note 35)	8,084	-	1,513	23,377	32,974
Recognised in other comprehensive income (Note 35)	-	56,972	-	-	56,972
At 31 December 2022	(26,827)	107,801	(9,902)	36,166	107,238

12. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"), which is determined at a set percentage of total eligible liabilities.

13. Investment in subsidiary

	Bank	
	2023 RM'000	**2022 RM'000**
Unquoted shares at cost	*	*

* Represents RM2.

Details of the subsidiary are as follows:

		Effective interest held (%)	
Name of subsidiary	**Principal activity**	**2023**	**2022**
Jana Kapital Sdn. Bhd.	Special purpose vehicle	100	100

The subsidiary was incorporated in Malaysia.

14. Property and equipment

Bank Group and Bank

	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Work in progress RM'000	Total RM'000
Cost							
At 1 January 2023	6,676	77,801	22,671	1,671	107,519	525	216,863
Additions	-	19,816	5,391	-	4,297	7,445	36,949
Transfer from intangible assets (Note 17)	-	-	-	-	-	831	831
Reclassification	-	5,578	-	-	1,566	(7,144)	-
At 31 December 2023	6,676	103,195	28,062	1,671	113,382	1,657	254,643
Accumulated depreciation							
At 1 January 2023	108	39,580	19,305	1,053	69,326	-	129,372
Depreciation charge for the year (Note 33)	187	13,131	1,697	202	13,419	-	28,636
At 31 December 2023	295	52,711	21,002	1,255	82,745	-	158,008
Net book value							
At 31 December 2023	6,381	50,484	7,060	416	30,637	1,657	96,635

14. Property and equipment (cont'd.)

Bank Group and Bank

	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Work in progress RM'000	Total RM'000
Cost							
At 1 January 2022	-	39,778	21,999	1,354	100,164	-	163,295
Vested from holding company	326	-	-	-	-	-	326
Additions	6,350	38,023	744	317	7,428	525	53,387
Disposals	-	-	(72)	-	(73)	-	(145)
At 31 December 2022	6,676	77,801	22,671	1,671	107,519	525	216,863
Accumulated depreciation							
At 1 January 2022	-	33,611	18,228	890	56,211	-	108,940
Depreciation charge for the year (Note 33)	108	5,969	1,143	163	13,175	-	20,558
Disposals	-	-	(66)	-	(60)	-	(126)
At 31 December 2022	108	39,580	19,305	1,053	69,326	-	129,372
Net book value							
At 31 December 2022	6,568	38,221	3,366	618	38,193	525	87,491

15. Right-of-use assets and lease liabilities

(a) Right-of-use assets

Carrying amount of right-of-use assets by class of underlying assets are as follows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Office equipment	320	436
Buildings	61,185	17,314
Network and security	2,206	11,028
	63,711	28,778

Additions to the right-of-use assets and depreciation charge during the financial year for the Bank Group and the Bank are as follows:

Bank Group and Bank

2023	**Office equipment RM'000**	**Buildings RM'000**	**Network and security RM'000**	**Total RM'000**
At 1 January	436	17,314	11,028	28,778
Charge for the financial year (Note 33)	(340)	(34,100)	(8,822)	(43,262)
Additions	224	77,971	-	78,195
At 31 December	320	61,185	2,206	63,711

2022	**Office equipment RM'000**	**Buildings RM'000**	**Network and security RM'000**	**Total RM'000**
At 1 January	731	20,773	19,850	41,354
Charge for the financial year (Note 33)	(374)	(35,709)	(8,822)	(44,905)
Additions	79	32,250	-	32,329
At 31 December	436	17,314	11,028	28,778

15. Right-of-use assets and lease liabilities (cont'd.)

(b) Lease liabilities

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Non-current		
Lease liabilities	60,296	19,955
Current		
Lease liabilities	4,264	9,415
	64,560	29,370

The movement of lease liabilities during the financial year is as follows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
At 1 January	29,370	41,973
Additions	78,082	32,326
Profit expense on leases	2,269	1,207
Lease payments	(45,161)	(46,136)
At 31 December	64,560	29,370

Amount recognised in the statement of cash flows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Included in net cash from financing activities		
Profit expense on lease liabilities (Note 33)	2,269	1,207
Payment of lease liabilities	(45,161)	(46,136)
Total cash outflow for leases	(42,892)	(44,929)

16. Investment property

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
At cost		
Freehold land		
At 1 January/31 December	820	820
Fair value		
At 1 January	1,300	1,250
At 31 December	1,300	1,250

The fair value of the investment property of RM1,300,000 (2022: RM1,250,000) which is categorised under Level 3 fair value has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

17. Intangible assets

Bank Group and Bank

	Software license RM'000	Work in progress RM'000	Total RM'000
Cost			
At 1 January 2023	324,662	7,004	331,666
Additions	15,355	16,202	31,557
Reclassification	15,718	(15,718)	-
Transfer to property and equipment (Note 14)	-	(831)	(831)
At 31 December 2023	355,735	6,657	362,392
Accumulated amortisation			
At 1 January 2023	235,509	-	235,509
Amortisation charge for the year (Note 33)	38,716	-	38,716
At 31 December 2023	274,225	-	274,225
Net book value			
At 31 December 2023	81,510	6,657	88,167

	Software license RM'000	Work in progress RM'000	Total RM'000
Cost			
At 1 January 2022	293,730	2,528	296,258
Additions	26,301	9,107	35,408
Reclassification	4,631	(4,631)	-
At 31 December 2022	324,662	7,004	331,666
Accumulated amortisation			
At 1 January 2022	195,074	-	195,074
Amortisation charge for the year (Note 33)	40,435	-	40,435
At 31 December 2022	235,509	-	235,509
Net book value			
At 31 December 2022	89,153	7,004	96,157

18. Non-current assets held for sale

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Balance as at 1 January	11,457	23,671
Reclassification to financing	(1,403)	(12,214)
Derecognition during the year	(10,054)	-
Gross non-current assets held for sale	-	11,457
Less impairment allowance:		
Balance as at 1 January	(10,893)	(21,549)
Reclassification to financing	1,417	10,656
Derecognition during the year	9,476	-
Total impairment allowance	-	(10,893)
Net non-current assets held for sale	-	564

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
By economic purpose:		
Purchase of residential properties	-	11,233
Purchase of other fixed assets	-	136
Purchase of transport vehicles	-	43
Others	-	45
	-	11,457

The non-current assets held for sale is in relation to the agreement which the Bank entered with an external party to dispose of its retail financing. The exercise completed in February 2023.

19. Deposits from customers

(i) By type of deposit:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Commodity Murabahah Term Deposit	31,927,134	26,895,884
Demand deposits	2,022,020	1,482,264
Savings deposits	752,952	734,551
	34,702,106	29,112,699

(ii) Maturity of deposits from customers:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Due within six months	23,074,182	19,673,851
More than six months to one year	6,128,343	4,421,626
More than one year to three years	531,838	1,366,471
More than three years	2,192,771	1,433,936
	31,927,134	26,895,884

(iii) By type of customers:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Government and statutory bodies	17,270,124	15,232,596
Business enterprises	12,127,782	9,065,228
Individuals	5,304,200	4,814,875
	34,702,106	29,112,699

(iv) By type of contract:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Tawarruq	34,702,106	29,112,699
	34,702,106	29,112,699

20. Deposits and placements of banks and other financial institutions

(i) By type of deposit:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
<u>Non-Mudharabah Funds:</u>		
Other financial institutions:		
- Licensed investment banks	29,271	779
- Licensed commercial banks	921	-
- Licensed islamic banks	1,201,820	1,121,734
- Other financial institutions	6,127,460	6,388,823
	7,359,472	7,511,336

(ii) By type of contract:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Tawarruq	7,359,472	7,511,336
	7,359,472	7,511,336

21. Investment accounts of customers

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Wakalah unrestricted investment account	-	2,080,767

The investment account placements were used to fund personal financing.

(i) By type of customers:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Government and statutory bodies	-	1,626,676
Other financial institutions	-	454,091
	-	2,080,767

21. Investment accounts of customers (cont'd.)

(ii) Movement of investment accounts of customers:

	Bank Group and Bank	
	2023 RM'000	2022 RM'000
Balance as at 1 January	2,080,767	2,094,914
New placement during the year	2,526,300	5,795,123
Redemption	(4,592,220)	(5,809,189)
Finance expense (Note 32)	31,473	52,685
Profit distributed	(46,320)	(52,766)
Balance as at 31 December	-	2,080,767

(iii) By maturity:

	Bank Group and Bank	
	2023 RM'000	2022 RM'000
Due within six months	-	1,926,610
More than six months to one year	-	154,157
	-	2,080,767

(iv) Rate of Return ("ROR") and Performance Incentive Fee based on residual maturity

2023	**Investment Account Holder Average ROR %**	**Bank Group and Bank Performance Incentive Fee %**
Unrestricted investment accounts:		
Due within six months	-	-
More than six months to one year	-	-

2022	**Investment Account Holder Average ROR %**	**Bank Group and Bank Performance Incentive Fee %**
Unrestricted investment accounts:		
Due within six months	4.13	4.67
More than six months to one year	4.05	4.76

22. Other payables

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due to subsidiary (i)	-	-	1,500,685	1,736,343
Amount due to holding company (ii)	35,619	-	35,619	-
Sundry creditors	254,896	222,233	254,896	222,233
Al-Mudharabah security funds	117,885	132,944	117,885	132,944
Expected credit losses for commitments and contingencies (iii)	34,103	52,351	34,103	52,351
Deferred income	5,243	1,314	5,243	1,314
Other provisions and accruals	73,364	99,837	73,341	99,817
	521,110	508,679	2,021,772	2,245,002

(i) Amount due to subsidiary

This amount relates to the sale of a portfolio of PFi that does not meet the derecognition criteria prescribed under MFRS 9 as detailed in Note 9(i).

(ii) Amount due to holding company

The amount due to holding company is unsecured, profit-free and repayable on demand.

22. Other payables (cont'd.)

(iii) Expected credit losses for commitments and contingencies

Movement of expected credit losses for commitments and contingencies are as follows:

2023	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	15,146	32,369	4,836	52,351
Total charge/(reversal) to profit or loss (Note 31)	11,927	(27,192)	(2,971)	(18,236)
Changes in ECL due to transfer within stages:				
- Transfer to Stage 1	1,945	(1,933)	(12)	-
- Transfer to Stage 2	(895)	919	(24)	-
- Transfer to Stage 3	(8)	(314)	322	-
New financing/disbursement during the year	12,243	255	68	12,566
Derecognised/drawdown to financing during the period (other than write-offs)	(3,597)	(8,937)	(3,963)	(16,497)
Changes in credit risk parameters #	2,239	(17,182)	638	(14,305)
Write-offs	-	-	(12)	(12)
As at 31 December	27,073	5,177	1,853	34,103

\# The changes in credit risk parameters includes the impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

22. Other payables (cont'd.)

(iii) Expected credit losses for commitments and contingencies (cont'd.)

Movement of expected credit losses for commitments and contingencies are as follows (cont'd.):

2022	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	16,943	35,869	1,372	54,184
Total (reversal)/charge to profit or loss (Note 31)	(1,797)	(3,500)	3,792	(1,505)
Changes in ECL due to transfer within stages:				
- Transfer to Stage 1	24,738	(24,737)	(1)	-
- Transfer to Stage 2	(298)	371	(73)	-
- Transfer to Stage 3	(22)	(841)	863	-
New financing/disbursement during the year	12,333	1,395	95	13,823
Derecognised/drawdown to financing during the period (other than write-offs)	(6,672)	(8,093)	(540)	(15,305)
Changes in credit risk parameters #	(24,253)	2,569	4,163	(17,521)
Change to model assumptions and methodologies ^	(7,623)	25,836	(715)	17,498
Write-offs	-	-	(328)	(328)
As at 31 December	15,146	32,369	4,836	52,351

\# The changes in credit risk parameters includes the impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and revisions to management overlay assumptions.

23. Recourse obligation on financing sold

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Repayments due within 12 months	1,952,477	267,189
Repayments due after 12 months	2,079,255	4,088,219
	4,031,732	4,355,408

These amounts relate to proceeds received from the sale of Islamic property and personal financing to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on a set of pre-determined criteria.

The recourse obligation on financing sold facilities granted by Cagamas Berhad are secured on a portfolio of property and personal islamic financing amounting to RM4,382,769,000 (2022: RM4,707,136,000) as disclosed in Note 9(i).

24. Sukuk

		Bank Group and Bank	
		2023	**2022**
	Note	**RM'000**	**RM'000**
Sukuk - MBSB Structured Covered ("SC") Murabahah	(a)	599,506	833,805
Tier-2 Sukuk Wakalah	(b)	1,295,819	1,295,012
Sustainability Sukuk Wakalah	(c)	302,107	301,900
		2,197,432	2,430,717

24. Sukuk (cont'd.)

(a) Sukuk - MBSB Structured Covered ("SC") Murabahah

	Bank Group and Bank	
	2023	2022
	RM'000	RM'000
Maturity of Sukuk - MBSB SC Murabahah:		
Within one year	228,351	239,633
More than one year	371,155	594,172
	599,506	833,805

On 25 October 2013, the Bank's Sukuk-MBSB SC Murabahah programme ("the Programme") was approved by the Securities Commission of Malaysia. The salient terms of the Programme as prescribed in its Principal Terms and Conditions are as follows:

(i) The Programme is available for issue within a period of 5 years from the first issuance date and is issued in tranches ("Tranche") from time to time, at the discretion of the issuer;

(ii) Each Tranche consists of multiple series of Sukuk with different maturities;

(iii) Each Tranche is backed by an identified pool of Financing Receivables ("Tranche Cover Assets") held by JKSB; JKSB issued an unconditional and irrevocable Covered Sukuk Guarantee to the holders of the Sukuk-MBSB SC Murabahah;

(iv) Tranche Cover Assets are pledged by JKSB as security for the Covered Sukuk Guarantee. These Tranche Cover Assets are assigned to the Sukuk Trustee for this purpose;

(v) In the event of default as defined in the Principal Terms and Conditions, the Tranche Cover Assets will be liquidated by the Sukuk Trustee in favour of the holders of the Sukuk-MBSB SC Murabahah; and

(vi) From time to time, additional Tranche Cover Assets will be purchased by JKSB in line with additional Tranches drawndown by the Bank.

As at 31 December 2023, the carrying amount of financing receivables identified to back the outstanding Sukuk MBSB SC-Murabahah was RM1,502,126,000 (2022: RM1,736,343,000) as disclosed in Note 9(i).

24. Sukuk (cont'd.)

(b) Tier-2 Sukuk Wakalah

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Maturity of Tier-2 Sukuk Wakalah:		
Within one year	2,201	2,201
More than one year	1,293,618	1,292,811
	1,295,819	1,295,012

The Bank's Sukuk Wakalah Programme of up to RM10 billion nominal value was approved by Bank Negara Malaysia and endorsed by the Securities Commission in November 2019. The Sukuk Wakalah Programme comprises:
(i) Senior Sukuk Wakalah, and/or
(ii) Tier-2 Sukuk Wakalah, and/or
(iii) Additional Tier-1 Sukuk Wakalah

In December 2019, the Bank issued Tier-2 Sukuk Wakalah in nominal value of RM1,300 million, comprising RM650 million at 5.05% p.a. and RM650 million at 5.25% p.a. The salient terms of the Tier-2 Sukuk Wakalah are as follows:
(i) subject to call option, with minimum tenure of at least 5 years
(ii) not pledged to any security
(iii) non convertible

(c) Sustainability Sukuk Wakalah

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Maturity of Sustainability Sukuk Wakalah:		
Within one year	2,837	2,800
More than one year	299,270	299,100
	302,107	301,900

In April 2022, the Bank issued Sustainablility Sukuk Wakalah in nominal value of RM300 million, comprising a 5-year RM200 million at 4.36% p.a. and a 7-year RM100 million at 4.73% p.a. The salient terms of the Sustainablitiy Sukuk Wakalah are as follows:
(i) not pledged to any security
(ii) non convertible

25. Ordinary share capital

	Bank Group and Bank			
	Number of shares		Amount	
	2023	**2022**	**2023**	**2022**
	Units'000	**Units'000**	**RM'000**	**RM'000**
Ordinary shares Issued and fully paid:				
At 1 January	6,297,537	5,427,972	6,427,972	5,427,972
Issued during the year	165,289	869,565	200,000	1,000,000
At 31 December	6,462,826	6,297,537	6,627,972	6,427,972

The holder of ordinary shares is entitled to receive dividends from time to time, as and when declared by the Bank, after obtaining the regulatory approval from BNM prior to the declaration of dividends.

All ordinary shares are entitled to one vote per share at meetings of the Bank.

During the year, the Bank increased its issued and paid-up share capital from RM6,427,971,970 to RM6,627,971,969 via the issuance of 165,289,256 new ordinary shares.

26. Regulatory reserve

The regulatory reserve is maintained in accordance with Bank Negara Malaysia's policy on Financial Reporting for Islamic Banking Institutions to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

27. Fair value reserves

The fair value reserves include the cumulative net changes in the fair value of financial investments at FVOCI and the ECL arising from financial investments at FVOCI, until the financial investments are derecognised.

28. Income derived from investment of depositors' funds

Income derived from investment of other deposits

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<u>Finance income and hibah</u>				
Money at call and deposits with bank and other financial institutions	43,640	26,980	27,749	13,386
Income from financial assets at FVTPL	20,707	5,423	20,707	5,423
Income from financial investments at FVOCI	311,584	337,311	311,584	337,311
Income from financial investments at amortised cost	79,194	41,950	79,194	41,950
Financing and advances	1,782,575	1,677,348	1,782,575	1,677,348
Profit on Sukuk Commodity Murabahah	-	-	89,544	99,930
Subsidiary and related companies	17,419	8,585	18,391	11,796
	2,255,119	2,097,597	2,329,744	2,187,144
of which:				
Financing income earned on impaired financing	18,160	12,298	18,160	12,298

The amounts reported above include finance income and hibah calculated using the effective profit rate method that relates to the following:

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial investments at FVOCI	311,584	337,311	311,584	337,311
Financial investments at amortised cost	1,922,828	1,754,863	1,997,453	1,844,410
Finance income and hibah from financial investments not measured at FVTPL	2,234,412	2,092,174	2,309,037	2,181,721

29. Income derived from investment of shareholders' funds

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
<u>Finance income and hibah</u>				
Money at call and deposits with bank and other financial institutions	8,573	5,783	5,451	2,869
Income from financial assets at FVTPL	4,068	1,163	4,068	1,163
Income from financial investments at FVOCI	61,211	72,308	61,211	72,308
Income from financial investments at amortised cost	15,558	8,993	15,558	8,993
Financing and advances	359,618	383,916	359,618	383,916
Profit on Sukuk Commodity Murabahah	-	-	17,591	21,421
Subsidiary and related companies	3,422	1,841	3,613	2,529
	452,450	474,004	467,110	493,199
of which:				
Financing income earned on impaired financing	3,567	2,636	3,567	2,636

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

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other operating (loss)/income:				
Financing related fees	5,959	26,222	5,959	26,222
Loss from sale of financial assets at FVTPL	(1,750)	(18,195)	(1,750)	(18,195)
Loss from sale of financial investments at FVOCI	(50,142)	(13,066)	(50,142)	(13,066)
Gain on financial assets at FVTPL	4,275	4,200	4,275	4,200
Commission	26,743	11,097	26,743	11,097
(Loss)/gain on foreign exchange transactions	(13,505)	12,390	(13,505)	12,390
Ta'widh	10,159	10,455	10,159	10,455
Sundry income	9,825	8,799	9,868	8,875
	(8,436)	41,902	(8,393)	41,978
	444,014	515,906	458,717	535,177

The amounts reported above include finance income and hibah calculated using the effective profit rate method that relates to the following:

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial investments at FVOCI	61,211	72,308	61,211	72,308
Financial investments at amortised cost	387,171	400,533	401,831	419,728
Finance income and hibah from financial investments not measured at FVTPL	448,382	472,841	463,042	492,036

30. Income derived from investment of investment accounts' funds

	Bank Group and Bank	
	2023 RM'000	2022 RM'000
Financing and advances	47,999	113,587

31. Expected credit losses on financing and advances and other impairment

	Bank Group and Bank	
	2023	2022
	RM'000	RM'000
<u>Expected credit losses on advances and financing made/(written back)</u>		
Financing and advances (Note 9(viii))		
- Stage 1	47,621	(52,720)
- Stage 2	(256,626)	(254,494)
- Stage 3	297,460	583,212
Credit impaired advances and financing:		
- Write-off	3,794	20,219
- Recovered	(13,148)	(72,759)
	79,101	223,458
<u>Expected credit losses on financial investments made/(written back):</u>		
Financial investments at FVOCI (Note 5)	114	(4)
Financial investments at amortised cost (Note 6)	(442)	(105)
	(328)	(109)
<u>Other expected credit losses and impairment allowances made/(written back):</u>		
Other receivables (Note 10)	19,246	(143)
Foreclosed properties	93	-
Financing to related companies (Note 10)	1,170	(15,859)
Financing commitments and financial guarantees (Note 22)	(18,236)	(1,505)
	2,273	(17,507)
	81,046	205,842

32. Income attributable to depositors and others

	Bank Group		Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Income attributable to depositors				
Deposits from customers:				
- Non-mudharabah funds	1,187,314	899,622	1,187,314	899,622
Deposits and placements of banks and other financial institutions:				
- Non-mudharabah funds	248,586	6,191	248,586	6,191
	1,435,900	905,813	1,435,900	905,813
Income attributable to securitisation	159,961	142,314	159,961	142,314
Income attributable to sukuk	120,645	128,432	120,645	128,432
Islamic repurchase agreements	21,732	-	21,732	-
Income attributable to wakalah unrestricted investment account	31,473	52,685	31,473	52,685
Income attributable to subsidiary	-	-	67,098	117,984
	1,769,711	1,229,244	1,836,809	1,347,228

The amounts reported above are income attributable to depositors and others using the effective profit rate method that relate to financial liabilities measured at amortised cost.

33. Operating expenses

	Note	Bank Group 2023 RM'000	Bank Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
Personnel expenses	(a)	363,051	308,642	363,051	308,642
Establishment related expenses	(b)	183,397	174,504	183,397	174,504
Promotion and marketing related expenses	(c)	12,635	15,889	12,635	15,889
General administrative expenses	(d)	88,222	89,692	86,991	87,776
		647,305	588,727	646,074	586,811

	Bank Group 2023 RM'000	Bank Group 2022 RM'000	Bank 2023 RM'000	Bank 2022 RM'000
(a) <u>Personnel expenses</u>				
Wages and salaries	269,791	230,075	269,791	230,075
Contributions to Employees Provident Fund and Social security costs	42,921	34,340	42,921	34,340
Directors fees (Note 34)	1,826	2,270	1,826	2,270
Shariah Committee remuneration	613	496	613	496
Staff medical	22,504	15,946	22,504	15,946
Training courses	9,725	6,991	9,725	6,991
Other staff related expenses	15,671	18,524	15,671	18,524
	363,051	308,642	363,051	308,642
(b) <u>Establishment related expenses</u>				
Depreciation of property and equipment (Note 14)	28,636	20,558	28,636	20,558
Depreciation of right-of-use assets (Note 15)	43,262	44,905	43,262	44,905
Amortisation of intangible assets (Note 17)	38,716	40,435	38,716	40,435
Software and hardware maintenance	61,358	56,150	61,358	56,150
Security expenses	4,845	3,241	4,845	3,241
Lease profit expense	2,269	1,207	2,269	1,207
Repair and maintenance, rates and insurance	4,311	8,008	4,311	8,008
	183,397	174,504	183,397	174,504

33. Operating expenses (cont'd.)

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(c) Promotion and marketing related expenses				
Advertising and promotional activities	12,635	15,889	12,635	15,889
	12,635	15,889	12,635	15,889
(d) General administrative expenses				
License and association fees and levies	565	470	565	470
Travelling, transport and accomodation expenses	4,061	2,302	4,061	2,302
Printing, stationery, postage and clearing charges	7,350	6,955	7,350	6,955
Electricity and water	6,441	4,094	6,441	4,094
Other professional fees	15,081	14,008	15,041	13,919
Auditors' remuneration:				
- Statutory audit	1,424	1,328	1,410	1,315
- Regulatory related services	430	280	430	270
- Non-audit fees	303	392	297	392
Telephone charges	11,457	6,034	11,457	6,034
Commission fees	39,110	46,223	39,110	46,223
Others	2,000	7,606	829	5,802
	88,222	89,692	86,991	87,776
	647,305	588,727	646,074	586,811

34. CEO, Directors' and Shariah Advisory Committee Members' remuneration

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Chief Executive Officer		
- Salaries and bonus	1,425	600
- Other emoluments	224	102
Acting Chief Executive Officer		
- Salaries and bonus	-	890
- Other emoluments	-	316
	1,649	1,908
Directors of the Bank		
Non-Executive:		
- Fees and allowances	1,826	2,270
Shariah Advisory Committee members		
- Fees and allowances	613	496
	4,088	4,674

34. CEO, Directors' and Shariah Advisory Committee Members' remuneration (cont'd.)

Details of the remuneration of each Director are as follows:

2023	**Bank Group and Bank**			
Non-Executive Directors	**Director fees RM'000**	**Allowance RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
1. Encik Sazaliza bin Zainuddin	128 *	105	-	233
2. Datuk Johar bin Che Mat	183	172	-	355
3. Datuk Azrulnizam bin Abdul Aziz	157	162	-	319
4. Encik Kamarulzaman bin Ahmad	152	118	-	270
5. Encik Arul Sothy Mylvaganam	157	118	-	275
6. Encik Ho Kwong Hoong	187	172	-	359
7. Tan Sri Azlan bin Mohd Zainol	12	-	3	15
	976	847	3	1,826

* 50% of the Director's fees are paid to the organisation to whom the Director represents.

	Bank Group and Bank		
Shariah Advisory Committee members	**Fees RM'000**	**Allowance RM'000**	**Total RM'000**
1. Tn. Hj. Mohd Bahroddin bin Badri	72	83	155
2. Tn. Hj. Nasrun bin Mohamad @ Ghazali	66	29	95
3. Dr. Datuk Luqman bin Hj. Abdullah	61	21	82
4. Tn. Hj. Mohd Nasiruddin bin Mohd Kamaruddin	66	29	95
5. Dr. Ahmad Faizol bin Ismail	66	29	95
6. Pn. Apnizan binti Abdullah	64	27	91
	395	218	613

34. CEO, Directors' and Shariah Advisory Committee Members' remuneration (cont'd.)

2022	Bank Group and Bank			
Non-Executive Directors	**Director fees RM'000**	**Allowance RM'000**	**Benefit in kind RM'000**	**Total RM'000**
1. Tan Sri Azlan bin Mohd Zainol	140	72	31	243
2. Encik Sazaliza bin Zainuddin	120 *	123	-	243
3. Datuk Johar bin Che Mat	167	188	-	355
4. Datuk Azrulnizam bin Abdul Aziz	150	179	-	329
5. Encik Kamarulzaman bin Ahmad	145	143	-	288
6. Encik Arul Sothy Mylvaganam	145	146	-	291
7. Encik Ho Kwong Hoong	174	200	-	374
8. Encik Aw Hong Boo	73	74	-	147
	1,114	1,125	31	2,270

* 50% of the Director's fees are paid to the organisation to whom the Director represents.

	Bank Group and Bank		
Shariah Advisory Committee members	**Fees RM'000**	**Allowance RM'000**	**Total RM'000**
1. Tn. Hj. Mohd Bahroddin bin Badri	60	94	154
2. Tn. Nasrun bin Mohamad @ Ghazali	60	27	87
3. Dr. Luqman bin Hj. Abdullah	60	21	81
4. Tn. Hj. Mohd Nasiruddin bin Mohd Kamaruddin	60	27	87
5. Dr. Ahmad Faizol bin Ismail	60	27	87
	300	196	496

35. Taxation and zakat

(a) Taxation

	Bank Group		Bank	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax:				
Current income tax	53,312	204,447	53,312	200,485
Under/(over) provision in prior year	16,391	(5,395)	(18,904)	(5,395)
	69,703	199,052	34,408	195,090
Deferred tax (Note 11)	(45,948)	(32,974)	(45,948)	(32,974)
Total income tax expense for the year	23,755	166,078	(11,540)	162,116
Tax recognised directly in equity:				
Fair value reserve (Note 11)	69,657	(56,972)	69,657	(56,972)

35. Taxation and zakat (cont'd.)

(a) Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank Group and of the Bank is as follows:

	Bank Group		Bank	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Profit before taxation and zakat	249,070	643,304	272,531	636,054
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	59,777	154,393	65,407	152,653
Additional tax rate of 9% in excess of RM100 million	-	48,245	-	48,245
Effect of income not subject to tax	(6,417)	(28,292)	(6,417)	-
Effect of expenses not deductible for tax purposes	7,133	37,569	1,503	7,055
(Over)/under provision of income tax in prior years	16,391	(5,395)	(18,904)	(5,395)
Temporary differences not recognised in prior years	(53,129)	(38,635)	(53,129)	(38,635)
Effect of Cukai Makmur	-	(1,807)	-	(1,807)
Tax expense for the year	23,755	166,078	(11,540)	162,116

(b) Zakat

During the year, the Board of Directors of MBSB Bank approved zakat amounting to RM8,106,000 (2022: RM3,176,863).

36. Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2023	2022
Net profit for the year (RM'000)	217,209	474,049
Weighted average number of ordinary shares in issue ('000)	6,302,971	5,649,532
Basic earnings per share (sen)	3.45	8.39

The Bank Group has no dilution in their earnings per ordinary share in the current and previous financial years as there are no dilutive ordinary shares.

37. Dividends

	Sen per share	Total amount RM'000	Date of payment
Single-tier interim dividend for 2022	7.0	440,828	12 April 2023
Single-tier final dividend for 2021	3.0	162,839	29 June 2022

On 29 January 2024, the Directors approved a proposed single-tier final dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2023. Based on the number of shares in issue of 6,462,826,443 ordinary shares as at 31 December 2023, the dividend payable would be RM226,198,926.

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the Bank’s shareholder in the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

38. Capital adequacy

The Bank Group and the Bank have complied and computed the capital adequacy ratios in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets). The total risk-weighted assets are computed based on Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superseding the version previously issued in February 2020. The revised CAFIB has provided for an optional transitional arrangement for regulatory capital treatment of expected credit losses ("ECL") provisions.

This new optional transitional arrangement allows Islamic financial institutions to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are ascribed to non-credit impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions) to CET1 capital on a gradual phase-out basis either over a four-year period from the financial year beginning 2020, or over a three-year period from the financial year beginning 2021.

The Bank Group and the Bank have elected to apply this transitional arrangement ("TA") for four financial years from the financial year beginning 1 January 2020 to 31 December 2023.

For the purpose of disclosures in the financial statements, the capital adequacy of the Bank Group is disclosed 'with TA' and 'without TA'.

38. Capital adequacy (cont'd.)

	Bank Group			
	with TA 2023 RM'000	**without TA 2023 RM'000**	**with TA 2022 RM'000**	**without TA 2022 RM'000**
Common Equity Tier 1 ("CET1") Capital				
Ordinary share capital	6,627,972	6,627,972	6,427,972	6,427,972
Retained earnings exclude merger reserve	1,190,122	1,190,122	1,483,063	1,483,063
Other reserves	(51,354)	(51,354)	(341,367)	(341,367)
	7,766,740	7,766,740	7,569,668	7,569,668
Less: Regulatory adjustments				
Deferred tax assets	(83,529)	(83,529)	(107,238)	(107,238)
Cumulative gains of financial investments at FVOCI	(22,272)	(22,272)	(10,856)	(10,856)
Regulatory reserve	(69,320)	(69,320)	-	-
Intangible assets	(88,167)	(88,167)	(96,157)	(96,157)
Other CET1 regulatory adjustments	-	-	-	-
Total CET1 Capital	7,503,452	7,503,452	7,355,417	7,355,417
Tier 1 Capital				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	7,503,452	7,503,452	7,355,417	7,355,417
Tier 2 Capital				
Stage 1 and Stage 2 ECL allowances ^	504,682	504,682	443,911	443,911
Tier 2 capital instruments	1,300,000	1,300,000	1,300,000	1,300,000
Total Tier 2 capital	1,804,682	1,804,682	1,743,911	1,743,911
Total capital base	9,308,134	9,308,134	9,099,328	9,099,328

^ Expected credit loss allowances on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

38. Capital adequacy (cont'd.)

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	Bank Group			
	with TA 2023 RM'000	**without TA 2023 RM'000**	**with TA 2022 RM'000**	**without TA 2022 RM'000**
Total risk weighted assets ("RWA")				
- Credit risk	40,374,553	40,374,553	35,512,865	35,512,865
- Market risk	215,923	215,923	90,857	90,857
- Operational risk	2,466,748	2,466,748	2,733,427	2,733,427
Total RWA	43,057,224	43,057,224	38,337,149	38,337,149
Capital adequacy ratios				
CET1 capital ratio	17.427%	17.427%	19.186%	19.186%
Tier 1 capital ratio	17.427%	17.427%	19.186%	19.186%
Total capital ratio	21.618%	21.618%	23.735%	23.735%

38. Capital adequacy (cont'd.)

	Bank			
	with TA 2023 RM'000	**without TA 2023 RM'000**	**with TA 2022 RM'000**	**without TA 2022 RM'000**
Common Equity Tier 1 ("CET1") Capital				
Ordinary share capital	6,627,972	6,627,972	6,427,972	6,427,972
Retained earnings exclude merger reserve	1,321,188	1,321,188	1,555,371	1,555,371
Other reserves	(51,354)	(51,354)	(341,367)	(341,367)
	7,897,806	7,897,806	7,641,976	7,641,976
Less : Regulatory adjustments				
Deferred tax assets	(83,529)	(83,529)	(107,238)	(107,238)
Cumulative gains of financial investments at FVOCI	(22,276)	(22,276)	(10,860)	(10,860)
Regulatory reserve	(69,320)	(69,320)	-	-
Intangible assets	(88,167)	(88,167)	(96,157)	(96,157)
Other CET1 regulatory adjustments	-	-	-	-
Total CET1 Capital	7,634,514	7,634,514	7,427,721	7,427,721
Tier 1 Capital				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	7,634,514	7,634,514	7,427,721	7,427,721
Tier 2 Capital				
Stage 1 and Stage 2 ECL allowances ^	519,725	519,725	469,580	469,580
Tier 2 capital instruments	1,300,000	1,300,000	1,300,000	1,300,000
Total Tier 2 capital	1,819,725	1,819,725	1,769,580	1,769,580
Total capital base	9,454,239	9,454,239	9,197,301	9,197,301

^ Expected credit loss allowances on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

38. Capital adequacy (cont'd.)

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	Bank			
	with TA 2023 RM'000	**without TA 2023 RM'000**	**with TA 2022 RM'000**	**without TA 2022 RM'000**
Total risk weighted assets ("RWA")				
- Credit risk	42,150,606	42,150,606	37,566,371	37,566,371
- Market risk	215,923	215,923	90,857	90,857
- Operational risk	2,459,077	2,459,077	2,693,139	2,693,139
Total RWA	44,825,606	44,825,606	40,350,367	40,350,367
Capital adequacy ratios				
CET1 capital ratio	17.032%	17.032%	18.408%	18.408%
Tier 1 capital ratio	17.032%	17.032%	18.408%	18.408%
Total capital ratio	21.091%	21.091%	22.794%	22.794%

The capital ratios after the proposed single-tier final dividend of 3.5 sen per ordinary share (2022: single-tier interim dividend of 7.0 sen per ordinary share) in respect of financial year ended 31 December 2023 amounting to RM226,198,926 (2022: RM440,827,603) are as follows:

Capital ratios (after single-tier final dividend)

	Bank Group			
	with TA 2023	**without TA 2023**	**with TA 2022**	**without TA 2022**
CET 1 capital ratio	16.901%	16.901%	18.036%	18.036%
Tier 1 capital ratio	16.901%	16.901%	18.036%	18.036%
Total capital ratio	21.093%	21.093%	22.585%	22.585%

	Bank			
	with TA 2023	**without TA 2023**	**with TA 2022**	**without TA 2022**
CET 1 capital ratio	16.527%	16.527%	17.316%	17.316%
Tier 1 capital ratio	16.527%	16.527%	17.316%	17.316%
Total capital ratio	20.587%	20.587%	21.701%	21.701%

39. Significant related party transactions/balances

For the purpose of disclosures in the financial statements, parties (both companies and key management personnel) are considered to be related to the Bank Group if the Bank Group or the Bank has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Bank Group or the Bank and the party are subject to common control or common significant influence.

(a) The related parties of, and their relationship with the Bank, are as follows:

Related parties	**Relationship**
Employees Provident Fund ("EPF")	Ultimate holding company
Holding/related companies	- Immediate holding company, MBSB - Companies that are the subsidiaries of the holding company, MBSB
Subsidiary	Subsidiary of the Bank
Other companies	Other companies consists of: - Associate companies of EPF - Joint venture companies with EPF - Companies in which directors of the entities within MBSB Group hold directorship.
Key management personnel	Those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank Group and the Bank either directly or indirectly. The key management personnel of the Bank Group and the Bank include Directors of the Bank, Directors of subsidiary of the Bank and employees of the Bank Group who make certain critical decisions in relation to the strategic direction of the Bank Group.

39. Significant related party transactions/balances (cont'd.)

(b) Related party transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related parties transactions.

	EPF		Holding / related companies		Subsidiary		Other companies		Key management personnel	
Related party transactions	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Bank Group										
Income earned										
Profit on deposits and placements with banks and other financial institutions	-	-	-	-	-	-	1	1	-	-
Profit on financing and advances	-	-	20,841	10,426	-	-	-	-	28	19
Profit on financial investment at:										
- FVOCI	-	-	-	-	-	-	3,615	-	-	-
- Amortised cost	-	-	-	-	-	-	1,008	-	-	-
Intercompany recharges	-	-	5,658	9,253	-	-	-	-	-	-
Expenditure incurred										
Profit on sukuk	39,521	47,619	-	-	-	-	-	-	-	-
Profit on deposits from customers	50,256	37,893	4,362	-	-	-	17,618	9,852	49	1,002
Profit on deposits and placements of banks and other financial institutions	-	-	389	-	-	-	-	-	-	-
Rental expenses	22	50	3,796	3,952	-	-	-	-	-	-
Other expenses ^	-	-	-	-	-	-	3,038	6,615	-	-

^ Other expenses include transactions for services provided by related entities such as takaful expenses.

39. Significant related party transactions/balances (cont'd.)

(b) Related party transactions (cont'd.)

	EPF		Holding / related companies		Subsidiary		Other companies		Key management personnel	
Related party transactions	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Bank										
Income earned										
Profit on financing and advances	-	-	20,841	10,426	-	-	-	-	28	19
Profit on financial investment at:										
- FVOCI	-	-	-	-	-	-	3,615	-	-	-
- Amortised cost	-	-	-	-	-	-	1,008	-	-	-
Profit on Sukuk Commodity Murabahah	-	-	-	-	107,135	121,350	-	-	-	-
Profit on subsidiary	-	-	-	-	1,164	3,900	-	-	-	-
Intercompany recharges	-	-	5,658	9,253	864	1,518	-	-	-	-
Expenditure incurred										
Profit on sukuk	39,521	47,619	-	-	-	-	-	-	-	-
Profit on deposits from customers	50,256	37,893	4,362	-	-	-	17,618	9,852	49	1,002
Profit on deposits and placements of banks and other financial institutions	-	-	389	-	-	-	-	-	-	-
Rental expenses	22	50	3,796	3,952	-	-	-	-	-	-
Other expenses ^	-	-	-	-	67,098	117,984	3,038	6,615	-	-

^ Other expenses include transactions for services provided by related entities such as takaful expenses.

39. Significant related party transactions/balances (cont'd.)

(c) Related party balances

Related party balances	EPF 2023 RM'000	EPF 2022 RM'000	Holding / related companies 2023 RM'000	Holding / related companies 2022 RM'000	Subsidiary 2023 RM'000	Subsidiary 2022 RM'000	Other companies 2023 RM'000	Other companies 2022 RM'000	Key management personnel 2023 RM'000	Key management personnel 2022 RM'000
Bank Group										
Amount due from										
Cash and short-term funds	-	-	-	-	-	-	24,420	113,963	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	32	32	-	-
Financial investments at:										
- FVOCI	-	-	-	-	-	-	103,494	-	-	-
- Amortised cost	-	-	-	-	-	-	30,912	-	-	-
Financing and advances	-	-	403,211	494,820	-	-	-	-	885	935
Other receivables	-	-	-	40,862	-	-	-	-	-	-
Amount due to										
Deposits from customers	2,114,371	1,560,988	84,129	-	-	-	240,784	279,430	3,292	2,771
Deposits and placements of banks and other financial institutions	-	-	9,517	-	-	-	801,352	594,773	-	-
Other payables	-	-	35,619	-	-	-	-	-	-	-
Sukuk	665,063	846,548	-	-	-	-	-	-	-	-

39. Significant related party transactions/balances (cont'd.)

(c) Related party balances (cont'd.)

Related party balances	EPF 2023 RM'000	EPF 2022 RM'000	Holding / related companies 2023 RM'000	Holding / related companies 2022 RM'000	Subsidiary 2023 RM'000	Subsidiary 2022 RM'000	Other companies 2023 RM'000	Other companies 2022 RM'000	Key management personnel 2023 RM'000	Key management personnel 2022 RM'000
Bank										
Amount due from										
Cash and short-term funds	-	-	-	-	-	-	275	400	-	-
Financial investments at:										
- FVOCI	-	-	-	-	-	-	103,494	-	-	-
- Amortised cost	-	-	-	-	-	-	30,912	-	-	-
Sukuk Commodity Murabahah	-	-	-	-	1,935,937	2,104,499	-	-	-	-
Financing and advances	-	-	403,211	494,820	-	-	-	-	885	935
Other receivables	-	-	-	40,862	-	71,825	-	-	-	-
Amount due to										
Deposits from customers	2,114,371	1,560,988	84,129	-	-	-	240,784	279,430	3,292	2,771
Deposits and placements of banks and other financial institutions	-	-	9,517	-	-	-	801,352	594,773	-	-
Other payables	-	-	35,619	-	1,500,685	1,736,343	-	-	-	-
Sukuk	665,063	846,548	-	-	-	-	-	-	-	-

39. Significant related party transactions/balances

(d) Key management personnel compensation

The remuneration of Directors and other members of key management during the year is as follows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Short-term employee benefits	12,515	13,324
Pension costs	1,706	1,767
	14,221	15,091

Included in the total key management personnel are:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Remuneration comprising salary, bonus, allowances and other emoluments of:		
Chief Executive Officer	1,649	702
Acting Chief Executive Officer	-	1,206
	1,649	1,908

40. Credit exposures arising from transactions with connected parties

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Outstanding credit exposures with connected parties	609,155	1,254,958
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	1.32%	2.88%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.12%	0.36%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which are effective on 1 January 2008.

41. Commitments and contingencies

In the normal course of business, the Bank Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

2023	**Bank Group and Bank**		
	Principal amount RM'000	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
Direct credit substitutes	23,089	23,089	23,089
Trade-related contingencies	69,138	34,569	34,569
Short term self liquidating trade related contingencies	56,657	11,331	11,331
Irrevocable commitments to extend credit:			
- one year or less	1,396,920	279,373	279,373
- over one year to five years	1,573,804	785,063	693,841
- over five years	361,078	180,539	180,539
Foreign exchange related contracts #			
- one year or less	2,820,048	75,103	20,251
	6,300,734	1,389,067	1,242,993

\# Foreign related contracts represents the notional amount of the derivative financial instruments recognised as derivative assets/liabilities.

2022	**Bank Group and Bank**		
	Principal amount RM'000	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
Direct credit substitutes	19,359	19,359	19,359
Trade-related contingencies	81,715	37,169	37,169
Short term self liquidating trade related contingencies	29,069	5,814	5,814
Irrevocable commitments to extend credit:			
- one year or less	793,601	158,218	158,218
- over one year to five years	1,876,101	937,407	837,213
- over five years	347,597	173,799	173,799
Foreign exchange related contracts #			
- one year or less	1,976,886	44,668	17,499
	5,124,328	1,376,434	1,249,071

\# Foreign related contracts represents the notional amount of the derivative financial instruments recognised as derivative assets/liabilities.

42. Capital commitments

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Property and equipment /intangible assets:		
Contracted but not provided for	4,459	16,329

43. Contingent liability

<u>Megah Berkat Sdn Bhd & 2 Ors ("Plaintiffs") vs MBSB Bank Berhad</u>

The Plaintiffs commenced an action against the Bank for breach of contract and fiduciary duty and negligence for failure to issue the Performance Guarantee as per their request. The Plaintiffs' claim, amongst others, is for a return of all money received from the 1st Plaintiff, special damages and other claims amounting to a total amount of approximately RM40.4 million.

The Bank filed an application to strike out the Plaintiffs' Writ and Statement of Claim on 2 December 2021. The striking out application was allowed by the KL High Court on 13 June 2022.

The Plaintiffs filed an appeal against the Court's decision on 7 July 2022. On 5 May 2023, the Court of Appeal allowed the appeal. Accordingly, the matter is returned to the Court for full trial and the Court fixed the matter for full trial on 6 May 2024 to 10 May 2024.

The solicitor is of the view that MBSB Bank has a good chance of success in its defence of the action.

44. Financial risk management

The Bank Group and the Bank have exposure to one or more of the following risks:

(i) Credit risk

Arising from the possibility of losses due to an obligor or, market counterparty or issuer of securities or other instruments held, having failed to perform its contractual obligations to the Bank Group and the Bank;

(ii) Market risk

Arising from fluctuations in the market value of the trading; or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, commodity prices and their associated volatility;

(iii) Liquidity risk

Arising from the Bank Group and the Bank's ability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk

Arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Profit rate/rate of return risk in the banking book

Current and potential risk to the Bank Group and the Bank's earning and economic value arising from movement in the profit rates/rate of return;

(vi) Capital risk

Arising from the failure to meet the minimum regulatory and internal requirements; and

(vii) Shariah Non Compliance risk

Arising from possible failure to comply with the Shariah requirements as determined by SAC of BNM and Securities Commission ("SC"), SAC of the Bank and other Shariah regulatory authorities.

44. Financial risk management (cont'd.)

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Bank Group and the Bank's activities and remains an important feature in all their business, operations, delivery channels and decision-making processes. The extent to which the Bank Group and the Bank are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Bank Group's and the Bank's risk management function is independent of their operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Risk Management Division ("RMD") and submitted to the Board Audit Committee (“BAC”), Board Risk Management Compliance Committee ("BRMCC") and/or the Board for approvals.

In essence, the objectives of the Bank Group and the Bank's risk management activities are to:

(i) Identify and monitor the various risk exposures and risk requirements;

(ii) Ensure risk-taking activities are consistent with the approved policies and the aggregated risk positions are within the risk appetite as approved by the Board; and

(iii) Help create shareholder value through proper allocation of risk and the facilitation of independent risk assessments of new business and products.

(b) Risk management framework

The Bank Group and the Bank employ an Enterprise-wide Risk Management Framework to manage its risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Bank Group and the Bank which is implemented through a number of committees established by the Board. This framework provides the Board and the management with a tool to anticipate and manage both existing and potential risks, taking into consideration dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

44. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

Key features of the Risk Management Framework include:

(i) Governance and Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Risk Management Framework. The Board is ultimately responsible for the Bank Group’s and the Bank's strategic directions, which is supported by the Risk Appetite and Risk Management Frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Bank Group’s and the Bank's Risk Management Framework is effectively maintained.

(ii) Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank Group’s and the Bank's ICAAP framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage the same.

(iii) Risk Appetite

It is defined as the amount and types of risk that the Bank Group and the Bank are able and willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to changing business and market conditions. As the risk appetite is dynamic, the Board sets the risk appetite based on the business and financial targets, while incorporating macroeconomic and global outlook. The Board also considers the actual and targeted risk profile of the Bank Group and the Bank proposed by senior management and business units when setting the risk appetite. The risk appetite is also being reviewed annually or as and when required.

44. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

(iv) Risk Management Process

- Business Planning: RMD is an element of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new product or new business activities.

- Risk Identification: Risks are systematically identified through the robust application of the Bank Group’s and the Bank's Risk Management Framework, policies and procedures.

- Measure and Assess: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.

- Manage and Controls: Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

- Monitor and Report: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Bank Group’s and the Bank's risk appetite.

(v) Risk Management Infrastructure

- Risk Policies, Procedures and Methodologies: Well-defined risk policies by risk type provide the principles by which the Bank Group and the Bank manage its risks. Procedures provide guidance for day-to-day risk-taking activities. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy.

- People: Attracting the right talent and skills are the key to ensuring a well-functioning risk management framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Bank Group and the Bank as well as the economic and regulatory environment.

- Technology and Data: Appropriate technology and sound data management are enablers to support risk management activities.

44. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

(vi) Risk Culture

The Bank Group and the Bank embrace risk management as an integral part of its culture and decision-making processes. The Bank Group’s and the Bank's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of a risk-taking activity. There is clear accountability of risk ownership across the Bank Group and the Bank. Guided by the said principle, the Bank Group has launched a Risk Awareness Culture which comprises training, awareness campaigns and roadshows within the Bank Group and the Bank to promote a healthy risk culture. A strong risk culture minimises the Bank Group’s and the Bank's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Bank Group and the Bank have implemented the Regional Compliance and Risk Officers (“RCROs”) and Designated Compliance and Risk Officers (“DCOROs”) to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are appointed at the respective branches, business and functional units across the Bank Group and the Bank to provide real time advisory on risk and compliance matters.

(c) Risk organisation

At the apex of the Bank Group and the Bank's risk management structure is the Board, which comprises Non-Executive Directors. In line with best practices, the Board determines the risk policy objectives for the Bank Group and the Bank, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the BRMCC which undertakes the oversight function for overall risk limits of the Bank Group and the Bank to ensure that they are within risk appetites established by the Board. Other than the BRMCC, the Board is also supported by specialised and supervisory committees, the details of which are as follows:

(i) Board Investment and Credit Committee ("BICC"): The BICC assists the Board to consider and if deem fit to affirm or veto, all financing and investment applications, additional financing or investment, and/or request for changes to existing financing/investment accounts within the Committee’s discretionary authority. The BICC also considers and if deem fit to affirm or veto on waivers of penalty, profit or principal amount, rescheduling/restructuring of accounts and/or request for changes to existing non-performing financing/investment accounts within the Committee’s discretionary authority.

44. Financial risk management (cont'd.)

(c) Risk organisation (cont'd.)

(ii) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Bank Group's and the Bank's liquidity management by focusing on the maturity gap, liquidity position, financing portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the profit rate exposures and profit margin of the Bank Group and the Bank by reviewing the lending rates, cost of funds, profit margin and the repricing gaps.

(iii) Management Investment and Credit Committee ("MICC"): The MICC deliberates and recommends to the Board or relevant Board Committees for Corporate Financing, Retail Financing and Investment accounts, and decides whether to proceed with the preparation of the Board/BICC paper based on completed credit assessment reports. The MICC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by the Board or Board Committees and also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.

(iv) Management Committee ("MANCO"): The MANCO deliberates the implementation of the enterprise-wide Risk Management Framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

The Bank Group's and the Bank's risk management approach is based on the 'Three Lines of Defence' concept.

1st line of defence - the risk owner or risk-taking unit ie 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.

2nd line of defence - Risk Management Division is responsible for establishing and maintaining the Risk Management Framework, developing various risk management tools to facilitate the management of operational risk, monitoring the effectiveness of risk management, 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, the Risk Management Division is also responsible to promote risk awareness across the Bank Group and the Bank.

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 developing, reviewing and enhancing compliance-related training programme as well as conducting training that promotes awareness creation.

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

44. Financial risk management (cont'd.)

(d) Risk reporting and monitoring

The Bank Group and the Bank's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through the implementation of risk remediation strategies. All business units undertake regular and comprehensive analyses of their credit portfolios and report to the relevant committees and are overseen by the RMD. The RMD provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Bank Group and the Bank to the Board.

(e) Credit risk mitigation

All credit facilities are granted based on the credit standing of the customer, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Bank Group and the Bank are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to support moral commitment from the principal shareholders and directors. Corporate guarantees are often obtained when the customer’s credit worthiness is insufficient to justify the granting of credit facilities.

(f) Concentration risk

Concentration of credit risk arises when several customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank Group and the Bank monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The RMD also applies single customer counterparty limits to protect against unacceptably large exposures to a single risk. The RMD conducts analyses and reports concentration risk to the Board on a quarterly basis.

44. Financial risk management (cont'd.)

44.1 Credit risk

Credit risk is the risk of loss to the Bank Group and the Bank due to the deterioration in credit worthiness of its customers and, consequently, their ability to discharge their contractual obligations to the Bank Group and the Bank. Credit risk remains the most significant risk to which the Bank Group and the Bank are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Bank Group and the Bank's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Bank Group and the Bank's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the RMD for independent assessment. Credit exposures are evaluated by the RMD and are monitored against approved limits on a periodic basis on a portfolio and individual basis, individually and on a portfolio level.

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contracts granted, it is the maximum amount that the Bank Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities. All financial assets of the Bank Group and the Bank are subject to credit risk except for cash in hands, foreclosed properties, prepayments, deferred expenses, statutory deposits with central banks as well as non-financial assets.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(i) Maximum exposure to credit risk (cont'd.)

The table below shows the maximum exposure to credit risk for the Bank Group and the Bank:

	Bank Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Credit exposure relating to on-balance sheet assets				
Cash and short-term funds *	4,558,598	2,181,466	4,534,453	2,067,903
Deposits and placements with financial institutions	749,812	597,746	92,540	-
Financial assets at FVTPL	250,725	240,357	250,725	240,357
Financial investments at FVOCI	10,869,679	11,392,780	10,869,679	11,392,780
Financial investments at amortised cost	2,316,393	1,625,792	2,316,393	1,625,792
Sukuk Commodity Murabahah	-	-	1,935,936	2,104,499
Derivative financial assets	32,805	15,017	32,805	15,017
Financing and advances	38,471,883	36,565,207	38,471,883	36,565,207
Other financial assets ^	527,529	461,260	523,272	530,025
Non-current assets held for sale	-	564	-	564
Total financial assets	57,777,424	53,080,189	59,027,686	54,542,144
Credit exposure relating to off-balance sheet assets				
Direct credit substitutes	23,089	19,359	23,089	19,359
Trade-related contingencies	69,138	81,715	69,138	81,715
Short term self-liquidating trade-related contingencies	56,657	29,069	56,657	29,069
Irrevocable commitments	3,331,802	3,017,299	3,331,802	3,017,299
	3,480,686	3,147,442	3,480,686	3,147,442
Total maximum exposure to credit risk	61,258,110	56,227,631	62,508,372	57,689,586

* Cash and short-term funds excludes cash in hand

^ Other financial assets exclude foreclosed properties, prepayments and deferred expenses.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality

The credit mapping table below provides information to users of financial statements in understanding the Bank Group and the Bank's risk management practices and evaluating the nature of risks arising from financial instruments. The Bank Group and the Bank's internal rating scale and mapping of external ratings are set out below:

Credit rating mapping table for financing and advances, financing commitments and financial guarantees

Risk Level	Description
Excellent	Superior capability for payment of financial commitments with little susceptibility to adverse effects to changes in circumstances and economic conditions.
Good	Strong capacity to meet financial commitments and are less susceptible to adverse effects to changes in circumstances and economic conditions.
Average	Moderate capacity to meet financial commitments and may be susceptible to adverse changes in circumstances and economic conditions.
Below Average	Weak in terms of overall credit risk, with some apparent risk of default. May face problems in meeting commitments in the long term.
Poor	Poor credit quality and high risk of default.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

Credit rating mapping table for financing and advances, financing commitments and financial guarantees

Risk Level	Description
Unrated	No rating available
Impaired	This refers to financial assets in respect of financing and advances for which exposures are assessed individually and considered impaired based on the Bank Group and the Bank's policies.

Credit rating mapping table for other financial assets

Rating for disclosures in the financial statements	RAM RATINGS	MARC	MOODY'S
AAA	AAA	AAA	Aaa
AA and below	BBB3 to AA1	BBB- to AA+	Baa3 to Aa1

(a) Financing and advances

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

2023	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Excellent	89,728	541	-	90,269
Good	2,858,309	10,501	-	2,868,810
Average	4,879,884	380,983	-	5,260,867
Below Average	526,313	47,655	-	573,968
Poor	6,441	13,654	-	20,095
Unrated	27,326,889	1,222,326	-	28,549,215
Impaired	-	-	2,239,856	2,239,856
Gross financing and advances (Note 9(vii))	35,687,564	1,675,660	2,239,856	39,603,080
Less: ECL (Note 9(viii))	(340,378)	(77,774)	(713,045)	(1,131,197)
Net financing and advances	35,347,186	1,597,886	1,526,811	38,471,883

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(a) Financing and advances (cont'd.)

The credit quality of the Bank Group and the Bank's financing and advances are summarised as follows (cont'd.):

2022	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Excellent	142,128	1,621	-	143,749
Good	3,492,094	173,035	-	3,665,129
Average	4,097,812	382,287	-	4,480,099
Below Average	258,242	117,439	-	375,681
Poor	19,230	39,836	-	59,066
Unrated	25,360,748	1,776,549	-	27,137,297
Impaired	-	-	2,069,604	2,069,604
Gross financing and advances (Note 9(vii))	33,370,254	2,490,767	2,069,604	37,930,625
Less: ECL (Note 9(viii))	(292,757)	(334,400)	(738,261)	(1,365,418)
Net financing and advances	33,077,497	2,156,367	1,331,343	36,565,207

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(a) Financing and advances (cont'd.)

The credit quality of the Bank Group and the Bank's commitments and financial guarantees are summarised as follows:

2023	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financing commitments				
Excellent	1,912	-	-	1,912
Good	716,638	322	-	716,960
Average	1,384,442	276,424	-	1,660,866
Below Average	183,565	15,582	-	199,147
Poor	-	-	89	89
Unrated	724,168	18,341	10,319	752,828
Gross financing commitments	3,010,725	310,669	10,408	3,331,802
Less: ECL (Note 22(iii))	(25,065)	(5,050)	(1,853)	(31,968)
Net financing commitments	2,985,660	305,619	8,555	3,299,834
Financial guarantees				
Good	39,252	-	-	39,252
Average	93,619	400	-	94,019
Below Average	2,413	3,050	-	5,463
Unrated	10,150	-	-	10,150
Gross financing guarantees	145,434	3,450	-	148,884
Less: ECL (Note 22(iii))	(2,008)	(127)	-	(2,135)
Net financing guarantees	143,426	3,323	-	146,749

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(a) Financing and advances (cont'd.)

The credit quality of the Bank Group and the Bank's commitments and financial guarantees are summarised as follows (cont'd.):

2022	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financing commitments				
Excellent	6,447	17	-	6,464
Good	786,967	20,127	-	807,094
Average	1,100,530	228,608	-	1,329,138
Below Average	62,858	10,875	-	73,733
Poor	-	406	1,368	1,774
Unrated	770,136	23,935	5,025	799,096
Gross financing commitments	2,726,938	283,968	6,393	3,017,299
Less: ECL (Note 22(iii))	(14,323)	(31,568)	(1,145)	(47,036)
Net financing commitments	2,712,615	252,400	5,248	2,970,263
Financial guarantees				
Excellent	1,680	-	-	1,680
Good	54,011	1,444	-	55,455
Average	39,423	3,518	-	42,941
Below Average	18,043	-	-	18,043
Poor	-	-	12,024	12,024
Unrated	-	-	-	-
Gross financing guarantees	113,157	4,962	12,024	130,143
Less: ECL (Note 22(iii))	(823)	(801)	(3,691)	(5,315)
Net financing guarantees	112,334	4,161	8,333	124,828

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets

The credit quality of the Bank Group and the Bank's other financial assets are summarised as follows:

2023	Bank Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds				
AAA	4,558,598	-	-	4,558,598
	4,558,598	-	-	4,558,598
Deposits and placements with banks and other financial institutions				
AAA	749,780	-	-	749,780
AA and below	32	-	-	32
	749,812	-	-	749,812
Financial assets and investments portfolios				
AAA	2,001,477	-	-	2,001,477
AA and below	847,276	-	-	847,276
Unrated*	10,382,958	205,086	-	10,588,044
	13,231,711	205,086	-	13,436,797
Other financial assets				
Unrated	448,202	-	79,327	527,529
	448,202	-	79,327	527,529

* Unrated debt investments for the Bank Group and Bank include government guaranteed securities of RM9,802,126,000 (2022: RM10,814,467,000)

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2022	Bank Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds				
AAA	2,181,466	-	-	2,181,466
	2,181,466	-	-	2,181,466
Deposits and placements with banks and other financial institutions				
AAA	597,714	-	-	597,714
AA and below	32	-	-	32
	597,746	-	-	597,746
Financial assets and investments portfolios				
AAA	1,304,864	-	-	1,304,864
AA and below	361,252	-	-	361,252
Unrated*	11,387,855	204,958	-	11,592,813
	13,053,971	204,958	-	13,258,929
Other financial assets				
Unrated	400,693	-	60,567	461,260
	400,693	-	60,567	461,260

* Unrated debt investments for the Bank Group and Bank include government guaranteed securities of RM9,802,126,000 (2022: RM10,814,467,000)

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2023	Bank			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	4,534,453	-	-	4,534,453
	4,534,453	-	-	4,534,453
Deposits and placements with banks and other financial institutions				
AAA	92,540	-	-	92,540
	92,540	-	-	92,540
Financial assets and investments portfolios				
AAA	2,001,477	-	-	2,001,477
AA and below	847,276	-	-	847,276
Unrated*	10,382,958	205,086	-	10,588,044
	13,231,711	205,086	-	13,436,797
Other financial assets				
Unrated	443,945	-	79,327	523,272
	443,945	-	79,327	523,272

* Unrated debt investments for the Bank Group and Bank include government guaranteed securities of RM9,802,126,000 (2022: RM10,814,467,000)

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2022	**Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	2,067,903	-	-	2,067,903
	2,067,903	-	-	2,067,903
Financial assets and investments portfolios				
AAA	1,304,864	-	-	1,304,864
AA and below	361,252	-	-	361,252
Unrated *	11,387,855	204,958	-	11,592,813
	13,053,971	204,958	-	13,258,929
Other financial assets				
Unrated	469,458	-	60,567	530,025
	469,458	-	60,567	530,025

* Unrated debt investments for the Bank Group and Bank include government guaranteed securities of RM9,802,126,000 (2022: RM10,814,467,000)

44. Financial Risk Management (cont'd.)

44.1 Credit risk (cont'd.)

(iii) Concentration of credit risk

Bank Group 2023	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Derivative financial assets RM'000	Financing and advances RM'000	Other financial assets RM'000	Non-current assets held for sale RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies^ RM'000
Government and central banks	3,983,000	10,369	7,485,032	604,298	-	-	-	-	12,082,699	-	-
Household sectors	-	-	-	-	-	28,762,122	-	-	28,762,122	-	727,144
Agriculture	-	-	20,091	-	-	198,552	-	-	218,643	110	107,175
Mining and quarrying	-	-	115,389	96,519	-	47,397	-	-	259,305	-	13,718
Manufacturing	-	-	108,633	40,767	223	1,463,513	-	-	1,613,136	24,693	707,714
Electricity, gas and water	-	-	550,694	146,524	-	176,292	-	-	873,510	-	6,020
Construction	-	-	596,969	198,104	-	2,770,735	398,501	-	3,964,309	40,445	800,226
Wholesale & retail trade and restaurants & hotels	-	-	-	-	1,347	1,453,639	-	-	1,454,986	14,253	486,450
Transport, storage and communication	-	-	100,581	34,717	-	378,267	-	-	513,565	56,339	68,486
Finance, insurance and business services	1,325,410	240,356	1,545,711	1,175,039	31,235	2,359,804	-	-	6,677,555	10,420	400,546
Education, health and others	-	-	346,579	20,425	-	119,033	-	-	486,037	2,624	14,323
Others	-	-	-	-	-	742,529	129,028	-	871,557	-	-
	5,308,410	250,725	10,869,679	2,316,393	32,805	38,471,883	527,529	-	57,777,424	148,884	3,331,802

* Cash and short-term funds and deposit placements with banks and other financial institutions excludes cash in hand.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.1 Credit risk (cont'd.)

(iii) Concentration of credit risk (cont'd.)

Bank Group 2022	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Derivative financial assets RM'000	Financing and advances RM'000	Other financial assets RM'000	Non-current assets held for sale RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and con-tingencies^ RM'000
Government and central banks	1,838,200	-	8,479,610	378,305	-	-	-	-	10,696,115	-	-
Household sectors	-	-	-	-	-	26,979,905	-	564	26,980,469	-	798,515
Agriculture	-	-	-	-	-	47,434	-	-	47,434	-	27,376
Mining and quarrying	-	-	81,438	45,429	-	63,988	-	-	190,855	-	13,156
Manufacturing	-	-	-	-	-	952,148	-	-	952,148	36,690	204,639
Electricity, gas and water	-	-	495,472	85,285	-	901,411	-	-	1,482,168	-	-
Construction	-	-	594,369	136,401	-	2,680,550	395,566	-	3,806,886	47,737	1,235,923
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	1,020,292	-	-	1,020,292	11,612	310,835
Transport, storage and communication	-	-	59,623	24,487	-	335,283	-	-	419,393	25,250	46,974
Finance, insurance and business services	941,012	240,357	1,279,173	935,436	-	3,339,453	-	-	6,735,431	8,854	379,871
Education, health and others	-	-	403,095	20,449	-	116,420	-	-	539,964	-	10
Others	-	-	-	-	15,017	128,323	65,694	-	209,034	-	-
	2,779,212	240,357	11,392,780	1,625,792	15,017	36,565,207	461,260	564	53,080,189	130,143	3,017,299

* Cash and short-term funds and deposit placements with banks and other financial institutions excludes cash in hand.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.1 Credit risk (cont'd.)

(iii) Concentration of credit risk

Bank 2023	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Sukuk Commodity Murabahah RM'000	Derivative financial assets RM'000	Financing and advances RM'000	Other financial assets RM'000	Non-current assets held for sale RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies^ RM'000
Government and central banks	3,983,000	10,369	7,485,032	604,298	-	-	-	-	-	12,082,699	-	-
Household sectors	-	-	-	-	-	-	28,762,122	-	-	28,762,122	-	727,144
Agriculture	-	-	20,091	-	-	-	198,552	-	-	218,643	110	107,175
Mining and quarrying	-	-	115,389	96,519	-	-	47,397	-	-	259,305	-	13,718
Manufacturing	-	-	108,633	40,767	-	223	1,463,513	-	-	1,613,136	24,693	707,714
Electricity, gas and water	-	-	550,694	146,524	-	-	176,292	-	-	873,510	-	6,020
Construction	-	-	596,969	198,104	-	-	2,770,735	398,501	-	3,964,309	40,445	800,226
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	1,347	1,453,639	-	-	1,454,986	14,253	486,450
Transport, storage and communication	-	-	100,581	34,717	-	-	378,267	-	-	513,565	56,339	68,486
Finance, insurance and business services	643,993	240,356	1,545,711	1,175,039	1,935,936	31,235	2,359,804	-	-	7,932,074	10,420	400,546
Education, health and others	-	-	346,579	20,425	-	-	119,033	-	-	486,037	2,625	14,322
Others	-	-	-	-	-	-	742,529	124,771	-	867,300	-	-
	4,626,993	250,725	10,869,679	2,316,393	1,935,936	32,805	38,471,883	523,272	-	59,027,686	148,885	3,331,801

* Cash and short-term funds and deposit placements with banks and other financial institutions excludes cash in hand.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.1 Credit risk (cont'd.)

(iii) Concentration of credit risk (cont'd.)

Bank 2022	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Sukuk Commodity Murabahah RM'000	Derivative financial assets RM'000	Financing and advances RM'000	Other financial assets RM'000	Non-current assets held for sale RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies^ RM'000
Government and central banks	1,838,200	-	8,479,610	378,305	-	-	-	-	-	10,696,115	-	-
Household sectors	-	-	-	-	-	-	26,979,905	-	564	26,980,469	-	798,515
Agriculture	-	-	-	-	-	-	47,434	-	-	47,434	-	27,376
Mining and quarrying	-	-	81,438	45,429	-	-	63,988	-	-	190,855	-	13,156
Manufacturing	-	-	-	-	-	-	952,148	-	-	952,148	36,690	204,639
Electricity, gas and water	-	-	495,472	85,285	-	-	901,411	-	-	1,482,168	-	-
Construction	-	-	594,369	136,401	-	-	2,680,550	395,566	-	3,806,886	47,737	1,235,923
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	-	1,020,292	-	-	1,020,292	11,612	310,835
Transport, storage and communication	-	-	59,623	24,487	-	-	335,283	-	-	419,393	25,250	46,974
Finance, insurance and business services	229,703	240,357	1,279,173	935,436	2,104,499	-	3,339,453	72,159	-	8,200,780	8,854	379,871
Education, health and others	-	-	403,095	20,449	-	-	116,420	-	-	539,964	-	10
Others	-	-	-	-	-	15,017	128,323	62,300	-	205,640	-	-
	2,067,903	240,357	11,392,780	1,625,792	2,104,499	15,017	36,565,207	530,025	564	54,542,144	130,143	3,017,299

* Cash and short-term funds and deposit placements with banks and other financial institutions excludes cash in hand.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Collateral

The credit risk of financial assets of the Bank Group and the Bank is mitigated by the collateral in respect of financial assets.

The collateral mitigates credit risk and would reduce the extent of impairment losses for assets subject to impairment review.

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

- For property financing - charge over properties;
- For auto financing - ownership claims over vehicles financed;
- For project financing - charges over projects being financed; and
- For other advances and financing - charges over business assets such as premises, inventories, marketable securities, real estate, and trade receivables or deposits.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing and advances for the Bank Group and the Bank is at 79.66% (2022: 65.20%). The financial effect of collateral held for the remaining financial assets are not significant.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(v) Key macroeconomic variables

In computing the ECL of financing and advances, the Bank Group and the Bank incorporate the impact of forward-looking key MEV according to respective portfolio. The Bank Group and the Bank performed statistical analysis based on historical experience and identified the MEV impacting credit risk and ECL for each portfolio. The relationship of the MEV on the components of ECL has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components. Sources of forecasts of the MEV are external research houses.

The MEV incorporated into the ECL calculations are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios. The following table shows the MEV applied but not limited to by the Bank Group and the Bank in the ECL models.

	Base scenario		Best scenario		Worst scenario	
Macroeconomic Variables ("MEV")	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
2023						
Private Consumption (in Billion)	1,005.73	1,112.93	1,023.83	1,129.54	987.27	1,102.00
Unemployment Rate (%)	3.19	3.19	3.05	3.06	4.03	3.55
Consumer Price Index ("CPI")	133.72	140.78	134.35	142.35	132.04	138.84
2022						
Private Consumption (in Billion)	947.89	1,068.21	964.96	1,084.14	930.48	1,057.75
Unemployment Rate (%)	3.23	3.20	3.09	3.07	4.06	3.50
Consumer Price Index ("CPI")	130.13	136.69	129.84	135.85	130.77	137.70

44. Financial risk management (cont'd.)

44.2 Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movements in market variables such as interest rates, equity pricing and other related macroeconomic factors that will eventually affect the Bank Group and the Bank's profitability and capital preservation.

The Bank Group and the Bank's market risk management includes the monitoring of fluctuations in net interest income or investment value due to changes in relevant market risk factors. The ALCO monitors the exposure on a monthly basis through reports produced by the Treasury Division. The GRM, via its presence in the ALCO, provides advisory services and input on the Bank Group and the Bank's market risk management.

In managing profit rate risk, the Bank Group and the Bank intend to maximise net profit income and net profit margin and minimise the significant volatilities that may arise in relation to the Bank Group and the Bank's assets and liabilities.

(i) Profit rate risk

Rate of Return in the Banking Book

Rate of Return risk in the Banking Book ("RORBB") refers to the risk of the Bank Group and the Bank suffering deterioration in financial position (economic value loss) or financial losses due to the impact of changes in market profit rates over time on banking book exposure arising from activities such as deposits taking, financing and investment.

The Bank Group and the Bank use various tools including repricing gap reports and stress tests to measure their RORBB exposure. The impact on earnings and economic value are considered at all times in measuring the RORBB.

The table below shows the Bank Group and the Bank's profit rate sensitivity to a 100 basis points parallel shift as at reporting date.

	2023		2022	
	+100 basis points RM'000	**-100 basis points RM'000**	**+100 basis points RM'000**	**-100 basis points RM'000**
Bank Group				
Impact on Earnings-at-Risk ("EaR")	42,717	(42,717)	39,111	(39,111)
Impact on Economic Value Loss ("EVE")	(1,147,944)	1,147,944	(1,175,070)	1,175,070

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Rate of Return in the Banking Book (cont'd.)

The table below shows the Bank Group and the Bank's profit rate sensitivity to a 100 basis points parallel shift as at reporting date (cont'd.).

	2023		2022	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
Bank				
Impact on Earnings-at-Risk ("EaR")	45,877	(45,877)	41,877	(41,877)
Impact on Economic Value Loss ("EVE")	(1,196,040)	1,196,040	(1,241,777)	1,241,777

<u>Sensitivity analysis for profit rate risk</u>

At the reporting date, if profit rates had been 100 basis points higher/lower, with all other variables held constant, the Bank Group and the Bank's net profit and shareholders' equity would have been as per the following table, arising mainly as a result of changes in profit expenses from floating rate borrowings and fixed deposits placed by customers and profit income from floating rate financing and advances.

	Bank Group		Bank	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2023				
Impact to profit after tax	(31,870)	104,876	(32,449)	105,455
Impact on equity	462,217	(594,097)	462,217	(594,097)
2022				
Impact to profit after tax	(59,903)	59,903	(63,467)	63,467
Impact on equity	(423,324)	457,866	(423,324)	457,866

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

The tables below summarise the Bank Group and Bank's exposure to profit rate risk. As profit rates and yield curves change over time, the Bank Group and the Bank may be exposed to loss in earnings due to the effects of profit rates on the structure of the statement of financial position. Sensitivity to profit rate arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

Bank Group 2023	← Within 1 year		→					
	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**	**Trading book RM'000**	**Total RM'000**
Financial Assets								
Cash and short-term funds	4,028,906	-	-	-	-	543,403	-	4,572,309
Deposits and placements with financial institutions	32	91,812	654,552	-	-	3,416	-	749,812
Financial assets at FVTPL	-	-	-	-	-	-	250,725	250,725
Financial investments at FVOCI	25,011	195,384	451,807	5,020,421	5,062,048	115,008	-	10,869,679
Financial investments at amortised cost	-	-	157,537	1,068,579	1,067,469	22,808	-	2,316,393
Derivative financial assets	23,925	8,874	6	-	-	-	-	32,805
Financing and advances *	19,388,859	817,688	2,707,321	1,233,636	12,797,567	1,526,812	-	38,471,883
Other financial assets	-	-	-	-	-	527,529	-	527,529
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	720,000	-	720,000
Total financial assets	23,466,733	1,113,758	3,971,223	7,322,636	18,927,084	3,458,976	250,725	58,511,135

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

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

Bank Group 2023	**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**	**Trading book RM'000**	**Total RM'000**
	← Within 1 year		→					
Financial Liabilities								
Deposits from customers	11,783,019	6,478,398	10,941,107	2,715,920	8,690	2,774,972	-	34,702,106
Deposits and placements of banks and other financial institutions	3,551,871	2,349,819	461,333	802,711	-	193,738	-	7,359,472
Islamic repurchase agreement	-	1,410,830	594,369	-	-	-	-	2,005,199
Derivative financial liabilities	4,328	830	-	-	-	-	-	5,158
Other financial liabilities	-	-	-	-	-	515,867	-	515,867
Lease liabilities	3,277	6,520	20,836	33,927	-	-	-	64,560
Recourse obligation on financing sold	5,179	61,721	1,872,376	2,079,255	-	13,201	-	4,031,732
Sukuk	-	-	223,659	571,156	1,392,887	9,730	-	2,197,432
Total financial liabilities	15,347,674	10,308,118	14,113,680	6,202,969	1,401,577	3,507,508	-	50,881,526
Total profit sensitivity gap	8,119,059	(9,194,360)	(10,142,457)	1,119,667	17,525,507	(48,532)	250,725	7,629,609

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

The tables below summarise the Bank Group and Bank's exposure to profit rate risk. As profit rates and yield curves change over time, the Bank Group and the Bank may be exposed to loss in earnings due to the effects of profit rates on the structure of the statement of financial position. Sensitivity to profit rate arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

Bank Group 2022	← Within 1 year		→					
	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	Trading book RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	1,838,469	-	-	-	-	354,349	-	2,192,818
Deposits and placements with financial institutions	32	-	597,714	-	-	-	-	597,746
Financial assets at FVTPL	-	-	-	-	-	-	240,357	240,357
Financial investments at FVOCI	-	90,095	652,070	4,347,246	6,182,245	121,124	-	11,392,780
Financial investments at amortised cost	-	-	3,000	683,003	924,089	15,700	-	1,625,792
Derivative financial assets	7,970	6,917	130	-	-	-	-	15,017
Financing and advances *	16,443,898	36,940	3,362,151	1,290,475	14,100,401	1,331,342	-	36,565,207
Other financial assets	-	-	-	-	-	461,260	-	461,260
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	610,000	-	610,000
Non-current assets held for sale	-	-	-	-	-	564	-	564
Total financial assets	18,290,369	133,952	4,615,065	6,320,724	21,206,735	2,894,339	240,357	53,701,541

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

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

Bank Group 2022	←	**Within 1 year**	→					
	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**	**Trading book RM'000**	**Total RM'000**
<u>**Financial Liabilities**</u>								
Deposits from customers	10,072,822	7,169,044	8,812,105	2,790,338	10,070	258,320	-	29,112,699
Deposits and placements of banks and other financial institutions	3,743,120	1,901,516	779,994	1,064,278	-	22,428	-	7,511,336
Investment accounts of customers	849,359	936,100	280,461	-	-	14,847	-	2,080,767
Derivative financial liabilities	15,118	8,352	-	-	-	-	-	23,470
Other financial liabilities	-	-	-	-	-	507,365	-	507,365
Lease liabilities	3,237	4,989	14,317	6,827	-	-	-	29,370
Recourse obligation on financing sold	5,434	55,852	191,280	4,088,219	-	14,623		4,355,408
Sukuk	-	-	233,514	720,404	1,465,679	11,120	-	2,430,717
Total financial liabilities	14,689,090	10,075,853	10,311,671	8,670,066	1,475,749	828,703	-	46,051,132
Total profit sensitivity gap	3,601,279	(9,941,901)	(5,696,606)	(2,349,342)	19,730,986	2,065,636	240,357	7,650,409

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

The tables below summarise the Bank Group and Bank's exposure to profit rate risk. As profit rates and yield curves change over time, the Bank Group and the Bank may be exposed to loss in earnings due to the effects of profit rates on the structure of the statement of financial position. Sensitivity to profit rate arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

Bank 2023	Within 1 year							
	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	Trading book RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	4,028,906	-	-	-	-	519,258	-	4,548,164
Deposits and placements with financial institutions	-	91,812	-	-	-	728	-	92,540
Financial assets at FVTPL	-	-	-	-	-	-	250,725	250,725
Financial investments at FVOCI	25,011	195,384	451,807	5,020,421	5,062,048	115,008	-	10,869,679
Financial investments at amortised cost	-	-	157,537	1,068,579	1,067,469	22,808	-	2,316,393
Sukuk Commodity Murabahah	455,837	-	232,025	1,227,644	-	20,430	-	1,935,936
Derivative financial assets	23,925	8,874	6	-	-	-	-	32,805
Financing and advances *	19,388,859	817,688	2,707,321	1,233,636	12,797,567	1,526,812	-	38,471,883
Other financial assets	-	-	-	-	-	523,272	-	523,272
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	720,000	-	720,000
Total financial assets	23,922,538	1,113,758	3,548,696	8,550,280	18,927,084	3,448,316	250,725	59,761,397

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

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

Bank 2023	**Within 1 year** 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	Trading book RM'000	Total RM'000
Financial Liabilities								
Deposits from customers	11,783,019	6,478,398	10,941,107	2,715,920	8,690	2,774,972	-	34,702,106
Deposits and placements of banks and other financial institutions	3,551,871	2,349,819	461,333	802,711	-	193,738	-	7,359,472
Islamic repurchase agreement	-	1,410,830	594,369	-	-	-	-	2,005,199
Derivative financial liabilities	4,328	830	-	-	-	-	-	5,158
Other financial liabilities	-	-	-	-	-	2,016,529	-	2,016,529
Lease liabilities	3,277	6,520	20,836	33,927	-	-	-	64,560
Recourse obligation on financing sold	5,179	61,721	1,872,376	2,079,255	-	13,201	-	4,031,732
Sukuk	-	-	223,659	571,156	1,392,887	9,730	-	2,197,432
Total financial liabilities	15,347,674	10,308,118	14,113,680	6,202,969	1,401,577	5,008,170	-	52,382,188
Total profit sensitivity gap	8,574,864	(9,194,360)	(10,564,984)	2,347,311	17,525,507	(1,559,854)	250,725	7,379,209

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

The tables below summarise the Bank Group and Bank's exposure to profit rate risk. As profit rates and yield curves change over time, the Bank Group and the Bank may be exposed to loss in earnings due to the effects of profit rates on the structure of the statement of financial position. Sensitivity to profit rate arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

Bank 2022	←	Within 1 year	→					
	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	Trading book RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	1,838,469	-	-	-	-	240,786	-	2,079,255
Financial assets at FVTPL	-	-	-	-	-	-	240,357	240,357
Financial investments at FVOCI	-	90,095	652,070	4,347,246	6,182,245	121,124	-	11,392,780
Financial investments at amortised cost	-	-	3,000	683,003	924,089	15,700	-	1,625,792
Sukuk Commodity Murabahah	387,859	-	241,180	1,026,912	428,005	20,543	-	2,104,499
Derivative financial assets	7,970	6,917	130	-	-	-	-	15,017
Financing and advances *	16,443,898	36,940	3,362,151	1,290,475	14,100,401	1,331,342	-	36,565,207
Other financial assets	-	-	-	-	-	530,025	-	530,025
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	610,000	-	610,000
Non-current assets held for sale	-	-	-	-	-	564	-	564
Total financial assets	18,678,196	133,952	4,258,531	7,347,636	21,634,740	2,870,084	240,357	55,163,496

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

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Profit rate risk (cont'd.)

Bank 2022	**Within 1 year**							
	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**	**Trading book RM'000**	**Total RM'000**
Financial Liabilities								
Deposits from customers	10,072,822	7,169,044	8,812,105	2,790,338	10,070	258,320	-	29,112,699
Deposits and placements of banks and other financial institutions	3,743,120	1,901,516	779,994	1,064,278	-	22,428	-	7,511,336
Investment accounts of customers	849,359	936,100	280,461	-	-	14,847	-	2,080,767
Derivative financial liabilities	15,118	8,352	-	-	-	-	-	23,470
Other financial liabilities	1,736,343	-	-	-	-	507,345	-	2,243,688
Lease liabilities	3,237	4,989	14,317	6,827	-	-	-	29,370
Recourse obligation on financing sold	5,434	55,852	191,280	4,088,219	-	14,623	-	4,355,408
Sukuk	-	-	233,514	720,404	1,465,679	11,120	-	2,430,717
Total financial liabilities	16,425,433	10,075,853	10,311,671	8,670,066	1,475,749	828,683	-	47,787,455
Total profit sensitivity gap	2,252,763	(9,941,901)	(6,053,140)	(1,322,430)	20,158,991	2,041,401	240,357	7,376,041

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk

The Bank Group and the Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Bank Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank Group and the Bank manage its exposure to foreign exchange currencies at each entity level.

Sensitivity Analysis

The table below shows sensitivity of the Bank Group and the Bank's profit and reserves to movement in foreign exchange rates:

	Bank Group and Bank	
	2023 RM'000	**2022 RM'000**
+1%	(12,948)	(4,588)
-1%	12,948	4,588

Bank Group 2023	**MYR RM'000**	**USD RM'000**	**GBP RM'000**	**Others RM'000**	**Total RM'000**
Assets					
Cash and short-term funds	4,169,611	346,800	5,077	50,821	4,572,309
Deposits and placements with banks and other financial institutions	657,272	92,540	-	-	749,812
Financial assets at FVTPL	250,725	-	-	-	250,725
Financial investments at FVOCI	10,869,679	-	-	-	10,869,679
Financial investments at amortised cost	2,316,393	-	-	-	2,316,393
Derivative financial assets	32,805	-	-	-	32,805

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank Group 2023	MYR RM'000	USD RM'000	GBP RM'000	Others RM'000	Total RM'000
Assets					
Financing and advances	36,538,073	1,372,577	561,233	-	38,471,883
Other financial assets	527,529	-	-	-	527,529
Statutory deposits with Bank Negara Malaysia	720,000	-	-	-	720,000
Total assets	56,082,087	1,811,917	566,310	50,821	58,511,135
Liabilities					
Deposits from customers	34,600,528	91,875	199	9,504	34,702,106
Deposits and placements of banks and other financial institutions	7,330,023	16,199	-	13,250	7,359,472
Islamic repurchase agreement	1,410,924	-	594,275	-	2,005,199
Derivative financial liabilities	5,158	-	-	-	5,158
Other financial liabilities	515,867	-	-	-	515,867
Lease liabilities	64,560	-	-	-	64,560
Recourse obligation on financing sold	4,031,732	-	-	-	4,031,732
Sukuk	2,197,432	-	-	-	2,197,432
Total liabilities	50,156,224	108,074	594,474	22,754	50,881,526
Net on-balance sheet financial position	5,925,863	1,703,843	(28,164)	28,067	7,629,609

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank Group 2022	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	2,034,481	113,005	45,332	2,192,818
Deposits and placements with banks and other financial institutions	597,746	-	-	597,746
Financial assets at FVTPL	240,357	-	-	240,357
Financial investments at FVOCI	11,392,780	-	-	11,392,780
Financial investments at amortised cost	1,625,792	-	-	1,625,792
Derivative financial assets	15,017	-	-	15,017
Financing and advances	35,631,510	933,697	-	36,565,207
Other financial assets	461,260	-	-	461,260
Statutory deposits with Bank Negara Malaysia	610,000	-	-	610,000
Non-current assets held for sale	564	-	-	564
Total assets	52,609,507	1,046,702	45,332	53,701,541

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank Group 2022	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Liabilities				
Deposits from customers	28,624,377	468,761	19,561	29,112,699
Deposits and placements of banks and other financial institutions	7,511,336	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities	507,365	-	-	507,365
Lease liabilities	29,370	-	-	29,370
Recourse obligation on financing sold	4,355,408	-	-	4,355,408
Sukuk	2,430,717	-	-	2,430,717
Total liabilities	45,562,810	468,761	19,561	46,051,132
Net on-balance sheet financial position	7,046,697	577,941	25,771	7,650,409

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank 2023	**MYR RM'000**	**USD RM'000**	**GBP RM'000**	**Others RM'000**	**Total RM'000**
Assets					
Cash and short-term funds	4,145,466	346,800	5,077	50,821	4,548,164
Deposits and placements with banks and other financial institutions	-	92,540	-	-	92,540
Financial assets at FVTPL	250,725	-	-	-	250,725
Financial investments at FVOCI	10,869,679	-	-	-	10,869,679
Financial investments at amortised cost	2,316,393	-	-	-	2,316,393
Sukuk Commodity Murabahah	1,935,936	-	-	-	1,935,936
Derivative financial assets	32,805	-	-	-	32,805
Financing and advances	36,538,073	1,372,577	561,233	-	38,471,883
Other financial assets	523,272	-	-	-	523,272
Statutory deposits with Bank Negara Malaysia	720,000	-	-	-	720,000
Total assets	57,332,349	1,811,917	566,310	50,821	59,761,397

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank 2023	MYR RM'000	USD RM'000	GBP RM'000	Others RM'000	Total RM'000
Liabilities					
Deposits from customers	34,600,528	91,875	199	9,504	34,702,106
Deposits and placements of banks and other financial institutions	7,330,023	16,199	-	13,250	7,359,472
Islamic repurchase agreement	1,410,924	-	594,275	-	2,005,199
Derivative financial liabilities	5,158	-	-	-	5,158
Other financial liabilities	2,016,529	-	-	-	2,016,529
Lease liabilities	64,560	-	-	-	64,560
Recourse obligation on financing sold	4,031,732	-	-	-	4,031,732
Sukuk	2,197,432	-	-	-	2,197,432
Total liabilities	51,656,886	108,074	594,474	22,754	52,382,188
Net on-balance sheet financial position	5,675,463	1,703,843	(28,164)	28,067	7,379,209

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank 2022	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	1,920,918	113,005	45,332	2,079,255
Financial assets at FVTPL	240,357	-	-	240,357
Financial investments at FVOCI	11,392,780	-	-	11,392,780
Financial investments at amortised cost	1,625,792	-	-	1,625,792
Sukuk Commodity Murabahah	2,104,499	-	-	2,104,499
Derivative financial assets	15,017	-	-	15,017
Financing and advances	35,631,510	933,697	-	36,565,207
Other financial assets	530,025	-	-	530,025
Statutory deposits with Bank Negara Malaysia	610,000	-	-	610,000
Non-current assets held for sale	564	-	-	564
Total assets	54,071,462	1,046,702	45,332	55,163,496

44. Financial Risk Management (cont'd.)

44.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank **2022**	**MYR** **RM'000**	**USD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Liabilities				
Deposits from customers	28,624,377	468,761	19,561	29,112,699
Deposits and placements of banks and other financial institutions	7,511,336	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities	2,243,688	-	-	2,243,688
Lease liabilities	29,370	-	-	29,370
Recourse obligation on financing sold	4,355,408	-	-	4,355,408
Sukuk	2,430,717	-	-	2,430,717
Total liabilities	47,299,133	468,761	19,561	47,787,455
Net on-balance sheet financial position	6,772,329	577,941	25,771	7,376,041

44. Financial risk management (cont'd.)

44.3 Liquidity risk

The Bank Group and the Bank's liquidity risk management policy is to maintain high quality and well-diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Bank Group and the Bank is governed by established risk tolerance levels as defined in the Bank Group's and the Bank's Market Risk Framework. The ALCO would be informed by management action triggers to alert management to potential and emerging liquidity pressures. The Bank Group's and the Bank's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis.

The ALCO meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Chief Executive Officer. The ALM and Funding Unit, which is responsible for the independent monitoring of the Bank Group's and the Bank's liquidity risk profile, works closely with the Treasury Division in the surveillance on market conditions and performs stress testing on liquidity positions.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Bank Group and the Bank's assets and liabilities at the reporting date based on contractual repayment obligations.

(a) Maturity analysis

Bank Group 2023	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial Assets					
Cash and short-term funds	4,029,932	-	-	542,377	4,572,309
Deposits and placements with other financial institutions	749,812	-	-	-	749,812
Financial assets at FVTPL	-	250,725	-	-	250,725
Financial investments at FVOCI	787,210	5,020,421	5,062,048	-	10,869,679
Financial investments at amortised cost	180,345	1,068,579	1,067,469	-	2,316,393
Derivative financial assets	32,805	-	-	-	32,805
Financing and advances*	24,440,680	1,233,636	12,797,567	-	38,471,883
Other financial assets	527,529	-	-	-	527,529
Statutory deposits with Bank Negara Malaysia	-	-	-	720,000	720,000
Total financial assets	30,748,313	7,573,361	18,927,084	1,262,377	58,511,135

* This is arrived after deducting impairment allowances from gross financing and advances.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group 2023	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial liabilities					
Deposits from customers	31,977,496	2,715,920	8,690	-	34,702,106
Deposits and placements of banks and other financial institutions	6,556,761	802,711	-	-	7,359,472
Islamic repurchase agreement	2,005,199	-	-	-	2,005,199
Derivative financial liabilities	5,158	-	-	-	5,158
Other financial liabilities	515,867	-	-	-	515,867
Lease liabilities	30,633	33,927	-	-	64,560
Recourse obligation on financing sold	1,952,477	2,079,255	-	-	4,031,732
Sukuk	233,389	571,156	1,392,887	-	2,197,432
Total financial liabilities	43,276,980	6,202,969	1,401,577	-	50,881,526
Net liquidity gap on Statement of Financial Position	(12,528,667)	1,370,392	17,525,507	1,262,377	7,629,609
Commitments and contingencies @	(1,518,476)	(1,597,142)	(365,068)	-	(3,480,686)
Net liquidity gap	(14,047,143)	(226,750)	17,160,439	1,262,377	4,148,923

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group 2022	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
Financial Assets					
Cash and short-term funds	1,838,469	-	-	354,349	2,192,818
Deposits and placements with other financial institutions	597,746	-	-	-	597,746
Financial assets at FVTPL	-	240,357	-	-	240,357
Financial investments at FVOCI	863,289	4,347,246	6,182,245	-	11,392,780
Financial investments at amortised cost	18,700	683,003	924,089	-	1,625,792
Derivative financial assets	15,017	-	-	-	15,017
Financing and advances*	21,174,331	1,290,475	14,100,401	-	36,565,207
Other financial assets	461,260	-	-	-	461,260
Statutory deposits with Bank Negara Malaysia	-	-	-	610,000	610,000
Non-current assets held for sale	-	-	-	564	564
Total financial assets	24,968,812	6,561,081	21,206,735	964,913	53,701,541

* This is arrived after deducting impairment allowances from gross financing and advances.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group 2022	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
Financial liabilities					
Deposits from customers	26,312,291	2,790,338	10,070	-	29,112,699
Deposits and placements of banks and other financial institutions	6,447,058	1,064,278	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	-	23,470
Other financial liabilities	507,365	-	-	-	507,365
Lease liabilities	22,542	6,828	-	-	29,370
Recourse obligation on financing sold	267,189	4,088,219	-	-	4,355,408
Sukuk	244,634	720,404	1,465,679	-	2,430,717
Total financial liabilities	35,905,316	8,670,067	1,475,749	-	46,051,132
Net liquidity gap on Statement of Financial Position	(10,936,504)	(2,108,986)	19,730,986	964,913	7,650,409
Commitments and contingencies @	(894,762)	(1,901,719)	(350,962)	-	(3,147,443)
Net liquidity gap	(11,831,266)	(4,010,705)	19,380,024	964,913	4,502,966

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank 2023	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial assets					
Cash and short-term funds	4,029,932	-	-	518,232	4,548,164
Deposits and placements with other financial institutions	92,540	-	-	-	92,540
Financial assets at FVTPL	-	250,725	-	-	250,725
Financial investments at FVOCI	787,210	5,020,421	5,062,048	-	10,869,679
Financial investments at amortised cost	180,345	1,068,579	1,067,469	-	2,316,393
Sukuk Commodity Murabahah	708,292	1,227,644	-	-	1,935,936
Derivative financial assets	32,805	-	-	-	32,805
Financing and advances*	24,440,680	1,233,636	12,797,567	-	38,471,883
Other financial assets	523,272	-	-	-	523,272
Statutory deposits with Bank Negara Malaysia	-	-	-	720,000	720,000
Non-current assets held for sale	-	-	-	-	-
Total financial assets	30,795,076	8,801,005	18,927,084	1,238,232	59,761,397

* This is arrived after deducting impairment allowances from gross impaired financing and advances.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank 2023	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
Financial liabilities					
Deposits from customers	31,977,496	2,715,920	8,690	-	34,702,106
Deposits and placements of banks and other financial institutions	6,556,761	802,711	-	-	7,359,472
Investment accounts of customers	-	-	-	-	-
Islamic repurchase agreement	2,005,199	-	-	-	2,005,199
Derivative financial liabilities	5,158	-	-	-	5,158
Other financial liabilities	2,016,529	-	-	-	2,016,529
Lease liabilities	30,633	33,927	-	-	64,560
Recourse obligation on financing sold	1,952,477	2,079,255	-	-	4,031,732
Sukuk	233,389	571,156	1,392,887	-	2,197,432
Total financial liabilities	44,777,642	6,202,969	1,401,577	-	52,382,188
Net liquidity gap on Statement of Financial Position	(13,982,566)	2,598,036	17,525,507	1,238,232	7,379,209
Commitments and contingencies @	(1,518,476)	(1,597,142)	(365,068)	-	(3,480,686)
Net liquidity gap	(15,501,042)	1,000,894	17,160,439	1,238,232	3,898,523

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank 2022	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial assets					
Cash and short-term funds	1,838,469			240,786	2,079,255
Financial assets at FVTPL	-	240,357	-	-	240,357
Financial investments at FVOCI	863,289	4,347,246	6,182,245	-	11,392,780
Financial investments at amortised cost	18,700	683,003	924,089	-	1,625,792
Sukuk Commodity Murabahah	649,582	1,026,912	428,005	-	2,104,499
Derivative financial assets	15,017	-	-	-	15,017
Financing and advances*	21,174,331	1,290,475	14,100,401	-	36,565,207
Other financial assets	530,025	-	-	-	530,025
Statutory deposits with Bank Negara Malaysia	-	-	-	610,000	610,000
Non-current assets held for sale	-	-	-	564	564
Total financial assets	25,089,413	7,587,993	21,634,740	851,350	55,163,496

* This is arrived after deducting impairment allowances from gross impaired financing and advances.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank 2022	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial liabilities					
Deposits from customers	26,312,291	2,790,338	10,070	-	29,112,699
Deposits and placements of banks and other financial institutions	6,447,058	1,064,278	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	-	23,470
Other financial liabilities	2,243,688	-	-	-	2,243,688
Lease liabilities	22,542	6,828	-	-	29,370
Recourse obligation on financing sold	267,189	4,088,219	-	-	4,355,408
Sukuk	244,634	720,404	1,465,679	-	2,430,717
Total financial liabilities	37,641,639	8,670,067	1,475,749	-	47,787,455
Net liquidity gap on Statement of Financial Position	(12,552,226)	(1,082,074)	20,158,991	851,350	7,376,041
Commitments and contingencies @	(894,762)	(1,901,719)	(350,962)	-	(3,147,443)
Net liquidity gap	(13,446,988)	(2,983,793)	19,808,029	851,350	4,228,598

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

The tables below show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the tables below will not agree to the balances reported in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

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

Bank Group 2023	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
Financial liabilities					
Deposits from customers	32,538,200	3,294,140	12,258	-	35,844,598
Deposits and placements of banks and other financial institutions	6,618,320	871,457	-	-	7,489,777
Islamic repurchase agreement	2,028,806	-	-	-	2,028,806
Derivative financial liabilities					
Gross settled derivatives					
- Inflow	(784,790)	-	-	-	(784,790)
- Outflow	789,630	-	-	-	789,630
Other financial liabilities	515,867	-	-	-	515,867
Lease liabilities	31,839	35,525	-	-	67,364
Recourse obligation on financing sold	2,067,722	2,127,359	-	-	4,195,081
Sukuk	332,607	916,832	1,537,426	-	2,786,865
	44,138,201	7,245,313	1,549,684	-	52,933,198
Commitments and contingencies @					
Direct credit substitutes	22,455	634	-	-	23,089
Trade-related contingencies	42,445	22,704	3,990	-	69,139
Short term self-liquidating trade-related contingencies	56,657	-	-	-	56,657
Irrevocable commitments	1,396,919	1,573,804	361,078	-	3,331,801
	1,518,476	1,597,142	365,068	-	3,480,686

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank Group 2022	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial liabilities					
Deposits from customers	26,826,949	3,245,019	14,597	-	30,086,565
Deposits and placements of banks and other financial institutions	6,499,547	1,129,162	-	-	7,628,709
Investment accounts of customers	2,080,601	-	-	-	2,080,601
Derivative financial liabilities	23,470	-	-	-	23,470
Other financial liabilities	507,365	-	-	-	507,365
Lease liabilities	22,966	7,043	-	-	30,009
Recourse obligation on financing sold	394,089	4,267,030	-	-	4,661,119
Sukuk	356,028	1,108,459	1,688,441	-	3,152,928
	36,711,015	9,756,713	1,703,038	-	48,170,766
Commitments and contingencies @					
Direct credit substitutes	17,965	1,394	-	-	19,359
Trade-related contingencies	54,127	24,224	3,365	-	81,716
Short term self-liquidating trade-related contingencies	29,069	-	-	-	29,069
Irrevocable commitments	793,601	1,876,101	347,597	-	3,017,299
	894,762	1,901,719	350,962	-	3,147,443

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank 2023	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Financial liabilities					
Deposits from customers	32,538,200	3,294,140	12,258	-	35,844,598
Deposits and placements of banks and other financial institutions	6,618,320	871,457	-	-	7,489,777
Islamic repurchase agreement	2,028,806	-	-	-	2,028,806
Derivative financial liabilities					
Gross settled derivatives					
- Inflow	(784,790)	-	-	-	(784,790)
- Outflow	789,630	-	-	-	789,630
Other financial liabilities	2,016,529	-	-	-	2,016,529
Lease liabilities	31,839	35,525	-	-	67,364
Recourse obligation on financing sold	2,067,722	2,127,359	-	-	4,195,081
Sukuk	332,607	916,832	1,537,426	-	2,786,865
	45,638,863	7,245,313	1,549,684	-	54,433,860
Commitments and contingencies @					
Direct credit substitutes	22,455	634	-	-	23,089
Trade-related contingencies	42,445	22,704	3,990	-	69,139
Short term self-liquidating trade-related contingencies	56,657	-	-	-	56,657
Irrevocable commitments	1,396,919	1,573,804	361,078	-	3,331,801
	1,518,476	1,597,142	365,068	-	3,480,686

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial Risk Management (cont'd.)

44.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank 2022	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
Financial liabilities					
Deposits from customers	26,826,949	3,245,019	14,597	-	30,086,565
Deposits and placements of banks and other financial institutions	6,499,547	1,129,162	-	-	7,628,709
Investment accounts of customers	2,080,601	-	-	-	2,080,601
Derivative financial liabilities	23,470	-	-	-	23,470
Other financial liabilities	2,243,688	-	-	-	2,243,688
Lease liabilities	22,966	7,043	-	-	30,009
Recourse obligation on financing sold	394,089	4,267,030	-	-	4,661,119
Sukuk	356,028	1,108,459	1,688,441	-	3,152,928
	38,447,338	9,756,713	1,703,038	-	49,907,089
Commitments and contingencies @					
Direct credit substitutes	17,965	1,394	-	-	19,359
Trade-related contingencies	54,127	24,224	3,365	-	81,716
Short term self-liquidating trade-related contingencies	29,069	-	-	-	29,069
Irrevocable commitments	793,601	1,876,101	347,597	-	3,017,299
	894,762	1,901,719	350,962	-	3,147,443

@ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.4 Operational risk

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. The Bank Group and the Bank recognise and emphasise the importance of operational risk management 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. The Bank Group and the Bank’s governance approach in managing operational risk is premised on the Three Lines of Defense Approach as discussed under Note 44(c).

45. Capital management

The primary objective of the Bank Group and the Bank's capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support their business and maximise shareholder value.

The Bank Group and the Bank manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Bank Group and the Bank may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2023.

The Bank Group and the Bank monitor their capital using both leverage ratio (which is computed using Common Equity Tier 1 capital divided by total assets including off-balance sheet commitments) and risk-weighted capital adequacy ratio ("RWCR") (which is computed using capital base divided by total risk-weighted assets) as prescribed by Bank Negara Malaysia for licensed financial institutions in Malaysia. The Bank Group and Bank's capital adequacy ratios have been disclosed in Note 38.

46. Fair values

The carrying amount of cash and short-term funds, deposits and placements with financial institutions, financial assets at FVTPL, non-current assets held for sale, other receivables (excluding prepayments and deposits) and other payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The tables below analyse other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Bank Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets										
Financial assets at FVTPL	-	250,725	-	250,725	-	-	-	-	250,725	250,725
Financial investments at FVOCI	-	10,869,679	-	10,869,679	-	-	-	-	10,869,679	10,869,679
Financial investments at amortised cost	-	-	-	-	-	2,363,985	-	2,363,985	2,363,985	2,316,393
Derivative financial assets	-	32,805	-	32,805	-	-	-	-	32,805	32,805
Financing and advances	-	-	-	-	-	-	38,369,842	38,369,842	38,369,842	38,471,883
	-	11,153,209	-	11,153,209	-	2,363,985	38,369,842	40,733,827	51,887,036	51,941,485
Financial liabilities										
Deposits from customers	-	-	-	-	-	34,858,908	-	34,858,908	34,858,908	34,702,106
Deposits and placements of banks and other financial institutions	-	-	-	-	-	7,386,055	-	7,386,055	7,386,055	7,359,472
Investment accounts of customers	-	-	-	-	-	-	-	-	-	-
Islamic repurchase agreement	-	-	-	-	-	-	2,004,961	2,004,961	2,004,961	2,005,199
Derivative financial liabilities	-	5,158	-	5,158	-	-	-	-	5,158	5,158
Recourse obligation on financing sold	-	-	-	-	-	-	4,046,713	4,046,713	4,046,713	4,031,732
Sukuk	-	-	-	-	-	2,236,714	-	2,236,714	2,236,714	2,197,432
	-	5,158	-	5,158	-	44,481,677	6,051,674	50,533,351	50,538,509	50,301,099

46. Fair values (cont'd.)

The tables below analyse other financial instruments at fair value (cont'd.)

Bank Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets										
Financial assets at FVTPL	-	240,357	-	240,357	-	-	-	-	240,357	240,357
Financial investments at FVOCI	-	11,392,780	-	11,392,780	-	-	-	-	11,392,780	11,392,780
Financial investments at amortised cost	-	-	-	-	-	1,639,006	-	1,639,006	1,639,006	1,625,792
Derivative financial assets	-	15,017	-	15,017	-	-	-	-	15,017	15,017
Financing and advances	-	-	-	-	-	-	36,754,857	36,754,857	36,754,857	36,565,207
	-	11,648,154	-	11,648,154	-	1,639,006	36,754,857	38,393,863	50,042,017	49,839,153
Financial liabilities										
Deposits from customers	-	-	-	-	-	29,232,069	-	29,232,069	29,232,069	29,112,699
Deposits and placements of banks and other financial institutions	-	-	-	-	-	7,525,299	-	7,525,299	7,525,299	7,511,336
Investment accounts of customers	-	-	-	-	-	2,080,767	-	2,080,767	2,080,767	2,080,767
Derivative financial liabilities	-	23,470	-	23,470	-	-	-	-	23,470	23,470
Recourse obligation on financing sold	-	-	-	-	-	-	4,291,570	4,291,570	4,291,570	4,355,408
Sukuk	-	-	-	-	-	2,461,927	-	2,461,927	2,461,927	2,430,717
	-	23,470	-	23,470	-	41,300,062	4,291,570	45,591,632	45,615,102	45,514,397

46. Fair values (cont'd.)

The tables below analyse other financial instruments at fair value (cont'd.)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets										
Financial assets at FVTPL	-	250,725	-	250,725	-	-	-	-	250,725	250,725
Financial investments at FVOCI	-	10,869,679	-	10,869,679	-	-	-	-	10,869,679	10,869,679
Financial investments at amortised cost	-	-	-	-	-	2,363,985	-	2,363,985	2,363,985	2,316,393
Sukuk Commodity Murabahah	-	-	-	-	-	-	1,924,489	1,924,489	1,924,489	1,935,936
Derivative financial assets	-	32,805	-	32,805	-	-	-	-	32,805	32,805
Financing and advances	-	-	-	-	-	-	38,369,842	38,369,842	38,369,842	38,471,883
	-	11,153,209	-	11,153,209	-	2,363,985	40,294,331	42,658,316	53,811,525	53,877,421
Financial liabilities										
Deposits from customers	-	-	-	-	-	34,858,908	-	34,858,908	34,858,908	34,702,106
Deposits and placements of banks and other financial institutions	-	-	-	-	-	7,386,055	-	7,386,055	7,386,055	7,359,472
Investment accounts of customers	-	-	-	-	-	-	-	-	-	-
Islamic repurchase agreement	-	-	-	-	-	-	2,004,961	2,004,961	2,004,961	2,005,199
Derivative financial liabilities	-	5,158	-	5,158	-	-	-	-	5,158	5,158
Recourse obligation on financing sold	-	-	-	-	-	-	4,046,713	4,046,713	4,046,713	4,031,732
Sukuk	-	-	-	-	-	2,236,714	-	2,236,714	2,236,714	2,197,432
	-	5,158	-	5,158	-	44,481,677	6,051,674	50,533,351	50,538,509	50,301,099

46. Fair values (cont'd.)

The tables below analyse other financial instruments at fair value (cont'd.)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2022	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets										
Financial assets at FVTPL	-	240,357	-	240,357	-	-	-	-	240,357	240,357
Financial investments at FVOCI	-	11,392,780	-	11,392,780	-	-	-	-	11,392,780	11,392,780
Financial investments at amortised cost	-	-	-	-	-	1,639,006	-	1,639,006	1,639,006	1,625,792
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,139,738	2,139,738	2,139,738	2,104,499
Derivative financial assets	-	15,017	-	15,017	-	-	-	-	15,017	15,017
Financing and advances	-	-	-	-	-	-	36,754,857	36,754,857	36,754,857	36,565,207
	-	11,648,154	-	11,648,154	-	1,639,006	38,894,595	40,533,601	52,181,755	51,943,652
Financial liabilities										
Deposits from customers	-	-	-	-	-	29,232,069	-	29,232,069	29,232,069	29,112,699
Deposits and placements of banks and other financial institutions	-	-	-	-	-	7,525,299	-	7,525,299	7,525,299	7,511,336
Investment accounts of customers	-	-	-	-	-	2,080,767	-	2,080,767	2,080,767	2,080,767
Islamic repurchase agreement	-	-	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	23,470	-	23,470	-	-	-	-	23,470	23,470
Recourse obligation on financing sold	-	-	-	-	-	-	4,291,570	4,291,570	4,291,570	4,355,408
Sukuk	-	-	-	-	-	2,461,927	-	2,461,927	2,461,927	2,430,717
	-	23,470	-	23,470	-	41,300,062	4,291,570	45,591,632	45,615,102	45,514,397

46. Fair values (cont'd.)

The fair values of the financial instruments not measured at fair value are based on the following methodologies and assumptions:

i) Financial assets at FVTPL

The fair value is based on the net asset value of the investments placed with fund manager.

ii) Financial investments at amortised cost

The estimated fair value is generally based on the quoted and observable market prices. Where there is no ready market in certain securities, the Bank Group and the Bank establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

iii) Sukuk Commodity Murabahah

The fair value is estimated by discounting expected future cash flows at the effective profit rate of similar instruments.

iv) Financing and advances

The fair value of fixed rate financing with remaining maturities of less than one year and variable rate financing are estimated to approximate the carrying amount. For fixed rate financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar financing to new customers with similar credit profiles as at the reporting date.

The fair value of impaired fixed and variable rate financing is represented by their carrying amount, which are net of impairment allowances.

v) Deposits from customers, deposits and placements of banks and other financial institutions and wakalah investment accounts

Deposits, placements and obligations which mature or reprice after one year are grouped by residual maturity. Fair value is estimated using discounted cash flows, applying either market rates, where applicable, or current rates offered for deposits of similar remaining maturities. The fair values of deposits repayable on demand and deposits and placements with remaining maturities of less than one year are approximated by their carrying values due to the relatively short maturity of these instruments.

46. Fair values (cont'd.)

vi) Islamic repurchase agreement

The estimated fair values of repurchase agreements with maturities of less than six months approximate the carrying values. For Islamic repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

vii) Recourse obligation on financing sold

The fair values for recourse obligation on financing sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

viii) Sukuk-MBSB SC Murabahah and Sukuk Wakalah

The fair value of Sukuk-MBSB SC Murabahah and Sukuk Wakalah are based on market prices.

47. Operating segments

Segment information is presented in respect of the Bank Group's business segments and the Bank Group's reportable segments, as described below, can be classified into four segments where each segment offers different products and services, and managed separately with different technology and marketing strategies. The Bank Group has determined the Management Committee ("MANCO") as its chief operating decision maker. During the year, the allocation of fund based expenses has been refined to reflect the accurate allocation of funding costs across segments. As a result, the comparatives' net fund based income, segment assets, unallocated assets and segment liabilities have been restated in order to conform with current year presentation.

(i)	Consumer Banking	Includes consumer financing such as property financing, personal financing and wealth management services with individual customers in Malaysia.
(ii)	Corporate Banking	Includes corporate financing, wholesale financing, contract financing and commercial property financing with business customers.
(iii)	Global Market	Includes saving accounts, current accounts, term deposits, investment accounts, treasury activities including money market, sukuk, derivatives and trading of capital market securities.
(iv)	Others	Includes rental, intercompany financing and operations at subsidiaries.

The Bank Group operates predominantly in Malaysia and hence information by geographical location is not presented.

47. Operating segments (cont'd.)

(a) Business segments

	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment elimination		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue and expenses												
External:												
Fund based income	1,543,146	1,706,840	676,722	484,777	495,845	466,638	39,854	26,934	-	-	2,755,567	2,685,189
Non-fund based income	23,840	13,108	8,856	28,800	(49,061)	(26,968)	781	(4,549)	-	-	(15,584)	10,391
Inter-segment												
Fund based income	-	121,350	-	-	-	-	-	-	-	(121,350)	-	-
Non-fund based income	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	1,566,986	1,841,298	685,578	513,577	446,784	439,670	40,635	22,385	-	(121,350)	2,739,983	2,695,580
Net fund based income	974,153	1,052,093	471,991	257,064	(500,142)	128,081	39,854	18,705	-	-	985,856	1,455,943
Non-fund based income	27,556	14,808	29,551	44,190	(70,335)	(26,749)	4,793	9,655	-	-	(8,435)	41,904
Net income	1,001,709	1,066,901	501,542	301,254	(570,477)	101,332	44,647	28,360	-	-	977,421	1,497,847
Net allowance for impairment	(47,692)	27,488	(13,174)	(251,801)	329	108	(20,509)	18,363	-	-	(81,046)	(205,842)
Loss on modification of cash flows	-	(59,974)	-	-	-	-	-	-	-	-	-	(59,974)
Profit before overheads, zakat and tax	954,017	1,034,415	488,368	49,453	(570,148)	101,440	24,138	46,723	-	-	896,375	1,232,031
Operating expenses	(374,925)	(361,389)	(142,612)	(111,906)	(128,536)	(113,515)	(1,232)	(1,917)	-	-	(647,305)	(588,727)
Overheads of which:												
- Depreciation of property and equipment	(17,841)	(14,903)	(6,268)	(3,339)	(4,300)	(2,994)	(227)	678	-	-	(28,636)	(20,558)
- Depreciation of right-of-use asset	(26,953)	(32,552)	(9,469)	(7,293)	(6,496)	(6,540)	(344)	1,480	-	-	(43,262)	(44,905)
- Amortisation of intangible assets	(24,121)	(29,312)	(8,474)	(6,567)	(5,813)	(5,889)	(308)	1,333	-	-	(38,716)	(40,435)
Profit before zakat and tax	579,092	673,026	345,756	(62,453)	(698,684)	(12,075)	22,906	44,806	-	-	249,070	643,304
Taxation											(23,755)	(166,078)
Zakat											(8,106)	(3,177)
Net profit for the year											217,209	474,049

47. Operating segments (cont'd.)

(a) Business segments (cont'd.)

	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment elimination		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets												
Segment assets	28,817,761	27,048,848	10,184,121	10,049,359	17,487,766	14,820,200	1,172,459	1,147,738	-	-	57,662,107	53,066,145
Tax recoverable											69,727	209
Deferred tax assets											83,529	107,238
Unallocated assets											1,219,612	902,308
Total assets											59,034,975	54,075,900
Liabilities												
Segment liabilities	25,175,669	23,556,098	9,750,482	9,274,862	15,033,724	12,364,027	341,225	319,411	-	-	50,301,100	45,514,398
Provision for taxation											34,580	106,902
Unallocated liabilities											585,669	538,048
Total liabilities											50,921,349	46,159,348
Other Information												
Capital expenditure	-	-	-	-	-	-	68,506	88,795	-	-	68,506	88,795

(b) Geographical Segments

The Bank Group and the Bank's activities are in Malaysia, therefore segmental reporting is not analysed by geographical locations.

48. Source and use of charity funds

	Bank Group and Bank	
	2023	**2022**
	RM'000	**RM'000**
Source:		
Gharamah from late payment charges		
Balance as at 1 January	1,462	1,236
Addition	-	1,539
	1,462	2,775
Use:		
Fund contribution to charitable organisation during the year	(549)	(1,313)
Balance as at 31 December	913	1,462

As a deterrent mechanism against cases of default by customers in discharging their financial obligation arising from Islamic contracts, the imposition of late payment charges by Islamic banking institutions under the concept of gharamah (fine or penalty) is allowable provided it is not to be recognised as income, and it must be channeled to specified charitable or any allowable bodies according to the regulatory requirements. The Bank is taking all necessary actions to ensure timely distribution of gharamah funds and this is closely monitored by the Shariah Advisory Committee.

50. Critical accounting estimates and judgements in applying accounting policies

The Bank Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Bank Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, private consumption, unemployment rate and consumer price index. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Criteria that determine if there has been a significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

The sensitivity effect on the macroeconomic factor is further disclosed in Note 44.1 to the financial statements.

The calculation of credit impairment provisions also involves expert credit judgements to be applied by the credit risk management team based upon counterparty information from various sources including relationship managers and external market information.