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

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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Directors' Report
for the financial year ended 31 December 2022

The Directors have pleasure in presenting their report together with the audited financial statements of MBSB Bank Berhad ("the Bank") and its subsidiary (together referred to as "the Bank Group") for the financial year ended 31 December 2022.

Principal activities

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

Financial results

	Bank Group RM'000	Bank RM'000
Profit for the year	474,049	470,761

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 final dividend of 3.0 sen per ordinary share on 5,427,971,969 shares paid on 29 June 2022.	162,839

On 26 January 2023, the Directors approved single-tier interim dividend of 7.0 per ordinary share in respect of the financial year ended 31 December 2022. Based on the number of shares in issue of 6,297,537,187 as at 31 December 2022, the dividend payable would be RM440,827,603.

Reserves, provisions and allowances

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

Issue of shares and debentures

During the year, the Bank increased its issued and paid-up share capital from RM5,427,971,969 to RM6,427,971,970 via the issuance of 869,565,218 new ordinary shares.

On 15 April 2022, the Bank issued Sustainability Sukuk Wakalah with nominal value of RM300,000,000.

Bad and doubtful financing

Before the financial statements of the Bank Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing and advances had been written off and that adequate allowance had been made for doubtful financing.

Bad and doubtful financing (cont'd.)

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

Current assets

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

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

Valuation methods

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

Contingent and other liabilities

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

(a) any charge on the assets of the Bank Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

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

Change of circumstances

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

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Bank Group and of the Bank for the financial year ended 31 December 2022, have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors

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

The Bank
Datuk Johar bin Che Mat
Encik Sazaliza bin Zainuddin
Datuk Azrulnizam bin Abdul Aziz
Encik Kamarulzaman Ahmad
Encik Arul Sothy Mylvaganam
Encik Ho Kwong Hoong
Tan Sri Azlan bin Mohd Zainol (deceased on 12 January 2023)
Encik Aw Hong Boo (retired on 9 June 2022)

The subsidiary of the Bank
Ms. Rupavathy a/p A.V. Govindasamy
Encik Asrul Hazli Salleh
Encik Ng Jui Shan (appointed on 28 April 2022)
Encik Edmund Lee Kwing Mun (resigned on 28 April 2022)
Encik Kew Thean Yew (resigned on 30 April 2022)

Directors' interests in shares and share options

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

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

Directors' benefits

Since the end of the previous financial year, no Director, other than disclosed in Note 35 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 35 to the financial statements) by reason of a contract made by the Bank or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Indemnity and Takaful cost

The Directors, Shariah Advisory Committee members and Officers of the Bank Group and of the Bank are covered by Directors' and Officers' Liability Takaful of the holding company, Malaysia Building Society Berhad ("MBSB"). The total takaful coverage amounts to RM50,000,000 and the annual takaful cost that is payable amounts to RM153,922 which is borne by the immediate holding company.

Immediate and ultimate holding company/body

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

Subsidiary

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

Directors' remuneration

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

	Bank Group and Bank RM'000
Directors' fees	1,114
Directors' other emoluments	1,156

Auditors' remuneration

Auditors' remuneration of the Bank Group and Bank are RM2,000,000 and RM1,977,000 respectively. Details of auditors' remuneration are as set out in Note 34 to the financial statements.

Business review for 2022

The Bank Group registered a profit before taxation and zakat of RM643 million for 2022 as compared to profit before taxation and zakat of RM672 million in prior year. As at 31 December 2022, the Bank Group had assets of RM54,076 million (2021: RM49,564 million), gross financing and advances of RM37,931 million (2021: RM35,315 million), total deposits of RM36,624 million (2021: RM34,068 million) and shareholders' equity of RM7,917 million (2021: RM6,786 million).

The Bank Group made significant investments in technology, mainly to strengthen cyber-security, improve operational efficiency and enable new business capabilities which resulted in higher operating expenses during the year. The funding costs for the Bank Group is also higher following the increase of the Overnight Policy Rate (“OPR”) between May and November 2022. Nevertheless, Current Account Savings Account ("CASA”) ratio to total customer deposits grew from 3.92% in 2021 to 7.61% in 2022, following capability enhancements and attractive product offerings, leading to new corporate and retail customer acquisitions. The Bank Group also successfully issued the RM300 million Sustainability Sukuk Wakalah in 2022 which was oversubscribed by 10 times.

Outlook for 2023

Global growth is slowing sharply, with worldwide economic output projected to be just 1.70% in 2023, according to the latest forecast from the World Bank Group. In tandem with this global slowdown, Malaysia's economy is forecast to grow by 4.30% in 2023.

In 2022, Bank Negara Malaysia ("BNM") raised the OPR by a total of 100 basis points to 2.75%. Moving into 2023, headline and core inflation are expected to moderate but remain elevated amid lingering demand and cost pressures, as well as any changes to domestic policy measures, according to BNM. In this respect, our business strategy will be centred on enhancing our strength in our core business in the retail segment, and targeting large, premium corporates to provide the Bank Group with financing growth. We are undertaking various initiatives to improve funding cost, particularly to raise our CASA ratio. The Bank Group has also formulated collection strategies to tackle specific needs of different groups of customers beside hastening the recovery resolution on some of the chunky impaired financing to improve its asset quality.

The small, medium enterprise ("SME") segment has been identified as one of our core pillars to raise exposure to business banking. The Bank Group will continue to drive business share growth in SME by offering relationship-based partnerships and providing innovative and personalised services on banking products.

Statement of Corporate Governance

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

Statement of Shariah Governance

The Board members of the Bank have maintained regular engagement with members of the Shariah Advisory Committee ("SAC 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.

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.

MBSB BANK BERHAD (200501033981 / 716122-P)
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Significant events during the financial year

The significant events during the financial year are disclosed in Note 48 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 05 APR 2023

Datuk Johar bin Che Mat	Arul Sothy Mylvaganam
Director	Director

Petaling Jaya, Malaysia

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

We, Datuk Johar bin Che Mat and Arul Sothy Mylvaganam, 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 158 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 2022 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
05 APR 2023

Datuk Johar bin Che Mat
Director

Arul Sothy Mylvaganam
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 158 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 05 APR 2023

Ramanathan Rajoo
MIA No. CA7012

Before me,

PESURUHJAYA SUMPAH
B 532
AMMAR BIN
MOHAMAD DAHALAN
01 JANUARI 2021
HINGGA
31 DISEMBER 2023
MALAYSIA

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

Shariah Advisory Committee's Report

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

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

Shariah Governance, Duties, Responsibilities and Accountabilities

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

SAC is required to report to the Board 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 2022:

We have reviewed the principles and contracts relating to the transactions and applications introduced by the Bank during the year ended 31 December 2022. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the 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 2022 are in compliance with Shariah, but it has come to SAC's attention that material Shariah non-compliance ("SNC") events have occurred and have been rectified as follows:

No.	Actual SNC Event	Rectification Measure
1	Purchase of conventional motor insurance instead of Takaful protection when purchasing "Van Jenazah"	The insurance policy has been cancelled and the Bank has reimbursed the shortfall amount totalling to RM1,886.60 (after receiving refund from the termination) to the Zakat fund to procure the new Takaful certificate for the said Van Jenazah.
2	Non-execution of Commodity Trading for Tawarruq-based Current Account and Saving Account within T+2.	Commodity Trading for the affected Tawarruq-based Current Account have been completed correctly.

We confirm that the rectification plan has 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 method 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.

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Shariah Advisory Committee Meetings

During the financial year ended 31 December 2022, 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	10/11	4/6
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

05 APR 2023

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Bank Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 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 158.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

(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 MEMBER OF MBSB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200501033981 (716122-P)

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WILLIAM MAH JIN CHIEK
03085/07/2023 J
Chartered Accountant

Kuala Lumpur
5 April 2023

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		Bank Group		Bank	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	3(a)	2,192,818	645,205	2,079,255	624,629
Deposits and placements with banks and other financial institutions	3(b)	597,746	843,856	-	100,093
Derivative financial assets	4	15,017	637	15,017	637
Financial investments at fair value through profit or loss	5	240,357	240,209	240,357	240,209
Financial investments at fair value through other comprehensive income	6	11,392,780	11,811,115	11,392,780	11,811,115
Financial investments at amortised cost	7	1,625,792	630,334	1,625,792	630,334
Financing and advances	8	36,565,207	34,026,013	36,565,207	34,026,013
Tax recoverable		209	1,049	-	-
Non-current assets held for sale	9	564	2,122	564	2,122
Sukuk Commodity Murabahah	10(a)	-	-	2,104,499	2,404,630
Other receivables	11	514,926	498,867	583,692	554,872
Statutory deposits with Bank Negara Malaysia	12	610,000	650,000	610,000	650,000
Investment in subsidiary	13	-	-	-	-
Investment property	14	820	820	820	820
Property and equipment	15	87,491	54,355	87,491	54,355
Intangible assets	16	96,157	101,184	96,157	101,184
Right-of-use assets	17(a)	28,778	41,354	28,778	41,354
Deferred tax assets	18	107,238	17,292	107,238	17,292
Total assets		54,075,900	49,564,412	55,537,647	51,259,659
Liabilities					
Deposits from customers	19	29,112,699	25,418,212	29,112,699	25,418,212
Deposits and placements of banks and other financial institutions	20	7,511,336	8,649,581	7,511,336	8,649,581
Investment accounts of customers	21	2,080,767	2,094,914	2,080,767	2,094,914
Derivative financial liabilities	4	23,470	2,363	23,470	2,363
Other payables	22	508,679	985,880	2,245,002	2,952,415
Lease liabilities	17(b)	29,370	41,973	29,370	41,973
Recourse obligation on financing sold	23	4,355,408	3,141,309	4,355,408	3,141,309
Sukuk-MBSB Structured Covered Murabahah	10(b)	833,805	1,072,972	833,805	1,072,972
Sukuk Wakalah	24	1,596,912	1,294,247	1,596,912	1,294,247
Provision for taxation		106,902	77,142	106,902	77,142
Provision for zakat		-	60	-	60
Total liabilities		46,159,348	42,778,653	47,895,671	44,745,188
Equity					
Share capital	25	6,427,972	5,427,972	6,427,972	5,427,972
Reserves	26	1,488,580	1,357,787	1,214,004	1,086,499
Total equity		7,916,552	6,785,759	7,641,976	6,514,471
Total liabilities and equity		54,075,900	49,564,412	55,537,647	51,259,659
Total Islamic banking assets*		54,075,900	49,564,412	55,537,647	51,259,659
Commitments and contingencies	37	5,124,328	3,253,338	5,124,328	3,253,338

* The disclosure is in accordance with the requirements of BNM's Guideline on Financial Reporting for Islamic Banking Institutions dated 29 April 2022.

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 2022**

		Bank Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds	27	2,097,597	2,149,088	2,187,144	2,248,861
Income derived from investment of shareholders' funds	28	515,906	502,527	535,177	521,566
Income derived from investment of investment accounts' funds	29	113,587	60,967	113,587	60,967
Expected credit losses on financing and advances and other impairment	30	(205,842)	(124,455)	(205,842)	(124,455)
Net loss on modification of cash flows	31	(59,973)	(311,665)	(59,973)	(311,665)
Total distributable income		2,461,275	2,276,462	2,570,093	2,395,274
Income attributable to depositors and others	32	(1,229,244)	(1,073,545)	(1,347,228)	(1,210,482)
Total net income		1,232,031	1,202,917	1,222,865	1,184,792
Personnel expenses	33	(308,642)	(257,360)	(308,642)	(257,360)
Other overhead expenses	34	(280,085)	(274,014)	(278,169)	(272,384)
Profit before taxation and zakat		643,304	671,543	636,054	655,048
Taxation	36(a)	(166,078)	(216,973)	(162,116)	(213,096)
Zakat	36(b)	(3,177)	141	(3,177)	141
Profit for the year		474,049	454,711	470,761	442,093
Other comprehensive expense, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Revaluation reserve on financial investments at fair value through other comprehensive income	26	(180,417)	(395,712)	(180,417)	(395,712)
- Net loss from change in fair values		(224,323)	(512,647)	(224,323)	(512,647)
- Realised loss transferred to statements of income on disposal		(13,066)	(8,029)	(13,066)	(8,029)
- Transfer from deferred tax		56,972	124,964	56,972	124,964
Other comprehensive expense, net of tax:		(180,417)	(395,712)	(180,417)	(395,712)
Total comprehensive income for the financial year		293,632	58,999	290,344	46,381
Total comprehensive income for the financial year attributable to:					
Equity holder of the Bank		293,632	58,999	290,344	46,381
Earnings per share (sen)	38	8.39	8.39		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Non-distributable			Distributable	
Bank Group	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2022	5,427,972	5,234	(160,950)	1,513,503	6,785,759
Profit for the year	-	-	-	474,049	474,049
Other comprehensive income for the year:					
- net changes in fair value	-	-	(224,323)	-	(224,323)
- realised loss transferred to statements of income on disposal	-	-	(13,066)	-	(13,066)
- income tax relating to component of other comprehensive income	-	-	56,972	-	56,972
	-	-	(180,417)	-	(180,417)
Transfer of regulatory reserve to retained profits	-	(5,234)	-	5,234	-
Issuance of ordinary shares (Note 25)	1,000,000	-	-	-	1,000,000
Dividends to owner of the Bank (Note 39)	-	-	-	(162,839)	(162,839)
At 31 December 2022	6,427,972	-	(341,367)	1,829,947	7,916,552
At 1 January 2021	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	-	-	(512,647)	-	(512,647)
- realised loss transferred to statements of income on disposal	-	-	(8,029)	-	(8,029)
- income tax relating to component of other comprehensive income	-	-	124,964	-	124,964
	-	-	(395,712)	-	(395,712)
Issuance of ordinary shares (Note 25)	268,113	-	-	-	268,113
Dividends to owner of the Bank (Note 39)	-	-	-	(232,593)	(232,593)
At 31 December 2021	5,427,972	5,234	(160,950)	1,513,503	6,785,759

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

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

	← Non-distributable		→	Distributable	
Bank	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2022	5,427,972	5,234	(160,950)	1,242,215	6,514,471
Profit for the year	-	-	-	470,761	470,761
Other comprehensive income for the year:					
- net changes in fair value	-	-	(224,323)	-	(224,323)
- realised loss transferred to statements of income on disposal	-	-	(13,066)	-	(13,066)
- income tax relating to component of other comprehensive income	-	-	56,972	-	56,972
	-	-	(180,417)	-	(180,417)
Transfer of regulatory reserve to retained profits	-	(5,234)	-	5,234	-
Issuance of ordinary shares (Note 25)	1,000,000	-	-	-	1,000,000
Dividends to owner of the Bank (Note 39)	-	-	-	(162,839)	(162,839)
At 31 December 2022	6,427,972	-	(341,367)	1,555,371	7,641,976
At 1 January 2021	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	-	-	(512,647)	-	(512,647)
- realised loss transferred to statements of income on disposal	-	-	(8,029)	-	(8,029)
- income tax relating to component of other comprehensive income	-	-	124,964	-	124,964
	-	-	(395,712)	-	(395,712)
Issuance of ordinary shares (Note 25)	268,113	-	-	-	268,113
Dividends to owner of the Bank (Note 39)	-	-	-	(232,593)	(232,593)
At 31 December 2021	5,427,972	5,234	(160,950)	1,242,215	6,514,471

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Bank Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation and zakat	643,304	671,543	636,054	655,048
Adjustments for:				
Depreciation of property and equipment	20,558	12,306	20,558	12,306
Amortisation of intangible assets	40,435	35,195	40,435	35,195
Depreciation of right-of-use assets	44,905	49,149	44,905	49,149
Lease profit expense	1,207	2,110	1,207	2,110
(Loss)/gain on disposal of property and equipment	8	(2)	8	(2)
Allowance for impairment	205,842	124,455	205,842	124,455
Financing (profit)/expense adjustments:				
- financial investments	(467,148)	(452,324)	(467,148)	(452,324)
- Sukuk-MBSB SC Murabahah	51,000	64,925	51,000	64,925
- Sukuk Commodity Murabahah	-	-	(121,351)	(131,747)
- Sukuk Wakalah	77,432	67,678	77,432	67,678
- recourse obligation on financing sold	142,314	91,230	142,314	91,230
Net loss on sale of financial investments	31,261	15,854	31,261	15,854
Gain on financial investments at FVTPL	(4,200)	(221)	(4,200)	(221)
Gain on foreign exchange	(12,390)	(42,126)	(12,390)	(42,126)
Operating profit before working capital changes	774,528	639,772	645,927	491,530
Working capital changes:				
Increase/(Decrease) in deposits with financial institutions with maturity of more than one month	246,110	(62,174)	100,093	(100,093)
Increase/(Decrease) in statutory deposits with Bank Negara Malaysia	40,000	(30,000)	40,000	(30,000)
Increase in other receivables	(152,515)	(130,252)	(165,275)	(136,522)
(Increase)/Decrease in derivative financial assets	(4,776)	6,948	(4,776)	6,948
Increase in financing and advances	(2,764,144)	(1,212,641)	(2,764,144)	(1,212,641)
	(2,635,325)	(1,428,119)	(2,794,102)	(1,472,308)
Increase in Deposits from customers and placements from banks and other financial institutions	2,503,328	171,192	2,503,328	171,192
(Decrease)/Increase in investment account	(14,147)	2,094,914	(14,147)	2,094,914
Increase in derivative financial liabilities	21,107	749	21,107	749
(Decrease)/Increase in other payables	(332,551)	358,042	(562,763)	168,526
	2,177,737	2,624,897	1,947,525	2,435,381
Cash generated from/(used in) operations	316,940	1,836,550	(200,650)	1,454,603
Net tax paid	(100,451)	(116,059)	(97,330)	(111,787)
Zakat paid	(3,177)	(4,166)	(3,177)	(4,166)
Net cash generated from/(used in) operating activities	213,312	1,716,325	(301,157)	1,338,650

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 (cont'd.)

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(53,713)	(38,779)	(53,713)	(38,779)
Purchase of intangible assets	(35,408)	(24,930)	(35,408)	(24,930)
Proceeds from disposal of property and equipment	11	2	11	2
Profit income from financial investments	541,055	550,246	541,055	550,246
Net purchase of financial investments	(915,520)	(2,636,141)	(915,520)	(2,636,141)
Profit income from Sukuk Commodity Murabahah	-	-	121,351	131,746
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	300,131	229,517
Net cash used in investing activities	(463,575)	(2,149,602)	(42,093)	(1,788,339)
Cash flows from financing activities				
Net issuance of recourse obligation on financing sold	1,210,324	880,460	1,210,324	880,460
Profit expense paid on recourse obligation on financing sold	(138,539)	(92,912)	(138,539)	(92,912)
Profit expense paid on Sukuk-MBSB SC Murabahah	(52,381)	(66,263)	(52,381)	(66,263)
Profit expense paid on Sukuk Wakalah	(73,767)	(66,766)	(73,767)	(66,766)
Repayment of Sukuk-MBSB SC Murabahah	(237,786)	(292,253)	(237,786)	(292,253)
Payment of lease liabilities	(46,136)	(50,464)	(46,136)	(50,464)
Issuance of Sukuk Wakalah	299,000	-	299,000	-
Dividends paid on ordinary shares	(162,839)	(232,593)	(162,839)	(232,593)
Issuance of ordinary shares	1,000,000	268,113	1,000,000	268,113
Net cash generated from financing activities	1,797,876	347,322	1,797,876	347,322
Net decrease in cash and cash equivalents	1,547,613	(85,955)	1,454,626	(102,367)
Cash and cash equivalents at 1 January	645,205	731,160	624,629	726,996
Cash and cash equivalents at 31 December	2,192,818	645,205	2,079,255	624,629

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

Bank Group and Bank	**Recourse obligation on financing sold RM'000**	**Sukuk-MBSB SC Murabahah RM'000**	**Sukuk Wakalah RM'000**	**Lease liabilities RM'000**	**Total RM'000**
At 1 January 2022	3,141,309	1,072,972	1,294,247	41,973	5,550,501
Profit expense during the year	142,314	51,000	77,432	1,207	271,953
Profit paid during the year	(138,539)	(52,381)	(73,767)	-	(264,687)
Additions	2,424,999	-	299,000	32,326	2,756,325
Repayment and redemption	(1,214,675)	(237,786)	-	(46,136)	(1,498,597)
At 31 December 2022	4,355,408	833,805	1,596,912	29,370	6,815,495
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

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 13 to the financial statements.

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

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2022 comprise the Bank and its subsidiary.

These financial statements were approved by the Board of Directors on 5 April 2023.

1. Basis of preparation

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 49.

1. Basis of preparation (cont'd.)

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

The new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Bank Group and the Bank for the financial year beginning 1 January 2022 are as follows:

- Amendment to MFRS 16 *'COVID-19-Related Rent Concessions beyond 30 June 2021'*
- Amendments to MFRS 116 *'Proceeds before intended use'*
- Amendments to MFRS 3 *'Reference to Conceptual Framework'*
- Amendments to MFRS 137 *'Onerous Contracts – Cost of Fulfilling a Contract'*
- Annual improvements to MFRS 9 *'Fees in the 10% test for derecognition of financial liabilities'*
- Annual Improvements to MFRS 1 *'Subsidiary as First-time Adopter'*
- Annual Improvements to Illustrative Example accompanying MFRS 16 *'Leases: Lease Incentives'*
- Annual Improvements to MFRS 141 *'Taxation in Fair Value Measurements'*

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

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

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

(i) Financial year beginning on/after 1 January 2023

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

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

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

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

  The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. apply the concept of materiality to accounting policy disclosures.

1. Basis of preparation (cont'd.)

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

(i) Financial year beginning on/after 1 January 2023 (cont'd.)

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

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

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

The amendments to MFRS 108, redefined accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Bank Group and the Bank.

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

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

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

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

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

The amendments shall be applied retrospectively.

1. Basis of preparation (cont'd.)

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

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

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

  The Amendments to MFRS 16 *'Lease liability'* in a sale and leaseback specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 *'Revenue from Contracts with Customers'* to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

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

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

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) Currency translations

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

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

(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(n) 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) 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.

(iii) Business combination

The 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 subsidiaries are accounted for using the acquisition method of accounting when the acquired sets of activities and assets meet the definition of a business. The Bank Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The identifiable assets acquired and the liabilities assumed, with limited exceptions, are measured at their fair values at the acquisition date. Acquisition costs are expensed as incurred and included in administrative expenses.

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

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

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

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

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

(iii) Business combination (cont'd.)

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 does 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 losses control, it:

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

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

(c) Intangible assets and amortisation

Computer software development costs recognised as intangible 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 ammortised on a straight-line basis over 5 years.

(d) Property and equipment and depreciation

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

(d) 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:

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

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

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

(e) 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.)

(e) 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.

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.

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

(e) Leases (cont'd.)

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

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

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.

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, of if the Bank Group and the Bank change their assessment of whether they will exercise a purchase, extension or termination option.

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

(e) Leases (cont'd.)

(iii) Subsequent measurement

(a) As a lessee

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".

(f) 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.

(g) 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.

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

(h) 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.

(i) Commitments and contingencies

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

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

(j) 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.

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

(k) 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.

(l) 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.

(m) 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.

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.

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

(m) Financial instruments (cont'd.)

(ii) Classification and subsequent measurement

Financial assets

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.

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.

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

(m) Financial instruments (cont'd.)

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

Financial assets (cont'd.)

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

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.

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 cash and short-term fund, deposits and placements with banks and other financial institutions, financial investment at amortised cost, Sukuk Commodity Murabahah, financing and advances based on Shariah contracts of Tawarruq, Bai', Ijarah and Istisna'.

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

(m) Financial instruments (cont'd.)

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

Financial assets (cont'd.)

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.

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(n)).

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

(m) Financial instruments (cont'd.)

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

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 profit rate 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;

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.

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

(m) Financial instruments (cont'd.)

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

Financial liabilities (cont'd.)

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, lease liabilities, derivatives, 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.

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

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

(m) Financial instruments (cont'd.)

(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.

(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.)

(m) 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.

(n) 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.

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

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

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.

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 financing 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.

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

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

Measurement (cont'd.)

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.

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.

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

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

Recognition (cont'd.)

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, but less than 3 months or hit any of the qualitative indicators but not limited to increase in internal credit spread of an existing facility, breach of covenants and decrease in securities prices.

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

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

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

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

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.

(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.

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

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

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.

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.

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

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

Write-down/write-off (cont'd.)

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.

(o) 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.

(p) 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.

(q) 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 rate 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.

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

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

(i) Profit income and profit expense (cont'd.)

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.

(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.

(r) Current and deferred taxes

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

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

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

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

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

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

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

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

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

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

(s) Zakat

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

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

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

(t) 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.

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

(t) Fair value measurement (cont'd.)

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

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

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

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

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

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

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

(u) 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. Cash and short-term funds and deposits and placements with banks and other financial institutions

		Bank Group		Bank	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
(a)	Cash and balances with banks and other financial institutions	354,349	125,180	240,786	104,604
	Money at call and deposit placements maturing within one month	1,838,469	520,025	1,838,469	520,025
		2,192,818	645,205	2,079,255	624,629
(b)	Deposits and placements with banks and other financial institutions with original maturity of more than one month				
	Licensed Islamic banks	597,746	843,856	-	100,093
		2,790,564	1,489,061	2,079,255	724,722

The ECL for cash and short-term funds and deposits and placements with banks and other financial institutions above is nil (2021: nil).

4. Derivative financial assets/(liabilities)

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

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					
	2022			2021		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange contracts:						
Currency forward						
- Less than one year	1,976,886	15,017	(23,470)	419,278	637	(2,363)

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

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Money market instruments		
In Malaysia		
Private mandate investments	240,357	240,209

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

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Money market instruments		
Malaysian Government Investment Issues	8,479,600	8,317,698
Debt securities		
In Malaysia		
Private and Islamic debt securities	1,021,894	1,139,722
Government Guaranteed debt securities	1,891,286	2,353,695
	11,392,780	11,811,115

During the year, a total loss amounting to RM250,452,000 (2021: RM528,712,000) was recognised in other comprehensive income. Upon sale of the financial investments, the Bank Group and the Bank recognised a loss of RM13,066,000 (2021: RM8,029,000) 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.

Movement of allowance for credit losses recognised in FVOCI reserve:

	Bank Group and Bank			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2022	14	-	-	14
Total reversal to profit or loss (Note 30):	(4)	-	-	(4)
New financial investments purchased during the year	-	-	-	-
Matured financial investments during the year	(4)	-	-	(4)
Change in credit risk	-	-	-	-
At 31 December 2022	10	-	-	10
At 1 January 2021	7	-	-	7
Total charge/(reversal) to profit or loss (Note 30):	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	14	-	-	14

7. Financial investments at amortised cost

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Money market instruments		
Malaysian Government Investment Issues	378,302	20,666
<u>In Malaysia</u>		
Private and Islamic debt securities	1,183,318	610,880
Government Guaranteed corporate sukuk	65,279	-
	1,626,899	631,546
Less: ECL		
- Stage 1	(868)	(841)
- Stage 2	(239)	(371)
	1,625,792	630,334

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 2022	841	371	-	1,212
Charge/(reversal) to profit or loss (Note 30)	27	(132)	-	(105)
New financial investments purchased during the year	30	-	-	30
Matured financial investments during the year	(2)	-	-	(2)
Changes in credit risk	(1)	(132)	-	(133)
ECL at 31 December 2022	868	239	-	1,107
ECL at 1 January 2021	90	501	-	591
Charge/(reversal) to profit or loss (Note 30)	751	(130)	-	621
New financial investments purchased during the year	754	-	-	754
Changes in credit risk	(3)	(130)	-	(133)
ECL at 31 December 2021	841	371	-	1,212

8. Financing and advances

(i) By type and Shariah contract
At amortised cost

Bank Group and Bank
2022

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

Bank Group and Bank
2021

	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
Gross financing and advances	31,957,586	1,967,193	1,390,114	35,314,893
Less: ECL				
- Stage 1				(345,477)
- Stage 2				(588,894)
- Stage 3				(354,509)
Net financing and advances				34,026,013

8. Financing and advances (cont'd.)

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

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	
	2022	**2021**
	RM'000	**RM'000**
Islamic financing facility granted by:		
Cagamas Berhad - Recourse obligation on financing sold (Note 23)	4,707,136	3,554,085
Sukuk-MBSB SC Murabahah* (Note 10(b))	1,736,343	1,966,742

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

(ii) By residual contractual maturity

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Maturity within one year	4,310,073	2,426,329
More than one year to three years	1,721,488	1,355,651
More than three years to five years	2,144,712	1,815,082
More than five years	29,754,352	29,717,831
	37,930,625	35,314,893

(iii) By economic purpose

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Personal use	19,238,348	19,697,222
Construction	3,556,917	3,519,709
Purchase of landed property:		
- Residential	7,971,626	6,875,705
- Non-residential	923,224	842,591
Working capital	5,180,187	3,243,641
Purchase of transport vehicles	53,642	77,009
Purchase of other fixed assets	1,003,088	928,278
Purchase of other securities	369	432
Purchase of consumer durables	107	901
Others	3,117	129,405
	37,930,625	35,314,893

8. Financing and advances (cont'd.)

(iv) By type of customers

	Bank Group and Bank 2022 RM'000	2021 RM'000
Domestic business enterprises		
- Small medium enterprise	2,658,304	2,298,710
- Non-bank financial institutions	1,422,819	739,048
- Others	6,162,095	5,328,983
Individuals		
- Malaysian nationals	27,559,728	26,916,815
- Foreign nationals	127,679	31,337
	37,930,625	35,314,893

(v) By sector

	Bank Group and Bank 2022 RM'000	2021 RM'000
Household sectors	27,560,564	26,916,815
Construction	3,194,534	3,356,831
Finance, insurance, real estate and business services	3,394,664	2,501,746
Wholesale & retail trade and restaurants & hotels	1,084,469	857,239
Manufacturing	1,088,782	907,471
Electricity, gas and water	911,234	174,723
Transport, storage and communication	338,405	242,399
Agriculture	47,636	36,579
Mining and quarrying	65,077	185,409
Education, health and others	245,260	135,681
	37,930,625	35,314,893

(vi) By profit rate sensitivity

	Bank Group and Bank 2022 RM'000	2021 RM'000
Fixed rate:		
Personal financing	14,704,765	16,092,439
Auto financing	47,105	77,622
Property financing	378,941	416,749
Bridging, structured and term financing	771,882	868,877
	15,902,693	17,455,687
Variable rate:		
Personal financing	4,457,223	3,531,300
Property financing	8,043,656	6,878,621
Bridging, structured and term financing	9,527,053	7,449,285
	22,027,932	17,859,206
	37,930,625	35,314,893

(vii) By geographical distribution

	Bank Group and Bank 2022 RM'000	2021 RM'000
Malaysia	37,930,625	35,314,893

8. Financing and advances (cont'd.)

(viii) Movement of gross financing and advances

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

	Bank Group and Bank			
2021	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	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 non-current assets held for sale	-	-	(23,671)	(23,671)
Write-offs	-	-	(137,358)	(137,358)
As at 31 December	29,129,287	5,222,077	963,529	35,314,893

(ix) Movement of ECL for financing and advances

	Bank Group and Bank			
2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	345,477	588,894	354,509	1,288,880
(Reversal)/charge to profit or loss (Note 30)	(52,720)	(254,494)	583,212	275,998
Changes in ECL due to transfer within stages:				
- Transfer to Stage 1	230,355	(219,725)	(10,630)	-
- Transfer to Stage 2	(13,720)	36,753	(23,033)	-
- Transfer to Stage 3	(2,670)	(125,340)	128,010	-
New financing/disbursement during the year	85,737	27,214	14,897	127,848
Repayment during the year	(242,109)	(43,736)	(26,619)	(312,464)
Changes in credit risk parameters #	(8,904)	65,502	458,454	515,052
Changes to model assumptions and methodologies ^	(101,424)	(1,882)	(47,147)	(150,453)
Refinancing from MBSB	15	6,720	89,280	96,015
Reclassification from non-current asset held for sale	-	-	10,656	10,656
Write-offs	-	-	(210,116)	(210,116)
As at 31 December	292,757	334,400	738,261	1,365,418

8. Financing and advances (cont'd.)

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

	Bank Group and Bank			
2021	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	365,538	587,652	425,587	1,378,777
(Reversal)/charge to profit or loss (Note 30)	(20,061)	1,242	87,829	69,010
Changes in ECL due to transfer within stages:				
- 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)
As at 31 December	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.

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

(x) Movement of impaired financing and advances

	Bank Group and Bank	
	2022 RM'000	**2021 RM'000**
Balance as at 1 January	963,529	987,231
Classified as impaired during the year	1,183,350	320,692
Reclassified as non-impaired	(53,591)	(214,622)
Amount recovered	(124,602)	(66,529)
Amount written off	(221,730)	(137,358)
Other movements	180,195	97,786
Refinancing from MBSB	130,239	-
Transfer to non-current assets held for sale	12,214	(23,671)
Balance as at 31 December	2,069,604	963,529
Net impaired as a percentage of net financing and advances	3.64%	1.79%
Gross impaired as a percentage of gross financing and advances	5.46%	2.73%

(xi) Impaired financing and advances by economic purpose

	Bank Group and Bank	
	2022 RM'000	**2021 RM'000**
Personal use	212,962	75,824
Construction	979,735	523,546
Purchase of landed property:		
- Residential	255,350	112,955
- Non-residential	280,034	146,339
Working capital	311,709	73,606
Purchase of transport vehicles	4,866	3,585
Purchase of other fixed assets	24,744	26,700
Purchase of consumer durables	-	791
Others	204	183
	2,069,604	963,529

8. Financing and advances (cont'd.)

(xii) Impaired financing and advances by sector

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Household sector	486,393	201,203
Construction	782,599	305,071
Finance, insurance, real estate and business services	194,807	210,921
Wholesale & retail trade and restaurants & hotels	286,095	26,248
Manufacturing	233,941	101,470
Transport, storage and communication	358	4,032
Mining and quarrying	511	26,423
Education, health and others	84,900	88,161
	2,069,604	963,529

(xiii) Impaired financing and advances by geographical distribution

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Malaysia	2,069,604	963,529

9. Non-current assets held for sale

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Balance as at 1 January	23,671	-
Reclassification (to)/from financing (Note 8(viii))	(12,214)	23,671
Gross non-current assets held for sale	11,457	23,671
Less impairment allowance:		
Balance as at 1 January	(21,549)	-
Reclassification to/(from) financing (Note 8(ix))	10,656	(21,549)
Total impairment allowance	(10,893)	(21,549)
Net non-current assets held for sale	564	2,122

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
By economic purpose:		
Purchase of residential properties	11,233	22,481
Purchase of non-residential properties	-	960
Purchase of other fixed assets	136	138
Purchase of transport vehicles	43	47
Others	45	45
	11,457	23,671

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

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

(a) Sukuk Commodity Murabahah

	Bank 2022 RM'000	Bank 2021 RM'000
Sukuk Commodity Murabahah	2,104,499	2,404,630
(i) By tranche		
Tranche 1	-	123,077
Tranche 2	324,800	385,302
Tranche 3	807,037	876,547
Tranche 4	972,662	1,019,704
	2,104,499	2,404,630

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

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

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

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

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

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

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. The first tranche of Sukuk-MBSB SC Murabahah and Sukuk Commodity Murabahah matured on 24 December 2021 and 24 December 2022 respectively.

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

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

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

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

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 (2021: RM27,634,000) and amount granted to JKSB of RM525,883,000 (2021: RM497,200,000) 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.

(b) Sukuk-MBSB SC Murabahah

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Sukuk-MBSB SC Murabahah	833,805	1,072,972
Maturity of Sukuk-MBSB SC Murabahah:		
Within one year	239,633	245,992
More than one year	594,172	826,980
	833,805	1,072,972

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 drawndown by the Bank.

As at 31 December 2022, the carrying amount of Financing Receivables identified to back the outstanding Sukuk MBSB SC-Murabahah was RM1,736,343,000 (2021: RM1,966,742,000) as disclosed in Note 8(i).

11. Other receivables

		Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Amount due from subsidiary	(i)	-	-	71,825	62,715
Financing to related companies	(ii)	494,820	546,039	494,820	546,039
Amount due from holding company		40,527	-	40,527	-
Amount due from related companies		335	-	335	-
Prepayments and deposits		15,846	10,150	15,846	10,150
Deferred expenses		41,706	36,551	41,706	36,464
Sundry receivables		20,958	25,718	17,899	19,095
		614,192	618,458	682,958	674,463
Less: ECL at stage 1		(4,414)	(4,989)	(4,414)	(4,989)
ECL at stage 3		(94,852)	(114,602)	(94,852)	(114,602)
		514,926	498,867	583,692	554,872

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

(i) Amount due from subsidiary

The amount is unsecured, subject to effective profit rate of 6.50% (2021: 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 6.50% (2021: 5.50%) per annum.

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
At gross	494,820	546,039
Less: ECL at Stage 1	(4,414)	(4,989)
ECL at Stage 3	(94,840)	(114,447)
	(99,254)	(119,436)
	395,566	426,603

Included in financing to related companies is secured financing amounting to RM467,548,000 at gross (2021: RM518,573,000).

Movements of ECL is as follows:

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
Balance as at 1 January	119,436	131,997
(Writeback)/charge for the year (Note 30)	(15,859)	49,879
Reversal due to repayment	(4,323)	(53,035)
Write-off	-	(9,405)
Balance as at 31 December	99,254	119,436

12. Statutory deposits with Bank Negara Malaysia

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

13. Investment in subsidiary

	Bank	
	2022 RM'000	2021 RM'000
Unquoted shares at cost	*	*

* Represents RM2.

Details of the subsidiary are as follows:

Name of subsidiary	Principal activity	Effective interest held (%) 2022	2021
Jana Kapital Sdn. Bhd.	Special purpose vehicle	100	100

The subsidiary was incorporated in Malaysia.

14. Investment property

	Bank Group and Bank	
	2022 RM'000	2021 RM'000
At cost		
Freehold land		
At 1 January/31 December	820	820
Fair Value		
At 1 January	1,250	875
At 31 December	1,250	1,250

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

15. Property and equipment

Bank Group and Bank

	Building RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Work in progress RM'000	Total RM'000
Cost							
At 1 January 2022	-	39,778	21,999	1,354	100,164	-	163,295
Vested from holding company	326	-	-	-	-	-	326
Additions	6,350	38,023	744	317	7,428	525	53,387
Disposals	-	-	(72)	-	(73)	-	(145)
At 31 December 2022	6,676	77,801	22,671	1,671	107,519	525	216,863
Accumulated depreciation							
At 1 January 2022	-	33,611	18,228	890	56,211	-	108,940
Depreciation charge for the year (Note 34)	108	5,969	1,143	163	13,175	-	20,558
Disposals	-	-	(66)	-	(60)	-	(126)
At 31 December 2022	108	39,580	19,305	1,053	69,326	-	129,372
Net book value							
At 31 December 2022	6,568	38,221	3,366	618	38,193	525	87,491

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15. Property and equipment (cont'd.)

Bank Group and Bank

	Building RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Work in progress RM'000	Total RM'000
Cost							
At 1 January 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	-	39,778	21,999	1,354	100,164	-	163,295
Accumulated depreciation							
At 1 January 2021	-	31,415	17,503	758	46,985	-	96,661
Depreciation charge for the year (Note 34)	-	2,196	752	132	9,226	-	12,306
Disposals	-	-	(27)	-	-	-	(27)
At 31 December 2021	-	33,611	18,228	890	56,211	-	108,940
Net book value							
At 31 December 2021	-	6,167	3,771	464	43,953	-	54,355

16. Intangible assets

Bank Group and Bank

	Software licences RM'000	Work in progress RM'000	Total RM'000
Cost			
At 1 January 2022	293,730	2,528	296,258
Additions	26,301	9,107	35,408
Reclassification	4,631	(4,631)	-
At 31 December 2022	324,662	7,004	331,666
Accumulated amortisation			
At 1 January 2022	195,074	-	195,074
Amortisation for the year (Note 34)	40,435	-	40,435
At 31 December 2022	235,509	-	235,509
Net book value			
At 31 December 2022	89,153	7,004	96,157

Bank Group and Bank

	Software licences RM'000	Work in progress RM'000	Total RM'000
Cost			
At 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 2021	159,879	-	159,879
Amortisation for the year (Note 34)	35,195	-	35,195
At 31 December 2021	195,074	-	195,074
Net book value			
At 31 December 2021	98,656	2,528	101,184

17. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Office equipment	436	731
Buildings	17,314	20,773
Network and security	11,028	19,850
	28,778	41,354

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

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Total addition during the year	32,329	75,623
Charge for the financial year (Note 34):		
Office equipment	374	376
Buildings	35,709	42,156
Network and security	8,822	6,617
	44,905	49,149

(b) Lease liabilities

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Current		
Lease liabilities	9,415	5,894
Non-current		
Lease liabilities	19,955	36,079
	29,370	41,973

17. 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 2021	15,193
Additions	75,134
Lease profit expense (Note 34)	2,110
Lease payments	(50,464)
At 31 December 2021/1 January 2022	41,973
Additions	32,326
Lease profit expense (Note 34)	1,207
Lease payments	(46,136)
At 31 December 2022	29,370

Amount recognised in the statement of profit or loss:

	Bank Group and Bank	
	2022 RM'000	2021 RM'000
Depreciation of right-of-use assets (Note 34)	44,905	49,149
Lease profit expense (Note 34)	1,207	2,110

Amount recognised in the statement of cash flows:

	Bank Group and Bank	
	2022 RM'000	2021 RM'000
Included in net cash from financing activities		
Profit expense on lease liabilities (Note 34)	1,207	2,110
Payment of lease liabilities	(46,136)	(50,464)
Total cash outflow for leases	(44,929)	(48,354)

18. Deferred tax assets

	Bank Group and Bank 2022 RM'000	2021 RM'000
Deferred tax assets	107,238	17,292

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 2022 RM'000	2021 RM'000
Deferred tax assets (before offsetting)		
Fair value reserve	107,801	50,829
Others	36,166	12,789
	143,967	63,618
Offsetting	(36,729)	(46,326)
	107,238	17,292
Deferred tax liabilities (before offsetting)		
Fair value reserve	-	-
Accelerated capital allowances	(26,827)	(34,911)
Impairment allowance	(9,902)	(11,415)
	(36,729)	(46,326)
Offsetting	36,729	46,326
	-	-

The movements of deferred tax assets and liabilities during the financial year comprise 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 2022	50,829	(34,911)	(11,415)	12,789	17,292
Recognised in profit or loss (Note 36)	-	8,084	1,513	23,377	32,974
Recognised in other comprehensive income (Notes 26 and 36)	56,972	-	-	-	56,972
At 31 December 2022	107,801	(26,827)	(9,902)	36,166	107,238
At 1 January 2021	(74,135)	(19,882)	(26,246)	27,895	(92,368)
Recognised in profit or loss (Note 36)	-	(15,029)	14,831	(15,106)	(15,304)
Recognised in other comprehensive income (Notes 26 and 36)	124,964	-	-	-	124,964
At 31 December 2021	50,829	(34,911)	(11,415)	12,789	17,292

19. Deposits from customers

(i) By type of deposit:

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Non-Mudharabah Funds:		
Commodity Murabahah Term Deposits	26,895,884	24,421,230
Demand deposits	1,482,264	611,386
Savings deposits	734,551	385,596
	29,112,699	25,418,212

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

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Due within six months	19,673,851	15,626,072
More than six months to one year	4,421,626	6,347,608
More than one year to three years	1,366,471	2,213,495
More than three years	1,433,936	234,055
	26,895,884	24,421,230

(iii) By type of customers:

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Government and statutory bodies	15,232,596	12,283,703
Business enterprises	9,065,228	8,793,405
Individuals	4,814,875	4,341,104
	29,112,699	25,418,212

(iv) By type of contract:

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Tawarruq	29,112,699	25,418,212
	29,112,699	25,418,212

20. Deposits and placements of banks and other financial institutions

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
(i) By type of deposit:		
Non-Mudharabah Funds:		
- Licensed investment banks	779	948
- Licensed Islamic banks	1,121,734	534,051
- Other financial institutions	6,388,823	8,114,582
	7,511,336	8,649,581
(ii) By type of contract:		
Tawarruq	7,511,336	8,649,581
	7,511,336	8,649,581

21. Investment accounts of customers

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
Wakalah unrestricted investment account	2,080,767	2,094,914

The investment account placements are used to fund personal financing.

(i) By type of customers

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
Government and statutory bodies	1,626,676	2,014,773
Other financial institutions	454,091	80,141
	2,080,767	2,094,914

(ii) Movement of investment accounts of customers:

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
At beginning of the financial year	2,094,914	-
New placements during the financial year	5,795,123	2,506,314
Redemption during the financial year	(5,809,189)	(426,328)
Finance expense	52,685	23,456
Profit distributed	(52,766)	(8,528)
At end of financial year	2,080,767	2,094,914

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

(iii) By maturity

	Bank Group and Bank 2022 RM'000	Bank Group and Bank 2021 RM'000
Due within six months	1,926,610	1,006,242
More than six months to one year	154,157	1,083,050
More than one to three years	-	5,622
	2,080,767	2,094,914

(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 %
2022		
Unrestricted investment accounts:		
Due within six months	4.13	4.67
More than six months to one year	4.05	4.76

	Investment Account Holder Average ROR %	Bank Group and Bank Performance Incentive Fee %
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 to three years	2.95	4.95

22. Other payables

		Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Amount due to subsidiary	(i)	-	-	1,736,343	1,966,742
Amount due to related companies	(ii)	-	7,679	-	7,679
Amount due to holding company	(iii)	-	138,410	-	138,410
Al-Mudharabah security funds		132,944	147,604	132,944	147,604
ECL for commitments and contingencies	(iv)	52,351	54,184	52,351	54,184
Other provisions and accruals		99,837	115,621	99,817	115,599
Deferred income		1,314	21,658	1,314	21,658
Sundry creditors		222,233	500,724	222,233	500,539
		508,679	985,880	2,245,002	2,952,415

(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 8(i).

(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 contigencies

Movement of ECL for commitments and contingencies is as follows:

2022	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	16,943	35,869	1,372	54,184
Total (reversal)/charge to profit or loss (Note 30)	(1,797)	(3,500)	3,792	(1,505)
Changes in ECL due to transfer within stages:				
- Transfer to Stage 1	24,738	(24,737)	(1)	-
- Transfer to Stage 2	(298)	371	(73)	-
- Transfer to Stage 3	(22)	(841)	863	-
New financing/disbursement during the year	12,333	1,395	95	13,823
Repayment/drawdown to financing during the year	(6,672)	(8,093)	(540)	(15,305)
Changes in credit risk parameters #	(24,253)	2,569	4,163	(17,521)
Changes to model assumptions and methodologies ^	(7,623)	25,836	(715)	17,498
Write-offs	-	-	(328)	(328)
As at 31 December	15,146	32,369	4,836	52,351

22. Other payables (cont'd.)

(iv) <u>ECL for commitments and contigencies (cont'd.)</u>

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

2021	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
As at 1 January	18,878	13,274	12,291	44,443
Total (reversal)/charge to profit or loss (Note 30)	(1,935)	22,595	(10,918)	9,742
Changes in ECL due to transfer within stages:				
- 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)
As at 31 December	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.

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

23. Recourse obligation on financing sold

	Bank Group and Bank	
	2022 RM'000	**2021 RM'000**
Repayments due within 12 months	267,189	1,074,653
Repayments due after 12 months	4,088,219	2,066,656
	4,355,408	3,141,309

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 RM4,707,136,000 (2021: RM3,554,085,000) as disclosed in Note 8(i).

24. Sukuk Wakalah

		Bank Group and Bank	
		2022	**2021**
		RM'000	**RM'000**
Sukuk Wakalah comprise:			
Tier-2 Sukuk Wakalah	(a)	1,295,012	1,294,247
Sustainability Sukuk Wakalah	(b)	301,900	-
		1,596,912	1,294,247

(a) Tier-2 Sukuk Wakalah

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Maturity of Sukuk Wakalah:		
Within one year	2,201	2,201
More than one year	1,292,811	1,292,046
	1,295,012	1,294,247

The Bank's Sukuk Wakalah Programme of up to RM10 billion nominal value was approved by Bank Negara Malaysia and endorsed by the Securities Commission in November 2019. The Sukuk Wakalah Programme comprises:

(i) Senior Sukuk Wakalah, and/or
(ii) Tier-2 Sukuk Wakalah, and/or
(iii) Additional Tier-1 Sukuk Wakalah

In December 2019, the Bank issued Tier-2 Sukuk Wakalah in nominal value of RM1,300 million, comprising RM650 million at 5.05% p.a. and RM650 million at 5.25% p.a. The salient terms of the Tier-2 Sukuk Wakalah are as follows:

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

(b) Sustainability Sukuk Wakalah

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Maturity of Sukuk Wakalah:		
Within one year	2,800	-
More than one year	299,100	-
	301,900	-

In April 2022, MBSB Bank issued Sustainablility Sukuk Wakalah in nominal value of RM300 million, comprising a 5-year RM200 million at 4.36% p.a. and a 7-year RM100 million at 4.73% p.a. The salient terms of the Sustainablitiy Sukuk Wakalah are as follows:

(i) not pledged to any security
(ii) non convertible

25. Share Capital

Bank Group and Bank	Number of shares 2022 Units'000	Number of shares 2021 Units'000	Amount 2022 RM'000	Amount 2021 RM'000
Ordinary shares				
Issued and fully paid shares with no par value:				
At 1 January	5,427,972	5,159,859	5,427,972	5,159,859
Issued during the year	869,565	268,113	1,000,000	268,113
At 31 December	6,297,537	5,427,972	6,427,972	5,427,972

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 RM5,427,971,969 to RM6,427,971,970 via the issuance of 869,565,218 new ordinary shares.

26. Reserves

Bank Group	Non-distributable: Regulatory reserve (i) RM'000	Non-distributable: Fair value reserve (ii) RM'000	Distributable: Retained profits RM'000	Total RM'000
At 1 January 2022	5,234	(160,950)	1,513,503	1,357,787
Profit for the year	-	-	474,049	474,049
Other comprehensive income for the year:				
- net changes in fair value	-	(224,323)	-	(224,323)
- realised loss transferred to statements of income on disposal (Note 28)	-	(13,066)	-	(13,066)
- income tax relating to component of other comprehensive income (Note 36(a))	-	56,972	-	56,972
	-	(180,417)	-	(180,417)
Transfer of regulatory reserve to retained profits	(5,234)	-	5,234	-
Dividends	-	-	(162,839)	(162,839)
Balance as at 31 December 2022	-	(341,367)	1,829,947	1,488,580
At 1 January 2021	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	-	(512,647)	-	(512,647)
- realised loss transferred to statements of income on disposal (Note 28)	-	(8,029)	-	(8,029)
- income tax relating to component of other comprehensive income (Note 36(a))	-	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

26. Reserves (cont'd.)

Bank	Non-distributable Regulatory reserve (i) RM'000	Non-distributable Fair value reserve (ii) RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2022	5,234	(160,950)	1,242,215	1,086,499
Profit for the year	-	-	470,761	470,761
Other comprehensive income for the year:				
- net changes in fair value	-	(224,323)	-	(224,323)
- realised loss transferred to statements of income on disposal (Note 28)	-	(13,066)	-	(13,066)
- income tax relating to component of other comprehensive income (Note 36(a))	-	56,972	-	56,972
	-	(180,417)	-	(180,417)
Transfer of regulatory reserve to retained profits	(5,234)	-	5,234	-
Dividends	-	-	(162,839)	(162,839)
Balance as at 31 December 2022	-	(341,367)	1,555,371	1,214,004
At 1 January 2021	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	-	(512,647)	-	(512,647)
- realised loss transferred to statements of income on disposal (Note 28)	-	(8,029)	-	(8,029)
- income tax relating to component of other comprehensive income (Note 36(a))	-	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

26. 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% (2021: 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 withdrawn the reserve during the year.

(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.

27. Income derived from investment of depositors' funds

Income derived from investment of other deposits

	Bank Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance income and hibah:				
Financing and advances	1,677,348	1,731,182	1,677,348	1,731,182
Financial investments at FVOCI	337,311	351,629	337,311	351,629
Financial investments at amortised cost	41,950	24,453	41,950	24,453
Financial investments at FVTPL	5,423	3,763	5,423	3,763
Money at call and deposits with bank and other financial institutions	26,980	22,554	13,386	8,990
Profit on Sukuk Commodity Murabahah	-	-	99,930	110,636
Others	8,585	15,507	11,796	18,208
	2,097,597	2,149,088	2,187,144	2,248,861
of which:				
Financing income earned on impaired financing	12,298	8,377	12,298	8,377

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

	Bank Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at amortised cost	1,754,863	1,793,697	1,844,410	1,893,469
Financial assets at FVOCI	337,311	351,629	337,311	351,629
Finance income and hibah from financial assets not measured at FVTPL	2,092,174	2,145,326	2,181,721	2,245,098

28. Income derived from investment of shareholders' funds

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Finance income and hibah:				
Financing and advances	383,916	341,966	383,916	341,966
Financial investments at FVOCI	72,308	67,095	72,308	67,095
Financial investments at amortised cost	8,993	4,666	8,993	4,666
Financial investments at FVTPL	1,163	718	1,163	718
Money at call and deposits with bank and other financial institutions	5,783	4,304	2,869	1,715
Profit on Sukuk Commodity Murabahah	-	-	21,421	21,111
Others	1,841	2,959	2,529	3,476
	474,004	421,708	493,199	440,747
of which:				
Financing income earned on impaired financing	2,636	1,599	2,636	1,599

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Other operating income:				
Financing related fees	26,222	11,523	26,222	11,523
Loss from sale of financial investments at FVOCI	(13,066)	(8,029)	(13,066)	(8,029)
Loss from sale of financial investments at FVTPL	(18,195)	(7,825)	(18,195)	(7,825)
Gain on financial investments at FVTPL	4,200	221	4,200	221
Commission	11,097	13,229	11,097	13,229
Gain on foreign exchange transactions	12,390	42,126	12,390	42,126
Ta'widh	10,455	4,575	10,455	4,575
Sundry income	8,799	24,999	8,875	24,999
	41,902	80,819	41,978	80,819
	515,906	502,527	535,177	521,566

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

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Financial assets at amortised cost	400,533	353,894	419,728	372,934
Financial assets at FVOCI	72,308	67,095	72,308	67,095
Finance income and hibah from financial assets not measured at FVTPL	472,841	420,989	492,036	440,029

29. Income derived from investment of investment accounts' funds

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Financing and advances	113,587	60,967

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

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Expected credit losses on advances and financing made/(written back)		
Financing and advances (Note 8(ix)):		
- Stage 1	(52,720)	(20,061)
- Stage 2	(254,494)	1,242
- Stage 3	583,212	87,829
Credit impaired advances and financing:		
- Write-off	20,219	5,676
- Recovered	(72,759)	(10,620)
	223,458	64,066
Other expected credit losses and impairment allowances made/(written back):		
Financial investments at FVOCI (Note 6)	(4)	7
Financial investments at amortised cost (Note 7)	(105)	621
Financing to related companies (Note 11 (ii))	(15,859)	49,879
Other receivables	(143)	140
Financing commitments and financial guarantees (Note 22(iv))	(1,505)	9,742
	(17,616)	60,389
	205,842	124,455

31. Net loss on modification of cash flows

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Net loss on modification of cash flows	59,973	311,665

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 were 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 loss on modification of cash flows were higher in 2021 following the high exposure to fixed rate personal financing.

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

32. Income attributable to depositors and others

	Bank Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(a) Income attributable to depositors				
Deposits from customers:				
- Non-mudharabah funds	899,622	629,226	899,622	629,226
Deposits and placements of banks and other financial institutions:				
- Non-mudharabah funds	6,191	197,030	6,191	197,030
	905,813	826,256	905,813	826,256

	Bank Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(b) Income attributable to securitisation	142,314	91,230	142,314	91,230
(c) Income attributable to sukuk	128,432	132,603	128,432	132,603
(d) Income attributable to wakalah unrestricted investment account	52,685	23,456	52,685	23,456
(e) Others	-	-	117,984	136,937
	1,229,244	1,073,545	1,347,228	1,210,482

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

33. Personnel expenses

	Bank Group and Bank 2022 RM'000	2021 RM'000
Salaries, allowances and bonuses	230,075	194,013
Contributions to EPF and SOCSO	34,340	33,972
Directors' remuneration (Note 35)	2,270	2,485
Shariah Advisory Committee members' remuneration (Note 35)	496	490
Other staff related expenses	41,461	26,400
	308,642	257,360

34. Other overhead expenses

	Bank Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Establishment related expenses				
Depreciation of property and equipment (Note 15)	20,558	12,306	20,558	12,306
Amortisation of intangible assets (Note 16)	40,435	35,195	40,435	35,195
Depreciation of right-of-use assets (Note 17)	44,905	49,149	44,905	49,149
Rental of premises,equipment and network line	-	1,919	-	1,919
Software and hardware maintenance	56,150	55,254	56,150	55,254
Security expenses	3,241	2,268	3,241	2,268
Lease profit expense	1,207	2,110	1,207	2,110
Repair and maintenance, rates and insurance	8,008	2,954	8,008	2,954
	174,504	161,155	174,504	161,155
Promotion and marketing related expenses				
Advertising and promotional activities	15,889	14,053	15,889	14,053
	15,889	14,053	15,889	14,053
General administrative expenses				
License and association fees and levies	470	1,018	470	1,018
Travelling, transport and accomodation expenses	2,302	1,289	2,302	1,289
Printing, stationery, postage and clearing charges	6,955	6,130	6,955	6,130
Electricity and water	4,094	4,147	4,094	4,147
Other professional fees	14,008	14,342	13,919	14,253
Auditors' remuneration:				
- Statutory audit	1,328	1,203	1,315	1,190
- Limited review	200	200	200	200
- Tax compliance	80	-	70	-
- Other services	392	111	392	111
Compliance expense	-	26,743	-	26,743
Telephone charges	6,034	5,206	6,034	5,206
Others	16,859	19,969	16,573	19,501
	52,722	80,358	52,324	79,788
Commission fees				
Angkasa charges	21,728	19,169	21,728	19,169
Commission fees	24,495	12,314	24,495	12,314
	46,223	31,483	46,223	31,483

34. Other overhead expenses (cont'd.)

	Bank Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Inter-company recharges ^	(9,253)	(13,035)	(10,771)	(14,095)
	280,085	274,014	278,169	272,384

^ 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.

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

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Chief Executive Officer		
Salaries and bonus	600	2,792
Other emoluments	102	3,072
Acting Chief Executive Officer		
Salaries and bonus	890	337
Other emoluments	316	186
	1,908	6,387
Directors of the Bank		
Non-Executive:		
Fees and allowances	2,270	2,485
Shariah Advisory Committee members		
Fees and allowances	496	490
	4,674	9,362

Details of the remuneration of each Director are as follows:

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

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

35. 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	94	154
2.	Tn. Nasrun Bin Mohamad @ Ghazali	60	27	87
3.	Dr. Luqman Bin Hj. Abdullah	60	21	81
4.	Tn. Hj. Mohd Nasiruddin Bin Mohd Kamaruddin	60	27	87
5.	Dr. Ahmad Faizol Bin Ismail	60	27	87
		300	196	496

2021

		Bank Group and Bank			
Non-Executive Directors		**Fees RM'000**	**Allowance RM'000**	**Benefit in kind RM'000**	**Total RM'000**
1.	Tan Sri Azlan bin Mohd Zainol	117	55	26	198
2.	Encik Aw Hong Boo	153	150	-	303
3.	Encik Sazaliza Zainuddin	100 *	96	-	196
4.	Datuk Johar bin Che Mat	157	162	-	319
5.	Datuk Azrulnizam bin Abdul Aziz	144	160	-	304
6.	Encik Kamarulzaman bin Ahmad	145	129	-	274
7.	Encik Arul Sothy Mylvaganam	140	141	-	281
8.	Encik Ho Kwong Hoong	83	86	-	169
9.	Tan Sri Abdul Halim bin Ali	23	31	-	54
10.	Dr. Loh Leong Hua	69	60	-	129
11	Puan Lynette Yeow Su-Yin	68	59	-	127
12.	Tunku Alina binti Raja Muhd Alias	70	61	-	131
		1,269	1,190	26	2,485

* 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.	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

36. Taxation and zakat

(a) Taxation

	Bank Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Malaysian income tax:				
Current income tax	204,447	187,527	200,485	183,650
(Over)/under provision in prior year	(5,395)	14,142	(5,395)	14,142
	199,052	201,669	195,090	197,792

36. Taxation and zakat (cont'd.)

(a) Taxation (cont'd.)

	Bank Group 2022	Bank Group 2021	Bank 2022	Bank 2021
Deferred tax (Note 18):	RM'000	RM'000	RM'000	RM'000
Origination and reversal of temporary differences	4,952	(15,868)	4,952	(15,868)
(Over)/under provision in prior year	(37,926)	31,172	(37,926)	31,172
	(32,974)	15,304	(32,974)	15,304
Total income tax expense for the year	166,078	216,973	162,116	213,096
Tax recognised directly in equity:				
Fair value reserve (Note 26)	(56,972)	(124,964)	(56,972)	(124,964)

As per the Finance Act 2021 gazetted on 31 December 2021 effective for Year of Assessment 2022 a special one off tax called "Cukai Makmur" will be imposed on companies that generate chargeable income more than RM100 million as follows:

- Chargeable income for the first RM100 million will be taxed at a rate of 24%; and
- Chargeable income in excess of RM100 million will be taxed at a rate of 33%

Income tax is calculated based on the chargeable income above on the assesable profit for the financial year (2021: 24%)

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

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Profit before taxation and zakat	643,304	671,543	636,054	655,048
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	154,393	161,170	152,653	157,212
Additional Tax Rate of 9% in excess of RM100 million	48,245	-	48,245	-
Effect of income not subject to tax	(28,292)	-	-	-
Effect of expenses not deductible for tax purposes	37,569	10,489	7,055	10,570
Deferred tax assets not recognised	(709)	-	(709)	-
(Over)/under provision of income tax in prior years	(5,395)	14,142	(5,395)	14,142
(Over)/under provision of deferred tax in prior years	(37,926)	31,172	(37,926)	31,172
Effect of Cukai Makmur	(1,807)	-	(1,807)	-
	166,078	216,973	162,116	213,096

(b) Zakat

During the year, the Board of Directors approved zakat amounting to RM3,176,863.

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk - weighted amount RM'000
Bank Group and Bank			
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
	3,253,338	1,146,427	1,049,972

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

37. Commitments and contingencies (cont'd.)

37.1 Capital Commitments

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

	Bank Group and Bank	
	2022	2021
	RM'000	RM'000
Property and equipment / intangible assets:		
Contracted but not provided for	16,329	-

38. 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	
	2022	2021
Basic:		
Net profit for the year (RM'000)	474,049	454,711
Weighted average number of ordinary shares in issue ('000)	5,649,532	5,417,688
Basic earnings per share (sen)	8.39	8.39

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

39. Dividends

2022	Sen per share	Total amount RM'000	Date of payment
Single-tier final dividend for 2021	3.00	162,839	29 June 2022
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

On 26 January 2023, the Directors approved single-tier interim dividend of 7.0 per ordinary share in respect of the financial year ended 31 December 2022. Based on the number of shares in issue of 6,297,537,187 as at 31 December 2022, the dividend payable would be RM440,827,603.

The financial statements for the current financial year do not reflect the dividend above. This dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

40. 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 is disclosed 'with TA' and 'without TA'.

40. Capital adequacy (cont'd.)

	Bank Group			
	With TA 2022 RM'000	Without TA 2022 RM'000	With TA 2021 RM'000	Without TA 2021 RM'000
Common Equity Tier 1 ("CET 1") Capital				
Ordinary share capital	6,427,972	6,427,972	5,427,972	5,427,972
Retained profits exclude merger reserve	1,483,063	1,483,063	1,166,619	1,166,619
Other reserves	(341,367)	(341,367)	(155,716)	(155,716)
	7,569,668	7,569,668	6,438,875	6,438,875
Less: Regulatory adjustments				
Deferred tax assets	(107,238)	(107,238)	(17,292)	(17,292)
Cumulative gains of financial investments at FVOCI	(10,856)	(10,856)	(57,882)	(57,882)
Regulatory reserve	-	-	(5,234)	(5,234)
Intangible assets	(96,157)	(96,157)	(101,184)	(101,184)
Other CET 1 regulatory adjustments	-	-	144,121	-
Total CET 1 Capital	7,355,417	7,355,417	6,401,404	6,257,283
Tier 1 Capital				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	7,355,417	7,355,417	6,401,404	6,257,283
Tier 2 Capital				
Stage 1 & Stage 2 expected credit loss allowances^	443,911	443,911	433,618	433,618
Tier 2 capital instruments	1,300,000	1,300,000	1,294,247	1,294,247
Total Tier 2 capital	1,743,911	1,743,911	1,727,865	1,727,865
Total capital base	9,099,328	9,099,328	8,129,269	7,985,148

^ 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 2022 RM'000	Without TA 2022 RM'000	With TA 2021 RM'000	Without TA 2021 RM'000
Total risk-weighted assets ("RWA")				
- Credit risk	35,512,865	35,512,865	34,689,443	34,689,443
- Market risk	90,857	90,857	62,619	62,619
- Operational risk	2,733,427	2,733,427	2,547,591	2,547,591
Total RWA	38,337,149	38,337,149	37,299,653	37,299,653
Capital adequacy ratios				
CET 1 capital ratio	19.186%	19.186%	17.162%	16.776%
Tier 1 capital ratio	19.186%	19.186%	17.162%	16.776%
Total capital ratio	23.735%	23.735%	21.794%	21.408%

40. Capital adequacy (cont'd.)

	Bank			
	With TA 2022 RM'000	**Without TA 2022 RM'000**	**With TA 2021 RM'000**	**Without TA 2021 RM'000**
Common Equity Tier 1 ("CET 1") Capital				
Ordinary share capital	6,427,972	6,427,972	5,427,972	5,427,972
Retained profits exclude merger reserve	1,555,371	1,555,371	1,242,215	1,242,215
Other reserves	(341,367)	(341,367)	(155,716)	(155,716)
	7,641,976	7,641,976	6,514,471	6,514,471
Less: Regulatory adjustments				
Goodwill and bargain purchase gains	-	-	-	-
Deferred tax assets	(107,238)	(107,238)	(17,292)	(17,292)
Cumulative gains of financial investments at FVOCI	(10,860)	(10,860)	(57,882)	(57,882)
Regulatory reserve	-	-	(5,234)	(5,234)
Intangible assets	(96,157)	(96,157)	(101,184)	(101,184)
Other CET 1 regulatory adjustments	-	-	144,121	-
Total CET 1 Capital	7,427,721	7,427,721	6,477,000	6,332,879
Tier 1 Capital				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	7,427,721	7,427,721	6,477,000	6,332,879
Tier 2 Capital				
Stage 1 & Stage 2 expected credit loss allowances^	469,580	469,580	462,503	462,503
Tier 2 capital instruments	1,300,000	1,300,000	1,294,247	1,294,247
Total Tier 2 capital	1,769,580	1,769,580	1,756,750	1,756,750
Total capital base	9,197,301	9,197,301	8,233,750	8,089,629

^ 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 2022 RM'000	**Without TA 2022 RM'000**	**With TA 2021 RM'000**	**Without TA 2021 RM'000**
Total risk-weighted assets ("RWA")				
- Credit risk	37,566,371	37,566,371	37,000,275	37,000,275
- Market risk	90,857	90,857	62,619	62,619
- Operational risk	2,693,139	2,693,139	2,615,184	2,615,184
Total RWA	40,350,367	40,350,367	39,678,078	39,678,078
Capital adequacy ratios				
CET 1 capital ratio	18.408%	18.408%	16.324%	15.961%
Tier 1 capital ratio	18.408%	18.408%	16.324%	15.961%
Total capital ratio	22.794%	22.794%	20.751%	20.388%

40. Capital adequacy (cont'd.)

The capital ratios after the proposed single-tier interim dividend of 7.0 sen per ordinary share (2021: 3.0 sen per ordinary share) in respect of financial year ended 31 December 2022 amounting to RM440,827,603 (2021: RM162,839,159) are as follows:

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

	Bank Group			
	With TA 2022 RM'000	Without TA 2022 RM'000	With TA 2021 RM'000	Without TA 2021 RM'000
CET 1 capital ratio	18.036%	18.036%	16.726%	16.339%
Tier 1 capital ratio	18.036%	18.036%	16.726%	16.339%
Total capital ratio	22.585%	22.585%	21.358%	20.972%

	Bank			
	With TA 2022	Without TA 2022	With TA 2021	Without TA 2021
CET 1 capital ratio	17.316%	17.316%	15.913%	15.550%
Tier 1 capital ratio	17.316%	17.316%	15.913%	15.550%
Total capital ratio	21.701%	21.701%	20.341%	19.978%

41. 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 2022 (2021: 65.87%). 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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Expenses				
Income attributable to depositors and others:				
- Profit expense paid on Sukuk to EPF	47,619	52,001	47,619	52,001
- Profit expense paid on fixed deposits to EPF	37,893	26,843	37,893	26,843
Other overhead expenses:				
- Rental paid	50	50	50	50
Balances				
Sukuk MBSB-SC Murabahah:				
- Principal balance of Sukuk	840,183	968,331	840,183	968,331
- Accrued profit on Sukuk	6,365	7,090	6,365	7,090
Deposits from customers:				
- Fixed deposits from EPF	1,550,000	1,424,557	1,550,000	1,424,557
- Accrued profit on fixed deposits due to EPF	10,982	1,639	10,982	1,639
- Current account	6	-	6	-

41. 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 banks in which EPF has significant influence over, are as follows:

	Bank Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Income/(expense)				
Income derived:				
- Profit income from deposit placements	1	1	-	-
Income attributable to depositors and others:				
- Profit expense to depositors	(5,759)	(2,418)	(5,759)	(2,418)
Balances				
Assets				
Cash and short-term funds	113,963	21,700	400	1,125
Deposits and placements with banks and other financial institutions	32	32	-	-
Liability				
Deposits and placements of banks and other financial institutions	594,773	382,604	594,773	382,604

(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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Income/(expense)				
Income derived:				
- Profit income from financing	-	3,065	-	3,065
Income attributable to depositors and others:				
- Profit expense to depositors	(416)	(170)	(416)	(170)
Balances				
Deposits from customers	109,034	6,499	109,034	6,499

41. 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	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Immediate holding company				
Income/(expense)				
Other overhead expenses:				
- Inter-company recharges	7,735	11,930	7,735	11,930
- Rental paid	(3,796)	(3,796)	(3,796)	(3,796)
Balance				
Other receivables:				
- Amount due from holding company	40,527	-	40,527	-
Other payables:				
- Amount due to holding company	-	138,410	-	138,410

	Bank	
	2022	**2021**
	RM'000	**RM'000**
Subsidiary		
Income/(expense)		
Income derived:		
- Profit income from Sukuk Commodity Murabahah	121,350	131,746
- Profit income from amount due from subsidiary	3,900	3,216
Other overhead expenses:		
- Inter-company recharges	1,518	1,060
Income attributable to depositors and others:		
- Profit expense to subsidiary	(117,984)	(136,937)

	Bank	
	2022	**2021**
	RM'000	**RM'000**
Balances		
Sukuk Commodity Murabahah	2,104,499	2,404,630
Other receivables:		
- Amount due from subsidiary	71,825	62,715
Other payables:		
- Amount due to subsidiary	1,736,343	1,966,742

	Bank Group		Bank	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Related companies				
Income/(expenses)				
Income derived:				
- Profit income from financing	10,426	18,465	10,426	18,465
Income attributable to depositors and others:				
- Profit expense to depositors	(3,677)	(3,461)	(3,677)	(3,461)
Other overhead expenses:				
- Inter-company recharges	1,518	1,105	1,518	1,105
- Rental paid	(156)	(658)	(156)	(658)
- Other expenses	(6,615)	(3,097)	(6,615)	(3,097)

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

41. 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: (cont'd.)

	Bank Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Related companies (cont'd.)				
Balances				
Gross financing to related companies	494,820	546,039	494,820	546,039
Other receivables:				
- Amount due from related companies	335	-	335	-
Other payables:				
- Amount due to related companies	-	7,679	-	7,679
Deposits from customers	170,396	281,708	170,396	281,708

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

	Bank Group and Bank	
	2022 RM'000	2021 RM'000
Short-term employee benefits	13,324	16,503
Pension costs: EPF	1,767	2,235
	15,091	18,738

Included in the total key management personnel remuneration are:

	Bank Group and Bank	
	2022 RM'000	2021 RM'000
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments, including benefits-in-kind (Note 35)	702	5,864
Acting Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments, including benefits-in-kind (Note 35)	1,206	523

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

	Bank Group and Bank	
	2022 RM'000	2021 RM'000
Income/(expense)		
Income derived	19	26
Income attributable to depositors and others	(1,002)	(59)
	(983)	(33)
Balances		
Financing and advances	935	937
Deposits from customers	2,771	4,049
	3,706	4,986

42. Credit exposures arising from transactions with connected parties

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Outstanding credit exposures with connected parties	1,254,958	1,088,812
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	2.88%	2.78%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.36%	0.26%

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.

43. COVID-19 specific disclosures

MBSB Bank had offered various repayment assistance ("RA") programmes to customers namely Economic Recovery Package ('PEMULIH"), Financial Management and Resilience Programme ("URUS") and Rescheduling and Restructuring ("R&R") Care Programme to support eligible customer who were recovering from repercussions of COVID-19 in 2021. As at 31 December 2022, Bank's exposure to RA programmes has reduced significantly upon expiry of PEMULIH programme in first half of 2022 and based on Bank's observation, most of the RA customers remained performing and resumed repayments.

In 2021, Bank provided overlays of approximately 8% on total ECL to cater for the potential impact of delinquencies and defaults under Retail portfolio when various relief and support measures end. Additionally, adjustments to corporate exposures mainly reflected management judgements on potential deterioration of customers under vulnerable sectors.

For 2022, as economic conditions have generally improved, Bank streamlined the ECL overlay to Corporate customers under vulnerable sectors that display slow recovery post pandemic.

Bank will determine a reasonable observation period and continue to recognise overlays on the ECL until sufficient information are made available to support the reversals of the overlays and will monitor the adequacy of overlay which includes customer credit behaviour, actual recovery experiences, evaluation of macroeconomic and industry developments, recoveries patterns industry and the potential economic recovery.

These overlays remain outside the core of MFRS 9 process and amounts to approximately 14% of total ECL as at 31 December 2022.

44. 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

(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.

44. Financial risk management (cont'd.)

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Bank Group and the Bank's activities and remains an important feature in all their business, operations, delivery channels and decision-making processes. The extent to which the Bank Group and the Bank are able to identify, assess, monitor, manage and report each of the various types of risk is critical to 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.

44. 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.

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.

44. Financial risk management (cont'd.)

(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.

44. 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.

44. 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
2022				
Bank Group				
Financial assets				
Cash and short-term funds	1,838,469	1,838,469	-	-
Deposits and placements with banks and other financial institutions	597,746	597,746	-	-
Derivative financial assets	15,017	-	-	15,017
Financial investments	13,258,929	1,625,792	11,392,780	240,357
Financing and advances	36,565,207	36,565,207	-	-
Non-current assets held for sale	564	564	-	-
Statutory deposits with Bank Negara Malaysia	610,000	610,000	-	-
Other financial assets ^	461,260	461,260	-	-
	53,347,192	41,699,038	11,392,780	255,374
Financial liabilities				
Deposits from customers and other financial institutions	29,112,699	29,112,699	-	-
Deposits and placements of banks	7,511,336	7,511,336	-	-
Investment accounts of customers	2,080,767	2,080,767	-	-
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities #	507,365	507,365	-	-
Lease liabilities	29,370	29,370	-	-
Recourse obligation on financing sold	4,355,408	4,355,408	-	-
Sukuk - MBSB SC Murabahah	833,805	833,805	-	-
Sukuk Wakalah	1,596,912	1,596,912	-	-
	46,051,132	46,027,662	-	23,470

^ Other financial assets exclude prepayments and deferred expenses.
# Other financial liabilities exclude deferred income.

44. 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
2022				
Bank				
Financial assets				
Cash and short-term funds	1,838,469	1,838,469	-	-
Derivative financial assets	15,017	-	-	15,017
Financial investments	13,258,929	1,625,792	11,392,780	240,357
Financing and advances	36,565,207	36,565,207	-	-
Non-current assets held for sale	564	564	-	-
Sukuk Commodity Murabahah	2,104,499	2,104,499	-	-
Statutory deposits with Bank Negara Malaysia	610,000	610,000	-	-
Other financial assets ^	530,025	530,025	-	-
	54,922,710	43,274,556	11,392,780	255,374
Financial liabilities				
Deposits from customers and other financial institutions	29,112,699	29,112,699	-	-
Deposits and placements of banks	7,511,336	7,511,336	-	-
Investment accounts of customers	2,080,767	2,080,767	-	-
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities #	2,243,688	2,243,688	-	-
Lease liabilities	29,370	29,370	-	-
Recourse obligation on financing sold	4,355,408	4,355,408	-	-
Sukuk - MBSB SC Murabahah	833,805	833,805	-	-
Sukuk Wakalah	1,596,912	1,596,912	-	-
	47,787,455	47,763,985	-	23,470

^ Other financial assets exclude prepayments and deferred expenses.
# Other financial liabilities exclude deferred income.

44. 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
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	-	-
Non-current 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
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	-	-
Non-current 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

^ Other financial assets exclude prepayments and deferred expenses.
# Other financial liabilities exclude deferred income.

44. Financial risk management (cont'd.)

(g) Financial instruments (cont'd.)

(ii) Net gains and losses arising from financial instruments

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Net gains arising on:				
Financial instruments measured at amortised cost:				
- Income derived from financing and advances	2,061,264	2,073,148	2,061,264	2,073,148
- Income derived from financial investments at amortised cost	50,943	29,119	50,943	29,119
- Income derived from money at call and deposits with bank and other financial institutions	32,763	26,858	16,255	10,706
- Income derived from profit on Sukuk Commodity Murabahah	-	-	121,351	131,746
- Income derived from others	10,425	18,465	14,325	21,684
- Reversal of impairment on financial investments at amortised cost	105	-	105	-
- Reversal of impairment on commitments and contingencies	1,505	-	1,505	-
- Reversal of impairment on other financial assets	16,002	-	16,002	-
	2,173,007	2,147,590	2,281,750	2,266,403
Financial instruments measured at FVOCI:				
- Income derived from financial investments at FVOCI	409,619	418,725	409,619	418,725
- Reversal of impairment on financial investments at FVOCI	4	-	4	-
	409,623	418,725	409,623	418,725
Financial instruments measured at FVTPL:				
- Income derived from financial investments at FVTPL	6,586	4,481	6,586	4,481
- Gain on financial investments at FVTPL	4,200	221	4,200	221
	10,786	4,702	10,786	4,702

44. Financial risk management (cont'd.)

(g) Financial instruments (cont'd.)

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

	Bank Group 2022 RM'000	Bank Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Net losses on:				
Financial instruments measured at amortised cost:				
- Impairment on financing and advances	(223,458)	(64,066)	(223,458)	(64,066)
- Impairment on financial investments at amortised cost	-	(621)	-	(621)
- 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	(59,973)	(311,665)	(59,973)	(311,665)
- Income attributable to depositors	(905,813)	(826,256)	(905,813)	(826,256)
- Income attributable to securitisation	(142,314)	(91,230)	(142,314)	(91,230)
- Income attributable to sukuk	(128,432)	(132,603)	(128,432)	(132,603)
	(1,459,990)	(1,486,202)	(1,459,990)	(1,486,202)
Financial instruments measured at amortised cost:				
- Income attributable to wakalah unrestricted investment account	(52,685)	(23,456)	(52,685)	(23,456)
- Income attributable to others	-	-	(117,984)	(136,937)
	(52,685)	(23,456)	(170,669)	(160,393)
Net losses on (cont'd.):				
Financial instruments measured at FVOCI:				
- Loss from sale of financial investments	(13,066)	(8,029)	(13,066)	(8,029)
- Impairment on financial investments at FVOCI	-	(7)	-	(7)
	(13,066)	(8,036)	(13,066)	(8,036)
Financial instruments measured at FVTPL:				
- Loss from sale of financial investments	(18,195)	(7,825)	(18,195)	(7,825)
	(18,195)	(7,825)	(18,195)	(7,825)
Net gains arising from financial instruments	1,049,480	1,045,498	1,040,239	1,027,374

44. Financial risk management (cont'd.)

44.1 Credit risk

Credit risk is the risk of loss to the Bank Group and the Bank due to the deterioration in credit worthiness of 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.

	Bank Group	
	2022	2021
Credit exposure for	**RM'000**	**RM'000**
on-balance sheet financial assets		
Cash and short-term funds	1,838,469	520,025
Deposits and placements with banks and other financial institutions	597,746	843,856
Derivative financial assets	15,017	637
Financial investments at FVTPL	240,357	240,209
Financial investments at FVOCI	11,392,780	11,811,115
Financial investments at amortised cost	1,625,792	630,334
Financing and advances	36,565,207	34,026,013
Statutory deposits with Bank Negara Malaysia	610,000	650,000
Non-current assets held for sale	564	2,122
Other financial assets	461,260	453,451
	53,347,192	49,177,762

44. Financial risk management (cont'd.)

44.1 Credit risk

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

	Bank	
	2022	**2021**
	RM'000	**RM'000**
Credit exposure for on-balance sheet financial assets		
Cash and short-term funds	1,838,469	520,025
Derivative financial assets	15,017	637
Financial investments at FVTPL	240,357	240,209
Financial investments at FVOCI	11,392,780	11,811,115
Financial investments at amortised cost	1,625,792	630,334
Financing and advances	36,565,207	34,026,013
Sukuk Commodity Murabahah	2,104,499	2,404,630
Statutory deposits with Bank Negara Malaysia	610,000	650,000
Non-current assets held for sale	564	2,122
Other financial assets	530,025	509,543
	54,922,710	50,794,628

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Credit exposure for off-balance sheet items		
Direct credit substitutes	19,359	22,786
Trade-related contingencies	81,715	81,815
Short-term self-liquidating trade-related contingencies	29,069	82,061
Irrevocable commitments	3,017,299	2,647,398
	3,147,442	2,834,060

44. Financial risk management (cont'd.)

44.1 Credit risk

(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 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.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality

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

Financing and advances are summarised as follows:

	Bank Group and Bank			
2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor impaired				
Corporate financing				
Excellent	142,128	547	-	142,675
Good	3,492,094	153,757	-	3,645,851
Average	4,097,812	367,266	-	4,465,078
Below Average	258,242	115,813	-	374,055
Poor	19,230	39,836	-	59,066
Unrated	-	-	-	-
Retail financing	25,360,748	680,533	-	26,041,281
Total neither past due nor impaired	33,370,254	1,357,752	-	34,728,006
Past due but not impaired				
Corporate financing				
Excellent	-	1,074	-	1,074
Good	-	19,278	-	19,278
Average	-	15,021	-	15,021
Below Average	-	1,626	-	1,626
Poor	-	-	-	-
Retail financing	-	1,096,016	-	1,096,016
Total past due but not impaired	-	1,133,015	-	1,133,015
Impaired	-	-	2,069,604	2,069,604
Gross financing and advances	33,370,254	2,490,767	2,069,604	37,930,625
Less: ECL	(292,757)	(334,400)	(738,261)	(1,365,418)
Net financing and advances	33,077,497	2,156,367	1,331,343	36,565,207

	Bank Group and Bank			
2021	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total 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
Unrated	-	-	-	-
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

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

Financing and advances are summarised as follows (cont'd.):

	Bank Group and Bank			
2021 (cont'd.)	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Past due but not impaired				
Corporate financing				
Excellent	-	13,397	-	13,397
Good	-	116,508	-	116,508
Average	-	686	-	686
Below Average	-	-	-	-
Poor	-	-	-	-
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	-	34,351,364
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

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

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

	Bank Group and Bank			
2021	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total 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
Financing 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

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			
	2022		**2021**	
	RM'000	**% to Gross financing**	**RM'000**	**% to Gross financing**
By aging				
Months-in-arrears 1	772,726	2.04%	745,856	2.11%
Months-in-arrears 2	360,289	0.95%	165,512	0.47%
	1,133,015	2.99%	911,368	2.58%

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

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	
	2022	**2021**
Impaired financing	**RM'000**	**RM'000**
Individually assessed of which:		
Months-in-arrears 0	244,679	122,473
Months-in-arrears 1	173,824	3,563
Months-in-arrears 2	31,350	361
Months-in-arrears 3 and above	1,125,357	635,262
Collectively assessed	494,394	201,870
	2,069,604	963,529

Impaired financing of which are rescheduled and restructured financing:

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Retail	4,288	16,206
Corporate	164,436	43,202
	168,724	59,408

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.

(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.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

Bank Group

2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	1,838,469	-	-	1,838,469
	1,838,469	-	-	1,838,469
Deposits and placements with banks and other financial institutions				
AAA	597,714	-	-	597,714
AA and below	32	-	-	32
	597,746	-	-	597,746
Debt investments				
AAA	1,304,864	-	-	1,304,864
AA and below	361,252	-	-	361,252
Unrated *	11,387,855	204,958	-	11,592,813
	13,053,971	204,958	-	13,258,929
Other financial assets				
Unrated	400,693	-	60,567	461,260
	400,693	-	60,567	461,260

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,814,467,000 (2021: RM10,671,393,000).

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	-	-	-	-
	520,025	-	-	520,025
Deposits and placements with banks and other financial institutions				
AAA	743,731	-	-	743,731
AA and below	100,125	-	-	100,125
	843,856	-	-	843,856
Debt investments				
AAA	977,336	-	-	977,336
AA and below	162,386	-	-	162,386
Unrated *	11,337,042	204,894	-	11,541,936
	12,476,764	204,894	-	12,681,658
Other financial assets				
Unrated	396,051	-	57,400	453,451
	396,051	-	57,400	453,451

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,814,467,000 (2021: RM10,671,393,000).

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

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

Bank

2022	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	1,838,469	-	-	1,838,469
	1,838,469	-	-	1,838,469
Debt investments				
AAA	1,304,864	-	-	1,304,864
AA and below	361,252	-	-	361,252
Unrated *	11,387,855	204,958	-	11,592,813
	13,053,971	204,958	-	13,258,929
Other financial assets				
Unrated	469,458	-	60,567	530,025
	469,458	-	60,567	530,025

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,814,467,000 (2021: RM10,671,393,000)

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	-	-	-	-
	520,025	-	-	520,025
Deposits and placements with banks and other financial institutions				
AAA	-	-	-	-
AA and below	100,093	-	-	100,093
	100,093	-	-	100,093
Debt investments				
AAA	977,336	-	-	977,336
AA and below	162,386	-	-	162,386
Unrated *	11,337,042	204,894	-	11,541,936
	12,476,764	204,894	-	12,681,658
Other financial assets				
Unrated	452,143	-	57,400	509,543
	452,143	-	57,400	509,543

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM10,814,467,000 (2021: RM10,671,393,000)

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iii) Concentration of credit risk

Bank Group 2022	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Other financial assets RM'000	Non-current assets held for sale 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	1,838,200	-	-	8,479,610	378,305	-	-	-	610,000	11,306,115	-	-
Household sectors	-	-	-	-	-	26,979,905	-	564	-	26,980,469	-	798,515
Agriculture	-	-	-	-	-	47,434	-	-	-	47,434	-	27,376
Mining and quarrying	-	-	-	81,438	45,429	63,988	-	-	-	190,855	-	13,156
Manufacturing	-	-	-	-	-	952,148	-	-	-	952,148	36,690	204,639
Electricity, gas and water	-	-	-	495,472	85,285	901,411	-	-	-	1,482,168	-	-
Construction	-	-	-	594,369	136,401	2,680,550	395,566	-	-	3,806,886	47,737	1,235,923
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	1,020,292	-	-	-	1,020,292	11,612	310,835
Transport, storage and communication	-	-	-	59,623	24,487	335,283	-	-	-	419,393	25,250	46,974
Finance, insurance, real estate and business services	598,015	-	240,357	1,279,173	935,436	3,339,453	-	-	-	6,392,434	8,854	379,871
Education, health and others	-	-	-	403,095	20,449	116,420	-	-	-	539,964	-	10
Others	-	15,017	-	-	-	128,323	65,694	-	-	209,034	-	-
	2,436,215	15,017	240,357	11,392,780	1,625,792	36,565,207	461,260	564	610,000	53,347,192	130,143	3,017,299

* 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.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

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

Bank 2022	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVTPL 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	Non-current assets held for sale 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	1,838,200	-	-	8,479,610	378,305	-	-	-	-	610,000	11,306,115	-	-
Household sectors	-	-	-	-	-	26,979,905	-	-	564	-	26,980,469	-	798,515
Agriculture	-	-	-	-	-	47,434	-	-	-	-	47,434	-	27,376
Mining and quarrying	-	-	-	81,438	45,429	63,988	-	-	-	-	190,855	-	13,156
Manufacturing	-	-	-	-	-	952,148	-	-	-	-	952,148	36,690	204,639
Electricity, gas and water	-	-	-	495,472	85,285	901,411	-	-	-	-	1,482,168	-	-
Construction	-	-	-	594,369	136,401	2,680,550	-	395,566	-	-	3,806,886	47,737	1,235,923
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	1,020,292	-	-	-	-	1,020,292	11,612	310,835
Transport, storage and communication	-	-	-	59,623	24,487	335,283	-	-	-	-	419,393	25,250	46,974
Finance, insurance, real estate and business services	269	-	240,357	1,279,173	935,436	3,339,453	2,104,499	72,159	-	-	7,971,346	8,854	379,871
Education, health and others	-	-	-	403,095	20,449	116,420	-	-	-	-	539,964	-	10
Others	-	15,017	-	-	-	128,323	-	62,300	-	-	205,640	-	-
	1,838,469	15,017	240,357	11,392,780	1,625,792	36,565,207	2,104,499	530,025	564	610,000	54,922,710	130,143	3,017,299

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

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

Bank Group 2021	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Other financial assets RM'000	Non-current assets held for sale 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	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	-	-	-	-	-	834,822	-	-	-	834,822	41,403	180,643
Electricity, gas and water	-	-	-	593,381	20,298	172,142	-	-	-	785,821	-	1,347
Construction	-	-	-	779,225	-	3,064,157	426,603	-	-	4,269,985	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, real estate and business services	843,881	-	240,209	1,547,223	589,370	2,372,873	-	-	-	5,593,556	5,289	248,839
Education, health and others	-	-	-	444,214	-	103,858	-	-	-	548,072	-	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.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

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

Bank 2021	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVTPL 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	Non-current assets held for sale 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	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	-	-	-	-	-	834,822	-	-	-	-	834,822	41,403	180,643
Electricity, gas and water	-	-	-	593,381	20,298	172,142	-	-	-	-	785,821	-	1,347
Construction	-	-	-	779,225	-	3,064,157	-	-	426,603	-	4,269,985	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, real estate and business services	100,118	-	240,209	1,547,223	589,370	2,372,873	2,404,630	-	62,715	-	7,317,138	5,289	248,839
Education, health and others	-	-	-	444,214	-	103,858	-	-	-	-	548,072	-	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

44. Financial risk management (cont'd.)

44.1 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 - charged over the properties being financed;
- For auto financing - ownership claims over the vehicles being financed; and
- For other financing and advances - charged 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 65.20% (2021: 49.28%). The financial effects of collateral held for the remaining financial investments are not significant.

(v) Key macroeconomic variables

In computing the Excepted 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 2022						
Private Consumption (in Billion)	947.89	1,068.21	964.96	1,084.14	930.48	1,057.75
Unemployment Rate (%)	3.23	3.20	3.09	3.07	4.06	3.50
Consumer Price Index ("CPI")	130.13	136.69	129.84	135.85	130.77	137.70

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						
Private Consumption (in Billion)	845.72	982.83	861.01	997.46	833.01	977.13
Unemployment Rate (%)	3.38	3.17	3.24	3.04	4.44	3.68
Consumer Price Index ("CPI")	126.34	133.03	128.19	135.44	125.93	132.56

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

44. Financial risk management (cont'd.)

44.2 Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movements in market variables such as 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.

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.

	2022		2021	
	+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")	39,111	(39,111)	30,985	(30,985)
Impact on Economic Value Loss ("EVE")	(1,175,070)	1,175,070	(1,412,645)	1,412,645

	2022		2021	
	+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")	41,877	(41,877)	29,121	(29,121)
Impact on Economic Value Loss ("EVE")	(1,241,777)	1,241,777	(1,465,968)	1,465,968

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

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

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 RM'000	**-100 basis points RM'000**	**+100 basis points RM'000**	**-100 basis points RM'000**
2022				
Impact to profit after tax	(59,903)	59,903	(63,467)	63,467
Impact to equity	(423,324)	457,866	(423,324)	457,866
2021				
Impact to profit after tax	(124,028)	124,028	(127,893)	127,893
Impact to equity	(466,657)	507,743	(466,657)	507,743

44. Financial risk management (cont'd.)

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

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

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

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Bank Group	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	<------ Non-trading book					------>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022								
Financial Liabilities								
Deposits from customers	10,072,822	7,169,044	8,812,105	2,790,338	10,070	258,320	-	29,112,699
Deposits and placements of banks	3,743,120	1,901,516	779,994	1,064,278	-	22,428	-	7,511,336
Investment accounts of customers	849,359	936,100	280,461	-	-	14,847	-	2,080,767
Derivative financial liabilities	15,118	8,352	-	-	-	-	-	23,470
Other financial liabilities	-	-	-	-	-	507,365	-	507,365
Lease liabilities	3,237	4,989	14,317	6,827	-	-	-	29,370
Recourse obligation on financing sold	5,434	55,852	191,280	4,088,219	-	14,623	-	4,355,408
Sukuk-MBSB SC Murabahah	-	-	233,514	520,404	73,768	6,119	-	833,805
Sukuk Wakalah	-	-	-	200,000	1,391,911	5,001	-	1,596,912
Total financial liabilities	14,689,090	10,075,853	10,311,671	8,670,066	1,475,749	828,703	-	46,051,132
Total profit-sensitivity gap	3,601,279	(9,941,901)	(5,696,606)	(2,349,342)	19,730,986	2,065,636	240,357	7,650,409

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44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

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

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

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Bank	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	<------ Non-trading book					------>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022								
Financial Liabilities								
Deposits from customers	10,072,822	7,169,044	8,812,105	2,790,338	10,070	258,320	-	29,112,699
Deposits and placements of banks	3,743,120	1,901,516	779,994	1,064,278	-	22,428	-	7,511,336
Investment accounts of customers	849,359	936,100	280,461	-	-	14,847	-	2,080,767
Derivative financial liabilities	15,118	8,352	-	-	-	-	-	23,470
Other financial liabilities	1,736,343	-	-	-	-	507,345	-	2,243,688
Lease liabilities	3,237	4,989	14,317	6,827	-	-	-	29,370
Recourse obligation on financing sold	5,434	55,852	191,280	4,088,219	-	14,623	-	4,355,408
Sukuk-MBSB SC Murabahah	-	-	233,514	520,404	73,768	6,119	-	833,805
Sukuk Wakalah	-	-	-	200,000	1,391,911	5,001	-	1,596,912
Total financial liabilities	16,425,433	10,075,853	10,311,671	8,670,066	1,475,749	828,683	-	47,787,455
Total profit-sensitivity gap	2,252,763	(9,941,901)	(6,053,140)	(1,322,430)	20,158,991	2,041,401	240,357	7,376,041

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Bank Group	<------ Non-trading book					------>		
	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**
2021								
Financial Assets								
Cash and short-term funds	520,025	-	-	-	-	125,180	-	645,205
Deposits and placements with financial institutions	32	100,093	743,731	-	-	-	-	843,856
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
Financial investments at amortised cost	-	19,999	1,999	310,877	291,270	6,189	-	630,334
Financing and advances *	15,067,777	51,658	1,486,373	1,330,158	15,481,027	609,020	-	34,026,013
Non-current 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	15,653,565	231,942	2,859,134	5,408,498	23,584,913	1,324,681	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 G
Securities (“MGS”) and Malaysian Government Investment Issues (“MGII”) as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2
subsequently extended until 31 December 2022.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

	<------ Non-trading book ------>							
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**
2021								
Financial Liabilities								
Deposits from customers	4,505,507	6,846,433	11,428,759	2,436,934	10,616	189,963	-	25,418,212
Deposits and placements of banks and other financial institutions	3,377,956	1,098,057	3,647,683	503,837	-	22,048	-	8,649,581
Investment accounts of customers	10,089	695,188	1,369,096	5,614	-	14,927		2,094,914
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
Recourse obligation on financing sold	5,712	47,031	1,011,062	2,066,656	-	10,848	-	3,141,309
Sukuk-MBSB SC Murabahah	24	-	238,437	684,447	142,533	7,531	-	1,072,972
Sukuk Wakalah	-	-	-	-	1,292,046	2,201		1,294,247
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	7,748,262	(8,460,257)	(14,850,060)	(307,664)	22,139,718	111,440	240,209	6,621,648

44. Financial risk management (cont'd.)

44.2 Profit rate risk (cont'd.)

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

Bank	<------ Non-trading book ------> 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	Trading book RM'000	Total RM'000
2021								
Financial Assets								
Cash and short-term funds	520,025	-	-	-	-	104,604	-	624,629
Deposits and placements with financial institutions	-	100,093	-	-	-	-	-	100,093
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
Financial investments at amortised cost	-	19,999	1,999	310,877	291,270	6,189	-	630,334
Financing and advances *	15,067,777	51,658	1,486,373	1,330,158	15,481,027	609,020	-	34,026,013
Non-current 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
Other financial assets	62,715	-	-	-	-	446,828	-	509,543
Statutory deposits with Bank Negara Malaysia**	-	-	-	180,000	470,000	-	-	650,000
Total financial assets	16,174,976	231,942	2,471,049	6,747,176	23,834,969	1,299,004	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 G Securities (“MGS”) and Malaysian Government Investment Issues (“MGII”) as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2(subsequently extended until 31 December 2022.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Bank	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	<---------- Non-trading book					---------->		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021								
Financial Liabilities								
Deposits from customers	4,505,507	6,846,433	11,428,759	2,436,934	10,616	189,963	-	25,418,212
Deposits and placements of banks and other financial institutions	3,377,956	1,098,057	3,647,683	503,837	-	22,048	-	8,649,581
Investment accounts of customers	10,089	695,188	1,369,096	5,614	-	14,927	-	2,094,914
Derivative financial liabilities	2,338	-	25	-	-	-	-	2,363
Other financial liabilities	1,966,742	-	-	-	-	965,516	-	2,932,258
Lease liabilities	3,677	5,490	14,132	18,674	-	-	-	41,973
Recourse obligation on financing sold	5,712	47,031	1,011,062	2,066,656	-	10,848	-	3,141,309
Sukuk-MBSB SC Murabahah	24	-	238,437	684,447	142,533	7,531	-	1,072,972
Sukuk Wakalah	-	-	-	-	1,292,046	2,201	-	1,294,247
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	6,302,931	(8,460,257)	(15,238,145)	1,031,014	22,389,774	85,970	240,209	6,351,496

44. Financial risk management (cont'd.)

44.2 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	
	2022 RM'000	2021 RM'000
+1%	(4,558)	(1,447)
-1%	4,558	1,447

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

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Sensitivity Analysis (cont'd.)

Bank Group 2022	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Liabilities				
Deposits from customers	28,624,377	468,761	19,561	29,112,699
Deposits and placements of banks and other financial institutions	7,511,336	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities	507,365	-	-	507,365
Lease liabilities	29,370	-	-	29,370
Recourse obligation on financing sold	4,355,408	-	-	4,355,408
Sukuk-MBSB SC Murabahah	833,805	-	-	833,805
Sukuk Wakalah	1,596,912	-	-	1,596,912
Total liabilities	45,562,810	468,761	19,561	46,051,132
Net on-balance sheet financial position	7,046,697	577,941	25,770	7,650,409

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

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Sensitivity Analysis (cont'd.)

Bank 2022	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Liabilities				
Deposits from customers	28,624,377	468,761	19,561	29,112,699
Deposits and placements of banks and other financial institutions	7,511,336	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities	2,243,688	-	-	2,243,688
Lease liabilities	29,370	-	-	29,370
Recourse obligation on financing sold	4,355,408	-	-	4,355,408
Sukuk-MBSB SC Murabahah	833,805	-	-	833,805
Sukuk Wakalah	1,596,912	-	-	1,596,912
Total liabilities	47,299,133	468,761	19,561	47,787,455
Net on-balance sheet financial position	6,772,329	577,941	25,771	7,376,041

Bank Group 2021	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total 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
Non-current assets held for sale	2,122	-	-	2,122
Other financial assets	453,451	-	-	453,451
Statutory deposits with Bank Negara Malaysia	650,000	-	-	650,000
Total assets	48,470,543	827,954	4,445	49,302,942

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Sensitivity Analysis (cont'd.)

Bank Group 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

Bank 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
Non-current assets held for sale	2,122	-	-	2,122
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
Total assets	50,166,926	827,954	4,445	50,999,325

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

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

Sensitivity Analysis (cont'd.)

Bank 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

44.3 Liquidity risk

The Bank Group and the Bank's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Bank Group and the Bank is governed by established risk tolerance levels as defined in the Bank Group 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.

44. Financial risk management (cont'd.)

44.3 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	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2022					
Financial Assets					
Cash and short-term funds	1,838,469	-	-	354,349	2,192,818
Deposits and placements with banks and other financial institutions	597,746	-	-	-	597,746
Derivative financial assets	15,017	-	-	-	15,017
Financial investments at FVTPL	-	240,357	-	-	240,357
Financial investments at FVOCI	863,289	4,347,246	6,182,245	-	11,392,780
Financial investments at amortised cost	18,700	683,003	924,089	-	1,625,792
Financing and advances *	21,174,331	1,290,475	14,100,401	-	36,565,207
Non-current assets held for sale	-	-	-	564	564
Other financial assets	461,260	-	-	-	461,260
Statutory deposits with Bank Negara Malaysia	-	-	-	610,000	610,000
Total financial assets	24,968,812	6,561,081	21,206,735	964,913	53,701,541

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

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	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
2022					
Financial Liabilities					
Deposits from customers	26,312,291	2,790,338	10,070	-	29,112,699
Deposits and placements of banks	6,447,058	1,064,278	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	-	23,470
Other financial liabilities	507,365	-	-	-	507,365
Lease liabilities	22,542	6,828	-	-	29,370
Recourse obligation on financing sold	267,189	4,088,219	-	-	4,355,408
Sukuk-MBSB SC Murabahah	239,633	520,404	73,768	-	833,805
Sukuk Wakalah	5,001	200,000	1,391,911	-	1,596,912
Total financial liabilities	35,905,316	8,670,067	1,475,749	-	46,051,132
Net liquidity gap on Statement of Financial Position	(10,936,504)	(2,108,986)	19,730,986	964,913	7,650,409
Commitments and contingencies^	(894,762)	(1,901,719)	(350,962)	-	(3,147,443)
Net liquidity gap	(11,831,266)	(4,010,705)	19,380,024	964,913	4,502,966

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	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
2022					
Financial Assets					
Cash and short-term funds	1,838,469	-	-	240,786	2,079,255
Deposits and placements with banks and other financial institutions	-	-	-	-	-
Derivative financial assets	15,017	-	-	-	15,017
Financial investments at FVTPL	-	240,357	-	-	240,357
Financial investments at FVOCI	863,289	4,347,246	6,182,245	-	11,392,780
Financial investments at amortised cost	18,700	683,003	924,089	-	1,625,792
Financing and advances *	21,174,331	1,290,475	14,100,401	-	36,565,207
Non-current assets held for sale	-	-	-	564	564
Sukuk Commodity Murabahah	649,582	1,026,912	428,005	-	2,104,499
Other financial assets	530,025	-	-	-	530,025
Statutory deposits with Bank Negara Malaysia	-	-	-	610,000	610,000
Total financial assets	25,089,413	7,587,993	21,634,740	851,350	55,163,496

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

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	**Less than 1 year**	**Over 1 - 5 years**	**Over 5 years**	**No specific maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2022					
Financial Liabilities					
Deposits from customers	26,312,291	2,790,338	10,070	-	29,112,699
Deposits and placements of banks	6,447,058	1,064,278	-	-	7,511,336
Investment accounts of customers	2,080,767	-	-	-	2,080,767
Derivative financial liabilities	23,470	-	-	-	23,470
Other financial liabilities	2,243,688	-	-	-	2,243,688
Lease liabilities	22,542	6,828	-	-	29,370
Recourse obligation on financing sold	267,189	4,088,219	-	-	4,355,408
Sukuk-MBSB SC Murabahah	239,633	520,404	73,768	-	833,805
Sukuk Wakalah	5,001	200,000	1,391,911	-	1,596,912
Total financial liabilities	37,641,639	8,670,067	1,475,749	-	47,787,455
Net liquidity gap on Statement of Financial Position	(12,552,226)	(1,082,074)	20,158,991	851,350	7,376,040
Commitments and contingencies^	(894,762)	(1,901,719)	(350,962)	-	(3,147,443)
Net liquidity gap	(13,446,988)	(2,983,793)	19,808,029	851,350	4,228,597

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2021					
Financial Assets					
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 *	17,214,828	1,330,158	15,481,027	-	34,026,013
Non-current 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	19,942,020	5,648,707	23,584,913	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.

44. Financial risk management (cont'd.)

44.3 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**
2021					
Financial Liabilities					
Deposits from customers	22,970,662	2,436,934	10,616	-	25,418,212
Deposits and placements of banks and other financial institutions	8,145,744	503,837	-	-	8,649,581
Investment accounts of customers	2,089,300	5,614	-	-	2,094,914
Amount due to related companies					-
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	(15,577,917)	(67,455)	22,139,718	127,302	6,621,648
Commitments and contingencies^	(1,057,376)	(1,771,140)	(5,544)	-	(2,834,060)
Net liquidity gap	(16,635,293)	(1,838,595)	22,134,174	127,302	3,787,588

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2021					
Financial Assets					
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 *	17,214,828	1,330,158	15,481,027	-	34,026,013
Non-current 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	20,070,245	6,987,385	23,834,969	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.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2021					
Financial Liabilities					
Deposits from customers	22,970,662	2,436,934	10,616	-	25,418,212
Deposits and placements of banks and other financial institutions	8,145,744	503,837	-	-	8,649,581
Investment accounts of customer	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	(17,416,227)	1,271,223	22,389,774	106,726	6,351,496
Commitments and contingencies^	(1,057,376)	(1,771,140)	(5,544)	-	(2,834,060)
Net liquidity gap	(18,473,603)	(499,917)	22,384,230	106,726	3,517,436

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

The tables below show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the tables below will not agree to the balances reported in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Bank Group	**Less than 1 year RM'000**	**Over 1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
2022				
Financial Liabilities				
Deposits from customers	26,826,949	3,245,019	14,597	30,086,565
Deposits and placements of banks	6,499,547	1,129,162	-	7,628,709
Investment accounts of customers	2,080,601	-	-	2,080,601
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities	507,365	-	-	507,365
Lease liabilities	22,966	7,043	-	30,009
Recourse obligation on financing sold	394,089	4,267,030	-	4,661,119
Sukuk-MBSB SC Murabahah	275,665	591,048	79,125	945,838
Sukuk Wakalah	80,363	517,411	1,609,316	2,207,090
Total financial liabilities	36,711,015	9,756,713	1,703,038	48,170,766
Commitments and contingencies^				
Direct credit substitutes	17,965	1,394	-	19,359
Trade-related contingencies	54,127	24,224	3,365	81,716
Short-term self-liquidating trade-related contingencies	29,069	-	-	29,069
Irrevocable commitments	793,601	1,876,101	347,597	3,017,299
	894,762	1,901,719	350,962	3,147,443

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Financial Liabilities				
Deposits from customers	26,826,949	3,245,019	14,597	30,086,565
Deposits and placements of banks	6,499,547	1,129,162	-	7,628,709
Investment accounts of customers	2,080,601	-	-	2,080,601
Derivative financial liabilities	23,470	-	-	23,470
Other financial liabilities	2,243,688	-	-	2,243,688
Lease liabilities	22,966	7,043	-	30,009
Recourse obligation on financing sold	394,089	4,267,030	-	4,661,119
Sukuk-MBSB SC Murabahah	275,665	591,048	79,125	945,838
Sukuk Wakalah	80,363	517,411	1,609,316	2,207,090
Total financial liabilities	38,447,338	9,756,713	1,703,038	49,907,089
Commitments and contingencies^				
Direct credit substitutes	17,965	1,394	-	19,359
Trade-related contingencies	54,127	24,224	3,365	81,716
Short-term self-liquidating trade-related contingencies	29,069	-	-	29,069
Irrevocable commitments	793,601	1,876,101	347,597	3,017,299
	894,762	1,901,719	350,962	3,147,443

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial Liabilities				
Deposits from customers	23,455,846	2,707,222	15,835	26,178,903
Deposits and placements of banks and other financial institutions	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
Commitments and contingencies^				
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.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial Liabilities				
Deposits from customers	23,455,846	2,707,222	15,835	26,178,903
Deposits and placements of banks and other financial institutions	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
Commitments and contingencies^				
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.

44. Financial risk management (cont'd.)

44.4 Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah 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 44(c).

45. 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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Bank Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2022										
Financial assets										
Derivative financial assets	-	15,017	-	15,017	-	-	-	-	15,017	15,017
Financial investments at FVTPL	-	240,357	-	240,357	-	-	-	-	240,357	240,357
Financial investments at FVOCI	-	11,392,780	-	11,392,780	-	-	-	-	11,392,780	11,392,780
Financial investments at amortised cost	-	-	-	-	-	1,639,006	-	1,639,006	1,639,006	1,625,792
Financing and advances	-	-	-	-	-	-	36,754,857	36,754,857	36,754,857	36,565,207
	-	11,648,154	-	11,648,154	-	1,639,006	36,754,857	38,393,863	50,042,017	49,839,153
Financial liabilities										
Deposits from customers	-	-	-	-	-	29,232,069	-	29,232,069	29,232,069	29,112,699
Deposits and placements of banks and other financial institutions	-	-	-	-	-	7,525,299	-	7,525,299	7,525,299	7,511,336
Investment accounts of customers	-	-	-	-	-	2,080,767	-	2,080,767	2,080,767	2,080,767
Derivative financial liabilities	-	23,470	-	23,470	-	-	-	-	23,470	23,470
Recourse obligation on financing sold	-	-	-	-	-	-	4,291,570	4,291,570	4,291,570	4,355,408
Sukuk-MBSB SC Murabahah	-	-	-	-	-	846,120	-	846,120	846,120	833,805
Sukuk Wakalah	-	-	-	-	-	1,615,807	-	1,615,807	1,615,807	1,596,912
	-	23,470	-	23,470	-	41,300,062	4,291,570	45,591,632	45,615,102	45,514,397

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45. 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
2022										
Financial assets										
Derivative financial assets	-	15,017	-	15,017	-	-	-	-	15,017	15,017
Financial investments at FVTPL	-	240,357	-	240,357	-	-	-	-	240,357	240,357
Financial investments at FVOCI	-	11,392,780	-	11,392,780	-	-	-	-	11,392,780	11,392,780
Financial investments at amortised cost	-	-	-	-	-	1,639,006	-	1,639,006	1,639,006	1,625,792
Financing and advances	-	-	-	-	-	-	36,754,857	36,754,857	36,754,857	36,565,207
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,139,738	2,139,738	2,139,738	2,104,499
	-	11,648,154	-	11,648,154	-	1,639,006	38,894,595	40,533,601	52,181,755	51,943,652
Financial liabilities										
Deposits from customers	-	-	-	-	-	29,232,069	-	29,232,069	29,232,069	29,112,699
Deposits and placements of banks and other financial institutions	-	-	-	-	-	7,525,299	-	7,525,299	7,525,299	7,511,336
Investment accounts of customers	-	-	-	-	-	2,080,767	-	2,080,767	2,080,767	2,080,767
Derivative financial liabilities	-	23,470	-	23,470	-	-	-	-	23,470	23,470
Recourse obligation on financing sold	-	-	-	-	-	-	4,291,570	4,291,570	4,291,570	4,355,408
Sukuk-MBSB SC Murabahah	-	-	-	-	-	846,120	-	846,120	846,120	833,805
Sukuk Wakalah	-	-	-	-	-	1,615,807	-	1,615,807	1,615,807	1,596,912
	-	23,470	-	23,470	-	41,300,062	4,291,570	45,591,632	45,615,102	45,514,397

45. 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
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

45. Fair value (cont'd.)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Bank	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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

45. 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 FVTPL

The fair value is based on the net asset value of the investments placed with fund manager.

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.

46. 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 ("MANCO") as its chief operating decision maker. MANCO reviews the internal management reports periodically. During the year, the allocation of fund based expenses has been refined to reflect the accurate allocation of funding costs across segments. As a result, the comparatives' net fund based income, segment assets, unallocated assets and segment liabilities have been restated in order to conform with current year presentation.

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.
(iv)	Others	Includes rental, intercompany financing and operations at subsidiary.

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.

46. Operating segments (cont'd.)

(a) Business segments

Bank Group	Consumer Banking 2022 RM'000	Consumer Banking 2021 RM'000	Corporate Banking 2022 RM'000	Corporate Banking 2021 RM'000	Global Markets 2022 RM'000	Global Markets 2021 RM'000	Others 2022 RM'000	Others 2021 RM'000	Inter-segment Eliminations 2022 RM'000	Inter-segment Eliminations 2021 RM'000	Total 2022 RM'000	Total 2021 RM'000
Revenue and expenses												
External revenue												
Fund based income	1,706,840	1,694,881	484,777	464,539	466,638	437,726	26,934	34,618	-	-	2,685,189	2,631,764
Non-fund based income	13,108	10,515	28,800	14,235	(26,968)	(15,630)	(4,549)	-	-	-	10,391	9,120
Inter-segment revenue												
Fund based income	121,350	131,746	-	-	-	-	-	-	(121,350)	(131,746)	-	-
Total revenue	1,841,298	1,837,142	513,577	478,774	439,670	422,096	22,385	34,618	(121,350)	(131,746)	2,695,580	2,640,884
Net fund based income	1,052,093	1,090,341	257,064	286,528	128,081	155,448	18,705	25,901	-	-	1,455,943	1,558,218
Non-fund based income	14,808	36,961	44,190	17,582	(26,749)	(16,794)	9,655	43,070	-	-	41,904	80,819
Net income	1,066,901	1,127,302	301,254	304,110	101,332	138,654	28,360	68,971	-	-	1,497,847	1,639,037
Net allowance for impairment	27,488	112,978	(251,801)	(187,141)	108	(628)	18,363	(49,664)	-	-	(205,842)	(124,455)
Loss on modification of cash flows	(59,974)	(309,589)	-	(2,076)	-	-	-	-	-	-	(59,974)	(311,665)
Profit before overheads, zakat and tax	1,034,415	930,691	49,453	114,893	101,440	138,026	46,723	19,307	-	-	1,232,031	1,202,917
Operating expenses of which:	(361,389)	(309,051)	(111,906)	(105,714)	(113,515)	(114,980)	(1,917)	(1,629)	-	-	(588,727)	(531,374)
- Depreciation of property and equipment	(14,903)	(7,539)	(3,339)	(2,519)	(2,994)	(2,248)	678	-	-	-	(20,558)	(12,306)
- Amortisation of intangible assets	(29,312)	(21,560)	(6,567)	(7,203)	(5,889)	(6,432)	1,333	-	-	-	(40,435)	(35,195)
- Depreciation of right-of-use assets	(32,552)	(30,109)	(7,293)	(10,059)	(6,540)	(8,981)	1,480	-	-	-	(44,905)	(49,149)
Profit before zakat and tax	673,026	621,640	(62,453)	9,179	(12,075)	23,046	44,806	17,678	-	-	643,304	671,543
Taxation											(166,078)	(216,973)
Zakat											(3,177)	141
Net profit for the year											474,049	454,711
Assets												
Segment assets	27,048,848	26,303,051	10,049,359	8,257,962	14,820,200	12,872,016	1,147,738	1,190,943	-	-	53,066,145	48,623,972
Tax recoverable											209	1,049
Deferred tax assets											107,238	17,292
Unallocated assets											902,308	922,099
Total assets											54,075,900	49,564,412
Liabilities												
Segment liabilities	23,556,098	23,063,778	9,274,862	7,108,696	12,364,027	11,154,026	319,411	347,098	-	-	45,514,398	41,673,598
Provision for taxation and zakat											106,902	77,202
Deferred tax liabilities											-	-
Unallocated liabilities											538,048	1,027,853
Total liabilities											46,159,348	42,778,653

46. Operating segments (cont'd.)

(a) Business segments (cont'd.)

Bank Group	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment Eliminations		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other segment items												
Capital expenditure	-	-	-	-	-	-	88,795	63,709	-	-	88,795	63,709

(b) Geographical Segments:

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

47. Source and use of charity funds

	Bank Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Source:		
Gharamah from late payment charges		
Balance as at 1 January	1,236	1,533
Addition	1,539	87
	2,775	1,620
Use:		
Fund contribution to charitable organisation during the year	(1,313)	(384)
Balance as at 31 December	1,462	1,236

As a deterrent mechanism against cases of default by customers in discharging their financial obligation arising from Islamic contracts, the imposition of late payment charges by Islamic banking institutions under the concept of *gharamah* (fine or penalty) is allowable provided it is not to be recognised as income, and it must be channeled to specified charitable or any allowable bodies according to the regulatory requirements. The Bank is taking all necessary actions to ensure timely distribution of *gharamah* funds and this is closely monitored by the Shariah Advisory Committee.

During the year, the Bank accrued *gharamah* amounting to RM1,539,261 in which the collected amount was channeled to specified charitable or allowable bodies.

48. Significant event

(i) 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 43.

(ii) Issuance of RM1.0 billion ordinary shares

On 30 September 2022, the Bank increased its issued and paid-up capital from RM5,427,971,969 to RM6,427,971,970 via the issuance of 869,565,218 new ordinary shares.

(iii) Issuance of RM300 million Sukuk Wakalah

On 15 April 2022, the Bank issued RM300 million Sustainability Sukuk Wakalah as disclosed in Note 24 (b).

49. Critical accounting estimates and judgements in applying accounting policies

The Bank Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enance the information content of the estimates, certain key variables that are anticipated to have material impact to the Bank Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlines below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, private consumption, unemployment rate and consumer price index. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

49. Critical accounting estimates and judgements in applying accounting policies (cont'd.)

(a) Allowance for ECL (cont'd.)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Criteria that determine if there has been a significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 44.1(v) to the financial statements.

The calculation of credit impairment provisions also involves expert credit judgements to be applied by the credit risk management team based upon counterparty information from various sources including relationship managers and external market information.