

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

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Bank Group and of the Bank for the financial year ended 31 December 2021.

Principal activities

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

Immediate and ultimate holding company/body

The immediate holding company is Malaysia Building Society Berhad ("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 are disclosed in Note 15 to the financial statements.

Results

	Bank Group RM'000	Bank RM'000
Profit for the year	<u>454,711</u>	<u>442,093</u>

Reserves and provisions

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

Dividends

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

	RM'000
In respect of the financial year ended 31 December 2021:	
- single-tier interim dividend of 3.0 sen per ordinary share on 5,427,971,969 shares paid on 28 December 2021.	162,839
In respect of the financial year ended 31 December 2020:	
- single-tier final dividend of 1.285 sen per ordinary share on 5,427,971,969 shares paid on 27 July 2021.	69,754

On 26 January 2022, the Directors approved single-tier final dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2021. Based on the number of shares in issue of 5,427,971,969 as at 31 December 2021, the dividend payable would be RM162,839,159.

Dividends (cont'd.)

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the shareholders 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 2022.

Directors

The Directors of the Bank and the Bank's subsidiary in office since the beginning of the current financial year to the date of this report are:

The Bank

Tan Sri Azlan bin Mohd Zainol (appointed on 1 March 2021)
Datuk Azrulnizam bin Abdul Aziz
Datuk Johar bin Che Mat
Encik Aw Hong Boo
Encik Kamarulzaman Ahmad
Encik Arul Sothy Mylvaganam
Encik Ho Kwong Hoong (appointed on 1 July 2021)
Encik Sazaliza bin Zainuddin (resigned on 6 February 2021 and reappointed on 3 May 2021)
Tan Sri Abdul Halim bin Ali (resigned on 6 February 2021)
Dr. Loh Leong Hua (resigned on 10 May 2021)
Puan Lynette Yeow Su-Yin (resigned on 11 June 2021)
Tunku Alina binti Raja Muhd Alias (retired on 17 June 2021)

The subsidiary of the Bank

Cik Yam Kwai Ying Sharon
Encik Edmund Lee Kwing Mun
Encik Kew Thean Yew
Encik Asrul Hazli Salleh (Appointed on 19 January 2021)
Encik Tang Yow Sai (Resigned on 19 January 2021)

Directors' benefits

Since the end of the previous financial year, no Director, other than disclosed in Note 44(c) to the financial statements 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 38 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, other than the Employee Share Options Scheme under MBSB.

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, MBSB. The total takaful coverage amounts to RM50,000,000 and the annual takaful cost that is payable amounts to RM139,930 which is borne by the immediate holding company.

Directors' interests in shares

None of the other 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.

Issue of shares and Debentures

During the year, the Bank increased its issued and paid-up ordinary share capital by RM268,112,681 from RM5,159,859,288 to RM5,427,971,969.

The purpose for the issuance is for capital injection.

	Number of new ordinary shares Units '000	RM '000	Issue/ exercise price
Issuance of new shares	268,113	268,113	1.00

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

Options granted over unissued shares

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

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 Bank Negara Malaysia ("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 MBSB Bank") via their attendance to observe the SAC MBSB Bank meetings as well as their standing invitation for the Chairman or Deputy Chairman of SAC MBSB Bank to attend the Board meetings.

Statement of Shariah Governance (cont'd.)

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 SAC BNM rulings, SAC MBSB Bank 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 2022-2023 for the Shariah support and control functions which have been reviewed by the SAC MBSB Bank 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 SAC MBSB Bank or its delegates to ensure that its overall operations, business, affairs and activities are conducted, at all times, in conformity with Shariah.

Business review for 2021

The Bank Group registered a profit before taxation and zakat of RM672 million for 2021 as compared to profit before taxation and zakat of RM379 million in prior year. As at 31 December 2021, the Bank Group had assets of RM49,564 million (2020: RM46,351 million), gross financing and advances of RM35,315 million (2020: RM34,242 million), total deposits of RM34,068 million (2020: RM33,883 million) and shareholders' equity of RM6,786 million (2020: RM6,691 million).

Gross financing grew by 3.1%, reflecting moderation in financing demand amid re-imposition of stricter nationwide containment measures towards the end of the second quarter of 2021. The tighter mobility restrictions under the Full Movement Control Order were implemented in response to an escalation in COVID-19 cases.

Moratoriums granted to eligible customers throughout the year also had repercussions on performance, resulting in RM312 million in losses on modification of cash flows (2020: RM505 million). Nevertheless, the Bank Group's Current Account and Savings Account ("CASA") ratio grew from 2.35% in 2020 to 3.92% 2021, following capability enhancements and attractive product offerings, leading to new corporate and retail customer acquisitions. A new Wakalah unrestricted investment account was successfully launched which stood at RM2,095 million as at 31 December 2021. The Bank Group also made significant investments in technology, mainly to strengthen cyber-security, improve operational efficiency and enable new business capabilities.

Outlook for 2022

The Bank Group had developed a 2022 – 2023 Strategic Roadmap, which sets out a two-pronged strategy to enhance return on equity and stakeholder value: creating new businesses to expand revenue streams and accelerate growth; and enhancing existing businesses to improve competitiveness and meet evolving market expectations. The strategic initiatives planned will focus on business sectors with high growth potential and less vulnerability to pandemic risks.

Outlook for 2022 (cont'd.)

To penetrate niche market segments and meet customers' demands, the pursuit of this strategy is guided by the principles of Differentiation, Demand-led and Sustainability. Thus, our products and services should provide a unique value proposition to differentiate them from others in the market, they must match customers' needs, and they should integrate ESG considerations and reflect our values as an Islamic bank. Our strategic initiatives are supported by our business enablers comprising our branch network, technology, marketing and branding and most importantly, people. We will also improve non-performing financing by enhancing our credit onboarding and hastening the resolution of our impaired financing.

The economy's growth is expected to gain further momentum in 2022, following a rebound in economic activity in the fourth quarter, in line with the relaxation of containment measures (BNM's Monetary Policy Statement, 20 January 2022). Our strategic initiatives, executed amidst the projected improved economic environment, are expected to improve financing growth in 2022 and enhance value for all our stakeholders.

Other statutory information

- (a) Before the financial statements of the Bank Group and of the Bank were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper actions had been taken in relation to the writing off of bad financing and advances, and the making of allowance for doubtful financing and advances and had satisfied themselves that all known bad financing and advances had been written off and that adequate allowance had been made for impaired financing and advances and adequate allowance had been made for doubtful financing; and
 - (ii) to ascertain that any current assets, other than financing and advances, which were unlikely to be realised 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.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad financing and advances or the amount of the allowance for impaired financing and advances in the financial statements of the Bank Group and of the Bank inadequate to any substantial extent;
 - (ii) that would render the values attributed to the current assets in the financial statements of the Bank Group and of the Bank misleading;
 - (iii) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Bank Group and of the Bank misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or the financial statements of the Bank Group and of the Bank which would render any amount stated in the financial statements misleading.

Other statutory information (cont'd.)

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

- (i) 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
- (ii) 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.

(d) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank Group and of the Bank to meet their obligations as and when they fall due; and
- (ii) the results of the operations of the Bank Group and of the Bank for the financial year ended 31 December 2021, 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.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 51 to the financial statements.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 37 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2022.



Tan Sri Azlan bin Mohd Zainol
Chairman

Petaling Jaya, Malaysia



Aw Hong Boo
Director

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

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Azlan bin Mohd Zainol and Aw Hong Boo, being two of the Directors of MBSB Bank Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 16 to 175 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 2021 and of their financial performance and 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.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2022.



Tan Sri Azlan bin Mohd Zainol
Chairman



Aw Hong Boo
Director

Petaling Jaya, Malaysia

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

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 16 to 175 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 13 April 2022



Ramanathan Rajoo
MIA No. CA7012

Before me,



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 Shariah Advisory Committee ("SAC") of MBSB Bank Berhad ("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 of Directors ("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.

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 2021:

We have reviewed the principles and contracts relating to the transactions and applications introduced by the Bank during the year ended 31 December 2021. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the SAC of BNM, as well as Shariah decisions made by us.

Opinion on the State of the Bank's Compliance with Shariah (cont'd.)

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 2021 are in compliance with Shariah but it has come to the Shariah committee's attention that material Shariah non-compliance ("SNC") events have occurred and have been rectified as follows:
 - i) the *ta`widh* (compensation) computation for personal financing of matured accounts was based on a fixed rate of 3% instead of being capped at Islamic Interbank Money Market ("IIMM") rate; and
 - ii) the *ta`widh* computation for matured rescheduled accounts is inclusive of *ta`widh* amount before rescheduling, which leads to the compounding of *ta`widh*.

For the rectification measures, the overcharged of amount totalling RM11.03 for both SNC events had been identified to be refunded to the affected customers. For customers that have closed their financing accounts, the overcharged amount shall be distributed for charitable purposes after taking into consideration the insignificant amount and consequential impact.

We confirm that the Rectification Plan had been presented to us for endorsement, and subsequently approved by the Board. We noted and were given assurance that the Bank had taken corrective and preventive measures to prevent any future recurrence.

- 2 the *gharamah* or earnings that are not recognised by Shariah as an income have been 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.

Shariah Advisory Committee Meetings

During the financial year ended 31 December 2021, a total of 17 meetings were held i.e. 11 Monthly SAC meetings and 6 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)	11/11	6/6
2	Tn. Hj. Nasrun bin Mohamad @ Ghazali (Deputy Chairman)	11/11	6/6
3	Sahibus Samahah Datuk Dr. Luqman bin Haji Abdullah	11/11	3/6
4	Tn. Hj. Mohd Nasiruddin bin Mohd Kamaruddin	11/11	6/6
5	Dr. Ahmad Faizol bin Ismail	11/11	6/6

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

13 April 2022



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS 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 2021, 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 2021 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 significant accounting policies, as set out on pages 16 to 175.

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.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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.



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

OTHER MATTERS

The financial statements of the Bank for the year ended 31 December 2020 were audited by another firm of auditors whose report, dated 28 April 2021, expressed an unmodified opinion on those statements.

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2023 J
Chartered Accountant

Kuala Lumpur
13 April 2022

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

Bank Group

		31.12.2021	Restated	Restated
	Note	RM'000	31.12.2020	01.01.2020
		RM'000	RM'000	RM'000
Assets				
Cash and short-term funds	6(a)	645,205	731,160	1,829,715
Deposits and placements with banks and other financial institutions	6(b)	843,856	781,682	873,515
Derivative financial assets	7	637	1,724	4,239
Financial investments at fair value through profit or loss	8	240,209	-	-
Financial investments at fair value through other comprehensive income	9	11,811,115	10,192,272	10,694,644
Financial investments at amortised cost	10	630,334	488,102	494,705
Financing and advances	11	34,026,013	32,863,504	32,807,317
Other receivables	13	498,867	508,125	548,207
Statutory deposits with Bank Negara Malaysia	14	650,000	620,000	1,090,000
Investment property	16	820	820	820
Property and equipment	17	54,355	27,882	25,444
Intangible assets	18	101,184	111,449	115,559
Right-of-use assets	19(a)	41,354	14,880	16,821
Tax recoverable		1,049	9,517	5,123
Deferred tax assets	20	17,292	-	-
Assets held for sale	21	2,122	-	-
Total assets		49,564,412	46,351,117	48,506,109
Liabilities				
Deposits from customers	22	25,418,212	24,353,435	25,271,951
Deposits and placements of banks and other financial institutions	23	8,649,581	9,529,305	10,621,769
Investment accounts of customers	24	2,094,914	-	-
Derivative financial liabilities	7	2,363	1,614	1
Other payables	25	985,880	741,166	571,744
Lease liabilities	19(b)	41,973	15,193	17,130
Recourse obligation on financing sold	26	3,141,309	2,262,531	2,481,251
Sukuk-MBSB Structured Covered Murabahah	12(b)	1,072,972	1,366,563	1,664,973
Sukuk Wakalah	27	1,294,247	1,293,335	1,293,075
Deferred tax liabilities	20	-	92,368	94,739
Provision for taxation		77,142	-	-
Provision for zakat		60	4,367	8,192
Total liabilities		42,778,653	39,659,877	42,024,825
Equity				
Share capital	28	5,427,972	5,159,859	5,159,859
Reserves	29	1,357,787	1,531,381	1,321,425
Total equity		6,785,759	6,691,240	6,481,284
Total liabilities and equity		49,564,412	46,351,117	48,506,109
Total Islamic banking assets*		49,564,412	46,351,117	48,506,109
Commitments and contingencies	40	3,253,338	2,724,749	5,069,104

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

Bank

		31.12.2021	Restated	Restated
	Note	RM'000	31.12.2020	01.01.2020
		RM'000	RM'000	RM'000
Assets				
Cash and short-term funds	6(a)	624,629	726,996	1,827,458
Deposits and placements with banks and other financial institutions	6(b)	100,093	-	-
Derivative financial assets	7	637	1,724	4,239
Financial investments at fair value through profit or loss	8	240,209	-	-
Financial investments at fair value through other comprehensive income	9	11,811,115	10,192,272	10,694,644
Financial investments at amortised cost	10	630,334	488,102	494,705
Financing and advances	11	34,026,013	32,863,504	32,807,317
Sukuk Commodity Murabahah	12(a)	2,404,630	2,634,147	2,872,056
Other receivables	13	554,872	557,861	586,724
Statutory deposits with Bank Negara Malaysia	14	650,000	620,000	1,090,000
Investment in subsidiary	15	-	-	-
Investment property	16	820	820	820
Property and equipment	17	54,355	27,882	25,444
Intangible assets	18	101,184	111,449	115,559
Right-of-use assets	19(a)	41,354	14,880	16,821
Tax recoverable		-	8,864	5,302
Deferred tax assets	20	17,292	-	-
Assets held for sale	21	2,122	-	-
Total assets		51,259,659	48,248,501	50,541,089
Liabilities				
Deposits from customers	22	25,418,212	24,353,435	25,271,951
Deposits and placements of banks and other financial institutions	23	8,649,581	9,529,305	10,621,769
Investment accounts of customers	24	2,094,914	-	-
Derivative financial liabilities	7	2,363	1,614	1
Other payables	25	2,952,415	2,897,220	2,846,531
Lease liabilities	19(b)	41,973	15,193	17,130
Recourse obligation on financing sold	26	3,141,309	2,262,531	2,481,251
Sukuk-MBSB Structured Covered Murabahah	12(b)	1,072,972	1,366,563	1,664,973
Sukuk Wakalah	27	1,294,247	1,293,335	1,293,075
Deferred tax liabilities	20	-	92,368	94,739
Provision for taxation		77,142	-	-
Provision for zakat		60	4,367	8,192
Total liabilities		44,745,188	41,815,931	44,299,612
Equity				
Share capital	28	5,427,972	5,159,859	5,159,859
Reserves	29	1,086,499	1,272,711	1,081,618
Total equity		6,514,471	6,432,570	6,241,477
Total liabilities and equity		51,259,660	48,248,501	50,541,089
Total Islamic banking assets*		51,259,659	48,248,501	50,541,089
Commitments and contingencies	40	3,253,338	2,724,749	5,069,104

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Bank Group		Bank	
		Restated		Restated	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	30	2,149,088	2,129,110	2,248,861	2,234,827
Income derived from investment of shareholders' funds	31	502,527	860,435	521,566	875,353
Income derived from investment of investment accounts' funds	32	60,967	-	60,967	-
Net allowance for impairment on financing and advances and other financial assets	33	(124,455)	(353,215)	(124,455)	(353,215)
Net loss on modification of cash flows	34	(311,665)	(504,676)	(311,665)	(504,676)
Total distributable income		2,276,462	2,131,654	2,395,274	2,252,289
Income attributable to depositors and others	35	(1,073,545)	(1,326,588)	(1,210,482)	(1,474,440)
Total net income		1,202,917	805,066	1,184,792	777,849
Personnel expenses	36	(257,360)	(286,720)	(257,360)	(286,720)
Other overhead expenses	37	(274,014)	(139,268)	(272,384)	(136,820)
Profit before taxation and zakat		671,543	379,078	655,048	354,309
Taxation	39(a)	(216,973)	(115,500)	(213,096)	(109,594)
Zakat	39(b)	141	363	141	363
Profit for the year		454,711	263,941	442,093	245,078
Other comprehensive (loss)/income, net of tax:					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss	29	(395,712)	79,672	(395,712)	79,672
Total comprehensive income for the year		58,999	343,613	46,381	324,750
Earnings per share (sen)	41	8.39	5.12		

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	← Non-distributable		→ Distributable		
Bank Group	Share capital	Regulatory reserve	Fair value reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021					
- As previously reported	5,159,859	5,234	234,762	1,367,488	6,767,343
- Prior year adjustments	-	-	-	(76,103)	(76,103)
- As restated	5,159,859	5,234	234,762	1,291,385	6,691,240
Profit for the year	-	-	-	454,711	454,711
Other comprehensive income for the year:					
- net changes in fair value	-	-	(520,676)	-	(520,676)
- income tax relating to component of other comprehensive income	-	-	124,964	-	124,964
	-	-	(395,712)	-	(395,712)
Issuance of ordinary shares (Note 28)	268,113	-	-	-	268,113
Dividends to owner of the Bank (Note 42)	-	-	-	(232,593)	(232,593)
At 31 December 2021	5,427,972	5,234	(160,950)	1,513,503	6,785,759
At 1 January 2020					
- As previously reported	5,159,859	5,234	155,090	1,221,956	6,542,139
- Prior year adjustments	-	-	-	(60,855)	(60,855)
- As restated	5,159,859	5,234	155,090	1,161,101	6,481,284
Profit for the year	-	-	-	263,941	263,941
Other comprehensive income for the year:					
- net changes in fair value	-	-	104,836	-	104,836
- income tax relating to component of other comprehensive income	-	-	(25,164)	-	(25,164)
	-	-	79,672	-	79,672
Dividends to owner of the Bank (Note 42)	-	-	-	(133,657)	(133,657)
At 31 December 2020	5,159,859	5,234	234,762	1,291,385	6,691,240

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd.)**

	← Non-distributable →		Distributable		
	Share capital	Regulatory reserve	Fair value reserve	Retained profits	Total
Bank	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021					
- As previously reported	5,159,859	5,234	234,762	791,724	6,191,579
- Prior year adjustments	-	-	-	240,991	240,991
- As restated	5,159,859	5,234	234,762	1,032,715	6,432,570
Profit for the year	-	-	-	442,093	442,093
Other comprehensive income for the year:					
- net changes in fair value	-	-	(520,676)	-	(520,676)
- income tax relating to component of other comprehensive income	-	-	124,964	-	124,964
	-	-	(395,712)	-	(395,712)
Issuance of ordinary shares (Note 28)	268,113	-	-	-	268,113
Dividends to owner of the Bank (Note 42)	-	-	-	(232,593)	(232,593)
At 31 December 2021	5,427,972	5,234	(160,950)	1,242,215	6,514,471
At 1 January 2020					
- As previously reported	5,159,859	5,234	155,090	728,583	6,048,766
- Prior year adjustments	-	-	-	192,711	192,711
- As restated	5,159,859	5,234	155,090	921,294	6,241,477
Profit for the year	-	-	-	245,078	245,078
Other comprehensive income for the year:					
- net changes in fair value	-	-	104,836	-	104,836
- income tax relating to component of other comprehensive income	-	-	(25,164)	-	(25,164)
	-	-	79,672	-	79,672
Dividends to owner of the Bank (Note 42)	-	-	-	(133,657)	(133,657)
At 31 December 2020	5,159,859	5,234	234,762	1,032,715	6,432,570

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

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Bank Group		Bank Restated	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	671,543	379,078	655,048	354,309
Adjustments for:				
Depreciation of property and equipment	12,306	7,705	12,306	7,705
Amortisation of intangible assets	35,195	31,545	35,195	31,545
Depreciation of right-of-use assets	49,149	13,237	49,149	13,237
Lease profit expense	2,110	-	2,110	-
Gain on disposal of property and equipment	(2)	(2)	(2)	(2)
Allowance for impairment	124,455	353,215	124,455	353,215
Financing (profit)/expenses adjustments:				
- financial investments	(452,324)	(411,694)	(452,324)	(411,694)
- Sukuk-MBSB SC Murabahah	64,925	79,360	64,925	79,360
- Sukuk Commodity Murabahah	-	-	(131,747)	(142,888)
- Sukuk Wakalah	67,678	67,656	67,678	67,656
- recourse obligation on financing sold	91,230	101,676	91,230	101,676
Net loss/(gain) on sale of financial investments	15,854	(249,599)	15,854	(249,599)
Gain on financial investments at FVTPL	(221)	-	(221)	-
Operating profit before working capital changes	681,898	372,177	533,656	204,520
Working capital changes:				
(Decrease)/increase in deposits with financial institutions with maturity of more than one month	(62,174)	91,833	(100,093)	-
(Decrease)/increase in statutory deposits with Bank Negara Malaysia	(30,000)	470,000	(30,000)	470,000
(Increase)/decrease in other receivables	(130,252)	58,472	(136,522)	47,253
Decrease in derivative financial assets	1,087	2,515	1,087	2,515
Increase in financing and advances	(1,233,641)	(447,550)	(1,233,641)	(447,550)
	(1,454,980)	175,270	(1,499,169)	72,218
Increase/(decrease) in deposits from customers and placements from banks and other financial institutions	185,054	(2,010,980)	185,054	(2,010,980)
Increase in investment account	2,094,914	-	2,094,914	-
Increase in derivative financial liabilities	749	1,613	749	1,613
Decrease in lease liabilities	-	(8)	-	(8)
Increase in other payables	328,915	189,609	139,399	70,876
	2,609,632	(1,819,766)	2,420,116	(1,938,499)
Cash generated from/(used in) operations	1,836,550	(1,272,319)	1,454,603	(1,661,761)
Tax paid	(143,063)	(151,705)	(138,791)	(144,967)
Tax refunded	27,004	4,276	27,004	4,276
Zakat paid	(4,166)	(3,462)	(4,166)	(3,462)
Net cash generated from/(used in) operating activities	1,716,325	(1,423,210)	1,338,650	(1,805,914)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd.)

	Bank Group		Bank Restated	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Purchase of property and equipment	(38,779)	(10,143)	(38,779)	(10,143)
Purchase of intangible assets	(24,930)	(27,435)	(24,930)	(27,435)
Proceeds from disposal of property and equipment	2	2	2	2
Profit income from financial investments	550,246	411,694	550,246	411,694
Net (purchase)/sale of financial investments	(2,636,141)	862,981	(2,636,141)	862,981
Profit income from Sukuk Commodity Murabahah	-	-	131,746	142,888
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	229,517	237,909
Net cash (used in)/generated from investing activities	(2,149,602)	1,237,099	(1,788,339)	1,617,896
Cash flows from financing activities				
Net issuance/(repayment) of recourse obligation on financing sold	880,460	(217,464)	880,460	(217,464)
Profit expense paid on recourse obligation on financing sold	(92,912)	(102,932)	(92,912)	(102,932)
Profit expense paid on Sukuk-MBSB SC Murabahah	(66,263)	(80,798)	(66,263)	(80,798)
Profit expense paid on Sukuk Wakalah	(66,766)	(67,396)	(66,766)	(67,396)
Repayment of Sukuk-MBSB SC Murabahah	(292,253)	(296,972)	(292,253)	(296,972)
Payment of lease liabilities	(50,464)	(13,225)	(50,464)	(13,225)
Dividends paid on ordinary shares	(232,593)	(133,657)	(232,593)	(133,657)
Issuance of ordinary shares	268,113	-	268,113	-
Net cash generated from/(used in) financing activities	347,322	(912,444)	347,322	(912,444)
Net decrease in cash and cash equivalents	(85,955)	(1,098,555)	(102,367)	(1,100,462)
Cash and cash equivalents at 1 January	731,160	1,829,715	726,996	1,827,458
Cash and cash equivalents at 31 December	645,205	731,160	624,629	726,996

An analysis of changes in liabilities arising from financing activities is as follows:

Bank Group and Bank	Recourse obligation on financing sold	Sukuk-MBSB SC Murabahah	Sukuk Wakalah	Lease liabilities	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	2,262,531	1,366,563	1,293,335	15,193	4,937,622
Profit expense during the year	91,230	64,925	67,678	2,110	225,943
Profit paid during the year	(92,912)	(66,263)	(66,766)	-	(225,941)
Additions	1,499,999	-	-	75,134	1,575,133
Repayment and redemption	(619,539)	(292,253)	-	(50,464)	(962,256)
At 31 December 2021	3,141,309	1,072,972	1,294,247	41,973	5,550,501
At 1 January 2020	2,481,251	1,664,973	1,293,075	17,130	5,456,429
Profit expense during the year	101,676	79,360	67,656	549	249,241
Profit paid during the year	(102,932)	(80,798)	(67,396)	-	(251,126)
Additions	-	-	-	11,288	11,288
Repayment and redemption	(217,464)	(296,972)	-	(13,774)	(528,210)
At 31 December 2020	2,262,531	1,366,563	1,293,335	15,193	4,937,622

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

Notes to the financial statements
For the financial year ended 31 December 2021

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 15 to the financial statements.

The immediate holding company is Malaysia Building Society Berhad ("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).

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2021 comprise the Bank and its subsidiary (together referred to as the "Bank Group").

These financial statements were approved by the Board of Directors on 13 April 2022.

1. Basis of preparation

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

The financial statements of the Bank Group and of the Bank have been prepared on a historical cost basis except other than as disclosed in Note 2.

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

2. Summary of significant accounting policies

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

(a) Foreign currency transactions

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.

(ii) Business combination

Subsidiary is 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. Acquisition of subsidiary is 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.

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

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

(ii) Business combination (cont'd.)

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.

Changes in the Bank Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions between the Bank Group and its non-controlling interest holders. Any difference between the Bank Group's share of net assets before and after the changes and any consideration received as paid, is adjusted to or against the Bank Group's reserves.

If the Bank Group loses control over a subsidiary, at the date the Bank Group loses 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.

(c) 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.

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

(d) Intangible assets

(i) Software and licence

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.

(ii) Amortisation

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

(e) 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 in which 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.

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

(e) Property and equipment and depreciation (cont'd.)

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:

Building renovation	5 years
Furniture and equipment	5 years
Motor vehicles	5 years
Data processing equipment	5 years

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.

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.

(f) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank Group and the Bank assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

(f) Leases (cont'd.)

(i) Definition of a lease (cont'd.)

At inception or on reassessment of a contract that contains a lease component, the Bank Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Bank Group or the Bank is a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Bank Group and the Bank recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the respective Bank Group and the Bank entities' incremental borrowing rate. Generally, the Bank Group and the Bank entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank Group and the Bank are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank Group and Bank are reasonably certain not to terminate early.

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

(f) Leases (cont'd.)

(ii) Recognition and initial measurement (cont'd.)

(a) As a lessee (cont'd.)

The Bank Group and the Bank exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Bank Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Bank Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In determining the lease term, the Bank Group 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 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 affects whether the Bank Group 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.

(b) As a lessor

When the Bank Group or the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To clarify each lease, the Bank Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Bank Group and the Bank apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Bank Group and the Bank recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Bank Group and the Bank use the profit rate implicit in the lease to measure the net investment in the lease.

When the Bank Group or the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank Group or the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

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

(f) Leases (cont'd.)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Bank Group and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank Group and the Bank change their assessment of whether they will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Bank Group and the Bank recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(g) Investment property

Investment property, comprising only freehold land is held 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.

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

(h) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are expensed in the year in which the associated services are rendered by employees of the Bank Group and of 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.

(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 nominal 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(o).

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

(k) Contingent assets and liabilities

The Bank Group does 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. The Bank Group does 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.

(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.

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

(n) Financial instruments

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their recognition unless the Bank Group or the Bank changes its business model for managing assets.

(ii) Classification and subsequent measurement

a) Business model assessment

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

The Bank Group and the Bank consider all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- i) the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ii) how the performance of the portfolio (and the financial assets held within) is evaluated and reported to the management;
- iii) the risks that affect the performance of the portfolio (and the financial assets held within) and, in particular, the way that those risks are managed;
- iv) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- v) the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank Group and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

(n) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

Financial assets (cont'd.)

a) Business model assessment (cont'd.)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank Group and the Bank's claim to cash flows from specified assets (e.g. non-recourse financing); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

c) Financial assets measured at amortised cost

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

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

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

(n) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

Financial assets (cont'd.)

c) Financial assets measured at amortised cost (cont'd.)

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective profit method. The amortised cost is reduced by any impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Profit income is recognised by applying effective profit rate to the gross carrying amount except for credit-impaired financial assets where the effective profit rate is applied to the amortised cost.

Included in financial assets measured at amortised cost are Sukuk Commodity Murabahah, financing and advances based on Shariah contracts of Tawarruq, Bai', Ijarah and Istisna'.

d) Financial assets measured at fair value through other comprehensive income ("FVOCI")

(i) Debt investments

This category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The debt investment is not designated as at FVTPL. Profit income calculated using the effective profit method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Bank Group and the Bank may irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

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

(n) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

Financial assets (cont'd.)

e) Financial assets measured at fair value through profit or loss ("FVTPL")

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

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (Note 2(o)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

a) Financial liabilities measured at amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

Profit expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

b) Financial liabilities measured at fair value through profit or loss ("FVTPL")

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Bank Group or the Bank may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at FVTPL:

- i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

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

(n) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

Financial liabilities (cont'd.)

b) Financial liabilities measured at fair value through profit or loss ("FVTPL") (cont'd.)

- ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank Group and the Bank's key management personnel; or
- iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses, including any profit expense are recognised in the profit or loss.

For financial liabilities where it is designated as FVTPL upon initial recognition, the Bank Group and the Bank recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Bank Group and Bank's financial liabilities

The financial liabilities include Sukuk - MBSB SC Murabahah, Sukuk Wakalah, other payables, bank and other borrowings, recourse obligations on financing sold to Cagamas Berhad, deposits from customers and deposits and placements of banks and investment account of customers. The deposits are stated at placement value.

Sukuk - MBSB SC Murabahah and Sukuk Wakalah are classified as other financial liabilities as there are contractual obligation by the Bank Group or the Bank to make cash payments of either principal or profit or both to holders of the Sukuk and the Bank Group or the Bank is contractually obliged to settle the financial instrument in cash.

Subsequent to initial recognition, Sukuk issued is recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in profit or loss over the period of the Sukuk using the effective profit method.

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

(n) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement (cont'd.)

Financial liabilities (cont'd.)

The Bank Group and Bank's financial liabilities (cont'd.)

Other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit method.

Bank and other borrowings and recourse obligations on financing sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

(iii) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- (a) the amount of the loss allowance; and
- (b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are included within "expected credit losses for commitment and contingencies" under other payables.

(iv) Derecognition

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

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

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

(n) Financial instruments (cont'd.)

(v) Modifications of financial assets and financial liabilities

Financial assets

Modification of financial assets involves any modification made to the original payment terms and conditions of the financing facility following an increase in the credit risk of the customer. This includes but is not limited to an extension of tenure and flexible payment schedule including payment vacation, profit only payments, or capitalisation of principal or profit or both.

Once the financing assets have been modified, its satisfactory performance is monitored for a period of six months before it can be reclassified as non-credit impaired.

However, the financial assets will not be considered as modified if moratorium on financing repayments is granted or the financing is rescheduled/restructured by Agensi Kaunseling & Pengurusan Kredit ("AKPK").

The Bank Group and the Bank evaluate whether the cash flows of the modified asset are substantially different if the terms of a financial asset are modified.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost or FVOCI are not substantially different, the modification does not result in derecognition of the financial asset. In this case, the Bank Group and the Bank recalculate the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income, calculated using the effective profit rate method.

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

(n) Financial instruments (cont'd.)

(v) Modifications of financial assets and financial liabilities (cont'd.)

Financial liabilities

The Bank Group and the Bank derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in profit or loss.

(vi) Offsetting

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

(vii) Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank Group and the Bank have access at that date. The fair value of a liability includes the risk that the Bank Group and the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Bank Group and the Bank establishes fair value by using valuation techniques.

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

(o) Impairment of financial assets

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVOCI is recognised in profit or loss and accumulated in a separate component of equity.

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.

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 borrower 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.

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

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

Measurement (cont'd.)

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 borrower'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.

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 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 borrower.

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

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

Measurement (cont'd.)

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.

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, after grace period, 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.

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

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

Significant increase in credit risk ("SICR") (cont'd.)

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank Group 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.

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 FVOCI 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 and the Bank's credit risk grading framework.

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

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

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

- (b) Restructured and rescheduled ("R&R") financing; or
- (c) Customer/Issuer is declared bankrupt/wound up.

In assessing whether a borrower 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.

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 amount 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 borrower, 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.

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

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

Restructured financial assets (cont'd.)

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 of forecast based on the available forecasts.

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

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 borrower 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 and the Bank's procedures for recovery of amounts due.

(p) 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.

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

(q) 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.

(r) Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Bank Group and/or the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Profit income and profit expense

Profit income is recognised in profit or loss for all profit-bearing assets and liabilities using the effective profit method in accordance with MFRS 9 requirements.

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 takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

Profit on impaired financial assets is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Murabahah income is recognised on effective profit rate basis over the period of the contract based on the financing amounts disbursed. Ijarah income is recognised on effective profit rate basis over the lease term of the financing amount. Tawarruq income is essentially Murabahah contract based income and therefore recognised on the same basis as Murabahah income. Istisna' income is also recognised on effective profit rate basis over the contractual period based on financing amount disbursed.

(ii) Fee income

Financing arrangement fees, commissions and insurance fees are recognised as income at the time the underlying transactions are completed and there are no other contingencies associated with the fees.

Commitment and processing fees are recognised as income based on the amortised cost method.

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

(r) Recognition of income (cont'd.)

(iii) Dividend income

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

(iv) Other income

Other income is recognised upon invoices being issued and services rendered.

(s) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(s) Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In order to support the Government's initiative to assist parties affected by the pandemic, the Finance Act 2021 has introduced a special one-off tax for year of assessment ('YA') 2022 which is called "Cukai Makmur" be imposed on non-Micro, Small and Medium Enterprises companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

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

(t) 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 beneficiaries of zakat fund include schools, mosques, universities and non-government organisations.

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

(u) 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.

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

(u) Fair value measurement (cont'd.)

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.

(v) Operating segments

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

3. MFRSs, interpretations and amendments effective for the first time

(a) MFRSs, interpretation and amendments effective and adopted for annual periods on or after 1 January 2021

On 1 January 2021, where applicable, the Bank Group and the Bank adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2021:

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The Bank Group and the Bank have adopted the Interest Rate Benchmark Reform - Phase 2 amendments for the first time in its 2021 financial statements with the date of initial application of 1 January 2021.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because there were no interbank offered rate ("IBOR")-based contracts of the Bank Group and the Bank were modified in 2020. There were no contracts modified as a result of IBOR reform during the year, the Bank Group and the Bank applies the Phase 2 amendments.

3. MFRSs, interpretations and amendments effective for the first time (cont'd.)

(a) MFRSs, interpretation and amendments effective and adopted for annual periods on or after 1 January 2021 (cont'd.)

- Amendment to MFRS 16, *Leases* – COVID-19-Related Rent Concessions beyond 30 June 2021

(b) MFRSs, interpretations and amendments issued but not yet effective

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

3. MFRSs, interpretations and amendments effective for the first time (cont'd.)

(b) MFRSs, interpretations and amendments issued but not yet effective (cont'd.)

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

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

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

4. Measures to Assist Individuals, Small-Medium Enterprise (“SME”) and Corporates Affected by COVID-19 announced by BNM

During the year, the Bank Group and the Bank continued providing repayment assistance to eligible individuals, SME and Corporates affected by the COVID-19. This includes moratorium and rescheduling of loans and financing to B40 and M40 group of individuals following Budget 2022, repayment assistance under the People and Economic Strategic Empowerment Programme (“PEMERKASA”) initiative and the National People’s Well-Being and Economic Recovery Package (“PEMULIH”) initiative by the Government.

In applying the definition of defaulted exposures to financing for which repayment assistance is extended:

- The determination of “days past due” should be based on the new repayment terms of a financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;
- For financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on “unlikeliness to repay” at the time the repayment assistance is granted, except where the financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and
- For financing to corporates, the assessment of “unlikeliness to repay” should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

4. Measures to Assist Individuals, Small-Medium Enterprise (“SME”) and Corporates Affected by COVID-19 announced by BNM (cont’d.)

To further support financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impact of the moratorium is disclosed in Note 34.

5. Significant accounting estimates and judgements

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 revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Bank Group and Bank’s accounting policies. Although these estimates and judgment are based on the Directors’ best knowledge of current events and actions, actual results may differ.

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Bank Group and the Bank’s accounting policies that have the most significant effect on the amount recognised in the financial statements.

Assessment of derecognition of Islamic personal financing (“PFI”) sold to Jana Kapital Sdn. Bhd. (“JKSB”)

In determining if the sale meets the derecognition criteria, management has evaluated the extent to which the Bank retains the risks and rewards of ownership of the PFI and concluded that the risks and rewards of ownership of the PFI continue to be retained by the Bank. Accordingly, the sale of the PFI to JKSB does not meet the criteria for derecognition and has not been derecognised in the financial statements of the Bank. Instead, 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.

In line with the Principal Terms and Conditions of the Sukuk-MBSB SC Murabahah programme of the Bank (as detailed in Note 12(a) and Note 12(b)), Sukuk-MBSB SC Murabahah and Sukuk Commodity Murabahah will be issued in tranches from time to time, as decided by management and each tranche is required to be backed by a portfolio of identified PFI held by JKSB.

5. Significant accounting estimates and judgements (cont'd.)

(b) Key source of estimation uncertainty

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements is as follows:

Expected credit losses/allowance for impairment of financing and advances and other receivables

The Bank Group and the Bank's ECL calculations involve a number of underlying assumptions and estimates such as:

- criteria that determine if there has been a significant increase in credit risk; and
- development of ECL models which includes the choice of inputs relating to the macroeconomic variables.

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.

The Bank Group and the Bank's significant accounting policies on the impairment of financial assets are disclosed in Note 2(o) and the amount of impairment losses provided by the Bank Group and the Bank is disclosed in Notes 9, 10, 11, 13 and 25.

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

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
(a) Cash and balances with banks and other financial institutions	125,180	125,131	104,604	120,967
Money at call and deposit placements maturing within one month	520,025	606,029	520,025	606,029
	<u>645,205</u>	<u>731,160</u>	<u>624,629</u>	<u>726,996</u>
(b) Deposits and placements with banks and other financial institutions with original maturity of more than one month				
Licensed Islamic banks	843,856	781,682	100,093	-
	<u>1,489,061</u>	<u>1,512,842</u>	<u>724,722</u>	<u>726,996</u>

The ECL for cash and short-term funds and deposits and placements with banks and other financial institutions above is nil (2020: nil).

7. Derivative financial assets/(liabilities)

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held at FVTPL. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

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

	Bank Group and Bank					
	31.12.2021			31.12.2020		
	Notional amount	Fair value		Notional amount	Fair value	
	RM'000	Assets	Liabilities	RM'000	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
<u>Foreign exchange contracts:</u>						
Currency forward						
- Less than one year	419,278	637	(2,363)	278,310	1,724	(1,614)

8. Financial investments at fair value through profit or loss ("FVTPL")

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At fair value		
<u>In Malaysia</u>		
Investment with fund manager - Money Market Securities	<u>240,209</u>	<u>-</u>

9. Financial investments at fair value through other comprehensive income ("FVOCI")

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	8,317,698	6,906,159
Debt securities:		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,139,722	1,089,533
Government Guaranteed debt securities	2,353,695	2,196,580
	<u>11,811,115</u>	<u>10,192,272</u>

During the year, a total loss amounting to RM528,712,000 was recognised in other comprehensive income (2020: gain amounting to RM351,628,000). Upon sale of the financial investments, the Bank Group and the Bank recognised a loss of RM8,029,000 (2020 gain: RM246,782,000) 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.

ECL movement for financial investments at FVOCI:

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	7	-	-	7
Total charge/reversed to profit or loss (Note 33):	7	-	-	7
New financial investments purchased during the year	13	-	-	13
Matured financial investments during the year	(5)	-	-	(5)
Change in credit risk	(1)	-	-	(1)
At 31 December 2021	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>
At 1 January 2020	18	-	-	18
Total charged to profit or loss:	(11)	-	-	(11)
Change in credit risk (Note 33)	(11)	-	-	(11)
At 31 December 2020	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>

10. Financial investments at amortised cost

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At amortised cost		
Money Market Instruments		
Malaysian Government Investment Issues	20,666	-
<u>In Malaysia</u>		
Private and Islamic debt securities	610,880	488,693
	<u>631,546</u>	<u>488,693</u>
Less: ECL		
- Stage 1	(841)	(90)
- Stage 2	(371)	(501)
	<u>630,334</u>	<u>488,102</u>

ECL movement for financial investments at amortised cost:

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL at 1 January 2021	90	501	-	591
Charged to profit or loss (Note 33)	751	(130)	-	621
Changes in credit risk	(3)	(130)		(133)
New financial investments				
purchased during the year	754	-	-	754
ECL at 31 December 2021	<u>841</u>	<u>371</u>	<u>-</u>	<u>1,212</u>
ECL at 1 January 2020	152	-	-	152
Charged to profit or loss (Note 33)	(62)	501	-	439
Changes in the ECL				
- Transfer to stage 2	(45)	45	-	-
Changes in credit risk	(17)	456	-	439
ECL at 31 December 2020	<u>90</u>	<u>501</u>	<u>-</u>	<u>591</u>

11. Financing and advances

		Bank Group and Bank	
		31.12.2021	31.12.2020
		RM'000	RM'000
(i) By type			
At amortised cost			
Term financing			
- Personal financing		19,613,339	19,837,438
- Property financing		7,266,303	6,084,956
- Hire purchase receivables		679,199	761,732
- Bridging financing		411,617	483,948
- Auto financing		75,121	106,198
- Other term financing		5,584,420	5,642,010
Revolving credit		175,464	190,840
Staff financing		42,371	46,071
Cashline		125,147	81,539
Trade Finance		1,341,912	1,007,549
Gross financing and advances		<u>35,314,893</u>	<u>34,242,281</u>
Less: ECL			
- Stage 1		(345,477)	(365,538)
- Stage 2		(588,894)	(587,652)
- Stage 3		(354,509)	(425,587)
Net financing and advances		<u>34,026,013</u>	<u>32,863,504</u>

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

		Bank Group and Bank	
		31.12.2021	31.12.2020
		RM'000	RM'000
Islamic financing facility granted by:			
Cagamas Berhad - Recourse obligation on			
financing sold (Note 26)			
		3,554,085	2,546,344
Sukuk-MBSB SC Murabahah* (Note 12(b))			
		<u>1,966,742</u>	<u>2,156,258</u>

* Islamic personal financing ("PFI") assigned as security for Sukuk-MBSB SC Murabahah relate to PFI sold to the Bank's subsidiary, 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 as mentioned under Note 5(a).

(ii) By residual contractual maturity

		Bank Group and Bank	
		31.12.2021	31.12.2020
		RM'000	RM'000
Maturity within one year		2,426,329	1,815,252
More than one year to three years		1,355,651	1,451,785
More than three years to five years		1,815,082	1,788,930
More than five years		29,717,831	29,186,314
		<u>35,314,893</u>	<u>34,242,281</u>

11. Financing and advances (cont'd.)

(iii) By economic purpose

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Personal use	19,697,222	19,927,233
Construction	3,519,709	3,739,748
Purchase of landed property:		
- Residential	6,875,705	5,712,089
- Non-residential	842,591	736,886
Working capital	3,243,641	2,785,944
Purchase of transport vehicles	77,009	107,428
Purchase of other fixed assets	928,278	957,989
Purchase of other securities	432	35,778
Purchase of consumer durables	901	901
Others	129,405	238,285
	<u>35,314,893</u>	<u>34,242,281</u>

(iv) By type of customers

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Domestic business enterprises		
- Small medium enterprise	2,298,710	2,107,333
- Government	-	51,161
- Non-bank financial institutions	739,048	740,803
- Others	5,328,983	5,315,587
Individuals	26,916,815	25,996,300
Foreign entities	31,337	31,097
	<u>35,314,893</u>	<u>34,242,281</u>

(v) By sector

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Household sectors	26,916,815	25,996,300
Construction	3,356,831	3,479,761
Finance, insurance and business services	2,501,746	2,839,973
Wholesale & retail trade and restaurants & hotels	857,239	596,692
Manufacturing	907,471	489,653
Electricity, gas and water	174,723	169,087
Transport, storage and communication	242,399	225,719
Agriculture	36,579	94,944
Mining and quarrying	185,409	216,711
Education, health and others	135,681	133,441
	<u>35,314,893</u>	<u>34,242,281</u>

(vi) By profit rate sensitivity

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Fixed rate:		
Personal financing	16,092,439	16,721,791
Auto financing	77,622	108,607
Property financing	416,749	439,418
Bridging, structured and term financing	868,877	956,420
	<u>17,455,687</u>	<u>18,226,236</u>

11. Financing and advances (cont'd.)

(vi) By profit rate sensitivity (cont'd.)

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Variable rate:		
Personal financing	3,531,300	3,129,748
Property financing	6,878,621	5,674,680
Bridging, structured and term financing	7,449,285	7,211,617
	<u>17,859,206</u>	<u>16,016,045</u>
	<u>35,314,893</u>	<u>34,242,281</u>

(vii) By geographical distribution

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Malaysia	<u>35,314,893</u>	<u>34,242,281</u>

(viii) Financing by types and Shariah contracts

**Bank Group and Bank
31.12.2021**

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Total financing and advances RM'000
Term financing	30,275,613	1,967,172	1,387,214	33,629,999
Property financing	5,387,921	1,876,845	1,537	7,266,303
Bridging financing	411,617	-	-	411,617
Hire purchase receivables	-	-	679,199	679,199
Auto financing	-	-	75,121	75,121
Personal financing	19,613,198	141	-	19,613,339
Other term financing	4,862,877	90,186	631,357	5,584,420
Cashline	125,147	-	-	125,147
Staff financing	39,450	21	2,900	42,371
Revolving credit	175,464	-	-	175,464
Trade finance	1,341,912	-	-	1,341,912
	<u>31,957,586</u>	<u>1,967,193</u>	<u>1,390,114</u>	<u>35,314,893</u>

**Bank Group and Bank
31.12.2020**

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Total financing and advances RM'000
Term financing	29,275,341	2,077,415	1,563,526	32,916,282
Property financing	4,093,274	1,989,191	2,491	6,084,956
Bridging financing	483,948	-	-	483,948
Hire purchase receivables	-	-	761,732	761,732
Auto financing	-	-	106,198	106,198
Personal financing	19,837,277	161	-	19,837,438
Other term financing	4,860,842	88,063	693,105	5,642,010
Cashline	81,539	-	-	81,539
Staff financing	43,181	67	2,823	46,071
Revolving credit	190,840	-	-	190,840
Trade finance	1,007,549	-	-	1,007,549
	<u>30,598,450</u>	<u>2,077,482</u>	<u>1,566,349</u>	<u>34,242,281</u>

11. Financing and advances (cont'd.)

(ix) Movement of gross financing and advances

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
31.12.2021				
Gross carrying amount as at 1 January 2021	28,711,142	4,543,908	987,231	34,242,281
Transfer to stage 1	1,603,920	(1,476,762)	(127,158)	-
Transfer to stage 2	(2,090,037)	2,177,501	(87,464)	-
Transfer to stage 3	(158,818)	(130,337)	289,155	-
New financing/disbursement during the year	4,314,854	1,282,980	31,537	5,629,371
Repayment during the year	(3,205,995)	(1,089,886)	(66,529)	(4,362,410)
Other movements	194,032	(13,473)	97,786	278,345
Loss on modification of cash flows	(239,811)	(71,854)	-	(311,665)
Reclassification to assets held for sale	-	-	(23,671)	(23,671)
Write-offs	-	-	(137,358)	(137,358)
Gross carrying amount as at 31 December 2021	29,129,287	5,222,077	963,529	35,314,893

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
31.12.2020				
Gross carrying amount as at 1 January 2020	29,065,287	4,106,709	818,025	33,990,021
Transfer to stage 1	1,071,111	(1,028,981)	(42,130)	-
Transfer to stage 2	(1,486,173)	1,583,613	(97,440)	-
Transfer to stage 3	(205,368)	(199,343)	404,711	-
New financing/disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,313,511)	(452,737)	(57,997)	(4,824,245)
Other movements	489,287	60,461	95,486	645,234
Loss on modification of cash flows	(463,971)	(40,705)	-	(504,676)
Write-offs	-	-	(195,652)	(195,652)
Gross carrying amount as at 31 December 2020	28,711,142	4,543,908	987,231	34,242,281

(x) Movement of ECL for financing and advances

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2021				
ECL as at 1 January 2021	365,538	587,652	425,587	1,378,777
Charged to profit or loss (Note 33)	(20,061)	1,242	87,829	69,010
Changes in the impairment allowance:				
- Transfer to stage 1	231,487	(189,892)	(41,595)	-
- Transfer to stage 2	(30,230)	78,365	(48,135)	-
- Transfer to stage 3	(2,778)	(29,910)	32,688	-
New financing/disbursement during the year	58,927	122,807	17,576	199,310
Repayment during the year	(303,617)	(211,442)	(109,991)	(625,050)
Changes in credit risk parameters #	26,150	231,314	237,286	494,750
Reclassification to assets held for sale	-	-	(21,549)	(21,549)
Write-offs	-	-	(137,358)	(137,358)
ECL as at 31 December 2021	345,477	588,894	354,509	1,288,880

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

11. Financing and advances (cont'd.)

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

2020	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2020	401,290	368,934	412,480	1,182,704
Charged to profit or loss (Note 33)	(35,752)	218,718	208,397	391,363
Changes in the impairment allowance:				
- Transfer to stage 1	96,261	(70,682)	(25,579)	-
- Transfer to stage 2	(31,598)	93,768	(62,170)	-
- Transfer to stage 3	(4,289)	(21,943)	26,232	-
New financing/disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(173,546)	(128,500)	(59,607)	(361,653)
Changes in credit risk parameters #	10,696	287,196	310,429	608,321
Write-offs	-	-	(195,290)	(195,290)
ECL as at 31 December 2020	365,538	587,652	425,587	1,378,777

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

(xi) Movement for impaired financing and advances

	Bank Group and Bank	
	31.12.2021 RM'000	31.12.2020 RM'000
Balance as at 1 January	987,231	818,025
Classified as impaired during the year	320,692	466,939
Reclassified as non-impaired	(214,622)	(139,570)
Amount recovered	(66,529)	(57,997)
Amount written off	(137,358)	(195,652)
Other movements	97,786	95,486
Transfer from financial assets held for sale	(23,671)	-
Balance as at 31 December	963,529	987,231
Gross impaired as a percentage of gross financing and advances	2.73%	2.88%

(xii) Impaired financing and advances by economic purpose

	Bank Group and Bank	
	31.12.2021 RM'000	31.12.2020 RM'000
Personal use	75,824	80,584
Construction	523,546	563,518
Purchase of landed property:		
- Residential	112,955	188,424
- Non-residential	146,339	39,377
Working capital	73,606	47,500
Purchase of transport vehicles	3,585	6,517
Purchase of other fixed assets	26,700	42,041
Purchase of other securities	-	2,890
Purchase of consumer durables	791	789
Others	183	15,591
	963,529	987,231

11. Financing and advances (cont'd.)

(xiii) Impaired financing and advances by sector

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Household sector	201,203	288,793
Construction	305,071	327,173
Finance, insurance and business services	210,921	146,704
Wholesale & retail trade and restaurants & hotels	26,248	25,151
Manufacturing	101,470	70,435
Transport, storage and communication	4,032	3,995
Mining and quarrying	26,423	39,313
Education, health and others	88,161	85,667
	<u>963,529</u>	<u>987,231</u>

(xiv) Impaired financing and advances by geographical distribution

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Malaysia	<u>963,529</u>	<u>987,231</u>

The credit risk of financial assets of the Bank Group and the Bank is mitigated by the collateral held against the financial assets and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher for the Bank Group and the Bank by approximately RM205,731,000 (2020: RM131,244,000) without the mitigating effect of collateral held.

12. Sukuk Commodity Murabahah and Sukuk-MBSB Structured Covered ("SC") Murabahah

(a) Sukuk Commodity Murabahah

	31.12.2021	Bank Restated 31.12.2020	Restated 01.01.2020
	RM'000	RM'000	RM'000
Sukuk Commodity Murabahah	<u>2,404,630</u>	<u>2,634,147</u>	<u>2,872,056</u>
(i) By tranche			
tranche 1	123,077	162,274	206,740
tranche 2	385,302	451,256	522,649
tranche 3	876,547	952,321	1,024,381
tranche 4	<u>1,019,704</u>	<u>1,068,296</u>	<u>1,118,286</u>
	<u>2,404,630</u>	<u>2,634,147</u>	<u>2,872,056</u>

As part of the Bank's Sukuk-MBSB SC Murabahah programme ("the Programme"), Jana Kapital Sdn Bhd ("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 (refer Note 5(a)) as security for the Covered Sukuk Guarantee amounting to RM1,966,742,000 (2020: RM2,156,258,000).

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

12. Sukuk Commodity Murabahah and Sukuk-MBSB Structured Covered ("SC") Murabahah (cont'd.)

(a) Sukuk Commodity Murabahah (cont'd.)

- (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.

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 is secured against tranche Cover Assets amounting to RM570,637,000 sold to JKSB on 1 December 2013. The first tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 8 and 9 years from their drawdown dates respectively and both instruments carry coupon profit rates ranging from 3.84% to 4.68% per annum, payable semi-annually in arrears.

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 amount owing from JKSB of RM27,634,000 (2020: RM27,634,000) and amount granted to JKSB of RM497,200,000 (restated 2020: RM470,082,000) 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.

12. Sukuk Commodity Murabahah and Sukuk-MBSB Structured Covered ("SC") Murabahah (cont'd.)

(b) Sukuk-MBSB SC Murabahah

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Sukuk-MBSB SC Murabahah	<u>1,072,972</u>	<u>1,366,563</u>
Maturity of Sukuk-MBSB SC Murabahah:		
Within one year	245,992	294,388
More than one year	<u>826,980</u>	<u>1,072,175</u>
	<u>1,072,972</u>	<u>1,366,563</u>

On 25 October 2013, MBSB'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 is 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 drawdown by the Bank.

As at 31 December 2021, the carrying amount of Financing Receivables identified to back the outstanding Sukuk MBSB SC-Murabahah was RM1,966,742,000 (2020: RM2,156,258,000) as disclosed in Note 11(i).

13. Other receivables

		Bank Group		Bank	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
		RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary	(i)	-	-	62,715	53,618
Financing to related companies	(ii)	546,039	571,042	546,039	571,042
Amount due from related companies		-	1,824	-	1,824
Prepayments and deposits		10,150	8,967	10,150	8,866
Deferred expenses		36,551	1,946	36,464	1,946
Sundry receivables		25,718	56,357	19,095	52,576
		<u>618,458</u>	<u>640,136</u>	<u>674,463</u>	<u>689,872</u>
Less: ECL at stage 1		(4,989)	-	(4,989)	-
ECL at stage 3		<u>(114,602)</u>	<u>(132,011)</u>	<u>(114,602)</u>	<u>(132,011)</u>
		<u>498,867</u>	<u>508,125</u>	<u>554,872</u>	<u>557,861</u>

There was no transfer of ECL out of stage 3 during the financial year and previous year for financial assets under other receivables.

13. Other receivables (cont'd)

(i) Amount due from subsidiary

The amount is unsecured, subject to effective profit rate of 5.50% (2020: 5.50%) per annum and repayable on demand.

(ii) 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 5.50% (2020: 5.50%) per annum.

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At gross	546,039	571,042
Less: ECL at stage 1	(4,989)	-
ECL at stage 3	(114,447)	(131,997)
	<u>(119,436)</u>	<u>(131,997)</u>
	426,603	439,045

Included in financing to related companies is secured financing amounting to RM518,573,000 at gross (2020: RM534,873,000).

Movements of ECL is as follows:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Balance as at 1 January	131,997	271,971
Charge for the year (Note 33)	49,879	(12,281)
Reversal due to repayment	(53,035)	(11)
Write-off	(9,405)	(127,682)
Balance as at 31 December	<u>119,436</u>	<u>131,997</u>

14. 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 percentages of total eligible liabilities. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021. Subsequently, BNM had made an announcement on 20 January 2021 that the flexibility is extended until 31 December 2022.

15. Investment in subsidiary

	Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Unquoted shares at cost	*	*

* Represents RM2.

15. Investment in subsidiary (cont'd.)

Jana Kapital Sdn. Bhd. ("JKSB") is the only subsidiary of the Bank. Details of the subsidiary are as follows:

Name of subsidiary	Principal activity	Effective interest held (%)	
		31.12.2021	31.12.2020
Jana Kapital Sdn. Bhd.	Special purpose vehicle	100	100

The subsidiary was incorporated in Malaysia.

16. Investment property

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At cost		
Freehold land		
At 1 January	820	874
Accumulated impairment loss	-	(54)
At 31 December	<u>820</u>	<u>820</u>
Fair Value		
At 1 January	<u>875</u>	<u>820</u>
At 31 December	<u>1,250</u>	<u>875</u>

The fair value of the investment property is categorised as Level 3 fair value.

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(Incorporated in Malaysia)

17. Property and equipment**Bank Group and Bank**

	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 2021	38,716	19,315	977	61,731	3,804	124,543
Additions	1,062	2,711	377	34,629	-	38,779
Disposals	-	(27)	-	-	-	(27)
Reclassification	-	-	-	3,804	(3,804)	-
At 31 December 2021	<u>39,778</u>	<u>21,999</u>	<u>1,354</u>	<u>100,164</u>	<u>-</u>	<u>163,295</u>
Accumulated depreciation						
At 1 January 2021	31,415	17,503	758	46,985	-	96,661
Depreciation charge for the year (Note 37)	2,196	752	132	9,226	-	12,306
Disposals	-	(27)	-	-	-	(27)
At 31 December 2021	<u>33,611</u>	<u>18,228</u>	<u>890</u>	<u>56,211</u>	<u>-</u>	<u>108,940</u>
Net book value						
At 31 December 2021	<u>6,167</u>	<u>3,771</u>	<u>464</u>	<u>43,953</u>	<u>-</u>	<u>54,355</u>

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(Incorporated in Malaysia)

17. Property and equipment (cont'd.)**Bank Group and Bank**

	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 2020	36,177	19,101	977	58,611	-	114,866
Additions	2,971	248	-	3,120	3,804	10,143
Disposals	(432)	(34)	-	-	-	(466)
At 31 December 2020	38,716	19,315	977	61,731	3,804	124,543
Accumulated depreciation						
At 1 January 2020	29,833	16,898	677	42,014	-	89,422
Depreciation charge for the year (Note 37)	2,014	639	81	4,971	-	7,705
Disposals	(432)	(34)	-	-	-	(466)
At 31 December 2020	31,415	17,503	758	46,985	-	96,661
Net book value						
At 31 December 2020	7,301	1,812	219	14,746	3,804	27,882

18. Intangible assets

Bank Group and Bank

	Software licences RM'000	Work in progress RM'000	Total RM'000
Cost			
At 1 January 2020	217,241	26,652	243,893
Additions	18,774	8,661	27,435
Reclassification	26,652	(26,652)	-
At 31 December 2020/1 January 2021	262,667	8,661	271,328
Additions	18,536	6,394	24,930
Reclassification	12,527	(12,527)	-
At 31 December 2021	293,730	2,528	296,258
Accumulated amortisation			
At 1 January 2020	128,334	-	128,334
Amortisation for the year (Note 37)	31,545	-	31,545
At 31 December 2020/1 January 2021	159,879	-	159,879
Amortisation for the year (Note 37)	35,195	-	35,195
At 31 December 2021	195,074	-	195,074
Net book value			
At 1 January 2020	88,907	26,652	115,559
At 31 December 2020/1 January 2021	102,788	8,661	111,449
At 31 December 2021	98,656	2,528	101,184

19. Right-of-use assets and lease liabilities

The nature of the leases include lease of properties to be used as headquarter and the Bank branches, lease of office equipments and rental of network and security equipment.

(a) Right-of-use assets

	Bank Group and Bank RM'000
Cost	
At 1 January 2020	30,029
Additions	11,296
At 31 December 2020/1 January 2021	<u>41,325</u>
Additions	75,623
At 31 December 2021	<u>116,948</u>
Accumulated depreciation	
At 1 January 2020	13,208
Depreciation for the period (Note 37)	13,237
At 31 December 2020/1 January 2021	<u>26,445</u>
Depreciation for the period (Note 37)	49,149
At 31 December 2021	<u>75,594</u>
Net book value	
At 1 January 2020	16,821
At 31 December 2020/1 January 2021	<u>14,880</u>
At 31 December 2021	<u>41,354</u>

The Bank Group and the Bank lease a number of premises whose lease periods are between one year and five years.

(b) Lease liabilities

	Bank Group and Bank 31.12.2021 RM'000	31.12.2020 RM'000
Current		
Lease liabilities	5,894	5,523
Non-current		
Lease liabilities	36,079	9,670
	<u>41,973</u>	<u>15,193</u>

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

(b) Lease liabilities (cont'd.)

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

	Bank Group and Bank RM'000
At 1 January 2020	17,130
Additions	11,288
Lease profit expense (Note 37)	549
Lease payments	<u>(13,774)</u>
At 31 December 2020/1 January 2021	15,193
Additions	75,134
Lease profit expense (Note 37)	2,110
Lease payments	<u>(50,464)</u>
At 31 December 2021	<u><u>41,973</u></u>

Amount recognised in the statement of profit or loss:

	Bank Group and Bank 31.12.2021 RM'000	31.12.2020 RM'000
Depreciation of right-of-use assets (Note 37)	49,149	13,237
Lease profit expense (Note 37)	<u>2,110</u>	<u>549</u>

Amount recognised in the statement of cash flows:

	Bank Group and Bank 31.12.2021 RM'000	31.12.2020 RM'000
Included in net cash from financing activities		
Profit expense on lease liabilities (Note 37)	2,110	549
Payment of lease liabilities	<u>(50,464)</u>	<u>(13,774)</u>
Total cash outflow for leases	<u><u>(48,354)</u></u>	<u><u>(13,225)</u></u>

20. Deferred tax assets/(liabilities)

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Deferred tax assets	17,292	-
Deferred tax liabilities	-	(92,368)
	<u>17,292</u>	<u>(92,368)</u>

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	
	31.12.2021	31.12.2020
	RM'000	RM'000
Deferred tax assets (before offsetting)		
Fair value reserve	50,829	-
Others	12,789	27,895
	<u>63,618</u>	<u>27,895</u>
Offsetting	(46,326)	(27,895)
	<u>17,292</u>	<u>-</u>
Deferred tax liabilities (before offsetting)		
Fair value reserve	-	(74,135)
Accelerated capital allowances	(34,911)	(19,882)
Impairment allowance	(11,415)	(26,246)
	<u>(46,326)</u>	<u>(120,263)</u>
Offsetting	46,326	27,895
	<u>-</u>	<u>(92,368)</u>

The movements in deferred tax assets and liabilities during the financial year comprises the following:

Bank Group and Bank	Fair value reserve RM'000	Capital allowances RM'000	Impairment allowances RM'000	Others RM'000	Total RM'000
Deferred tax assets/(liabilities)					
At 1 January 2021	(74,135)	(19,882)	(26,246)	27,895	(92,368)
Recognised in profit or loss (Note 39)	-	(15,029)	14,831	(15,106)	(15,304)
Recognised in other comprehensive income (Notes 29 and 39)	124,964	-	-	-	124,964
At 31 December 2021	<u>50,829</u>	<u>(34,911)</u>	<u>(11,415)</u>	<u>12,789</u>	<u>17,292</u>
At 1 January 2020	(48,971)	(19,188)	(42,863)	16,283	(94,739)
Recognised in profit or loss (Note 39)	-	(694)	16,617	11,612	27,535
Recognised in other comprehensive income (Notes 29 and 39)	(25,164)	-	-	-	(25,164)
At 31 December 2020	<u>(74,135)</u>	<u>(19,882)</u>	<u>(26,246)</u>	<u>27,895</u>	<u>(92,368)</u>

21. Assets held for sale

	Bank Group and Bank 31.12.2021 RM'000
Balance as at 1 January	-
Reclassification from financing	23,671
Gross assets held for sale	<u>23,671</u>
Less impairment allowance:	
Balance as at 1 January	-
Reclassification from financing (Note 11)	(21,549)
Total impairment allowance	<u>(21,549)</u>
Net assets held for sale	<u><u>2,122</u></u>
	Bank Group and Bank 31.12.2021 RM'000
By economic purpose:	
Purchase of residential properties	22,481
Purchase of non-residential properties	960
Purchase of Other Fixed Assets	138
Purchase of transport vehicles	47
Others	45
	<u><u>23,671</u></u>

During the year, the Bank entered into an agreement to dispose identified retail financing to an external party. The sale is expected to complete in 2022.

22. Deposits from customers

(i) By type of deposit:

	Bank Group and Bank 31.12.2021 RM'000	31.12.2020 RM'000
<u>Non-Mudharabah Funds:</u>		
Commodity Murabahah Term Deposits	24,421,230	23,781,938
Demand deposits	611,386	288,418
Savings deposits	385,596	283,079
	<u><u>25,418,212</u></u>	<u><u>24,353,435</u></u>

22. Deposits from customers (cont'd.)

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

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Due within six months	15,626,072	16,316,307
More than six months to one year	6,347,608	5,079,445
More than one year to three years	2,213,495	2,020,109
More than three years	234,055	366,077
	<u>24,421,230</u>	<u>23,781,938</u>

(iii) By type of customers:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Government and statutory bodies	12,283,703	12,058,760
Business enterprises	8,793,405	7,568,566
Individuals	4,341,104	4,726,109
	<u>25,418,212</u>	<u>24,353,435</u>

(iv) By type of contract:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Tawarruq	25,418,212	24,353,435
	<u>25,418,212</u>	<u>24,353,435</u>

23. Deposits and placements of banks and other financial institutions

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
(i) By type of deposit:		
<u>Non-Mudharabah Funds:</u>		
- Licensed investment banks	948	1,233
- Licensed Islamic banks	534,051	100,010
- Other financial institutions	8,114,582	9,428,062
	<u>8,649,581</u>	<u>9,529,305</u>
(ii) By type of contract:		
Tawarruq	8,649,581	9,529,305
	<u>8,649,581</u>	<u>9,529,305</u>

24. Investment accounts of customers

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Wakalah unrestricted investment account	2,094,914	-

The Bank launched a new Wakalah unrestricted investment account during the year. The investment account placements are used to fund personal financing.

(i) By type of customers

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Government and statutory bodies	2,014,773	-
Other financial institutions	80,141	-
	<u>2,094,914</u>	<u>-</u>

(ii) Movement of investment accounts of customers:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
At beginning of the financial year	-	-
New placement during the financial year	2,506,314	-
Redemption during the financial year	(426,328)	-
Finance expense	23,456	-
Profit distributed	(8,528)	-
At end of financial year	<u>2,094,914</u>	<u>-</u>

MBSB Bank launched a new Wakalah investment account in the first quarter ended 31 March 2021.

(iii) By maturity

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Due within six months	1,006,242	-
More than six months to one year	1,083,050	-
More than one year to three years	5,622	-
More than three years	-	-
	<u>2,094,914</u>	<u>-</u>

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

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

	Investment Account Holder Average ROR %	Bank Group and Bank Performance incentive fee %
31.12.2021		
Unrestricted investment accounts:		
Due within six months	2.58	5.32
More than six months to one year	2.75	5.14
More than one year to three years	2.95	4.95
More than three years	-	-
	Investment Account Holder Average ROR %	Bank Group and Bank Performance incentive fee %
31.12.2020		
Unrestricted investment accounts:		
Due within six months	-	-
More than six months to one year	-	-
More than one year to three years	-	-
More than three years	-	-

25. Other payables

		Bank Group 31.12.2021 RM'000	31.12.2020 RM'000	Bank 31.12.2021 RM'000	31.12.2020 RM'000
Amount due to subsidiary (i)	-	-	1,966,742	2,156,258	
Amount due to related companies (ii)	7,679	7,727	7,679	7,727	
Amount due to holding company (iii)	138,410	162,993	138,410	162,993	
Al-Mudharabah security funds	147,604	144,168	147,604	144,168	
ECL for commitments and contingencies (iv)	54,184	44,443	54,184	44,443	
Other provisions and accruals	115,621	86,927	115,599	86,907	
Deferred income	21,658	26,828	21,658	26,828	
Sundry creditors	500,724	268,080	500,539	267,896	
	<u>985,880</u>	<u>741,166</u>	<u>2,952,415</u>	<u>2,897,220</u>	

(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 5(a).

25. Other payables (cont'd.)

(ii) Amount due to related companies

The amount due to related companies are unsecured, profit-free and repayable on demand.

(iii) Amount due to holding company

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

(iv) ECL for commitments and contingencies

Movement of ECL for commitments and contingencies is as follows:

2021	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL at 1 January 2021	18,878	13,274	12,291	44,443
Total charged to profit or loss (Note 33)	(1,935)	22,595	(10,918)	9,742
Changes in the impairment allowance:				
- Transfer to stage 1	2,861	(999)	(1,862)	-
- Transfer to stage 2	(764)	802	(38)	-
- Transfer to stage 3	(3)	(43)	46	-
New financing/disbursement during the year	8,719	26,614	590	35,923
Repayment/drawdown to financing during the year	(5,818)	(8,475)	(9,668)	(23,961)
Changes in credit risk parameters #	(6,930)	4,696	14	(2,220)
Write-off	-	-	(1)	(1)
ECL at 31 December 2021	16,943	35,869	1,372	54,184

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

Movement of ECL for commitments and contingencies is as follows (cont'd.):

2020	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL at 1 January 2020	43,945	17,802	3,492	65,239
Total charged to profit or loss (Note 33)	(25,067)	(4,528)	9,408	(20,187)
Changes in the impairment allowance:				
- Transfer to stage 1	762	(685)	(77)	-
- Transfer to stage 2	(2,937)	3,043	(106)	-
- Transfer to stage 3	(367)	(1,519)	1,886	-
New financing/disbursement during the year	9,416	3,176	66	12,658
Repayment/drawdown to financing during the year	(18,535)	(8,462)	(2,092)	(29,089)
Changes in credit risk parameters #	(13,406)	(81)	9,731	(3,756)
Write-off	-	-	(609)	(609)
ECL at 31 December 2020	18,878	13,274	12,291	44,443

25. Other payables (cont'd.)

(iv) ECL for commitments and contingencies (cont'd.)

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

26. Recourse obligation on financing sold

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Repayments due within 12 months	1,074,653	401,240
Repayments due after 12 months	2,066,656	1,861,291
	<u>3,141,309</u>	<u>2,262,531</u>

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 credit facilities granted by Cagamas Berhad are secured on a portfolio of financing amounting to RM3,554,085,000 (2020: RM2,546,344,000) as disclosed in Note 11(i).

27. Sukuk Wakalah

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Sukuk Wakalah	<u>1,294,247</u>	<u>1,293,335</u>
Maturity of Sukuk Wakalah:		
Within one year	2,201	2,018
More than one year	1,292,046	1,291,317
	<u>1,294,247</u>	<u>1,293,335</u>

The Bank's Sukuk Wakalah Programme of up to RM10.0 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% per annum and RM650 million at 5.25% per annum. The salient terms of the Tier-2 Sukuk Wakalah are as follow:

- (i) subject to call option, with minimum tenure of at least 5 years
- (ii) not pledged to any security
- (iii) non-convertible

28. Share Capital

Bank Group and Bank	Number of shares		Amount	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	Units'000	Units'000	RM'000	RM'000
Ordinary shares				
Issued and fully paid shares with no par value:				
At 1 January	5,159,859	5,159,859	5,159,859	5,159,859
Issued during the year	268,113	-	268,113	-
At 31 December	<u>5,427,972</u>	<u>5,159,859</u>	<u>5,427,972</u>	<u>5,159,859</u>

The holder of ordinary shares are entitled to receive dividends from time to time, as and when declared by the Bank, after obtaining the regulatory approval from Bank Negara Malaysia 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 RM5,159,859,288 to RM5,427,971,969 via the issuance of 268,112,681 new ordinary shares.

29. Reserves

Bank Group	← Non-distributable →		Distributable	
	Regulatory reserve (i)	Fair value reserve (ii)	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021				
- As previously reported	5,234	234,762	1,367,488	1,607,484
- Prior year adjustments	-	-	(76,103)	(76,103)
- As restated	5,234	234,762	1,291,385	1,531,381
Profit for the year	-	-	454,711	454,711
Other comprehensive income for the year:				
- net changes in fair value	-	(520,676)	-	(520,676)
- income tax relating to component of other comprehensive income (Note 20)	-	124,964	-	124,964
	-	(395,712)	-	(395,712)
Dividends	-	-	(232,593)	(232,593)
Balance as at 31 December 2021	5,234	(160,950)	1,513,503	1,357,787
At 1 January 2020				
- As previously reported	5,234	155,090	1,221,956	1,382,280
- Prior year adjustments	-	-	(60,855)	(60,855)
- As restated	5,234	155,090	1,161,101	1,321,425
Profit for the year	-	-	263,941	263,941
Other comprehensive income for the year:				
- net changes in fair value	-	104,836	-	104,836
- income tax relating to component of other comprehensive income (Note 20)	-	(25,164)	-	(25,164)
	-	79,672	-	79,672
Dividends	-	-	(133,657)	(133,657)
Balance as at 31 December 2020	5,234	234,762	1,291,385	1,531,381

29. Reserves (cont'd.)

Bank	← Non-distributable →		Distributable	
	Regulatory reserve (i)	Fair value reserve (ii)	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021				
- As previously reported	5,234	234,762	791,724	1,031,720
- Prior year adjustments	-	-	240,991	240,991
- As restated	5,234	234,762	1,032,715	1,272,711
Profit for the year	-	-	442,093	442,093
Other comprehensive income for the year:				
- net changes in fair value	-	(520,676)	-	(520,676)
- income tax relating to component of other comprehensive income (Note 20)	-	124,964	-	124,964
	-	(395,712)	-	(395,712)
Dividends	-	-	(232,593)	(232,593)
Balance as at 31 December 2021	5,234	(160,950)	1,242,215	1,086,499
At 1 January 2020				
- As previously reported	5,234	155,090	728,583	888,907
- Prior year adjustments	-	-	192,711	192,711
- As restated	5,234	155,090	921,294	1,081,618
Profit for the year	-	-	245,078	245,078
Other comprehensive income for the year:				
- net changes in fair value	-	104,836	-	104,836
- income tax relating to component of other comprehensive income (Note 20)	-	(25,164)	-	(25,164)
	-	79,672	-	79,672
Dividends	-	-	(133,657)	(133,657)
Balance as at 31 December 2020	5,234	234,762	1,032,715	1,272,711

29. Reserves (cont'd.)

(i) 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% (2020: no less than 1%) of total credit exposures, net of loss allowance for credit-impaired exposures.

In 2020, Bank Negara Malaysia permitted reduction of the reserve as part of the COVID-19 related measures to drawdown prudential buffers. The Bank has yet to drawdown the reserve for the year 2021.

(ii) Fair value reserve

The fair value reserve includes 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.

30. Income derived from investment of depositors' funds

Income derived from investment of other deposits

	Bank Group		Bank Restated	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	1,731,182	1,675,115	1,731,182	1,675,115
Financial investments at FVOCI	351,629	388,152	351,629	388,152
Financial investments at amortised cost	24,453	14,425	24,453	14,425
Financial investments at FVTPL	3,763	188	3,763	188
Money at call and deposits with bank and other financial institutions	22,554	25,637	8,990	25,637
Profit on Sukuk Commodity Murabahah	-	-	110,636	105,717
Others	15,507	25,593	18,208	25,593
	<u>2,149,088</u>	<u>2,129,110</u>	<u>2,248,861</u>	<u>2,234,827</u>
of which:				
Financing income earned on impaired financing	<u>8,377</u>	<u>11,802</u>	<u>8,377</u>	<u>11,802</u>

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

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost	1,793,697	1,740,770	1,893,469	1,846,487
Financial assets at FVOCI	<u>351,629</u>	<u>388,152</u>	<u>351,629</u>	<u>388,152</u>
Finance income and hibah from financial assets not measured at FVTPL	<u>2,145,326</u>	<u>2,128,922</u>	<u>2,245,098</u>	<u>2,234,639</u>

31. Income derived from investment of shareholders' funds

	Bank Group		Bank Restated	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances	341,966	583,526	341,966	583,526
Financial investments at FVOCI	67,095	3,763	67,095	3,763
Financial investments at amortised cost	4,666	5,163	4,666	5,163
Financial investments at FVTPL	718	2	718	2
Money at call and deposits with bank and other financial institutions	4,304	25,263	1,715	249
Profit on Sukuk Commodity Murabahah	-	-	21,111	37,171
Others	2,959	6,239	3,476	9,000
	<u>421,708</u>	<u>623,956</u>	<u>440,747</u>	<u>638,874</u>
of which:				
Financing income earned on impaired financing	<u>1,599</u>	<u>4,149</u>	<u>1,599</u>	<u>4,149</u>

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Other operating income:</u>				
Financing related fees	11,523	(1,036)	11,523	(1,036)
(Loss)/gain from sale of FVOCI	(8,029)	246,782	(8,029)	246,782
(Loss)/gain from sale of FVTPL	(7,825)	2,817	(7,825)	2,817
Gain on financial investments at FVTPL	221	-	221	-
Commission	13,229	12,041	13,229	12,041
Gain/(loss) on foreign exchange transactions	42,126	(19,511)	42,126	(19,511)
Sundry income/(expenses)	29,574	(4,614)	29,574	(4,614)
	<u>80,819</u>	<u>236,479</u>	<u>80,819</u>	<u>236,479</u>
	<u>502,527</u>	<u>860,435</u>	<u>521,566</u>	<u>875,353</u>

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

	Bank Group		Bank Restated	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised cost	353,894	620,191	372,934	635,109
Financial assets at FVOCI	67,095	3,763	67,095	3,763
Finance income and hibah from financial assets not measured at FVTPL	<u>420,989</u>	<u>623,954</u>	<u>440,029</u>	<u>638,872</u>

32. Income derived from investment of investment account funds

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Financing and advances	60,967	-

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

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
<u>Expected credit losses on loans, advances and financing made/(written back)</u>		
Financing and advances (Note 11(x)):		
- Stage 1	(20,061)	(35,752)
- Stage 2	1,242	218,718
- Stage 3	87,829	208,397
Credit impaired loans, advances and financing:		
- Write-off	5,676	2,792
- Recovered	(10,620)	(8,885)
Loss on sale of loans, advances and financing	-	-
	64,066	385,270
<u>Other expected credit losses and impairment allowances made/(written back):</u>		
Financial investments at FVOCI (Note 9)	7	(11)
Financial investments at amortised cost (Note 10)	621	439
Other assets	50,019	(12,296)
Financing commitments and financial guarantees (Note 25(iv))	9,742	(20,187)
	60,389	(32,055)
	124,455	353,215

34. Net loss on modification of cash flows

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Net loss on modification of cash flows	311,665	504,676

The Bank Group and the Bank granted financing and advances moratorium to eligible individuals, SMEs and Corporates following the continuous Government initiatives to ease the cash flow of those who affected by COVID-19 pandemic. This offer is applicable to performing financing, denominated in Malaysian Ringgit, and have not been in arrears for more than 90 days upon granting the financing and advances moratorium.

As a result of financing and advances moratorium granted, the Bank Group and the Bank recognised the loss on modification of cash flows arising from difference of the gross carrying amount recalculated at the present value of the modified contractual cash flows. The Bank Group's and the Bank's loss on modification of cash flows are material for 2021 and 2020 following the high exposure to fixed rate personal financing.

The financing and advances moratorium does not automatically result in stage transfer under MFRS 9.

35. Income attributable to depositors and others

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
(a) Income attributable to depositors				
Deposits from customers:				
- Non-mudharabah funds	629,226	836,624	629,226	836,624
Deposits and placements of banks and other financial institutions:				
- Non-mudharabah funds	197,030	241,272	197,030	241,272
	<u>826,256</u>	<u>1,077,896</u>	<u>826,256</u>	<u>1,077,896</u>
	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
(b) Income attributable to securitisation	91,230	101,676	91,230	101,676
(c) Income attributable to sukuk	132,603	147,016	132,603	147,016
(d) Income attributable to wakalah unrestricted investment account	23,456	-	23,456	-
(e) Others	-	-	136,937	147,852
	<u>1,073,545</u>	<u>1,326,588</u>	<u>1,210,482</u>	<u>1,474,440</u>

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.

36. Personnel expenses

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Salaries, allowances and bonuses	194,013	222,782
Contributions to EPF and SOCSO	33,972	38,702
Directors' remuneration (Note 38)	2,485	2,853
Shariah Advisory Committee members' remuneration (Note 38)	490	368
Other staff related expenses	26,400	22,015
	<u>257,360</u>	<u>286,720</u>

37. Other overhead expenses

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Establishment related expenses</u>				
Depreciation of property and equipment	12,306	7,705	12,306	7,705
Amortisation of intangible assets	35,195	31,545	35,195	31,545
Depreciation of right-of-use assets	49,149	13,237	49,149	13,237
Rental of premises, equipment and network line	1,919	-	1,919	-
Software and hardware maintenance	55,254	31,973	55,254	31,973
Security expenses	2,268	3,284	2,268	3,284
Lease profit expense	2,110	549	2,110	549
Repair and maintenance, rates and insurance	2,954	3,499	2,954	3,499
	<u>161,155</u>	<u>91,792</u>	<u>161,155</u>	<u>91,792</u>
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	14,053	12,946	14,053	12,946
	<u>14,053</u>	<u>12,946</u>	<u>14,053</u>	<u>12,946</u>
<u>General administrative expenses</u>				
License and association fees and levies	1,018	404	1,018	404
Travelling, transport and accommodation expenses	1,289	2,189	1,289	2,189
Printing, stationery, postage and clearing charges	6,130	6,269	6,130	6,269
Electricity and water	4,147	3,806	4,147	3,806
Other professional fees	14,342	7,156	14,253	7,061
Auditors' remuneration:				
- Statutory audit	1,203	1,253	1,190	1,240
- Regulatory related services	200	200	200	200
- Non-audit fee	111	-	111	-
Compliance expense	26,743	-	26,743	-
Telephone charges	5,206	4,428	5,206	4,428
Others	19,969	7,858	19,501	7,354
	<u>80,358</u>	<u>33,563</u>	<u>79,788</u>	<u>32,951</u>
<u>Commission fees</u>				
Angkasa charges	19,169	14,017	19,169	14,017
Commission fees	12,314	3,595	12,314	3,595
	<u>31,483</u>	<u>17,612</u>	<u>31,483</u>	<u>17,612</u>

37. Other overhead expenses (cont'd.)

	Bank Group	Bank
	31.12.2021	31.12.2020
	RM'000	RM'000
Inter-company recharges ^	(13,035)	(16,645)
	<u>274,014</u>	<u>139,268</u>

^ The intercompany charges by the Bank were for services provided to related entities in Malaysia. The charges are unsecured, profit free and repayable on demand.

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

	Bank Group and Bank
	31.12.2021
	RM'000
Chief Executive Officer	
Salaries and bonus	2,792
Other emoluments	3,072
Acting Chief Executive Officer	
Salaries and bonus	337
Other emoluments	186
	<u>6,387</u>
Directors of the Bank	
Non-Executive:	
Fees and allowances	2,485
Shariah Advisory Committee members	
Fees and allowances	490
	<u>9,362</u>

Details of the remuneration of each Director are as follows:

31.12.2021

	Bank Group and Bank
	Benefit in
	kind
	RM'000
Non-Executive Directors	Total
	RM'000
1. Tan Sri Azlan bin Mohd Zainol	117
2. Encik Aw Hong Boo	153
3. Encik Sazaliza Zainuddin	100 *
4. Datuk Johar bin Che Mat	157
5. Datuk Azrulnizam bin Abdul Aziz	144
6. Encik Kamarulzaman bin Ahmad	145
7. Encik Arul Sothy Mylvaganam	140
8. Encik Ho Kwong Hoong	83
9. Tan Sri Abdul Halim bin Ali	23
10. Dr. Loh Leong Hua	69
11. Puan Lynette Yeow Su-Yin	68
12. Tunku Alina binti Raja Muhd Alias	70
	<u>1,269</u>

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

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

Shariah Advisory Committee members		Fees RM'000	Allowance RM'000	Total RM'000
1.	Tn. Hj. Mohd Bahroddin Bin Badri	60	75	135
2.	Tn. Nasrun Bin Mohamad @ Ghazali	60	32	92
3.	Dr. Luqman Bin Hj. Abdullah	60	23	83
4.	Tn. Hj. Mohd Nasiruddin Bin Mohd Kamaruddin	60	30	90
5.	Dr. Ahmad Faizol Bin Ismail	60	30	90
		300	190	490

31.12.2020

		Bank Group and Bank		
Non-Executive Directors		Fees RM'000	Allowance RM'000	Total RM'000
1.	Tan Sri Abdul Halim bin Ali	140	203	343
2.	Datuk Azrulnizam bin Abdul Aziz	133	145	278
3.	Encik Aw Hong Boo	152	125	277
4.	Datuk Johar bin Che Mat	155	159	314
5.	Puan Lynette Yeow Su-Yin	135	159	294
6.	Encik Sazaliza Zainuddin	120	123	243
7.	Tunku Alina binti Raja Muhd Alias	140	151	291
8.	Dr. Loh Leong Hua	163	173	336
9.	Encik Kamarulzaman Bin Ahmad	141	136	277
10.	Encik Arul Sothy Mylvaganam	93	107	200
		1,372	1,481	2,853

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

Shariah Advisory Committee members		Fees RM'000	Allowance RM'000	Total RM'000
1.	Asst. Prof. Dr. Akhtarzaite binti Abdul Aziz	5	2	7
2.	Prof. Dr. Abdul Rahim bin Abdul Rahman	5	2	7
3.	Prof. Dato' Dr. Noor Inayah binti Ya'akub	5	2	7
4.	Tn. Hj. Mohd Nasiruddin Bin Mohd Kamaruddin	60	22	82
5.	Tn. Hj. Mohd Bahroddin Bin Badri	60	34	94
6.	Dr. Luqman Bin Hj. Abdullah	60	19	79
7.	Dr. Ahmad Faizol Bin Ismail	45	17	62
8.	Tn. Nasrun Bin Mohamad @ Ghazali	20	10	30
		260	108	368

39. Taxation and zakat

(a) Taxation

	Bank Group	Bank
	Restated	Restated
31.12.2021	31.12.2020	31.12.2021
RM'000	RM'000	RM'000
Malaysian income tax:		
Current income tax	187,527	121,781
Under provision in prior year	14,142	21,254
	<u>201,669</u>	<u>143,035</u>
Deferred tax (Note 20):		
Origination and reversal of temporary differences	(15,868)	(28,064)
Under provision in prior year	31,172	529
	<u>15,304</u>	<u>(27,535)</u>
Total income tax expense for the year	<u>216,973</u>	<u>115,500</u>

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
	Restated	Restated
31.12.2021	31.12.2020	31.12.2021
RM'000	RM'000	RM'000
Profit before taxation and zakat	671,543	379,078
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	161,170	90,979
Effect of income not subject to tax	-	(35,485)
Effect of expenses not deductible for tax purposes	10,489	38,223
Under provision of income tax in prior years	14,142	21,254
Under provision of deferred tax in prior years	31,172	529
	<u>216,973</u>	<u>115,500</u>
Tax recognised directly in equity:		
Fair value reserve (Note 29)	(124,964)	25,164

(b) Zakat

During the year, the Board of Directors approved zakat for the financial year ended 31 December 2020 amounting to RM358,571. The amount offsets with the reversal of zakat provision made in 2020. The Bank further made zakat provision of RM500,000 for the year 2021 (2020: RM1,000,000).

40. 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.

	Principal amount RM'000	Credit equivalent amount RM'000	Risk - weighted amount RM'000
Bank Group and Bank			
31.12.2021			
Direct credit substitutes	22,786	22,786	22,786
Trade-related contingencies	81,815	40,908	40,908
Short-term self-liquidating trade-related contingencies	82,061	16,412	16,412
Irrevocable commitments to extend credit:			
- one year or less	906,430	190,286	190,286
- over one year to five years	1,738,664	867,961	773,189
- over five years	2,304	1,150	1,150
Foreign exchange related contracts#			
- one year or less	419,278	6,924	5,241
	<u>3,253,338</u>	<u>1,146,427</u>	<u>1,049,972</u>

	Principal amount RM'000	Credit equivalent amount RM'000	Risk - weighted amount RM'000
Bank Group and Bank			
31.12.2020			
Direct credit substitutes	61,797	52,254	52,254
Trade-related contingencies	93,426	46,713	46,713
Short-term self-liquidating trade-related contingencies	107,698	21,540	21,540
Irrevocable commitments to extend credit:			
- one year or less	612,780	155,399	155,399
- over one year to five years	1,562,430	778,569	701,984
- over five years	8,308	4,153	4,152
Foreign exchange related contracts#			
- one year or less	278,310	5,896	3,345
	<u>2,724,749</u>	<u>1,064,524</u>	<u>985,387</u>

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

40. Commitments and contingencies (cont'd.)

40.1 Capital Commitments

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

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Property and equipment / Intangible assets:		
Contracted but not provided for	-	26,284

41. Earnings per share

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 year.

	Bank Group	
	31.12.2021	31.12.2020
Basic:		
Net profit for the year (RM'000)	454,711	263,941
Weighted average number of ordinary shares in issue ('000)	5,417,688	5,159,859
Basic earnings per share (sen)	8.39	5.12

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

42. Dividends

Dividends declared by the Bank:

31.12.2021	Sen per share	Total amount RM'000	Date of payment
Single-tier interim dividend for 2021	3.00	162,839	28 December 2021
Single-tier final dividend for 2020	1.285	69,754	27 July 2021
31.12.2020	Sen per share	Total amount RM'000	Date of payment
Single-tier final dividend for 2019	2.59	133,657	6 May 2020

On 26 January 2022, the Directors approved single-tier final dividend of 3.0 sen per ordinary share in respect of the financial year ended 31 December 2021. Based on the number of shares in issue of 5,427,971,969 as at 31 December 2021, the dividend payable would be RM162,839,159.

The financial statements for the current financial year do not reflect the final dividend above. This dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

43. 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 with regards to the 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 and the Bank as at 31 December 2021 are disclosed 'with TA' and 'without TA'.

43. Capital adequacy (cont'd.)

	Bank Group				
	With TA 31.12.2021 RM'000	Without TA 31.12.2021 RM'000	Restated With TA 31.12.2020 RM'000	Restated Without TA 31.12.2020 RM'000	Restated 01.01.2020 RM'000
<u>Common Equity Tier 1 ("CET 1") Capital</u>					
Ordinary share capital	5,427,972	5,427,972	5,159,859	5,159,859	5,159,859
Retained profits exclude merger reserve	1,166,619	1,166,619	944,501	944,501	814,217
Other reserves	(155,716)	(155,716)	239,996	239,996	160,324
	<u>6,438,875</u>	<u>6,438,875</u>	<u>6,344,356</u>	<u>6,344,356</u>	<u>6,134,400</u>
Less: Regulatory adjustments					
Deferred tax assets	(17,292)	(17,292)	-	-	-
Cumulative gains of financial investments at FVOCI	(57,882)	(57,882)	(191,046)	(191,046)	(114,082)
Regulatory reserve	(5,234)	(5,234)	(5,234)	(5,234)	(5,234)
Intangible assets	(101,184)	(101,184)	(111,449)	(111,449)	(115,559)
Other CET 1 regulatory adjustments	144,121	-	153,372	-	-
Total CET 1 Capital	<u>6,401,404</u>	<u>6,257,283</u>	<u>6,189,999</u>	<u>6,036,627</u>	<u>5,899,525</u>
<u>Tier 1 Capital</u>					
Additional Tier 1 capital instruments	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-
Total Tier 1 capital	<u>6,401,404</u>	<u>6,257,283</u>	<u>6,189,999</u>	<u>6,036,627</u>	<u>5,899,525</u>
<u>Tier 2 Capital</u>					
Stage 1 & Stage 2 expected credit loss allowances [^]	433,618	433,618	452,856	452,856	468,137
Tier 2 capital instruments	<u>1,294,247</u>	<u>1,294,247</u>	<u>1,293,335</u>	<u>1,293,335</u>	<u>1,293,075</u>
Total Tier 2 capital	<u>1,727,865</u>	<u>1,727,865</u>	<u>1,746,191</u>	<u>1,746,191</u>	<u>1,761,212</u>
Total capital base	<u>8,129,269</u>	<u>7,985,148</u>	<u>7,936,190</u>	<u>7,782,818</u>	<u>7,660,737</u>

[^] 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.

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

	Bank Group				
	With TA 31.12.2021 RM'000	Without TA 31.12.2021 RM'000	Restated With TA 31.12.2020 RM'000	Restated Without TA 31.12.2020 RM'000	Restated 01.01.2020 RM'000
<u>Total risk-weighted assets ("RWA")</u>					
- Credit risk	34,689,443	34,689,443	36,228,467	36,228,467	37,450,945
- Market risk	62,619	62,619	36,226	36,226	33,759
- Operational risk	2,547,591	2,547,591	2,188,152	2,188,152	1,331,960
Total RWA	<u>37,299,653</u>	<u>37,299,653</u>	<u>38,452,845</u>	<u>38,452,845</u>	<u>38,816,664</u>
<u>Capital adequacy ratios</u>					
CET 1 capital ratio	17.162%	16.776%	16.098%	15.699%	15.198%
Tier 1 capital ratio	17.162%	16.776%	16.098%	15.699%	15.198%
Total capital ratio	<u>21.794%</u>	<u>21.408%</u>	<u>20.639%</u>	<u>20.240%</u>	<u>19.736%</u>

43. Capital adequacy (cont'd.)

	Bank				
	With TA	Without TA	Restated	Restated	Restated
	31.12.2021	31.12.2021	With TA	Without TA	01.01.2020
	RM'000	RM'000	31.12.2020	31.12.2020	01.01.2020
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET 1") Capital</u>					
Ordinary share capital	5,427,972	5,427,972	5,159,859	5,159,859	5,159,859
Retained earnings	1,242,215	1,242,215	1,032,715	1,032,715	921,294
Other reserves	(155,716)	(155,716)	239,996	239,996	160,324
	<u>6,514,471</u>	<u>6,514,471</u>	<u>6,432,570</u>	<u>6,432,570</u>	<u>6,241,477</u>
Less: Regulatory adjustments					
Deferred tax assets	(17,292)	(17,292)	-	-	-
Cumulative gains of financial investments at FVOCI	(57,882)	(57,882)	(191,046)	(191,046)	(114,082)
Regulatory reserve	(5,234)	(5,234)	(5,234)	(5,234)	(5,234)
Intangible assets	(101,184)	(101,184)	(111,449)	(111,449)	(115,559)
Other CET 1 regulatory adjustments	144,121	-	153,372	-	-
Total CET 1 Capital	<u>6,477,000</u>	<u>6,332,879</u>	<u>6,278,213</u>	<u>6,124,841</u>	<u>6,006,602</u>
<u>Tier 1 Capital</u>					
Additional Tier 1 capital instruments	-	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-	-
Total Tier 1 capital	<u>6,477,000</u>	<u>6,332,879</u>	<u>6,278,213</u>	<u>6,124,841</u>	<u>6,006,602</u>
<u>Tier 2 Capital</u>					
Stage 1 & Stage 2 expected credit loss allowances [^]	462,503	462,503	484,442	484,442	502,335
Tier 2 capital instruments	1,294,247	1,294,247	1,293,335	1,293,335	1,293,075
Total Tier 2 capital	<u>1,756,750</u>	<u>1,756,750</u>	<u>1,777,777</u>	<u>1,777,777</u>	<u>1,795,410</u>
Total capital base	<u>8,233,750</u>	<u>8,089,629</u>	<u>8,055,990</u>	<u>7,902,618</u>	<u>7,802,012</u>

[^] 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.

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

	Bank				
	With TA	Without TA	Restated	Restated	Restated
	31.12.2021	31.12.2021	With TA	Without TA	01.01.2020
	RM'000	RM'000	31.12.2020	31.12.2020	01.01.2020
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Total risk-weighted assets ("RWA")</u>					
- Credit risk	37,000,275	37,000,275	38,755,362	38,755,362	40,186,817
- Market risk	62,619	62,619	36,226	36,226	33,759
- Operational risk	2,615,184	2,615,184	2,223,447	2,223,447	1,385,991
Total RWA	<u>39,678,078</u>	<u>39,678,078</u>	<u>41,015,035</u>	<u>41,015,035</u>	<u>41,606,567</u>
<u>Capital adequacy ratios</u>					
CET 1 capital ratio	16.324%	15.961%	15.307%	14.933%	14.437%
Tier 1 capital ratio	16.324%	15.961%	15.307%	14.933%	14.437%
Total capital ratio	<u>20.751%</u>	<u>20.388%</u>	<u>19.642%</u>	<u>19.268%</u>	<u>18.752%</u>

43. Capital adequacy (cont'd.)

The capital ratios after the proposed single-tier final dividend of 3.000 sen per ordinary share (2020: 1.285 sen per ordinary share) in respect of financial year ended 31 December 2021 amounting to RM162,839,159 (2020: RM69,753,885) are as follows:

Capital adequacy ratios (after proposed single-tier final dividend)

	Bank Group				
	With TA	Without TA	Restated	Restated	Restated
	31.12.2021	31.12.2021	With TA	Without TA	01.01.2020
			31.12.2020	31.12.2020	
CET 1 capital ratio	16.726%	16.339%	15.918%	15.519%	14.854%
Tier 1 capital ratio	16.726%	16.339%	15.918%	15.519%	14.854%
Total capital ratio	21.358%	20.972%	20.459%	20.060%	19.391%

	Bank				
	With TA	Without TA	Restated	Restated	Restated
	31.12.2021	31.12.2021	With TA	Without TA	01.01.2020
			31.12.2020	31.12.2020	
CET 1 capital ratio	15.913%	15.550%	15.137%	14.763%	14.115%
Tier 1 capital ratio	15.913%	15.550%	15.137%	14.763%	14.115%
Total capital ratio	20.341%	19.978%	19.471%	19.098%	18.431%

44. Significant related party transactions/balances

(a) Transactions and balances with government-related entities are as follows:

EPF, the ultimate holding body, is a shareholder with control over the holding company, MBSB, with direct shareholdings of 65.87% as at 31 December 2021 (2020: 65.39%). EPF is also a government-linked entity. EPF and entities directly controlled by and under the significant influence of EPF are collectively referred to as government-related entities to the Bank Group and the Bank.

All the transactions entered into by the Bank Group and the Bank with government-related entities are conducted in the ordinary course of the Bank Group and the Bank's business on terms comparable to those with other entities that are not government-related.

(i) Individually significant transactions and balances with EPF are as follows:

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Expenses				
Profit expense paid on Sukuk to EPF	52,001	57,283	52,001	57,283
Profit expense paid on fixed deposits to EPF	26,458	35,018	26,458	35,018
Profit expense paid on time deposit to EPF	385	7	385	7
Rental paid	50	50	50	50
Balances				
Sukuk MBSB-SC Murabahah	968,331	1,077,654	968,331	1,077,654
Accrued profit on Sukuk due to EPF	7,090	7,483	7,090	7,483
Fixed deposits from EPF	1,400,000	1,300,000	1,400,000	1,300,000
Accrued profit on fixed deposits due to EPF	1,634	1,618	1,634	1,618
Time deposits by EPF	24,557	14,089	24,557	14,089
Accrued profit on fixed deposits due to EPF	5	7	5	7

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

(a) Transactions and balances with government-related entities are as follows: (cont'd.)

- (ii) Individually significant transactions and balances with the RHB Banking Group of companies, comprising RHB Bank Berhad and RHB Islamic Bank Berhad, being companies in which EPF has significant influence over, are as follows:

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Income/(expense)				
Profit income from deposit placements	1	1	-	-
Profit expense to depositors	(2,418)	(2,501)	(2,418)	(2,501)
Balances				
Cash and short-term funds	404,304	84,863	383,729	80,698
Deposits and placements with banks and other financial institutions	32	32	-	-

- (iii) Collectively, but not individually, significant transactions and balances:

The Bank Group and the Bank have balances with other government-related entities including but not limited to provision of financing and advances, deposit placements and borrowings.

The aggregate amount of the Bank Group and the Bank's significant transactions and balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Income/(expense)				
Profit income from financing	3,065	18,379	3,065	18,379
Profit expense to depositors	(170)	(3,398)	(170)	(3,398)
Balances				
Financing to customers	-	81,943	-	81,943
Deposits from customers	6,499	210,879	6,499	210,879

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

- (b) Transactions and balances with immediate holding company, a subsidiary and related entities of the Bank are as follows:

The related entities include subsidiaries of the immediate holding company and other entities whereby any of the directors have interest via directorship.

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Immediate holding company</u>				
Income/(expense)				
Inter-company recharges	11,930	13,890	11,930	13,890
Rental paid	(3,796)	(3,796)	(3,796)	(3,796)
Balance				
Amount due to holding company	138,410	162,993	138,410	162,993

	Bank	
	31.12.2021	Restated 31.12.2020
<u>Subsidiary</u>		
Income/(expense)		
Profit income from Sukuk Commodity Murabahah	131,746	142,888
Profit income from amount due from subsidiary	3,216	2,760
Inter-company recharges	1,060	1,836
Profit expense to subsidiary	(136,937)	(147,852)
Balances		
Sukuk Commodity Murabahah	2,404,630	2,872,056
Amount due from subsidiary	62,714	41,691
Amount due to subsidiary	1,966,742	2,274,992

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
<u>Related companies</u>				
Income/(expenses)				
Profit income from financing	18,465	31,832	18,465	31,832
Inter-company recharges	1,105	2,754	1,105	2,754
Other expenses	(3,097)	(6,164)	(3,097)	(6,164)
Profit expense to depositors	(3,461)	(4,949)	(3,461)	(4,949)
Rental paid	(658)	(657)	(658)	(657)
Balances				
Gross financing to related companies	546,039	571,042	546,039	571,042
Amount due to related companies	(7,679)	(5,903)	(7,679)	(5,903)
Deposits from customers	281,708	185,642	281,708	185,642

Other expenses were transactions for services provided by related entities including takaful expenses.

The Directors are of the opinion that all the transactions and balances above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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

(c) The remuneration of Directors and other members of key management is as follows:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Short-term employee benefits	16,503	16,502
Pension costs: EPF	2,235	2,204
	<u>18,738</u>	<u>18,706</u>

Included in the total key management personnel remuneration are:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments, including benefits-in-kind (Note 38)	<u>5,864</u>	<u>4,010</u>
Acting Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments, including benefits-in-kind (Note 38)	<u>523</u>	<u>-</u>

(d) Transactions and balances with Directors, shareholders and key management:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Income/(expense)		
Profit income earned on financing	26	-
Profit expense incurred on savings and deposits	(59)	(51)
	<u>(33)</u>	<u>(51)</u>
Balances		
Amount due from in respect of financing	937	-
Amount due to in respect of savings and deposits	4,049	3,144
	<u>4,986</u>	<u>3,144</u>

45. Credit exposures arising from transactions with connected parties

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>1,088,812</u>	<u>1,291,162</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>2.78%</u>	<u>3.44%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0.26%</u>	<u>0.36%</u>

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.

46. COVID-19 specific disclosures

Exposures to COVID-19 impacted sectors

Bank Group and Bank	Financing and advances	
	On-balance sheet (net of impairment)	
	31.12.2021	31.12.2020
	RM'000	RM'000
Airline/aviation, construction, oil and gas, retail and wholesale/trading, hotels and tourism, property development, food and beverage services/restaurants	<u>3,422,083</u>	<u>3,711,865</u>

46. COVID-19 specific disclosures (cont'd.)

COVID-19 customer relief and support measures

Bank Group and Bank	Retail customers as at 31 December 2021				Non-retail customers as at 31 December 2021	Grand total RM'000
	Personal	Property	Auto	Total	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Total repayment assistance, rescheduling and restructuring ("R&R")	13,165,632	3,799,107	40,589	17,005,328	924,742	17,930,070
Grand total	13,165,632	3,799,107	40,589	17,005,328	924,742	17,930,070
Of which:						
Resumed repayment	13,155,248	3,786,374	40,186	16,981,808	795,968	17,777,776
Missed payments	10,384	12,733	403	23,520	128,774	152,294
As a percentage of total:						
Resumed repayment	99.9%	99.7%	99.0%	99.9%	86.1%	99.2%
Missed payments	0.1%	0.3%	1.0%	0.1%	13.9%	0.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

46. COVID-19 specific disclosures (cont'd.)

COVID-19 customer relief and support measures

Bank Group and Bank	Retail customers as at 31 December 2020				Non-retail customers as at 31 December 2020	Grand total
	Personal	Property	Auto	Total	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Total 6-month automatic payment moratorium granted	18,747,866	5,150,057	101,460	23,999,383	3,661,812	27,661,195
Total repayment assistance, rescheduling and restructuring ("R&R")	21,195	39,620	262	61,077	39,729	100,806
Grand total	18,769,061	5,189,677	101,722	24,060,460	3,701,541	27,762,001
Of which:						
Resumed repayment	18,197,330	4,176,262	67,293	22,440,885	2,803,026	25,243,911
Extended and repaying as per revised schedules	180,678	599,341	11,042	791,061	657,058	1,448,119
Missed payments	391,053	414,074	23,387	828,514	241,457	1,069,971
As a percentage of total:						
Resumed repayment	97.0%	80.5%	66.1%	93.3%	75.7%	90.9%
Extended and repaying as per revised schedules	0.9%	11.5%	10.9%	3.3%	17.8%	5.2%
Missed payments	2.1%	8.0%	23.0%	3.4%	6.5%	3.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

46. COVID-19 specific disclosures (cont'd.)

Overlays and adjustments for expected credit loss amid COVID-19 environment

Given the degree of uncertainty surrounding the economic impact of COVID-19 and irregular underlying data in expected credit loss ("ECL") models following containment efforts and government support measures, overlays have been applied for the year ended 31 December 2021.

These overlays were applied to reflect the potential impact of delinquencies and defaults when the various relief and support measures are uplifted.

Adjustments to non-retail exposures principally reflect the outcome of management judgements for high-risk and vulnerable sectors.

For retail portfolio, adjustments reflect management's view of possible defaults which has been temporarily suppressed by government support and customer relief measures. The retail portfolio default is closely monitored and updated prospectively to align with latest government support and customer relief programs.

The customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays were generally made at account level in determining the sufficient level of ECLs.

These overlays amount to approximately 8% of total ECL as at 31 December 2021 (2020: 8%).

47. Financial risk management

The Bank Group and the Bank have exposures 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, commodities prices and their associated volatility;

(iii) Liquidity risk

Arising from the Bank Group and the Bank's ability to efficiently meet their present and future funding needs or regulatory obligations, when they come due, which may adversely affect their 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

47. Financial risk management (cont'd.)

The Bank Group and the Bank have exposures to one or more of the following risks (cont'd):

(vii) **Shariah non-compliance risk**

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

(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 their strength, soundness and profitability. The Bank Group 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 and submitted to the Board Audit Committee ("BAC"), Board Risk Management and Compliance Committee ("BRMCC") and/or Board of Directors ("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 their 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 of dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

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 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 and the Bank's Risk Management Framework is effectively maintained.

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

The Bank Group 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.

47. Financial risk management (cont'd.)

(b) Risk Management Framework (cont'd.)

(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.

(iv) Risk Management Process

- Business planning: Risk Management Division ("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 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 control: 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 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 policies.
- 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.

(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 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 and the Bank have 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 and the Bank's exposure to financial and non-financial risks including reputational impact, over time.

47. Financial risk management (cont'd.)

(b) Risk Management Framework (cont'd.)

(vi) Risk Culture (cont'd.)

In addition, the Bank Group and the Bank have implemented the Regional Compliance and Risk Officers ("RCRO") and Designated Compliance and Risk Officers ("DCORO") 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 of Directors ("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 and ensures that the Bank Group and the Bank are within risk appetites as 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.
- (ii) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Bank Group 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 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 i.e. business or support unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of operational risk.

47. Financial risk management (cont'd.)

(c) Risk organisation (cont'd.)

2nd line of defence - RMD 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, RMD 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 Division provides independent assurance to the Board and senior management on the effectiveness of the risk management process.

(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 analysis of their credit portfolios and report to the relevant committees and are overseen by RMD. 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 on the credit standing of respective borrowers, 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 secure the moral commitment from the principal shareholders and directors of the borrowers. Corporate guarantees are often obtained when the borrower's credit worthiness is insufficient to justify the granting of credit facilities.

(f) Concentration risk

Concentration of credit risk arises when a number of 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 abilities 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 safeguard against unacceptable risk concentrations. RMD also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. RMD conducts analysis and reports concentration risk to the Board on a quarterly basis.

47. Financial risk management (cont'd.)

(g) Financial instruments

(i) Financial instruments by category

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

(a) Amortised cost ("AC")

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

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

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
31.12.2021				
Bank Group				
Financial assets				
Cash and short-term funds	520,025	520,025	-	-
Deposits and placements with banks and other financial institutions	843,856	843,856	-	-
Derivative financial assets	637	-	-	637
Financial investments	12,681,658	630,334	11,811,115	240,209
Financing and advances	34,026,013	34,026,013	-	-
Assets held for sale	2,122	2,122	-	-
Statutory deposits with Bank Negara Malaysia	650,000	650,000	-	-
Other financial assets ^	453,451	453,451	-	-
	49,177,762	37,125,801	11,811,115	240,846
Financial liabilities				
Deposits from customers and other financial institutions	25,418,212	25,418,212	-	-
Deposits and placements of banks	8,649,581	8,649,581	-	-
Investment accounts of customers	2,094,914	2,094,914	-	-
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities #	965,723	965,723	-	-
Lease liabilities	41,973	41,973	-	-
Recourse obligation on financing sold	3,141,309	3,141,309	-	-
Sukuk - MBSB SC Murabahah	1,072,972	1,072,972	-	-
Sukuk Wakalah	1,294,247	1,294,247	-	-
	42,681,294	42,678,931	-	2,363
31.12.2021				
Bank				
Financial assets				
Cash and short-term funds	520,025	520,025	-	-
Derivative financial assets	637	-	-	637
Financial investments	12,681,658	630,334	11,811,115	240,209
Financing and advances	34,026,013	34,026,013	-	-
Assets held for sale	2,122	2,122	-	-
Sukuk Commodity Murabahah	2,404,630	2,404,630	-	-
Statutory deposits with Bank Negara Malaysia	650,000	650,000	-	-
Other financial assets ^	509,543	509,543	-	-
	50,794,628	38,742,667	11,811,115	240,846
Financial liabilities				
Deposits from customers and other financial institutions	25,418,212	25,418,212	-	-
Deposits and placements of banks	8,649,581	8,649,581	-	-
Investment accounts of customers	2,094,914	2,094,914	-	-
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities #	2,932,258	2,932,258	-	-
Lease liabilities	41,973	41,973	-	-
Recourse obligation on financing sold	3,141,309	3,141,309	-	-
Sukuk - MBSB SC Murabahah	1,072,972	1,072,972	-	-
Sukuk Wakalah	1,294,247	1,294,247	-	-
	44,647,829	44,645,466	-	2,363

47. Financial risk management (cont'd.)

(g) Financial instruments (cont'd.)

(i) Financial instruments by category (cont'd.)

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
31.12.2020				
Bank Group				
Financial assets				
Cash and short-term funds	731,160	731,160	-	-
Deposits and placements with banks and other financial institutions	781,682	781,682	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments	10,680,374	488,102	10,192,272	-
Financing and advances	32,863,504	32,667,431	-	-
Statutory deposits with Bank Negara Malaysia	620,000	620,000	-	-
Other financial assets ^	497,212	497,212	-	-
	46,175,656	35,785,587	10,192,272	1,724
Financial liabilities				
Deposits from customers	24,353,435	24,353,435	-	-
Deposits and placements of banks and other financial institutions	9,529,305	9,529,305	-	-
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities #	627,412	627,412	-	-
Lease liabilities	15,193	15,193	-	-
Recourse obligation on financing sold	2,262,531	2,262,531	-	-
Sukuk - MBSB SC Murabahah	1,366,563	1,366,563	-	-
Sukuk Wakalah	1,293,335	1,293,335	-	-
	39,449,388	39,447,774	-	1,614
31.12.2020				
Restated				
Bank				
Financial assets				
Cash and short-term funds	726,996	726,996	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments	10,680,374	488,102	10,192,272	-
Financing and advances	32,863,504	32,863,504	-	-
Sukuk Commodity Murabahah	2,634,147	2,634,147	-	-
Statutory deposits with Bank Negara Malaysia	620,000	620,000	-	-
Other financial assets ^	547,049	547,049	-	-
	48,073,794	37,879,798	10,192,272	1,724
Financial liabilities				
Deposits from customers	24,353,435	24,353,435	-	-
Deposits and placements of banks and other financial institutions	9,529,305	9,529,305	-	-
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities #	2,783,486	2,783,486	-	-
Lease liabilities	15,193	15,193	-	-
Recourse obligation on financing sold	2,262,531	2,262,531	-	-
Sukuk - MBSB SC Murabahah	1,366,563	1,366,563	-	-
Sukuk Wakalah	1,293,335	1,293,335	-	-
	41,605,462	41,603,848	-	1,614

47. Financial risk management (cont'd.)

(g) Financial instruments (cont'd.)

(i) Financial instruments by category (cont'd.)

	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
01.01.2020				
Restated Bank				
Financial assets				
Cash and short-term funds	1,827,458	1,827,458	-	-
Derivative financial assets	4,239	-	-	4,239
Financial investments	11,189,349	494,705	10,694,644	-
Financing and advances	32,807,317	32,807,317	-	-
Assets held for sale	-	-	-	-
Sukuk Commodity Murabahah	2,872,056	2,872,056	-	-
Statutory deposits with Bank Negara Malaysia	1,090,000	1,090,000	-	-
Other financial assets ^	576,520	576,520	-	-
	50,366,939	39,668,056	10,694,644	4,239
Financial liabilities				
Deposits from customers and other financial institutions	25,271,951	25,271,951	-	-
Deposits and placements of banks	10,621,769	10,621,769	-	-
Investment accounts of customers	-	-	-	-
Derivative financial liabilities	1	-	-	1
Other financial liabilities #	2,741,639	2,741,639	-	-
Lease liabilities	17,130	17,130	-	-
Recourse obligation on financing sold	2,481,251	2,481,251	-	-
Sukuk - MBSB SC Murabahah	1,664,973	1,664,973	-	-
Sukuk Wakalah	1,293,075	1,293,075	-	-
	44,091,789	44,091,788	-	1

^ Other financial assets exclude prepayments and deferred expenses.

Other financial liabilities exclude deferred income.

(ii) Net gains and losses arising from financial instruments

	Bank Group		Bank	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Net gains arising on:				
Financial instruments measured at amortised cost:				
- Income derived from financing and advances	2,073,148	2,258,641	2,073,148	2,258,641
- Income derived from financial investments at amortised cost	29,119	19,588	29,119	19,588
- Income derived from money at call and deposits with bank and other financial institutions	26,858	50,900	10,706	25,886
- Income derived from profit on Sukuk Commodity Murabahah	-	-	131,746	142,888
- Income derived from others	18,465	31,832	21,684	34,593
- Reversal of impairment on commitments and contingencies	-	20,187	-	20,187
- Reversal of impairment on other financial assets	-	12,296	-	12,296
	2,147,590	2,393,444	2,266,403	2,514,079

47. Financial risk management (cont'd.)

(g) Financial instruments (cont'd.)

(ii) Net gains and losses arising from financial instruments (cont'd.)

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Net gains arising on (cont'd.):				
Financial instruments measured at FVOCI:				
- Income derived from financial investments at FVOCI	418,725	391,915	418,725	391,915
- Gain from sale of financial investments	-	246,782	-	246,782
- Reversal of impairment on financial investments at FVOCI	-	11	-	11
	<u>418,725</u>	<u>638,708</u>	<u>418,725</u>	<u>638,708</u>
Financial instruments measured at FVTPL:				
- Income derived from financial investments at FVTPL	4,481	190	4,481	190
- Gain from sale of financial investments	-	2,817	-	2,817
- Gain on financial investments at FVTPL	221	-	221	-
	<u>4,702</u>	<u>3,007</u>	<u>4,702</u>	<u>3,007</u>
Net losses on:				
Financial instruments measured at amortised cost:				
- Impairment on financing and advances	(64,066)	(385,270)	(64,066)	(385,270)
- Impairment on financial investments at amortised cost	(621)	(439)	(621)	(439)
- Impairment on commitments and contingencies	(9,742)	-	(9,742)	-
- Impairment on other financial assets	(50,019)	-	(50,019)	-
- Modification of cash flows on financing and advances	(311,665)	(504,676)	(311,665)	(504,676)
- Income attributable to depositors	(826,256)	(1,077,896)	(826,256)	(1,077,896)
- Income attributable to securitisation	(91,230)	(101,676)	(91,230)	(101,676)
- Income attributable to sukuk	(132,603)	(147,016)	(132,603)	(147,016)
	<u>(1,486,202)</u>	<u>(2,216,973)</u>	<u>(1,486,202)</u>	<u>(2,216,973)</u>
Financial instruments measured at amortised cost:				
- Income attributable to wakalah unrestricted investment account	(23,456)	-	(23,456)	-
- Income attributable to others	-	-	(136,937)	(147,852)
	<u>(23,456)</u>	<u>-</u>	<u>(160,393)</u>	<u>(147,852)</u>

47. Financial risk management (cont'd.)

(g) Financial instruments (cont'd.)

(ii) Net gains and losses arising from financial instruments (cont'd.)

	Bank Group		Bank	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Net losses on (cont'd.):				
Financial instruments measured at FVOCI:				
- Loss from sale of financial investments	(8,029)	-	(8,029)	-
- Impairment on financial investments at FVOCI	(7)	-	(7)	-
	<u>(8,036)</u>	<u>-</u>	<u>(8,036)</u>	<u>-</u>
Financial instruments measured at FVTPL:				
- Loss from sale of financial investments	(7,825)	-	(7,825)	-
	<u>(7,825)</u>	<u>-</u>	<u>(7,825)</u>	<u>-</u>
Net gains arising from financial instruments	<u>1,045,498</u>	<u>818,186</u>	<u>1,027,374</u>	<u>790,969</u>

47.1 Credit risk

Credit risk is the risk of loss to the Bank Group and the Bank due to the deterioration in credit worthiness of their borrowers 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 financing. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to RMD for independent assessment. Credit exposures are evaluated by RMD and are monitored against approved limits on a periodic basis on a portfolio and individual basis.

(i) Maximum exposure to credit risk

The following analysis represents the Bank Group and the Bank's maximum exposure to credit risk from on-balance sheet financial assets and off-balance sheet commitments and contingencies, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank Group and the Bank would have to pay if the obligations of the instruments issued are being called upon. For credit commitments, the maximum exposures to credit risk is the full amount of the undrawn credit facilities granted to customers.

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

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

	Bank Group	
	31.12.2021	31.12.2020
	RM'000	RM'000
Credit exposure for		
on-balance sheet financial assets		
Cash and short-term funds	520,025	731,160
Deposits and placements with banks and other financial institutions	843,856	781,682
Derivative financial assets	637	1,724
Financial investments at FVTPL	240,209	-
Financial investments at FVOCI	11,811,115	10,192,272
Financial investments at amortised cost	630,334	488,102
Financing and advances	34,026,013	32,863,504
Statutory deposits with Bank Negara Malaysia	650,000	620,000
Assets held for sale	2,122	-
Other receivables *	453,451	497,212
	49,177,762	46,175,656

	Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Credit exposure for		
on-balance sheet financial assets		
Cash and short-term funds	520,025	726,996
Derivative financial assets	637	1,724
Financial investments at FVTPL	240,209	-
Financial investments at FVOCI	11,811,115	10,192,272
Financial investments at amortised cost	630,334	488,102
Financing and advances	34,026,013	32,863,504
Sukuk Commodity Murabahah	2,404,630	2,634,147
Statutory deposits with Bank Negara Malaysia	650,000	620,000
Assets held for sale	2,122	-
Other financial assets	509,543	547,049
	50,794,628	48,073,794

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Credit exposure for		
off-balance sheet items		
Direct credit substitutes	22,786	61,797
Trade-related contingencies	81,815	93,426
Short-term self-liquidating trade-related contingencies	82,061	107,698
Irrevocable commitments	2,647,398	2,183,518
	2,834,060	2,446,439

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality

(a) Financing and advances

Internal ratings is defined as follows:

Risk Levels	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.
Unrated	No rating available.

Classification of financing and advances is as follows:

Classification	Description
Neither past due nor impaired	Financing and advances which the customer has not missed a contractual payment (profit/interest or principal) when contractually due and is not impaired and there is no objective evidence of impairment.
Past due but not impaired	Financing and advances where the customer has failed to make a principal or interest payment when contractually due, but the Bank Group and the Bank believe that impairment is not appropriate on the basis of collateral available and/or the stage of collection amounts owed to the Bank Group and the Bank.
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's and the Bank's policies.

Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality

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

Financing and advances are summarised as follows:

31.12.2021

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired				
Corporate financing				
Excellent	111,667	-	-	111,667
Good	2,450,734	271,536	-	2,722,270
Average	2,558,625	1,530,769	-	4,089,394
Below Average	49,568	388,663	-	438,231
Poor	1,048	63,095	-	64,143
Retail financing	23,957,643	2,056,648	-	26,014,291
Total neither past due nor impaired	29,129,285	4,310,711	-	33,439,996
Past due but not impaired				
Corporate financing				
Good	-	13,397	-	13,397
Average	-	116,508	-	116,508
Poor	-	686	-	686
Retail financing	-	780,777	-	780,777
Total past due but not impaired	-	911,368	-	911,368
Impaired	-	-	963,529	963,529
Gross financing and advances	29,129,285	5,222,079	963,529	35,314,893
Less: ECL	(345,477)	(588,894)	(354,509)	(1,288,880)
Net financing and advances	28,783,808	4,633,185	609,020	34,026,013

31.12.2020

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired				
Corporate financing				
Excellent	573	-	-	573
Good	2,033,957	192,991	-	2,226,948
Average	3,812,752	778,555	-	4,591,307
Below Average	135,071	201,557	-	336,628
Poor	6,800	139,532	-	146,332
Retail financing	22,721,990	2,029,118	-	24,751,108
Total neither past due nor impaired	28,711,143	3,341,753	-	32,052,896
Past due but not impaired				
Corporate financing				
Good	-	18,219	-	18,219
Average	-	150,819	-	150,819
Retail financing	-	1,033,116	-	1,033,116
Total past due but not impaired	-	1,202,154	-	1,202,154
Impaired	-	-	987,231	987,231
Gross financing and advances	28,711,143	4,543,907	987,231	34,242,281
Less: ECL	(365,538)	(587,652)	(425,587)	(1,378,777)
Net financing and advances	28,345,605	3,956,255	561,644	32,863,504

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

31.12.2021

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financing commitments				
Corporate financing				
Excellent	11,080	-	-	11,080
Good	480,288	57,967	-	538,255
Average	844,995	461,909	-	1,306,904
Below Average	10,985	20,820	-	31,805
Poor	-	218	-	218
Unrated	-	-	5	5
Retail financing	719,408	35,194	4,529	759,131
Gross financing commitments	2,066,756	576,108	4,534	2,647,398
Less: ECL	(15,628)	(33,495)	(1,373)	(50,496)
Net financing commitments	2,051,128	542,613	3,161	2,596,902

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial guarantees				
Corporate financing				
Excellent	1,149	-	-	1,149
Good	107,303	2,593	-	109,896
Average	17,826	41,924	-	59,750
Below Average	1,979	418	-	2,397
Poor	13,472	-	-	13,472
Gross financing guarantees	141,729	44,935	-	186,664
Less: ECL	(1,315)	(2,375)	-	(3,690)
Net financing guarantees	140,414	42,560	-	182,974

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

31.12.2020

	Bank Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Financing commitments				
Corporate financing				
Good	527,592	5,156	-	532,748
Average	699,157	302,090	-	1,001,247
Below Average	2,368	9,916	-	12,284
Poor	10,000	7,500	6,525	24,025
Retail financing	586,109	24,490	2,615	613,214
Gross financing commitments	1,825,226	349,152	9,140	2,183,518
Less: ECL	(17,158)	(11,738)	(2,749)	(31,645)
Net financing commitments	1,808,068	337,414	6,391	2,151,873
Financial guarantees				
Corporate financing				
Good	69,508	-	-	69,508
Average	84,522	41,808	-	126,330
Below Average	4,731	4,400	-	9,131
Poor	17,724	3,472	36,756	57,952
Gross financing guarantees	176,485	49,680	36,756	262,921
Less: ECL	(1,720)	(1,536)	(9,542)	(12,798)
Net financing guarantees	174,765	48,144	27,214	250,123

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

Past due but not impaired

Past due but not impaired financial assets are financing and receivables where the customer has failed to make a principal or interest payment when contractually due, and includes financing and advances which are not past due or have no overdraft for a period of less than three months.

	Bank Group and Bank			
	31.12.2021		31.12.2020	
	RM'000	% to Gross Financing	RM'000	% to Gross Financing
By aging				
Months-in-arrears 1	745,856	2.11%	898,350	2.62%
Months-in-arrears 2	165,512	0.47%	303,805	0.89%
	911,368	2.58%	1,202,155	3.51%

Impaired

This refers to financing and advances for which exposures are considered impaired based on the Bank Group and Bank's policies.

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
<u>Impaired financing</u>		
Individually assessed of which:		
Months-in-arrears 0	122,473	15
Months-in-arrears 1	3,563	-
Months-in-arrears 2	361	9,066
Months-in-arrears 3 and above	635,262	294,324
Collectively assessed	201,870	683,826
	963,529	987,231

Impaired financing of which are rescheduled and restructured financing:

	Bank Group and Bank	
	31.12.2021	31.12.2020
	RM'000	RM'000
Retail	16,206	60,119
Corporate	43,202	64,061
	59,408	124,180

Rescheduled or restructured financing are financing where the original contractual terms have been modified due to deterioration in the customers' financial positions and the Bank Group and the Bank have made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to non-credit impaired.

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets

Credit rating mapping table for other financial assets

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:

Ratings 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

Credit quality of other financial assets is as follows. The ratings are based on available ratings by external credit agencies.

Bank Group

31.12.2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds				
AAA	520,025	-	-	520,025
AA and below	-	-	-	-
Unrated	-	-	-	-
	<u>520,025</u>	<u>-</u>	<u>-</u>	<u>520,025</u>
Deposits and placements with banks and other financial institutions				
AAA	743,731	-	-	743,731
AA and below	100,125	-	-	100,125
	<u>843,856</u>	<u>-</u>	<u>-</u>	<u>843,856</u>
Debt investments				
AAA	977,336	-	-	977,336
AA and below	162,386	-	-	162,386
Unrated *	11,337,042	204,894	-	11,541,936
	<u>12,476,764</u>	<u>204,894</u>	<u>-</u>	<u>12,681,658</u>
Other financial assets				
Unrated	396,051	-	57,400	453,451
	<u>396,051</u>	<u>-</u>	<u>57,400</u>	<u>453,451</u>

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,671,393,000 (2020: RM9,102,739,000)

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

Bank Group (cont'd.)

31.12.2020	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds				
AAA	637,894	-	-	637,894
AA and below	34,704	-	-	34,704
Unrated	58,562	-	-	58,562
	<u>731,160</u>	<u>-</u>	<u>-</u>	<u>731,160</u>
Deposits and placements with banks and other financial institutions				
AAA	781,650	-	-	781,650
AA and below	32	-	-	32
	<u>781,682</u>	<u>-</u>	<u>-</u>	<u>781,682</u>
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated *	9,391,275	199,566	-	9,590,841
	<u>10,480,808</u>	<u>199,566</u>	<u>-</u>	<u>10,680,374</u>
Other financial assets				
Unrated	58,167	-	439,045	497,212
	<u>58,167</u>	<u>-</u>	<u>439,045</u>	<u>497,212</u>

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,671,393,000 (2020: RM9,102,739,000)

Bank

31.12.2021	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds				
AAA	520,025	-	-	520,025
AA and below	-	-	-	-
Unrated	-	-	-	-
	<u>520,025</u>	<u>-</u>	<u>-</u>	<u>520,025</u>
Deposits and placements with banks and other financial institutions				
AAA	-	-	-	-
AA and below	100,093	-	-	100,093
	<u>100,093</u>	<u>-</u>	<u>-</u>	<u>100,093</u>
Debt investments				
AAA	977,336	-	-	977,336
AA and below	162,386	-	-	162,386
Unrated *	11,337,042	204,894	-	11,541,936
	<u>12,476,764</u>	<u>204,894</u>	<u>-</u>	<u>12,681,658</u>

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

Bank (cont'd)

31.12.2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Other financial assets				
Unrated	452,143	-	57,400	509,543
	<u>452,143</u>	<u>-</u>	<u>57,400</u>	<u>509,543</u>

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,671,393,000 (2020: RM9,102,739,000)

31.12.2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds				
AAA	637,894	-	-	637,894
AA and below	30,540	-	-	30,540
Unrated	58,562	-	-	58,562
	<u>726,996</u>	<u>-</u>	<u>-</u>	<u>726,996</u>
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated *	9,391,275	199,566	-	9,590,841
	<u>10,480,808</u>	<u>199,566</u>	<u>-</u>	<u>10,680,374</u>
Other financial assets				
Unrated	108,004	-	439,045	547,049
	<u>108,004</u>	<u>-</u>	<u>439,045</u>	<u>547,049</u>

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,671,393,000 (2020: RM9,102,739,000)

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(iii) Concentration of credit risk

Bank Group	Cash and short-term funds and deposits and placements with financial institutions*	Derivative financial assets	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortised cost	Financing and advances	Other financial assets	Assets held for sale	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Financial guarantees	Commitments and contingencies^
31.12.2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government and central banks	520,000	-	-	8,317,698	20,666	-	-	-	650,000	9,508,364	-	-
Household sectors	-	-	-	-	-	26,225,766	-	2,122	-	26,227,888	-	752,728
Agriculture	-	-	-	-	-	36,418	-	-	-	36,418	-	44,565
Mining and quarrying	-	-	-	83,969	-	152,249	-	-	-	236,218	-	6,427
Manufacturing	-	-	-	30,395	-	834,822	-	-	-	865,217	41,403	180,643
Electricity, gas and water	-	-	-	562,986	20,298	172,142	-	-	-	755,426	-	1,347
Construction	-	-	-	844,946	-	3,064,157	426,603	-	-	4,335,706	56,020	1,182,933
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	796,087	-	-	-	796,087	38,733	145,077
Transport, storage and communication	-	-	-	45,405	-	236,353	-	-	-	281,758	45,217	81,367
Finance, insurance and business services	843,881	-	240,209	1,925,716	589,370	2,372,873	-	-	-	5,972,049	5,289	248,839
Education, health and others	-	-	-	-	-	103,858	-	-	-	103,858	-	3,472
Others	-	637	-	-	-	31,288	26,848	-	-	58,773	-	-
	1,363,881	637	240,209	11,811,115	630,334	34,026,013	453,451	2,122	650,000	49,177,762	186,662	2,647,398

* Cash and short-term funds and deposits and placements with financial institutions exclude cash at bank and in hand.

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

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

Bank	Cash and short-term funds and deposits and placements with financial institutions*	Derivative financial assets	Financial investments at FVTPL	Financial investments at FVOCI	Financial investments at amortised cost	Financing and advances	Sukuk Commodity Murabahah	Assets held for sale	Other financial assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Financial guarantees	Commitments and contingencies^
31.12.2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government and central banks	520,000	-	-	8,317,698	20,666	-	-	-	-	650,000	9,508,364	-	-
Household sectors	-	-	-	-	-	26,225,766	-	2,122	-	-	26,227,888	-	752,728
Agriculture	-	-	-	-	-	36,418	-	-	-	-	36,418	-	44,565
Mining and quarrying	-	-	-	83,969	-	152,249	-	-	-	-	236,218	-	6,427
Manufacturing	-	-	-	30,395	-	834,822	-	-	-	-	865,217	41,403	180,643
Electricity, gas and water	-	-	-	562,986	20,298	172,142	-	-	-	-	755,426	-	1,347
Construction	-	-	-	844,946	-	3,064,157	-	-	426,603	-	4,335,706	56,020	1,182,933
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	796,087	-	-	-	-	796,087	38,733	145,077
Transport, storage and communication	-	-	-	45,405	-	236,353	-	-	-	-	281,758	45,217	81,367
Finance, insurance and business services	100,118	-	240,209	1,925,716	589,370	2,372,873	2,404,630	-	62,715	-	7,695,631	5,289	248,839
Education, health and others	-	-	-	-	-	103,858	-	-	-	-	103,858	-	3,472
Others	-	637	-	-	-	31,288	-	-	20,225	-	52,150	-	-
	620,118	637	240,209	11,811,115	630,334	34,026,013	2,404,630	2,122	509,543	650,000	50,894,721	186,662	2,647,398

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

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

Bank Group	Cash and short-term funds and deposits and placements with financial institutions*	Derivative financial assets	Financial investments at FVOCI	Financial investments at amortised cost	Financing and advances	Other financial assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Financial guarantees	Commitments and contingencies^
31.12.2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government and central banks	618,119	-	6,906,158	-	-	-	620,000	8,144,277	-	-
Household sectors	-	-	-	-	25,031,119	-	-	25,031,119	-	612,675
Agriculture	-	-	-	-	102,604	-	-	102,604	-	26,278
Mining and quarrying	-	-	34,916	-	167,516	-	-	202,432	32,583	20,486
Manufacturing	-	-	30,674	-	448,799	-	-	479,473	11,396	141,962
Electricity, gas and water	-	-	561,636	20,317	167,788	-	-	749,741	-	9,222
Construction	-	-	768,988	-	3,278,227	440,869	-	4,488,084	116,182	988,766
Wholesale & retail trade and restaurants & hotels	-	-	-	-	583,969	-	-	583,969	48,152	174,998
Transport, storage and communication	-	-	99,625	-	221,459	-	-	321,084	50,239	65,608
Finance, insurance and business services	894,723	-	1,790,254	467,785	2,745,458	53,618	-	5,951,838	4,369	142,447
Education, health and others	-	-	-	-	85,577	-	-	85,577	-	1,076
Others	-	1,724	21	-	30,988	2,725	-	35,458	-	-
	1,512,842	1,724	10,192,272	488,102	32,863,504	497,212	620,000	46,175,656	262,921	2,183,518

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

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

Restated Bank 31.12.2020	Cash and short-term funds and deposits and placements with financial institutions*	Derivative financial assets	Financial investments at FVOCI	Financial investments at amortised cost	Financing and advances	Sukuk Commodity Murabahah	Other financial assets	Statutory deposits with Bank Negara Malaysia	On-balance sheet total	Financial guarantees	Commitments and contingencies^
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government and central banks	618,119	-	6,906,158	-	-	-	-	620,000	8,144,277	-	-
Household sectors	-	-	-	-	25,039,238	-	-	-	25,039,238	-	612,675
Agriculture	-	-	-	-	94,484	-	-	-	94,484	-	26,278
Mining and quarrying	-	-	34,916	-	167,516	-	-	-	202,432	32,583	20,486
Manufacturing	-	-	30,674	-	451,810	-	-	-	482,484	11,396	141,962
Electricity, gas and water	-	-	561,636	20,317	164,778	-	-	-	746,731	-	9,222
Construction	-	-	768,988	-	3,278,227	-	440,869	-	4,488,084	116,182	988,765
Wholesale & retail trade and restaurants & hotels	-	-	-	-	583,969	-	-	-	583,969	48,152	174,998
Transport, storage and communication	-	-	99,625	-	221,458	-	-	-	321,083	50,239	65,608
Finance, insurance and business services	108,877	-	1,790,254	467,785	2,745,459	2,634,147	53,618	-	7,800,140	4,369	142,448
Education, health and others	-	-	-	-	85,577	-	-	-	85,577	-	1,076
Others	-	1,724	21	-	30,988	-	52,561	-	85,294	-	-
	726,996	1,724	10,192,272	488,102	32,863,504	2,634,147	547,048	620,000	48,073,793	262,921	2,183,518

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

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

Restated Bank 01.01.2020	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Sukuk Commodity Murabahah RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Financial guarantees RM'000	Commitments and contingencies^ RM'000
Government and central banks	1,671,954	-	7,530,627	-	-	-	-	1,090,000	10,292,581	-	-
Household sectors	-	-	-	-	24,437,796	-	-	-	24,437,796	-	439,246
Agriculture	-	-	-	-	127,631	-	-	-	127,631	-	81,031
Mining and quarrying	-	-	-	-	76,950	-	-	-	76,950	295	4,262
Manufacturing	-	-	10,177	-	268,284	-	-	-	278,461	1,689	144,153
Electricity, gas and water	-	-	474,031	20,333	255,886	-	-	-	750,250	11,698	129,551
Construction	-	-	536,808	-	4,210,359	-	389,559	-	5,136,726	244,376	2,497,781
Wholesale & retail trade and restaurants & hotels	-	-	-	-	456,116	-	25	-	456,141	2,778	280,611
Transport, storage and communication	-	-	240,065	-	196,877	-	-	-	436,942	2,004	124,595
Finance, insurance and business services	155,502	-	1,902,936	263,003	2,706,927	2,872,056	120,107	-	8,020,531	6,300	837,770
Education, health and others	-	-	-	211,369	70,491	-	-	-	281,860	-	32,669
Others	2	4,239	-	-	-	-	66,829	-	71,070	-	-
	1,827,458	4,239	10,694,644	494,705	32,807,317	2,872,056	576,520	1,090,000	50,366,939	269,140	4,571,669

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(iv) Collateral and other credit enhancements obtained

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

- For property financing - changes over the properties being financed;
- For auto financing - ownership claims over the vehicles being financed; and
- For other financing and advances - changes over business assets such as premises, inventories, trade receivables and/or cash deposits.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for gross financing and advances for the Bank Group and the Bank is 30.10% (2020: 27.00%). The financial effects of collateral held for the remaining financial investments are not significant.

(v) Key macroeconomic variables

In computing the Expected Credit Losses ("ECL") of financing and advances, the Bank Group and the Bank incorporate the impact of forward-looking key macroeconomic variables ("MEV") according to the 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 on the components. Sources of forecasts of the MEV are external research house.

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

Macroeconomic Variables ("MEVs")	Base scenario		Best scenario		Worst scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Year 2021						
Household Disposable Income (in Billion)	882.11	1,055.39	887.49	1,090.47	874.20	1,011.10
Private Consumption (in Billion)	845.72	982.83	861.01	997.46	833.01	977.13
Interbank Offered Rate - 3 months ("KLIB3M") (%)	1.87	2.89	1.88	3.02	1.28	2.27
House Price Index ("HPI")	205.68	219.55	209.19	228.11	203.79	207.59
Unemployment Rate (%)	3.38	3.17	3.24	3.04	4.44	3.68
Overnight Policy Rate ("OPR") (%)	1.84	2.90	1.85	3.03	1.25	2.28
Brent Crude Oil Future Prices (USD/barrel)	71.24	65.95	73.06	71.60	57.45	62.18
Consumer Price Index ("CPI")	126.34	133.03	128.19	135.44	125.93	132.56
Exchange Rate (MYR/USD)	4.14	4.16	3.81	4.12	4.31	4.17
Total Unemployed (in Million)	0.55	0.53	0.53	0.51	0.72	0.62

47. Financial risk management (cont'd.)

47.1 Credit risk (cont'd.)

(v) Key macroeconomic variables (cont'd.)

Macroeconomic Variables ("MEVs")	Base scenario		Best scenario		Worst scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Year 2020						
Household Disposable Income (in Billion)	945.85	1,042.17	951.24	1,075.65	939.33	1,003.22
Private Consumption (in Billion)	879.85	856.53	898.91	875.06	862.85	849.03
Interbank Offered Rate - 3 months ("KLIB3M") (%)	1.77	1.92	1.77	2.15	1.27	1.43
House Price Index ("HPI")	200.13	213.20	203.54	220.43	198.56	202.66
Unemployment Rate (%)	3.17	3.06	3.03	2.92	3.83	3.44
Overnight Policy Rate ("OPR") (%)	1.75	1.91	1.75	2.14	1.25	1.41
Brent Crude Oil Future Prices (USD/barrel)	47.68	62.12	52.70	68.32	38.72	58.82
Consumer Price Index ("CPI")	120.81	130.49	122.58	132.85	120.11	129.10
Exchange Rate (MYR/USD)	4.09	4.03	3.77	3.97	4.26	4.04
Total Unemployed (in Million)	0.51	0.51	0.49	0.48	0.62	0.57

During the year, the Bank improved the ECL models by incorporating additional MEVs to account for potential impact from various external factors.

47.2 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 profit rates and foreign exchange rates 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 profit 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 RMD, via its presence in the ALCO, provides advisory services and input on the Bank Group and the Bank's market risk management.

(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.

47. Financial risk management (cont'd.)

47.2 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.

	31.12.2021		31.12.2020	
	+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")	30,985	(30,985)	64,931	(64,931)
Impact on Economic Value Loss ("EVE")	(1,412,645)	1,412,645	(1,423,598)	1,423,598

	31.12.2021	
	+100 basis points RM'000	-100 basis points RM'000
Bank		
Impact on Earnings-at-Risk ("EaR")	29,121	(29,121)
Impact on Economic Value Loss ("EVE")	(1,465,968)	1,465,968

	Restated 31.12.2020		Restated 01.01.2020	
	+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")	64,919	(64,919)	61,463	(61,463)
Impact on Economic Value Loss ("EVE")	(1,494,479)	1,494,479	(1,388,051)	1,388,051

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

Sensitivity analysis for profit rate risk

At the reporting date, if profit rates had been 100 basis points lower/higher, 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 interest expenses from floating rate borrowings and fixed deposits placed by customers and interest income from floating rate financing and advances.

	Bank Group		Bank	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
	RM'000	RM'000	RM'000	RM'000
2021				
Impact to profit after tax	(136,480)	136,480	(140,345)	140,345
Impact to equity	<u>(466,657)</u>	<u>507,743</u>	<u>(466,657)</u>	<u>507,743</u>
2020				
Impact to profit after tax	(86,911)	86,911	(112,149)	112,149
Impact to equity	<u>(439,518)</u>	<u>482,946</u>	<u>(439,518)</u>	<u>482,946</u>

47. Financial risk management (cont'd.)
47.2 Market risk (cont'd.)
(i) Profit rate risk (cont'd.)

The tables below summarise the Bank Group and the Bank's exposure to profit rate risk. The tables indicate average profit rates at the reporting date and periods in which the financial instruments mature, whichever is earlier. Assets classified as non-profit sensitive are either non-profit bearing or, if profit bearing, the cashflows arising from these assets are not expected to change significantly if profit rates change.

	<----- Non-trading book ----->								Effective profit rate
Bank Group	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2021									
Financial Assets									
Cash and short-term funds	520,025	-	-	-	-	125,180	-	645,205	1.75
Deposits and placements									
with financial institutions	32	100,093	743,731	-	-	-	-	843,856	1.97
Derivative financial assets	616	5	16	-	-	-	-	637	
Financial investments at FVTPL	-	-	-	-	-	-	240,209	240,209	
Financial investments at FVOCI	65,115	60,187	627,015	3,587,463	7,342,616	128,719	-	11,811,115	3.59
Financial investments at amortised cost	-	19,999	1,999	310,877	291,270	6,189	-	630,334	5.51
Financing and advances									
- non-impaired	406,478	771,414	889,707	3,143,948	29,139,816	(934,370)	-	33,416,993	6.37
- impaired, net of loss allowances*	-	-	-	-	-	609,020	-	609,020	
Assets held for sale	-	-	-	-	-	2,122	-	2,122	
Other financial assets	-	-	-	-	-	453,451	-	453,451	
Statutory deposits with Bank Negara Malaysia**	-	-	-	180,000	470,000	-	-	650,000	4.27
Total financial assets	992,266	951,698	2,262,468	7,222,288	37,243,702	390,311	240,209	49,302,942	

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

Bank Group	<----- Non-trading book ----->						Trading book	Total	Effective profit rate
	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2021									
<u>Financial Liabilities</u>									
Deposits from customers	4,505,507	6,846,433	11,428,759	2,436,934	10,616	189,963	-	25,418,212	2.39
Deposits and placements of banks	3,377,956	1,098,057	3,647,683	503,837	-	22,048	-	8,649,581	2.38
Investment accounts of customers	10,089	695,188	1,369,096	5,614	-	14,927	-	2,094,914	2.70
Derivative financial liabilities	2,338	-	25	-	-	-	-	2,363	
Other financial liabilities	-	-	-	-	-	965,723	-	965,723	
Lease liabilities	3,677	5,490	14,132	18,674	-	-	-	41,973	4.18
Recourse obligation on financing sold	5,712	47,031	1,011,062	2,066,656	-	10,848	-	3,141,309	3.90
Sukuk-MBSB SC Murabahah	24	-	238,437	684,447	142,533	7,531	-	1,072,972	4.83
Sukuk Wakalah	-	-	-	-	1,292,046	2,201	-	1,294,247	5.24
Total financial liabilities	7,905,303	8,692,199	17,709,194	5,716,162	1,445,195	1,213,241	-	42,681,294	
Total profit-sensitivity gap	(6,913,037)	(7,740,501)	(15,446,726)	1,506,126	35,798,507	(822,930)	240,209	6,621,648	

47. Financial risk management (cont'd.)
47.2 Market risk (cont'd.)
(i) Profit rate risk (cont'd.)

Bank	<----- Non-trading book ----->					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2021									
Financial Assets									
Cash and short-term funds	520,025	-	-	-	-	104,604	-	624,629	1.75
Deposits and placements									
with financial institutions	-	100,093	-	-	-	-	-	100,093	1.99
Derivative financial assets	616	5	16	-	-	-	-	637	
Financial investments at FVTPL	-	-	-	-	-	-	240,209	240,209	
Financial investments at FVOCI	65,115	60,187	627,015	3,587,463	7,342,616	128,719	-	11,811,115	3.59
Financial investments at amortised cost	-	19,999	1,999	310,877	291,270	6,189	-	630,334	5.51
Financing and advances									
- non-impaired	406,478	771,414	889,707	3,143,948	29,139,816	(934,370)	-	33,416,993	6.37
- impaired, net of loss allowances*	-	-	-	-	-	609,020	-	609,020	
Assets held for sale	-	-	-	-	-	2,122	-	2,122	
Sukuk Commodity Murabahah	458,728	-	355,646	1,338,678	250,056	1,522	-	2,404,630	2.73
Other financial assets	62,715	-	-	-	-	446,828	-	509,543	5.50
Statutory deposits with Bank Negara Malaysia**	-	-	-	180,000	470,000	-	-	650,000	4.27
Total financial assets	1,513,677	951,698	1,874,383	8,560,966	37,493,758	364,634	240,209	50,999,325	

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

Bank	<----- Non-trading book ----->						Trading book	Total	Effective profit rate
	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2021									
<u>Financial Liabilities</u>									
Deposits from customers	4,505,507	6,846,433	11,428,759	2,436,934	10,616	189,963	-	25,418,212	2.39
Deposits and placements of banks	3,377,956	1,098,057	3,647,683	503,837	-	22,048	-	8,649,581	2.38
Investment accounts of customers	10,089	695,188	1,369,096	5,614	-	14,927	-	2,094,914	2.70
Derivative financial liabilities	2,338	-	25	-	-	-	-	2,363	
Other financial liabilities	1,966,742	-	-	-	-	965,516	-	2,932,258	7.17
Lease liabilities	3,677	5,490	14,132	18,674	-	-	-	41,973	4.18
Recourse obligation on financing sold	5,712	47,031	1,011,062	2,066,656	-	10,848	-	3,141,309	3.90
Sukuk-MBSB SC Murabahah	24	-	238,437	684,447	142,533	7,531	-	1,072,972	4.83
Sukuk Wakalah	-	-	-	-	1,292,046	2,201	-	1,294,247	5.24
Total financial liabilities	9,872,045	8,692,199	17,709,194	5,716,162	1,445,195	1,213,034	-	44,647,829	
Total profit-sensitivity gap	(8,358,368)	(7,740,501)	(15,834,811)	2,844,804	36,048,563	(848,400)	240,209	6,351,496	

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

	<----- Non-trading book ----->								Effective
Restated Bank Group	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total	profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2020									
<u>Financial Assets</u>									
Cash and short-term funds	606,029	-	-	-	-	125,131	-	731,160	2.31
Deposits and placements									
with financial institutions	32	-	781,650	-	-	-	-	781,682	1.92
Derivative financial assets	1,724	-	-	-	-	-	-	1,724	
Financial investments at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	-	10,192,272	3.64
Financial investments at amortised cost	-	-	-	30,315	457,787	-	-	488,102	4.97
Financing and advances									
- non-impaired	437,488	643,313	428,831	3,119,285	28,626,133	(953,190)	-	32,301,860	6.52
- impaired, net of loss allowances*	-	-	-	-	-	561,644	-	561,644	
Other financial assets	-	-	-	-	-	497,212	-	497,212	
Statutory deposits with Bank Negara Malaysia	-	-	-	110,000	510,000	-	-	620,000	4.25
Total financial assets	1,050,379	724,236	1,487,047	6,527,604	36,155,593	230,797	-	46,175,656	

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

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

	<----- Non-trading book ----->								Effective
Restated Bank Group	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total	profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2020									
<u>Financial Liabilities</u>									
Deposits from customers	4,989,066	5,993,254	10,832,533	2,325,089	61,097	152,396	-	24,353,435	2.81
Deposits and placements of banks and other financial institutions	4,791,427	2,053,058	1,805,196	866,743	-	12,881	-	9,529,305	3.00
Derivative financial liabilities	1,614	-	-	-	-	-	-	1,614	
Other financial liabilities	-	-	-	-	-	627,412	-	627,412	
Lease liabilities	13	50	5,460	9,670	-	-	-	15,193	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	-	2,262,531	4.31
Sukuk-MBSB SC Murabahah	-	-	294,388	858,635	213,540	-	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	-	1,293,335	5.24
Total financial liabilities	9,801,150	8,367,832	13,000,335	5,921,428	1,565,954	792,689	-	39,449,388	
Total profit-sensitivity gap	(8,750,771)	(7,643,596)	(11,513,288)	606,176	34,589,639	(561,892)	-	6,726,268	

47. Financial risk management (cont'd.)
47.2 Profit rate risk (cont'd.)
(i) Profit rate risk (cont'd.)

	<----- Non-trading book ----->								Effective
Restated Bank	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total	profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
31.12.2020									
<u>Financial Assets</u>									
Cash and short-term funds	606,029	-	-	-	-	120,967	-	726,996	2.31
Deposits and placements									
with financial institutions	-	-	-	-	-	-	-	-	-
Derivative financial assets	1,724	-	-	-	-	-	-	1,724	
Financial investments at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	-	10,192,272	3.64
Financial investments at amortised cost	-	-	-	30,315	457,787	-	-	488,102	4.97
Financing and advances									
- non-impaired	437,488	643,313	428,831	3,119,285	28,626,133	(953,190)	-	32,301,860	6.52
- impaired, net of loss allowances*	-	-	-	-	-	561,644	-	561,644	
Sukuk Commodity Murabahah	370,631	-	322,926	1,227,424	713,166	-	-	2,634,147	2.80
Other financial assets	53,618	-	-	-	-	493,431	-	547,049	5.50
Statutory deposits with Bank Negara Malaysia	-	-	-	110,000	510,000	-	-	620,000	4.25
Total financial assets	1,474,596	724,236	1,028,323	7,755,028	36,868,759	222,852	-	48,073,794	

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

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

Restated Bank	<----- Non-trading book ----->						Trading book	Total	Effective profit rate %
	Up to 1 months 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			
31.12.2020									
<u>Financial Liabilities</u>									
Deposits from customers	4,989,066	5,993,254	10,832,533	2,325,089	61,097	152,396	-	24,353,435	2.81
Deposits and placements of banks and other financial institutions	4,791,427	2,053,058	1,805,196	866,743	-	12,881	-	9,529,305	3.00
Derivative financial liabilities	1,614	-	-	-	-	-	-	1,614	
Other financial liabilities	2,156,258	-	-	-	-	627,228	-	2,783,486	7.10
Lease liabilities	13	50	5,460	9,670	-	-	-	15,193	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	-	2,262,531	4.31
Sukuk-MBSB SC Murabahah	-	-	294,388	858,635	213,540	-	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	-	1,293,335	5.24
Total financial liabilities	11,957,408	8,367,832	13,000,335	5,921,428	1,565,954	792,505	-	41,605,462	
Total profit-sensitivity gap	(10,482,812)	(7,643,596)	(11,972,012)	1,833,600	35,302,805	(569,653)	-	6,468,332	

47. Financial risk management (cont'd.)
47.2 Market risk (cont'd.)
(i) Profit rate risk (cont'd.)

Restated Bank	Non-trading book					Non-profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
01.01.2020									
Financial Assets									
Cash and short-term funds	1,694,136	-	-	-	-	133,322	-	1,827,458	3.16
Deposits and placements with financial institutions	-	-	-	-	-	-	-	-	-
Derivative financial assets	4,239	-	-	-	-	-	-	4,239	-
Financial investments at FVOCI	25,504	131,442	446,837	4,141,654	5,949,207	-	-	10,694,644	3.86
Financial investments at amortised cost	-	-	-	30,332	464,373	-	-	494,705	5.59
Financing and advances									
- non-impaired	540,458	452,157	932,384	3,566,224	27,680,772	(770,223)	-	32,401,772	6.96
- impaired, net of loss allowances*	-	-	-	-	-	405,545	-	405,545	-
Sukuk Commodity Murabahah	288,281	-	323,432	1,212,699	1,047,644	-	-	2,872,056	2.87
Other financial assets	41,691	-	-	-	-	534,829	-	576,520	6.75
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,090,000	-	1,090,000	-
Total financial assets	2,594,309	583,599	1,702,653	8,950,909	35,141,996	1,393,473	-	50,366,939	

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

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

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

	----- Non-trading book ----->								Effective
Restated Bank	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total	profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
01.01.2020									
Financial Liabilities									
Deposits from customers	5,208,620	5,403,930	11,730,675	2,726,297	104,989	97,440	-	25,271,951	3.92
Deposits and placements of banks and other financial institutions	2,601,258	3,502,116	3,582,828	924,240	-	11,327	-	10,621,769	3.91
Derivative financial liabilities	1	-	-	-	-	-	-	1	
Other financial liabilities	2,274,992	-	-	-	-	466,647	-	2,741,639	7.13
Lease liabilities	-	-	471	16,659	-	-	-	17,130	4.33
Recourse obligation on financing sold	10,352	24,668	65,837	2,380,394	-	-	-	2,481,251	4.49
Sukuk-MBSB SC Murabahah	-	-	294,973	995,000	375,000	-	-	1,664,973	4.92
Sukuk Wakalah	-	-	2,201	-	1,290,874	-	-	1,293,075	5.29
Total financial liabilities	10,095,223	8,930,714	15,676,985	7,042,590	1,770,863	575,414	0	44,091,789	
Total profit-sensitivity gap	(7,500,914)	(8,347,115)	(13,974,332)	1,908,319	33,371,133	818,059	-	6,275,150	

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) 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 their financial position and cash flows. The Bank Group manages 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 after taxation to movement in foreign exchange rates:

	Bank Group and Bank	
	2021	2020
	RM'000	RM'000
+1%	(1,447)	(1,157)
-1%	1,447	1,157

Bank Group	MYR	USD	Others	Total
31.12.2021	RM'000	RM'000	RM'000	RM'000
Assets				
Cash and short-term funds	631,595	9,165	4,445	645,205
Deposits and placements with banks and other financial institutions	843,856	-	-	843,856
Derivative financial assets	637	-	-	637
Financial investments at FVTPL	240,209	-	-	240,209
Financial investments at FVOCI	11,811,115	-	-	11,811,115
Financial investments at amortised cost	630,334	-	-	630,334
Financing and advances	33,207,224	818,789	-	34,026,013
Other financial assets	453,451	-	-	453,451
Statutory deposits with Bank Negara Malaysia	650,000	-	-	650,000
Assets held for sale	2,122	-	-	2,122
Total assets	48,470,543	827,954	4,445	49,302,942

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank Group 31.12.2021	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Liabilities				
Deposits from customers	24,728,243	688,852	1,117	25,418,212
Deposits and placements of banks and other financial institutions	8,316,348	333,233	-	8,649,581
Investment accounts of customers	2,094,914			2,094,914
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities	965,723	-	-	965,723
Lease liabilities	41,973	-	-	41,973
Recourse obligation on financing sold	3,141,309	-	-	3,141,309
Sukuk-MBSB SC Murabahah	1,072,972	-	-	1,072,972
Sukuk Wakalah	1,294,247	-	-	1,294,247
Total liabilities	41,658,092	1,022,085	1,117	42,681,294

Net on-balance sheet financial position	6,812,451	(194,131)	3,328	6,621,648
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Bank 31.12.2021	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	611,019	9,165	4,445	624,629
Deposits and placements with banks and other financial institutions	100,093	-	-	100,093
Derivative financial assets	637	-	-	637
Financial investments at FVTPL	240,209	-	-	240,209
Financial investments at FVOCI	11,811,115	-	-	11,811,115
Financial investments at amortised cost	630,334	-	-	630,334
Financing and advances	33,207,224	818,789	-	34,026,013
Sukuk Commodity Murabahah	2,404,630	-	-	2,404,630
Other financial assets	509,543	-	-	509,543
Statutory deposits with Bank Negara Malaysia	650,000	-	-	650,000
Assets held for sale	2,122	-	-	2,122
Total assets	50,166,926	827,954	4,445	50,999,325

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank 31.12.2021	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Liabilities				
Deposits from customers	24,728,243	688,852	1,117	25,418,212
Deposits and placements of banks and other financial institutions	8,316,348	333,233	-	8,649,581
Investment accounts of customers	2,094,914	-	-	2,094,914
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities	2,932,258	-	-	2,932,258
Lease liabilities	41,973	-	-	41,973
Recourse obligation on financing sold	3,141,309	-	-	3,141,309
Sukuk-MBSB SC Murabahah	1,072,972	-	-	1,072,972
Sukuk Wakalah	1,294,247	-	-	1,294,247
Total liabilities	43,624,627	1,022,085	1,117	44,647,829
Net on-balance sheet financial position	6,542,299	(194,131)	3,328	6,351,496
Restated Bank Group 31.12.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	705,317	10,439	15,404	731,160
Deposits and placements with banks and other financial institutions	781,682	-	-	781,682
Derivative financial assets	1,724	-	-	1,724
Financial investments at FVOCI	10,192,272	-	-	10,192,272
Financial investments at amortised cost	488,102	-	-	488,102
Financing and advances	32,303,902	559,602	-	32,863,504
Other financial assets	497,212	-	-	497,212
Statutory deposits with Bank Negara Malaysia	620,000	-	-	620,000
Total assets	45,590,211	570,041	15,404	46,175,656

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Restated Bank Group 31.12.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Liabilities				
Deposits from customers	23,920,237	432,638	560	24,353,435
Deposits and placements of banks and other financial institutions	9,529,305	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities	627,412	-	-	627,412
Lease liabilities	15,193	-	-	15,193
Recourse obligation on financing sold	2,262,531	-	-	2,262,531
Sukuk-MBSB SC Murabahah	1,366,563	-	-	1,366,563
Sukuk Wakalah	1,293,335	-	-	1,293,335
Total liabilities	39,016,190	432,638	560	39,449,388
Net on-balance sheet financial position	6,574,021	137,403	14,844	6,726,268
Restated Bank 31.12.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	701,153	10,439	15,404	726,996
Derivative financial assets	1,724	-	-	1,724
Financial investments at FVOCI	10,192,272	-	-	10,192,272
Financial investments at amortised cost	488,102	-	-	488,102
Financing and advances	32,303,902	559,602	-	32,863,504
Sukuk Commodity Murabahah	2,634,147	-	-	2,634,147
Other financial assets	547,049	-	-	547,049
Statutory deposits with Bank Negara Malaysia	620,000	-	-	620,000
Total assets	47,488,349	570,041	15,404	48,073,794

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Restated Bank 31.12.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Liabilities				
Deposits from customers	33,348,299	432,638	560	33,781,497
Deposits and placements of banks and other financial institutions	101,243	-	-	101,243
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities	2,783,486	-	-	2,783,486
Lease liabilities	15,193	-	-	15,193
Recourse obligation on financing sold	2,262,531	-	-	2,262,531
Sukuk-MBSB SC Murabahah	1,366,563	-	-	1,366,563
Sukuk Wakalah	1,293,335	-	-	1,293,335
Total liabilities	41,172,264	432,638	560	41,605,462
Net on-balance sheet financial position	6,316,085	137,403	14,844	6,468,332
Restated Bank Group 01.01.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	1,820,903	6,554	2,258	1,829,715
Deposits and placements with banks and other financial institutions	873,515	-	-	873,515
Derivative financial assets	4,239	-	-	4,239
Financial investments at FVOCI	10,694,644	-	-	10,694,644
Financial investments at amortised cost	494,705	-	-	494,705
Financing and advances	32,444,718	362,599	-	32,807,317
Other financial assets	537,889	-	-	537,889
Statutory deposits with Bank Negara Malaysia	1,090,000	-	-	1,090,000
Total assets	47,960,613	369,153	2,258	48,332,024

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Restated Bank Group 01.01.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Liabilities				
Deposits from customers	25,136,935	126,161	8,855	25,271,951
Deposits and placements of banks and other financial institutions	10,609,489	12,280	-	10,621,769
Derivative financial liabilities	1	-	-	1
Other financial liabilities	466,646	-	-	466,646
Lease liabilities	17,130	-	-	17,130
Recourse obligation on financing sold	2,481,251	-	-	2,481,251
Sukuk-MBSB SC Murabahah	1,664,973	-	-	1,664,973
Sukuk Wakalah	1,293,075	-	-	1,293,075
Total liabilities	41,669,500	138,441	8,855	41,816,796
Net on-balance sheet financial position	6,291,113	230,712	(6,597)	6,515,228
Restated Bank 01.01.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Assets				
Cash and short-term funds	1,818,646	6,554	2,258	1,827,458
Derivative financial assets	4,239	-	-	4,239
Financial investments at FVOCI	10,694,644	-	-	10,694,644
Financial investments at amortised cost	494,705	-	-	494,705
Financing and advances	32,444,718	362,599	-	32,807,317
Sukuk Commodity Murabahah	2,872,056	-	-	2,872,056
Other financial assets	576,520	-	-	576,520
Statutory deposits with Bank Negara Malaysia	1,090,000	-	-	1,090,000
Total assets	49,995,528	369,153	2,258	50,366,939

47. Financial risk management (cont'd.)

47.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Restated Bank 01.01.2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
Liabilities				
Deposits from customers	25,136,935	126,161	8,855	25,271,951
Deposits and placements of banks and other financial institutions	10,609,489	12,280	-	10,621,769
Derivative financial liabilities	1	-	-	1
Other financial liabilities	2,741,639	-	-	2,741,639
Lease liabilities	17,130	-	-	17,130
Recourse obligation on financing sold	2,481,251	-	-	2,481,251
Sukuk-MBSB SC Murabahah	1,664,973	-	-	1,664,973
Sukuk Wakalah	1,293,075	-	-	1,293,075
Total liabilities	43,944,493	138,441	8,855	44,091,789
 Net on-balance sheet financial position	 6,051,035	 230,712	 (6,597)	 6,275,150

47.3 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 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 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 ALCO and Funding Unit, which is responsible for the independent monitoring of the Bank Group 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.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

The tables below summarise the Bank Group and the Bank's financial assets and financial liabilities based on remaining contractual maturities.

(a) Maturity analysis

Bank Group	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2021					
<u>Financial Assets</u>					
Cash and short-term funds	520,025	-	-	125,180	645,205
Deposits and placements with banks and other financial institutions	843,856	-	-	-	843,856
Derivative financial assets	637	-	-	-	637
Financial investments at FVTPL	-	240,209	-	-	240,209
Financial investments at FVOCI	881,036	3,587,463	7,342,616	-	11,811,115
Financial investments at amortised cost	28,187	310,877	291,270	-	630,334
Financing and advances *	2,245,363	2,999,981	28,780,669	-	34,026,013
Assets held for sale	-	-	-	2,122	2,122
Other financial assets	453,451	-	-	-	453,451
Statutory deposits with Bank Negara Malaysia**	-	180,000	470,000	-	650,000
Total financial assets	4,972,555	7,318,530	36,884,555	127,302	49,302,942

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2021					
<u>Financial Liabilities</u>					
Deposits from customers	22,970,662	2,436,934	10,616	-	25,418,212
Deposits and placements of banks	8,145,744	503,837	-	-	8,649,581
Investment accounts of customers	2,089,300	5,614	-	-	2,094,914
Derivative financial liabilities	2,363	-	-	-	2,363
Other financial liabilities	965,723	-	-	-	965,723
Lease liabilities	23,299	18,674	-	-	41,973
Recourse obligation on financing sold	1,074,653	2,066,656	-	-	3,141,309
Sukuk-MBSB SC Murabahah	245,992	684,447	142,533	-	1,072,972
Sukuk Wakalah	2,201	-	1,292,046	-	1,294,247
Total financial liabilities	35,519,937	5,716,162	1,445,195	-	42,681,294
Net liquidity gap on Statement of Financial Position	(30,547,382)	1,602,368	35,439,360	127,302	6,621,648
Commitments and contingencies^	(1,057,376)	(1,771,140)	(5,544)	-	(2,834,060)
Net liquidity gap	(31,604,758)	(168,772)	35,433,816	127,302	3,787,588

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2021					
<u>Financial Assets</u>					
Cash and short-term funds	520,025	-	-	104,604	624,629
Deposits and placements with banks and other financial institutions	100,093	-	-	-	100,093
Derivative financial assets	637	-	-	-	637
Financial investments at FVTPL	-	240,209	-	-	240,209
Financial investments at FVOCI	881,036	3,587,463	7,342,616	-	11,811,115
Financial investments at amortised cost	28,187	310,877	291,270	-	630,334
Financing and advances *	2,245,363	2,999,981	28,780,669	-	34,026,013
Assets held for sale	-	-	-	2,122	2,122
Sukuk Commodity Murabahah	815,896	1,338,678	250,056	-	2,404,630
Other financial assets	509,543	-	-	-	509,543
Statutory deposits with Bank Negara Malaysia**	-	180,000	470,000	-	650,000
Total financial assets	5,100,780	8,657,208	37,134,611	106,726	50,999,325

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2021					
<u>Financial Liabilities</u>					
Deposits from customers	22,970,662	2,436,934	10,616	-	25,418,212
Deposits and placements of banks	8,145,744	503,837	-	-	8,649,581
Investment accounts of customers	2,089,300	5,614	-	-	2,094,914
Derivative financial liabilities	2,363	-	-	-	2,363
Other financial liabilities	2,932,258	-	-	-	2,932,258
Lease liabilities	23,299	18,674	-	-	41,973
Recourse obligation on financing sold	1,074,653	2,066,656	-	-	3,141,309
Sukuk-MBSB SC Murabahah	245,992	684,447	142,533	-	1,072,972
Sukuk Wakalah	2,201	-	1,292,046	-	1,294,247
Total financial liabilities	37,486,472	5,716,162	1,445,195	-	44,647,829
 Net liquidity gap on Statement of Financial Position	 (32,385,692)	 2,941,046	 35,689,416	 106,726	 6,351,496
 Commitments and contingencies^	 (1,057,376)	 (1,771,140)	 (5,544)	 -	 (2,834,060)
 Net liquidity gap	 (33,443,068)	 1,169,906	 35,683,872	 106,726	 3,517,436

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2020					
<u>Financial Assets</u>					
Cash and short-term funds	606,029	-	-	125,131	731,160
Deposits and placements with banks and other financial institutions	781,682	-	-	-	781,682
Derivative financial assets	1,724	-	-	-	1,724
Financial investments at FVOCI	362,595	3,268,004	6,561,673	-	10,192,272
Financial investments at amortised cost	-	30,315	457,787	-	488,102
Financing and advances *	1,509,632	3,119,285	28,626,133	(391,546)	32,863,504
Other financial assets	-	-	-	497,212	497,212
Statutory deposits with Bank Negara Malaysia**	-	110,000	510,000	-	620,000
Total financial assets	3,261,662	6,527,604	36,155,593	230,797	46,175,656

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2020					
<u>Financial Liabilities</u>					
Deposits from customers	21,814,853	2,325,089	61,097	152,396	24,353,435
Deposits and placements of banks and other financial institutions	8,649,681	866,743	-	12,881	9,529,305
Amount due to related companies					-
Derivative financial liabilities	1,614	-	-	-	1,614
Other financial liabilities	627,412	-	-	-	627,412
Lease liabilities	5,523	9,670	-	-	15,193
Recourse obligation on financing sold	401,240	1,861,291	-	-	2,262,531
Sukuk-MBSB SC Murabahah	294,388	858,635	213,540	-	1,366,563
Sukuk Wakalah	2,018	-	1,291,317	-	1,293,335
Total financial liabilities	31,796,729	5,921,428	1,565,954	165,277	39,449,388
Net liquidity gap on Statement of Financial Position	(28,535,067)	606,176	34,589,639	65,520	6,726,268
Commitments and contingencies^	(805,179)	(1,632,952)	(8,308)	-	(2,446,439)
Net liquidity gap	(29,340,246)	(1,026,776)	34,581,331	65,520	4,279,829

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Restated Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2020					
<u>Financial Assets</u>					
Cash and short-term funds	606,029	-	-	120,967	726,996
Derivative financial assets	1,724	-	-	-	1,724
Financial investments at FVOCI	362,595	3,268,004	6,561,673	-	10,192,272
Financial investments at amortised cost	-	30,315	457,787	-	488,102
Financing and advances *	1,509,632	3,119,285	28,626,133	(391,546)	32,863,504
Sukuk Commodity Murabahah	693,557	1,227,424	713,166	-	2,634,147
Other financial assets	53,618	-	-	493,431	547,049
Statutory deposits with Bank Negara Malaysia**	-	110,000	510,000	-	620,000
Total financial assets	3,227,155	7,755,028	36,868,759	222,852	48,073,794

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Restated Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
31.12.2020					
<u>Financial Liabilities</u>					
Deposits from customers	21,814,853	2,325,089	61,097	152,396	24,353,435
Deposits and placements of banks and other financial institutions	8,649,681	866,743	-	12,881	9,529,305
Derivative financial liabilities	1,614	-	-	-	1,614
Other financial liabilities	2,156,258	-	-	627,228	2,783,486
Lease liabilities	5,523	9,670	-	-	15,193
Recourse obligation on financing sold	401,240	1,861,291	-	-	2,262,531
Sukuk-MBSB SC Murabahah	294,388	858,635	213,540	-	1,366,563
Sukuk Wakalah	2,018	-	1,291,317	-	1,293,335
Total financial liabilities	33,325,575	5,921,428	1,565,954	792,505	41,605,462
 Net liquidity gap on Statement of Financial Position	 (30,098,420)	 1,833,600	 35,302,805	 (569,653)	 6,468,332
 Commitments and contingencies^	 (805,179)	 (1,632,952)	 (8,308)	 -	 (2,446,439)
 Net liquidity gap	 (30,903,599)	 200,648	 35,294,497	 (569,653)	 4,021,893

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Restated Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
01.01.2020					
<u>Financial Assets</u>					
Cash and short-term funds	1,694,136	-	-	133,322	1,827,458
Derivative financial assets	4,239	-	-	-	4,239
Financial investments at FVOCI	603,783	4,141,654	5,949,207	-	10,694,644
Financial investments at amortised cost	-	30,332	464,373	-	494,705
Financing and advances *	1,924,999	3,566,224	27,680,772	(364,678)	32,807,317
Sukuk Commodity Murabahah	611,713	1,212,699	1,047,644	-	2,872,056
Other financial assets	41,691	-	-	534,829	576,520
Statutory deposits with Bank Negara Malaysia**	-	-	-	1,090,000	1,090,000
Total financial assets	4,880,561	8,950,909	35,141,996	1,393,473	50,366,939

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

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Restated Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
01.01.2020					
<u>Financial Liabilities</u>					
Deposits from customers	22,343,225	2,726,297	104,989	97,440	25,271,951
Deposits and placements of banks and other financial institutions	9,686,202	924,240	-	11,327	10,621,769
Derivative financial liabilities	1	-	-	-	1
Other financial liabilities	2,274,992	-	-	466,647	2,741,639
Lease liabilities	471	16,659	-	-	17,130
Recourse obligation on financing sold	100,857	2,380,394	-	-	2,481,251
Sukuk-MBSB SC Murabahah	294,973	995,000	375,000	-	1,664,973
Sukuk Wakalah	2,201	-	1,290,874	-	1,293,075
Total financial liabilities	34,702,922	7,042,590	1,770,863	575,414	44,091,789
Net liquidity gap on Statement of Financial Position	(29,822,361)	1,908,319	33,371,133	818,059	6,275,150
Commitments and contingencies^	(1,587,255)	(3,181,554)	(72,000)	-	(4,840,809)
Net liquidity gap	(31,409,616)	(1,273,235)	33,299,133	818,059	1,434,341

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

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

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

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
31.12.2021				
<u>Financial Liabilities</u>				
Deposits from customers	23,455,846	2,707,222	15,835	26,178,903
Deposits and placements of banks	8,396,040	528,878	-	8,924,918
Investment accounts of customers	2,121,967	5,780	-	2,127,747
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities	965,723	-	-	965,723
Lease liabilities	23,935	19,332	-	43,267
Recourse obligation on financing sold	1,178,113	2,193,015	-	3,371,128
Sukuk-MBSB SC Murabahah	292,402	788,808	157,030	1,238,240
Sukuk Wakalah	66,950	268,167	1,569,006	1,904,123
Total financial liabilities	36,503,339	6,511,202	1,741,871	44,756,412
<u>Commitments and contingencies[^]</u>				
Direct credit substitutes	14,934	7,852	-	22,786
Trade-related contingencies	53,951	24,624	3,240	81,815
Short-term self-liquidating trade-related contingencies	82,061	-	-	82,061
Irrevocable commitments	906,430	1,738,664	2,304	2,647,398
	1,057,376	1,771,140	5,544	2,834,060

[^] Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2021				
<u>Financial Liabilities</u>				
Deposits from customers	23,455,846	2,707,222	15,835	26,178,903
Deposits and placements of banks	8,396,040	528,878	-	8,924,918
Investment accounts of customers	2,121,967	5,780	-	2,127,747
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities	2,932,258	-	-	2,932,258
Lease liabilities	23,935	19,332	-	43,267
Recourse obligation on financing sold	1,178,113	2,193,015	-	3,371,128
Sukuk-MBSB SC Murabahah	292,402	788,808	157,030	1,238,240
Sukuk Wakalah	66,950	268,167	1,569,006	1,904,123
Total financial liabilities	38,469,874	6,511,202	1,741,871	46,722,947
<u>Commitments and contingencies[^]</u>				
Direct credit substitutes	14,934	7,852	-	22,786
Trade-related contingencies	53,951	24,624	3,240	81,815
Short-term self-liquidating trade-related contingencies	82,061	-	-	82,061
Irrevocable commitments	906,430	1,738,664	2,304	2,647,398
	1,057,376	1,771,140	5,544	2,834,060

[^] Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank Group	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2020				
<u>Financial Liabilities</u>				
Deposits from customers	21,702,824	2,535,436	76,955	24,315,215
Deposits and placements of banks and other financial institutions	8,706,373	952,151	-	9,658,524
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities	627,412	-	-	627,412
Lease liabilities	5,617	9,995	-	15,612
Recourse obligation on financing sold	456,744	2,017,026	-	2,473,770
Sukuk-MBSB SC Murabahah	68,761	1,183,076	416,240	1,668,077
Sukuk Wakalah	66,767	268,350	1,635,773	1,970,890
Total financial liabilities	31,636,112	6,966,034	2,128,968	40,731,114
<u>Commitments and contingencies^</u>				
Direct credit substitutes	46,258	15,539	-	61,797
Trade-related contingencies	38,443	54,983	-	93,426
Short-term self-liquidating trade-related contingencies	107,698	-	-	107,698
Irrevocable commitments	612,780	1,562,430	8,308	2,183,518
	805,179	1,632,952	8,308	2,446,439

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2020				
<u>Financial Liabilities</u>				
Deposits from customers	21,702,824	2,535,436	76,955	24,315,215
Deposits and placements of banks and other financial institutions	8,706,373	952,151	-	9,658,524
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities	2,783,486	-	-	2,783,486
Lease liabilities	5,617	9,995	-	15,612
Recourse obligation on financing sold	456,744	2,017,026	-	2,473,770
Sukuk-MBSB SC Murabahah	68,761	1,183,076	416,240	1,668,077
Sukuk Wakalah	66,767	268,350	1,635,773	1,970,890
Total financial liabilities	33,792,186	6,966,034	2,128,968	42,887,188
<u>Commitments and contingencies^</u>				
Direct credit substitutes	46,258	15,539	-	61,797
Trade-related contingencies	38,443	54,983	-	93,426
Short-term self-liquidating trade-related contingencies	107,698	-	-	107,698
Irrevocable commitments	612,780	1,562,430	8,308	2,183,518
	805,179	1,632,952	8,308	2,446,439

^ Commitments and contingencies exclude foreign exchange related contracts.

47. Financial risk management (cont'd.)

47.4 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 non-compliance risk but excludes strategic and reputational risk. The Bank Group and the Bank recognise and emphasize the importance of operational risk management and manage 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 47(c).

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48. Fair value

The carrying amounts of cash and short-term funds, deposits and placements with financial institutions, 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.

Bank Group	Fair value of financial instruments carried at				Fair value of financial instruments not carried at				Total fair value	Carrying amount
	fair value				fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2021										
Financial assets										
Derivative financial assets	-	637	-	637	-	-	-	-	637	637
Financial investments at FVTPL	-	240,209	-	240,209	-	-	-	-	240,209	240,209
Financial investments at FVOCI	-	11,811,115	-	11,811,115	-	-	-	-	11,811,115	11,811,115
Financial investments at amortised cost	-	-	-	-	-	631,931	-	631,931	631,931	630,334
Financing and advances	-	-	-	-	-	-	34,175,226	34,175,226	34,175,226	34,026,013
	-	12,051,961	-	12,051,961	-	631,931	34,175,226	34,807,157	46,859,118	46,708,308
Financial liabilities										
Deposits from customers	-	-	-	-	-	25,562,448	-	25,562,448	25,562,448	25,418,212
Deposits and placements of banks and other financial institutions	-	-	-	-	-	8,651,718	-	8,651,718	8,651,718	8,649,581
Investment accounts of customers	-	-	-	-	-	2,094,986	-	2,094,986	2,094,986	2,094,914
Derivative financial liabilities	-	2,363	-	2,363	-	-	-	-	2,363	2,363
Recourse obligation on financing sold	-	-	-	-	-	-	3,146,868	3,146,868	3,146,868	3,141,309
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,115,431	-	1,115,431	1,115,431	1,072,972
Sukuk Wakalah	-	-	-	-	-	1,359,122	-	1,359,122	1,359,122	1,294,247
	-	2,363	-	2,363	-	38,783,705	3,146,868	41,930,573	41,932,936	41,673,598

MBSB BANK BERHAD (200501033981 / 716122-P)

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48. Fair value (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		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2021										
Financial assets										
Derivative financial assets	-	637	-	637	-	-	-	-	637	637
Financial investments at FVTPL	-	240,209	-	240,209	-	-	-	-	240,209	240,209
Financial investments at FVOCI	-	11,811,115	-	11,811,115	-	-	-	-	11,811,115	11,811,115
Financial investments at amortised cost	-	-	-	-	-	631,931	-	631,931	631,931	630,334
Financing and advances	-	-	-	-	-	-	34,175,226	34,175,226	34,175,226	34,026,013
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,441,083	2,441,083	2,441,083	2,404,630
	-	12,051,961	-	12,051,961	-	631,931	36,616,309	37,248,240	49,300,201	49,112,938
Financial liabilities										
Deposits from customers	-	-	-	-	-	25,562,448	-	25,562,448	25,562,448	25,418,212
Deposits and placements of banks and other financial institutions	-	-	-	-	-	8,651,718	-	8,651,718	8,651,718	8,649,581
Investment accounts of customers	-	-	-	-	-	2,094,986	-	2,094,986	2,094,986	2,094,914
Derivative financial liabilities	-	2,363	-	2,363	-	-	-	-	2,363	2,363
Recourse obligation on financing sold	-	-	-	-	-	-	3,146,868	3,146,868	3,146,868	3,141,309
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,115,431	-	1,115,431	1,115,431	1,072,972
Sukuk Wakalah	-	-	-	-	-	1,359,122	-	1,359,122	1,359,122	1,294,247
	-	2,363	-	2,363	-	38,783,705	3,146,868	41,930,573	41,932,936	41,673,598

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48. Fair value (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		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2020										
Financial assets										
Derivative financial assets	-	1,724	-	1,724	-	-	-	-	1,724	1,724
Financial investments at FVOCI	-	10,192,272	-	10,192,272	-	-	-	-	10,192,272	10,192,272
Financial investments at amortised cost	-	-	-	-	-	489,078	-	489,078	489,078	488,102
Financing and advances	-	-	-	-	-	-	32,748,990	32,748,990	32,748,990	32,863,504
	-	10,193,996	-	10,193,996	-	489,078	32,748,990	33,238,068	43,432,064	43,545,602
Financial liabilities										
Deposits from customers	-	-	-	-	-	24,488,321	-	24,488,321	24,488,321	24,353,435
Deposits and placements of banks and other financial institutions	-	-	-	-	-	9,456,219	-	9,456,219	9,456,219	9,529,305
Derivative financial liabilities	-	1,614	-	1,614	-	-	-	-	1,614	1,614
Recourse obligation on financing sold	-	-	-	-	-	-	2,271,230	2,271,230	2,271,230	2,262,531
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,453,193	-	1,453,193	1,453,193	1,366,563
Sukuk Wakalah	-	-	-	-	-	1,379,166	-	1,379,166	1,379,166	1,293,335
	-	1,614	-	1,614	-	36,776,899	2,271,230	39,048,129	39,049,743	38,806,783

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

48. Fair value (cont'd.)

The tables below analyse other financial instruments at fair value. (cont'd.)

Restated 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		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2020										
Financial assets										
Derivative financial assets	-	1,724	-	1,724	-	-	-	-	1,724	1,724
Financial investments at FVOCI	-	10,192,272	-	10,192,272	-	-	-	-	10,192,272	10,192,272
Financial investments at amortised cost	-	-	-	-	-	489,078	-	489,078	489,078	488,102
Financing and advances	-	-	-	-	-	-	32,748,990	32,748,990	32,748,990	32,863,504
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,672,101	2,672,101	2,672,101	2,634,147
	-	10,193,996	-	10,193,996	-	489,078	35,421,091	35,910,169	46,104,165	46,179,749
Financial liabilities										
Deposits from customers	-	-	-	-	-	24,488,321	-	24,488,321	24,488,321	24,353,435
Deposits and placements of banks and other financial institutions	-	-	-	-	-	9,456,219	-	9,456,219	9,456,219	9,529,305
Derivative financial liabilities	-	1,614	-	1,614	-	-	-	-	1,614	1,614
Recourse obligation on financing sold	-	-	-	-	-	-	2,271,230	2,271,230	2,271,230	2,262,531
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,453,193	-	1,453,193	1,453,193	1,366,563
Sukuk Wakalah	-	-	-	-	-	1,379,166	-	1,379,166	1,379,166	1,293,335
	-	1,614	-	1,614	-	36,776,899	2,271,230	39,048,129	39,049,743	38,806,783

MBSB BANK BERHAD (200501033981 / 716122-P)

(Incorporated in Malaysia)

48. Fair value (cont'd.)

The tables below analyse other financial instruments at fair value. (cont'd.)

Restated 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		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
01.01.2020										
Financial assets										
Derivative financial assets	-	4,239	-	4,239	-	-	-	-	4,239	4,239
Financial investments at FVOCI	-	10,694,644	-	10,694,644	-	-	-	-	10,694,644	10,694,644
Financial investments at amortised cost	-	-	-	-	-	494,165	-	494,165	494,165	494,705
Financing and advances	-	-	-	-	-	-	34,390,379	34,390,379	34,390,379	32,807,317
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,911,269	2,911,269	2,911,269	2,872,056
	-	10,698,883	-	10,698,883	-	494,165	37,301,648	37,795,813	48,494,696	46,872,961
Financial liabilities										
Deposits from customers	-	-	-	-	-	25,421,632	-	25,421,632	25,421,632	25,271,951
Deposits and placements of banks and other financial institutions	-	-	-	-	-	10,716,722	-	10,716,722	10,716,722	10,621,769
Derivative financial liabilities	-	1	-	1	-	-	-	-	1	1
Recourse obligation on financing sold	-	-	-	-	-	-	2,498,652	2,498,652	2,498,652	2,481,251
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,729,374	-	1,729,374	1,729,374	1,664,973
Sukuk Wakalah	-	-	-	-	-	1,300,000	-	1,300,000	1,300,000	1,293,075
	-	1	-	1	-	39,167,728	2,498,652	41,666,380	41,666,381	41,333,020

48. Fair value (cont'd.)

The fair values of the financial instruments not measured at fair value are based on the following methodologies and assumptions:

Financial investments at FVOCI and 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.

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 borrowers 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.

Sukuk Commodity Murabahah

The fair value is estimated by discounting expected future cash flows at the effective profit rate of similar instruments.

Deposits from customers and deposits and placements of banks and other financial institutions

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 amounts due to the relatively short maturity of these instruments.

Recourse obligation on financing sold

The fair values for recourse obligations 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.

Sukuk-MBSB SC Murabahah and Sukuk Wakalah

The fair value of Sukuk-MBSB SC Murabahah and Sukuk Wakalah are based on market prices.

49. Operating segments

The Bank Group's reportable segments, as described below, can be classified into four segments. Each segment offers different products and services, and managed separately with different technology and marketing strategies. The Bank Group has determined the Management Committee as its chief operating decision maker ("CODM"). The CODM reviews the internal management reports periodically. The following summary describes the operations in each of the Bank Group's reportable segments:

- (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.

49. Operating segments (cont'd.)

(iv) Others

-Includes rental, property development, intercompany financing and operations subsidiaries.

The Bank Group operates predominantly in Malaysia and hence information by geographical location is not presented.

All inter-segment transactions have been entered into normal course of business and have been established on terms and conditions which not materially different from those obtainable in transactions with unrelated parties.

49. Operating segments (cont'd.)

(a) Business segments

Bank Group	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment Eliminations		Total	
	31.12.2021 RM'000	Restated 31.12.2020 RM'000	31.12.2021 RM'000	Restated 31.12.2020 RM'000	31.12.2021 RM'000	Restated 31.12.2020 RM'000	31.12.2021 RM'000	Restated 31.12.2020 RM'000	31.12.2021 RM'000	Restated 31.12.2020 RM'000	31.12.2021 RM'000	Restated 31.12.2020 RM'000
Revenue and expenses												
<u>External revenue</u>												
Fund based income	1,694,881	1,716,835	464,539	561,663	437,726	417,722	37,834	59,606	(3,216)	(2,760)	2,631,764	2,753,066
Non-fund based income	10,515	(16,599)	14,235	19,969	(15,630)	249,990	-	7,245	-	-	9,120	260,605
<u>Inter-segment revenue</u>												
Fund based income	131,746	142,888	-	-	-	-	136,937	147,852	(268,683)	(290,740)	-	-
Total revenue	1,837,142	1,843,124	478,774	581,632	422,096	667,712	174,771	214,703	(271,899)	(293,500)	2,640,884	3,013,671
Net fund based income	986,118	786,837	323,734	315,237	216,379	273,695	168,924	198,561	(136,937)	(147,852)	1,558,218	1,426,478
Non-fund based income	36,961	(24,969)	17,582	9,316	(16,794)	239,742	43,070	12,390	-	-	80,819	236,479
Net income	1,023,079	761,868	341,316	324,553	199,585	513,437	211,994	210,951	(136,937)	(147,852)	1,639,037	1,662,957
Net allowance for impairment	112,978	(298,147)	(187,141)	(67,677)	(628)	12	(49,664)	12,597	-	-	(124,455)	(353,215)
Loss on modification of cash flows	(309,589)	(491,363)	(2,076)	(13,313)	-	-	-	-	-	-	(311,665)	(504,676)
Profit before overheads, zakat and tax	826,468	(27,642)	152,099	243,563	198,957	513,449	162,330	223,548	(136,937)	(147,852)	1,202,917	805,066
Operating expenses of which:	(309,051)	(286,339)	(105,714)	(91,329)	(114,980)	(45,872)	(1,629)	(2,448)	-	-	(531,374)	(425,988)
- Depreciation of property and equipment	(7,539)	(3,955)	(2,519)	(2,168)	(2,248)	(1,582)	-	-	-	-	(12,306)	(7,705)
- Amortisation of intangible assets	(21,560)	(16,194)	(7,203)	(8,878)	(6,432)	(6,473)	-	-	-	-	(35,195)	(31,545)
- Depreciation of right-of-use assets	(30,109)	(6,795)	(10,059)	(3,725)	(8,981)	(2,717)	-	-	-	-	(49,149)	(13,237)
Profit before zakat and tax	517,417	(313,981)	46,385	152,234	83,977	467,577	160,701	221,100	(136,937)	(147,852)	671,543	379,078
Taxation											(216,973)	(115,500)
Zakat											141	363
Net profit for the year											454,711	263,941
Assets												
Segment assets	26,305,173	25,111,910	8,262,887	8,219,387	13,631,431	11,727,148	-	-	-	-	48,199,491	45,058,445
Tax recoverable											1,049	9,517
Deferred tax assets											17,292	-
Unallocated assets											1,346,580	1,283,155
Total assets											49,564,412	46,351,117
Liabilities												
Segment liabilities	26,419,709	26,550,368	5,803,243	7,183,726	9,170,181	4,726,049	-	-	-	-	41,393,133	38,460,144
Provision for taxation and zakat											77,202	4,367
Deferred tax liabilities											-	92,368
Unallocated liabilities											1,308,318	1,102,998
Total liabilities											42,778,653	39,659,877

49. Operating segments (cont'd.)

(a) Business segments (cont'd.)

	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment Eliminations		Total	
	31.12.2021	Restated 31.12.2020	31.12.2021	Restated 31.12.2020	31.12.2021	Restated 31.12.2020	31.12.2021	Restated 31.12.2020	31.12.2021	Restated 31.12.2020	31.12.2021	Restated 31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Group												
<u>Other segment items</u>												
Capital expenditure	-	-	-	-	-	-	63,709	37,578	-	-	63,709	37,578

(b) Geographical Segments:

The Bank Group and the Bank's activities are in Malaysia, therefore segmental reporting is not analysed by geographical locations.

50. Sources and uses of charity funds

	Bank Group and Bank	
	2021	2020
	RM'000	RM'000
Sources		
Gharamah from late payment charges		
Balance as at 1 January	1,533	1,462
Collection during the year	87	82
	<u>1,620</u>	<u>1,544</u>
Application		
Fund contribution to charitable organisation during the year	<u>(384)</u>	<u>(11)</u>
Balance as at 31 December	<u>1,236</u>	<u>1,533</u>

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. *Gharamah* is not allowed to be recognised as income, and it must be channelled 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.

From ongoing Shariah reviews and audits conducted by the Bank Group and the Bank's operational processes, it was noted that there was Shariah non-compliant income recorded during the financial year under review arising from overcharging of *ta'widh*. As at 31 December 2021, the overcharged amounts to RM11.03 and has been identified for refund to the affected customers or to be channelled to charitable organisations or any other allowable bodies according to the regulatory requirements.

51. Significant event

Impact of COVID-19

The Bank Group and Bank remained affected by the prolonged impact of COVID-19 pandemic during the year. The affected pool of financing is disclosed in Note 46.

52. Prior Year Adjustment

During the financial year, the Bank identified profit income on Sukuk Commodity Murabahah which required adjustments. Arising from the adjustments, the affected sukuk balances and corresponding tax recoverable have been restated.

The following are restatements of comparatives that have been made to each line item in the Bank Group and the Bank's Statements of Financial Position and Statement of Changes in Equity as at 31 December 2020 and 1 January 2020, and Statements of Profit or Loss and Other Comprehensive Income and Statements of Cash Flows for the year ended 31 December 2020.

	Bank Group			Bank		
	As previously reported	Prior year adjustments	As restated	As previously reported	Prior year adjustments	As restated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020						
STATEMENTS OF FINANCIAL POSITION						
Sukuk Commodity Murabahah	-	-	-	2,618,491	253,565	2,872,056
Tax recoverable	65,978	(60,855)	5,123	66,156	(60,854)	5,302
Reserves	1,382,280	(60,855)	1,321,425	888,907	192,711	1,081,618
STATEMENTS OF CHANGES IN EQUITY						
Retained profits	1,221,956	(60,855)	1,161,101	728,583	192,711	921,294
As at 31 December 2020						
STATEMENTS OF FINANCIAL POSITION						
Sukuk Commodity Murabahah	-	-	-	2,317,054	317,093	2,634,147
Tax recoverable	85,620	(76,103)	9,517	84,966	(76,102)	8,864
Reserves	1,607,484	(76,103)	1,531,381	1,031,720	240,991	1,272,711
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME						
Income derived from investment of depositors' funds	2,129,110	-	2,129,110	2,187,825	47,002	2,234,827
Income derived from investment of shareholders' funds	860,435	-	860,435	858,827	16,526	875,353
Profit before taxation and zakat	379,078	-	379,078	290,781	63,528	354,309
Taxation	(100,252)	(15,248)	(115,500)	(94,346)	(15,248)	(109,594)
Profit for the year	279,189	(15,248)	263,941	196,798	48,280	245,078
STATEMENTS OF CHANGES IN EQUITY						
Retained profits	1,367,488	(76,103)	1,291,385	791,724	240,991	1,032,715
STATEMENTS OF CASH FLOWS						
Profit before taxation and zakat	379,078	-	379,078	290,781	63,528	354,309
Financing (profit)/expenses adjustments:						
- Sukuk Commodity Murabahah	-	-	-	(79,360)	(63,528)	(142,888)
Cash flows from investing activities						
- Profit income from Sukuk Commodity Murabahah	-	-	-	79,360	63,528	142,888