



BETTER LIVES, TOGETHER

ANNUAL REPORT 2023



Bank Muamalat Berhad's vision is to become the preferred Islamic financial services provider with a mission to deliver best value to all stakeholders. Through organisation-shared values of Care, Integrity, Innovative, Service Oriented and Respect, Bank Muamalat aims to cater towards the needs of consumers, investors, entrepreneurs and corporations.

Progress was made in FY2023 towards realising 'Better Lives, Together' through new product launches, service introductions, and higher performance delivery on the RISE26+ strategic pillars. These have led to pioneering achievements, industry awards, and new customers.



ABOUT THIS REPORT

REPORTING FRAMEWORKS

This Annual Report 2023 (AR2023) which is produced and published annually, covers the period from 1 January 2023 to 31 December 2023, unless stated otherwise. The reporting period is in alignment with the reporting of our parent company, DRB-HICOM Berhad.

We have developed this AR2023 with an aim to provide a balanced and comprehensive reporting of the Bank's financial and non-financial performance, benchmarked against our strategy and our delivery of long-term value. This report also contains our forecast for the short, medium and long-term which is based on current assumptions and subject to uncertainty due to potential changes in operating landscape. As such, these forward looking statements about Bank Muamalat's future performance should not be regarded as guarantees or promises.

SCOPE AND BOUNDARY

This report discloses the performance of Bank Muamalat and its subsidiaries, located in Malaysia. In developing this report, we have adhered to the requirements of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and Sustainability Reporting Guide (Second Edition), the Malaysian Code on Corporate Governance (MCCG 2021), Bank Negara Malaysia's Policy Documents and Guidelines, Islamic Financial Services Act 2013, the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the Companies Act 2016, the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework (the Framework) and the Global Reporting Initiative's (GRI) Sustainability Reporting Standards.

NAVIGATION ICONS

In line with the Framework, we have reported on our value creation activities in relation to the Six Capitals.

For ease of reference, the following navigation icons are used to represent each capital and material matter, and will appear at relevant sections across this report:

Our Capitals

-  Financial Capital
-  Manufactured Capital
-  Human Capital
-  Intellectual Capital
-  Social & Relationship Capital
-  Natural Capital

Our Material Matters

-  M1 Ethics & Integrity
-  M2 Economic Performance
-  M3 Entrepreneur Development
-  M4 Procurement Practices
-  M5 Digital Banking
-  M6 Energy Consumption and Environmental Impact
-  M7 Community Development
-  M8 Customer Experience
-  M9 Diversity and Equal Opportunity
-  M10 Training and Education
-  M11 Employment
-  M12 Financial Inclusion
-  M13 Responsible Financing

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This report is supplemented by our full suite of online publications, which caters to the diverse needs of our broad stakeholder base as part of our comprehensive integrated reporting.

These can be accessed at :

www.muamalat.com.my



Better Lives, Together

This year's cover reflects a seamless rising wave that connects our stakeholders and uplifts them on a shared journey of holistic growth. The interconnectivity of positive impacts are rendered by the layers bound together within the wave, reflecting the value creation strategies that are holistically created for all walks of lives. The leaves represent the growth of sustainable environmental initiatives within the Bank's business operations.

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Awarded

Malaysia Cyber Security Awards
2023 for:

- > Cyber Security Outreach
Provider of the Year
- > Cyber Security Provider
of the Year



OVERVIEW

Strengthening Our Foundation

- Launched i-Msecure security measure in June 2023 to ensure secure and seamless banking experience
- Refreshed the Retail Internet Banking and Mobile Banking digital platforms for improved user experience and enhanced security measures
- Established Real Time Enterprise and Emerging Risk Dashboard for a dynamic Enterprise Risk Management

“

In FY2023 we made strides to deliver better online banking service and security.

”

TS. Megat Mohammad Faisal Khir Johari
Chief Technology Officer Chief



For more information,
please refer to page 51

ABOUT BANK MUAMALAT

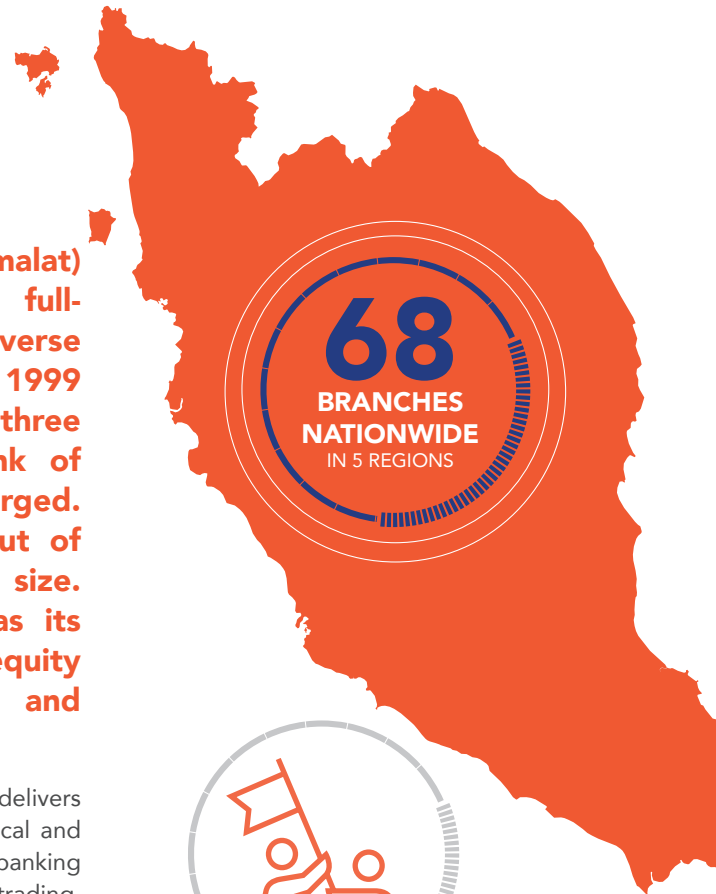
Bank Muamalat Malaysia Berhad (Bank Muamalat) stands as one of Malaysia's three independent full-fledged Islamic financial institutions. Rooted in diverse expertise, the Bank's origins date back to 1 October 1999 when the Islamic banking assets and liabilities of three local banks, namely Bank Bumiputra Malaysia, Bank of Commerce (Malaysia) and BBMB Kewangan, were merged. As of December 2023, the Bank is ranked 10th out of 16 Islamic banks in the country in terms of asset size. With DRB-HICOM and Khazanah Nasional Berhad as its principal shareholders, holding 70% and 30% equity respectively, Bank Muamalat embodies stability and strategic direction.

Spanning a robust network of 68 branches nationwide, Bank Muamalat delivers a comprehensive suite of Islamic banking products and services to both local and international clients. These offerings encompass wholesale and retail banking services, foreign currency deposits, investment accounts, foreign exchange trading, working capital financing, trade financing, project and contract financing, venture capital, and Islamic capital market services.

Distinguished as a pioneer in Islamic banking, Bank Muamalat is supported by a panel of highly qualified Shariah scholars renowned for their expertise in Islamic jurisprudence. Forming the Shariah Committee, they contribute to the Bank's steadfast commitment to Islamic finance by providing invaluable guidance on Shariah-compliant products, services and Islamic capital-raising activities.

Elevating its stature on the global stage, Bank Muamalat proudly aligns itself with international organisations committed to sustainable banking practices. Notably, the Bank is the first Islamic bank to be welcomed as a member of the Global Alliance for Banking on Values (GABV), a network of banks and banking cooperatives worldwide dedicated to operating under the Principles of Sustainable Banking. GABV champions initiatives that prioritise real economic impact, acting as a conduit for financial support towards social and environmental causes. Additionally, the Bank is an active member of the General Council for Islamic Banks and Financial Institutions (CIBAFI), an international non-profit organisation established in 2001 under the auspices of the Islamic Development Bank (IsDB) and several prominent Islamic financial institutions. Affiliated with the Organisation of Islamic Cooperation (OIC), CIBAFI serves as a platform for collaboration and advocacy within the global Islamic finance community.

Through its unwavering commitment to Islamic values, innovation, and ethical principles, Bank Muamalat continues to set new standards of excellence in the financial landscape, empowering communities and fostering sustainable growth for all.



Vision

To become the preferred Islamic financial provider



Mission

To ethically deliver the best value to stakeholders, society and environment

NORTHERN REGION
12 branches

CENTRAL REGION
20 branches

SOUTHERN REGION
15 branches

EAST COAST REGION
14 branches

EAST MALAYSIA REGION
7 BRANCHES

Service Offerings:

- Wholesale and retail banking services
- Investment accounts
- Foreign currency deposits
- Foreign exchange trading
- Working capital financing
- Trade financing
- Project and contract financing
- Venture capital
- Islamic capital market services

What differentiates Bank Muamalat?

1 Steadfast commitment to sustainable growth that is anchored on 6 success beliefs
More details available in Our Value Creation Model on page 46

2 Constant focus on improving client satisfaction and delivering superior customer experience, particularly via digital platforms
More details available in Our Strategic Direction on page 48



3 Knowledgeable and highly experienced Board Members and Management team
Get to know our leadership teams from pages 126 to 144

4 Aspiration to deliver positive impact to the community as an ethical Islamic Bank
More details available in our PCEO's statement on page 30



5 Holistic and sound risk management
Read our Principal Risks and Uncertainties on page 42 and our Statement of Risk Management on page 173

6 Good governance and strong leadership
More details in our Statement of Governance from pages 147 to 161

ABOUT BANK MUAMALAT



PERFORMANCE HIGHLIGHTS FOR 2023

FINANCIAL



Profit Before Tax and Zakat

RM295.60 million



Total Assets

RM39.10 billion



Return on Equity
(before tax and zakat)

9.35%



Return on Asset
(before tax and zakat)

0.84%



Gross Impaired Financing Ratio

0.93%



Financing growth of

17.70%

Deposits* growth of
24.10%



Financing income growth of
30.30%



* Includes investment account

NON-FINANCIAL

Launch of VISA B2B Platform

a real time cross border payment and settlement platform



Launch of Sijil Simpanan Islamik (SSi)

an innovative Shariah-compliant savings product that offers big rewards



Collaboration with Malakoff

to promote ESG through financing for businesses and individuals



Awarded the "Most Improved Islamic Retail Bank in Malaysia 2023"

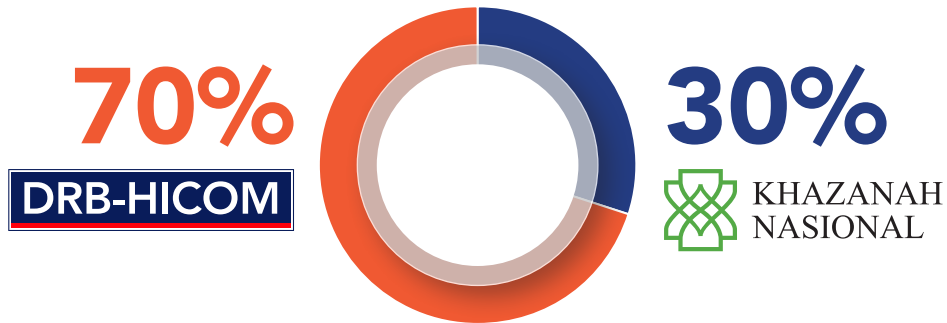
at the 9th Islamic Retail Banking Awards 2023, a global platform acknowledging excellence in Islamic retail banking at an international level



CORPORATE STRUCTURE



SHAREHOLDING STRUCTURE



GROUP CORPORATE STRUCTURE

100% OWNED BY BANK MUAMALAT



Muamalat Invest Sdn Bhd (MISB)

- Licensed Fund Management company since 2006.
- Accorded Islamic Fund Management licence in September 2010.
- Offers wholesale funds for sophisticated investors and management of discretionary mandates.
- Obtained Capital Market Services Licence (CMSL) in March 2019 for dealing in securities (restricted to unit trust).
- Launches, manages and distributes retail unit trust funds.



Muamalat Venture Sdn Bhd (MVSB)

- Engages in private equity and venture capital activities.
- Investments in "alternative" asset class, offering diversification and absolute return.
- Provides medium to long-term funding to companies, i.e. equity and mezzanine facilities for growth, mid and late-stage opportunities.



Muamalat Nominees (TEMPATAN) Sdn Bhd (Dormant)



Muamalat Nominees (ASING) Sdn Bhd (Dormant)

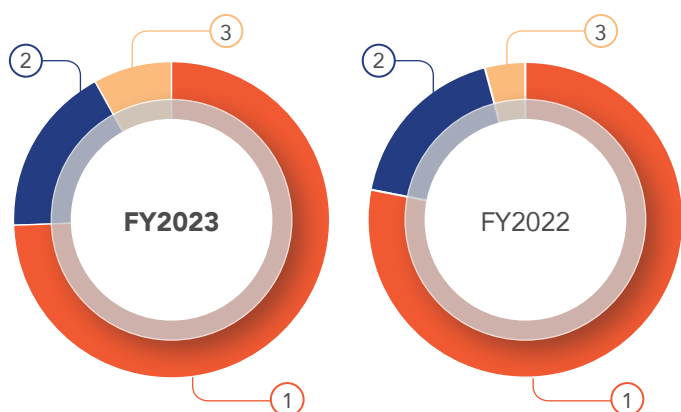
5 YEARS FINANCIAL HIGHLIGHTS

5 YEARS FINANCIAL HIGHLIGHTS (2019-2023) - GROUP

	Dec 2019 (9 mths) FY2019	Dec 2020 FY2020	Dec 2021 FY2021	Dec 2022 FY2022	Dec 2023 FY2023
Operating Result (RM'000)					
Operating Revenue	957,547	1,171,396	1,137,230	1,339,885	1,784,654
Income attributable to depositors	407,832	426,135	338,304	453,026	831,807
Income attributable to investment account holders	-	-	22	205	240
Profit before tax and zakat	140,313	174,768	254,868	306,725	295,583
Profit after tax and zakat	98,806	172,857	157,351	222,778	211,815
Key Statements of Financial Position (RM'000)					
Total Assets	22,828,813	25,767,869	27,566,391	31,534,217	39,060,277
Financial Investments	5,016,779	4,217,846	5,295,155	5,507,329	6,656,044
Total Financing of Customers	15,861,238	18,115,817	20,671,306	24,017,067	28,347,644
<i>of which: Gross Impaired Financing</i>	209,166	194,711	172,073	205,957	266,229
Total Deposits from Customers	18,940,552	21,501,366	23,113,166	26,320,609	32,795,736
<i>of which: CASA</i>	5,895,877	7,756,200	8,152,108	8,956,578	10,221,422
Shareholders Equity	2,468,815	2,650,652	2,752,787	2,886,604	3,436,501
<i>of which: Share Capital</i>	1,195,000	1,195,000	1,195,000	1,195,000	1,195,000
Financial Ratios (%)					
Return on Equity - Before Tax and Zakat	7.76%	6.83%	9.43%	10.88%	9.35%
Return on Equity - After Tax and Zakat	5.47%	6.75%	5.82%	7.90%	6.70%
Return on Assets - Before Tax and Zakat	0.82%	0.72%	0.96%	1.04%	0.84%
Return on Asset - After Tax and Zakat	0.58%	0.71%	0.59%	0.75%	0.60%
Cost Income Ratio	59.80%	55.80%	51.71%	52.65%	54.59%
Capital Ratio	18.70%	18%	17.20%	17.60%	17.30%
Gross Impaired Financing Ratio	1.31%	1.07%	0.83%	0.85%	0.93%
CASA Composition to Total Deposits	31.10%	36.10%	35.30%	34%	31.20%

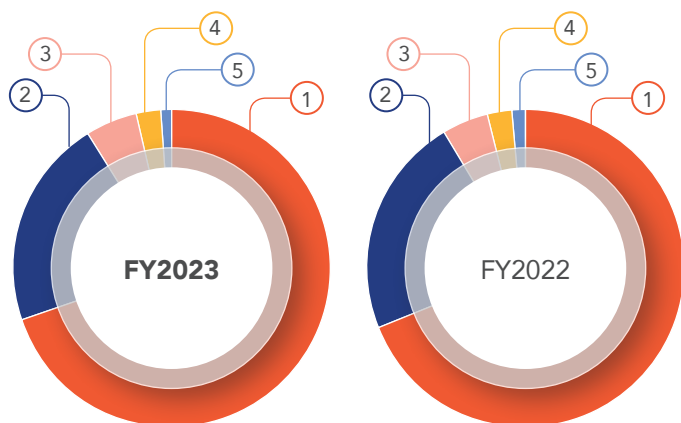
ASSETS PERFORMANCE

ASSETS PORTFOLIO (RM'000)



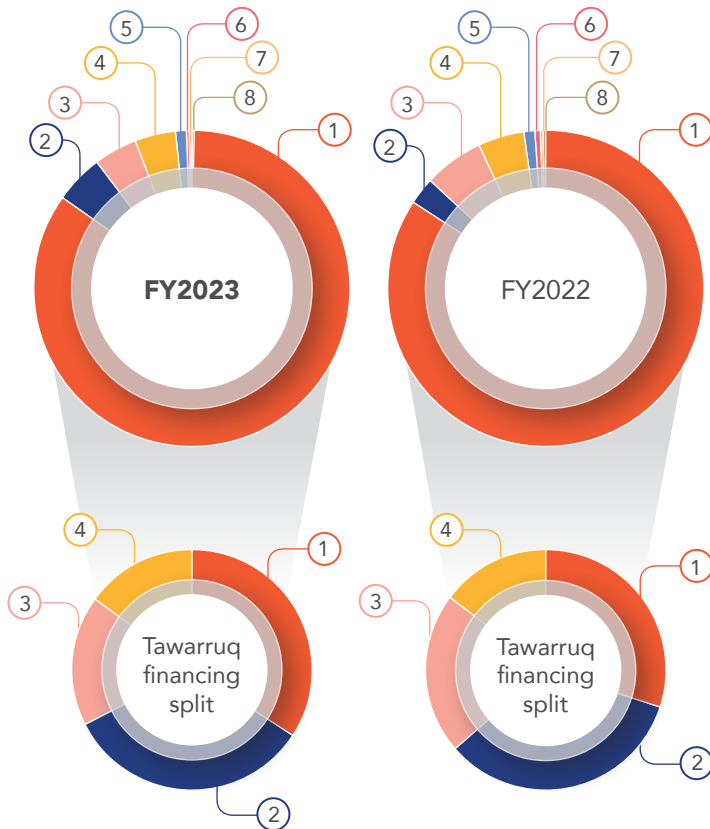
	FY2023 RM'000	FY2022 RM'000
1 Gross Financing	28,556,190	24,258,470
2 Financial Investments	6,656,044	5,507,329
3 Cash & Short-term funds	3,039,191	1,257,201

Financing by Business Segment



	FY2023	FY2022
1 Consumer	71.23%	70.32%
2 Corporate	21.79%	22.90%
3 Commercial	5.21%	4.84%
4 SME	1.60%	1.67%
5 Treasury & Investment	0.17%	0.26%

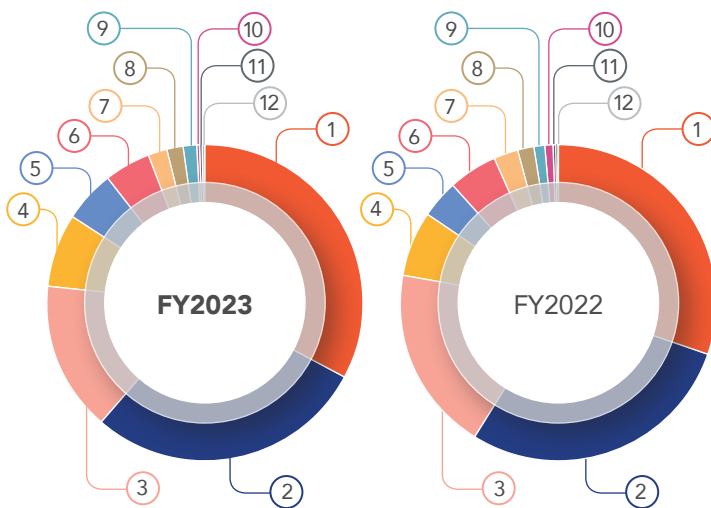
Financing by Islamic Contract



	FY2023	FY2022
1 Tawarruq	84.96%	84.25%
2 Murabahah to the Purchase Orderer	4.95%	2.97%
3 Bai' Bithaman Ajil	4.51%	5.95%
4 Murabahah	4.03%	4.76%
5 Bai' Al-Dayn	1.02%	1.13%
6 Ijarah Thumma Al-Bai'	0.31%	0.60%
7 Shirkah Mutanaqisah	0.19%	0.30%
8 Istisna'	0.03%	0.04%
9 Inah	0%	0%
10 Qard	0%	0%

	FY2023	FY2022
1 Home financing	29.12%	25.39%
2 Personal financing	28.43%	28.30%
3 Other term financing	14.80%	18.17%
4 Others	12.60%	12.39%

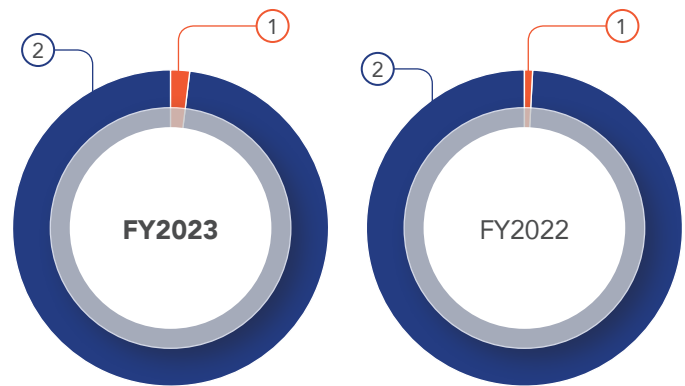
Financing by Product



	FY2023	FY2022
1 Home financing	33.03%	30.45%
2 Personal financing	28.53%	28.43%
3 Other term financing	15.33%	18.96%
4 Revolving credit	7.29%	6.84%
5 Hire purchase receivables	5.40%	3.79%
6 Claims on customers under acceptance credits	4.73%	5.11%
7 Syndicated financing	1.91%	2.29%
8 Cash line	1.69%	1.68%
9 Ar-Rahnu	1.28%	1.25%
10 Trust receipts	0.31%	0.78%
11 Staff financing	0.28%	0.35%
12 Credit Card	0.21%	0.05%

ASSETS PERFORMANCE

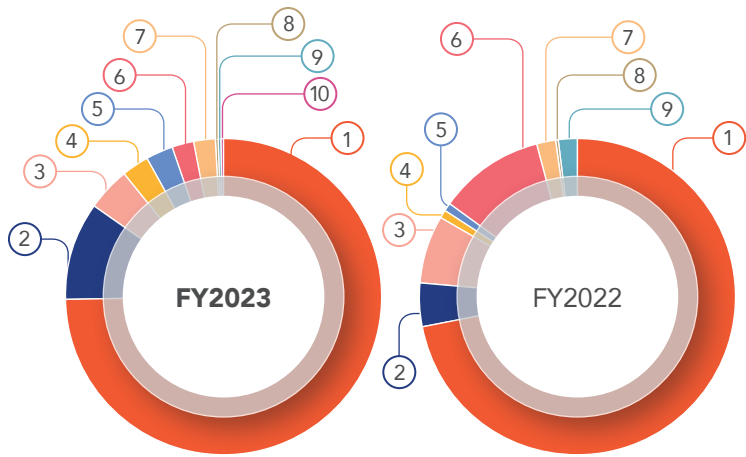
ASSET QUALITY (RM'000)



	FY2023	FY2022
1 Impaired Financing	0.93%	0.85%
2 Non-Impaired Financing	99.07%	99.15%

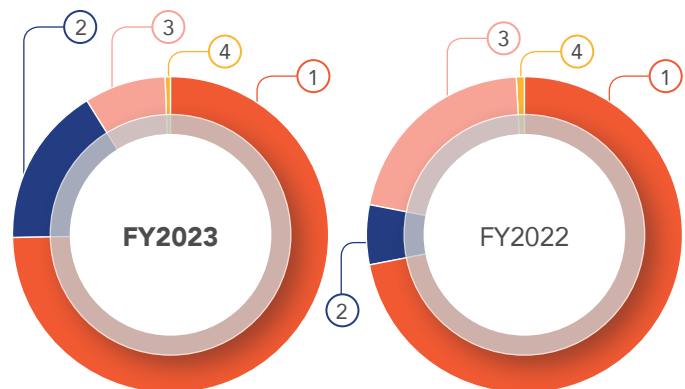
	FY2023	FY2022
Gross Impaired Financing (RM'000)	266.23	205.96
Gross Impaired Financing ratio	0.93%	0.85%
Financing loss coverage ratio	87.43%	130.20%
Collective assessment ratio	0.74%	0.89%

Impaired Financing by Sector



	FY2023	FY2022
1 Household	74.82%	72.00%
2 Wholesale, retail and restaurant	10.28%	4.52%
3 Real Estate	4.19%	6.93%
4 Finance, takaful and business services	3.00%	0.95%
5 Transport, storage and communication	2.57%	0.75%
6 Manufacturing	2.45%	10.93%
7 Construction	2.19%	1.71%
8 Community, social and personal service	0.20%	0.29%
9 Electricity, Gas and Water	0.18%	1.92%
10 Agriculture	0.11%	0%

Impaired Financing by Business Segment

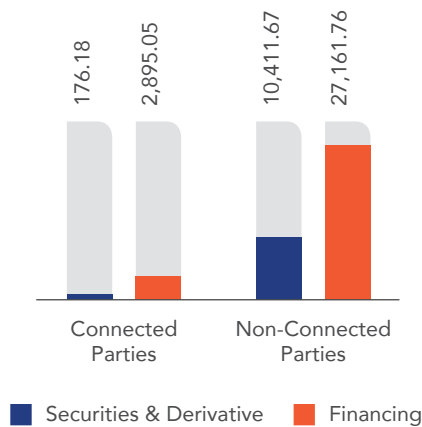


	FY2023	FY2022
1 Consumer	74.82%	71.99%
2 SME	16.46%	6.17%
3 Commercial	8.41%	21.26%
4 Corporate	0.32%	0.58%
5 Treasury & Investment	0%	0%

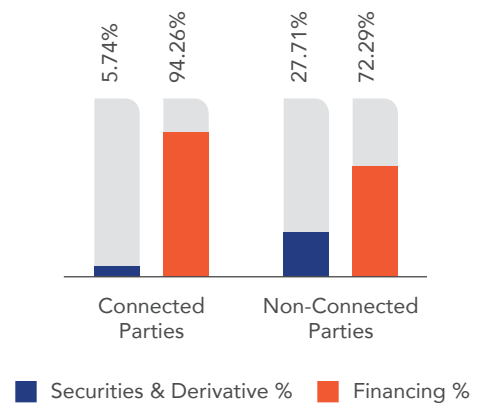
CONNECTED PARTIES

As at end of FY2023, connected parties exposures accounted for 7.56% (RM3.07 billion) of the total credit exposures of RM40.65 billion. The amount stood at 73.60% against Bank Muamalat’s capital fund of RM4.17 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

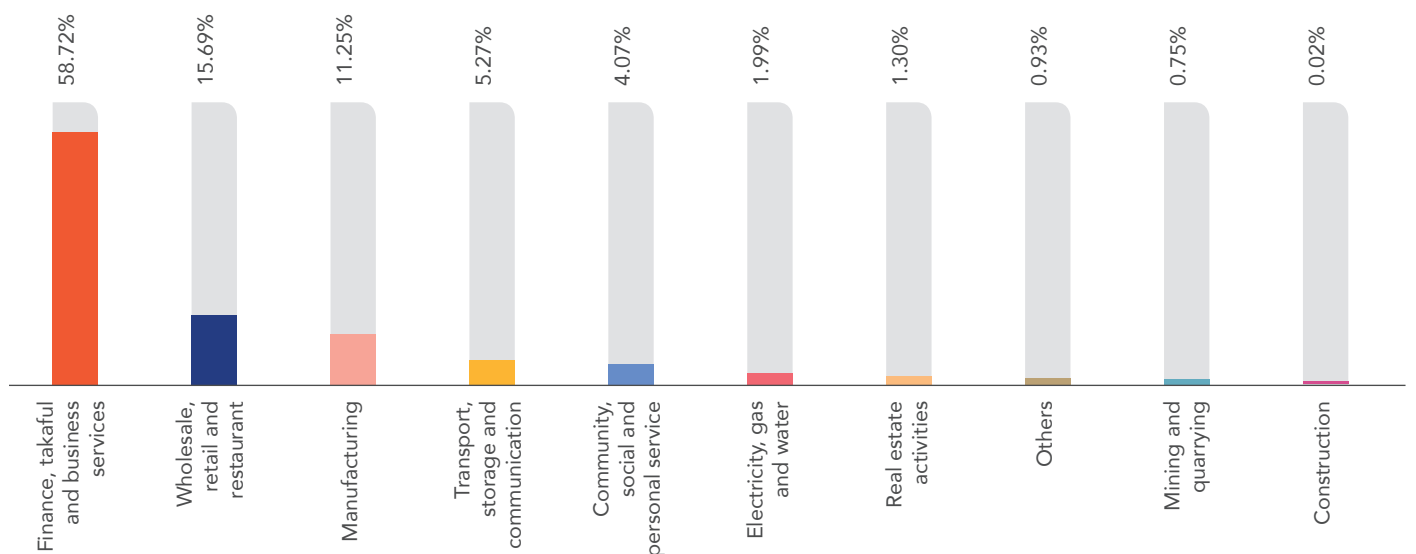
Connected Parties Exposure by Financial Instrument as at December 2023 (RM Million)



Connected Parties VS Non Connected Parties Exposure as at December 2023



Connected Parties Exposure by Sector as at December 2023



EVENTS & HIGHLIGHTS

Bank Muamalat Mega Carnival 2023

 25 - 29 January 2023


 IOI City Mall, Putrajaya

Held over five days, the Mega Carnival attracted over 200 visitors daily with its easy account opening services, fun activities for all ages and exciting giveaways.



Launch of Strategic Collaboration Between Bank Muamalat and Malakoff Corporation

 9 March 2023

 Grand Millennium Hotel, Kuala Lumpur

The strategic collaboration on ESG-related financing initiatives between the Bank and Malakoff demonstrates a mutual commitment towards promoting sustainable energy solutions in the country.



Selangor International Halal Convention (SELHAC)

 10 - 12 March 2023

 World Trade Center, Kuala Lumpur

The Bank participated in SELHAC, an exhibition that was officiated by Dato' Menteri Besar of Selangor, YAB Dato' Seri Amirudin Shari.



2023 Back to School Assistance Programme for Sungei Besi Orphans, Tahfiz and School Students

 16 March 2023

 KK Tower, (WTCKL), Kuala Lumpur

The Bank's Head of Economics and Market Analysis handed over the Bank's contribution to 330 students from 11 schools.



Super Saver, Superb Prizes Prize Giving Ceremony

 1 April 2023

 Dataran Putrajaya

The campaign, which ran from 1 August 2022 to 31 January 2023, saw 1,242 customers winning incredible prizes including RM1,000,000 and a Honda CRV.



LAUNCH OF FIDYAH COLLECTION SERVICE

 14 April 2023

 Grand Skylight Event Hall, Kuala Lumpur

The Bank also launched its fidyah collection service at branch counters in the Federal Territory and Selangor state, during a Majlis Berbuka Event in Kuala Lumpur.



MAJLIS BERBUKA PUASA BANK MUAMALAT


The Bank's Majlis Berbuka Puasa series is an annual engagement to celebrate the month of Ramadan with disadvantaged children across Malaysia. At each event, orphans and underprivileged students were invited and given RM100 as duit raya, while a donation of RM5,000 was made to the respective welfare home, organisation or institution invited for the event.

 30 March 2023  Pullman Hotel, Kuching, Sarawak



 4 April 2023  AMES Hotel, Ayer Keroh, Melaka



 10 April 2023  Ixora Hotel, Bandar Baru Perai Jaya, Pulau Pinang





 17 April 2023  Masjid Jamek Sultan Abdul Samad, Kuala Lumpur



EVENTS & HIGHLIGHTS

> Sambutan Aidilfitri bersama Rakan Korporat


 11 May 2023


 Moza Restaurant, Islamic Arts Museum Malaysia, Kuala Lumpur

This Raya event was attended by over 700 corporate clients who celebrated with the Bank's Chairman and PCEO, as well as members of the Board and Management of DRB-HICOM Berhad.



> Warga Muamalat Aidilfitri Celebrations

 19 May 2023


 Menara Bumiputra, Jalan Melaka, Kuala Lumpur

Over 1,000 staff members from the Bank's headquarters and Jalan Melaka branch celebrated with the Bank's Chairman, PCEO, Directors, Shariah Committee and senior management.



> World Blood Donation Day

 14 June 2023


 National Blood Institute, Kuala Lumpur

In conjunction with World Blood Donation Day, Bank representatives presented donations to the staff of the National Blood Institute as well as to blood donors.



> Karnival Celik Kewangan, Kelantan

 16 - 17 June 2023

 AEON Mall, Kota Bharu, Kelantan

The Bank participated in this BNM-led carnival by setting up booths that provided a large number of visitors a chance to learn about the Bank's products and services.



Bank Muamalat & PDRM Anti-Scam Campaign Tour

 21 June 2023

 Dataran IPK Kedah

During this interactive campaign, Ts. Dr. Ismamuradi Abdul Kadir, the Bank's Chief Information Security Officer (CISO) of Bank Muamalat, provided awareness about internet banking and cybersecurity.



Johor Property Exhibition (JPEX 2023)

 27 - 30 July 2023


 Padang Akasia, Angsana Mall Johor Bahru

The Bank's attractive booth at this three-day event was recognised as the First Runner Up for the Best Booth Award.



Bank Negara Malaysia's Majlis Jalinan Kerjasama iTEKAD 2023

 22 August 2023

 Sasana Kijang, Bank Negara Malaysia

The event which was officiated by Prime Minister YAB Dato' Seri Anwar Bin Ibrahim aimed to strengthen cooperation between financial institutions, the Islamic Religious Council and the corporate sector.



Bank Muamalat National Day Celebration with the Gombak Orang Asli community

 26 August 2023

 Pejabat JAKOA Daerah Gombak


In collaboration with strategic partners PDRM, PERKESO, KKM and JAKOA; the Bank celebrated the 66th National Day 2023 by empowering the Orang Asli community with account opening, financial literacy advisory & donation.



EVENTS & HIGHLIGHTS

> National Day Celebration with the Warga Muamalat

 28 August 2023


 Menara Bumiputra, Jalan Melaka, Kuala Lumpur

The Bank's National Day celebration ceremony was attended by the Chairman, PCEO, top management and approximately 300 Bank Muamalat employees.



> The 2023 National Day Parade

 31 August 2023


 Dataran Putrajaya

Bank Muamalat sent a total of 103 volunteers to represent its contingent as one of the 67 contingents that participated in the event.



> Karnival Jom Heboh, Kelantan

 7 - 9 September 2023

 RTC Tunjung, Kota Bharu, Kelantan

The Bank launched the limited edition Sijil Simpanan Islamic (SSI) in conjunction with the 66th National Day, in line with the theme of 'MADANI Malaysia: United Determination to Fulfil Hope'.



> Bank Muamalat Visa Business to Business Connect (Visa B2B Connect)


 12 September 2023


 Element Hotel, Kuala Lumpur

This collaboration marked a groundbreaking achievement as Bank Muamalat became the first bank in Malaysia to implement the innovative Visa B2B Connect platform, joining an esteemed group of financial institutions across 109 countries worldwide.



Minggu Saham Amanah Malaysia (MSAM) 2023

 30 September - 8 October 2023

 Bertam, Pulau Pinang

The Bank participated in this event by Permodalan Nasional Berhad, together with other major banking and financial institutions in Malaysia.



Karnival Celik Kewangan, Johor

 27 - 29 October 2023

 AEON Mall Kulaijaya, Johor

The three-day carnival by Bank Negara Malaysia was launched by Governor Abdul Rasheed Ghaffour and closed by YB Datuk Seri Ahmad Maslan, Deputy Finance Minister 1.



Malaysian Property Expo (MAPEX) 2023

 27 - 29 October 2023


 Mid Valley Megamall, Kuala Lumpur

The Bank participated in this expo which was officiated by the Minister of Housing and Local Government, YB Tuan Nga Kor Ming.



Launch of Bank Muamalat's 2023-2025 Organisational Anti-Corruption Plan (OACP)

 7 November 2023

 Menara Bumiputra, Jalan Melaka, Kuala Lumpur

The Bank's OACP was launched in conjunction with National Integrity Day 2023, and in line with requirements outlined by the National Anti-Corruption Plan 2019-2023.





First bank

in Malaysia to facilitate efficient cross-border transactions via Visa Business to Business Connect (Visa B2B Connect)

MESSAGE FROM LEADERSHIP

Accelerate Business Growth

Introduced real-time cross border payments and settlement via Visa B2B

Rolled out:

- SMART Mortgage Financing
- Pensioner Saving Account
- Muamalat Salary Scheme (MuSS)
- Umrah Savings Account Programme

Expanded fee-based financing to credit card segment by offering more innovative products

“

In FY2023, we introduced new and enhanced products and services to cater to the growing need of customers. These span financing products, savings accounts, wealth management products and digital takaful products.

Khairul Kamarudin
President & Chief Executive Officer



For more information,
please refer to pages 54 to 71

CHAIRMAN'S STATEMENT



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

السلام عليكم ورحمة الله وبركاته

Peace Be Upon You and Mercy of Allah and His Blessings

DEAR STAKEHOLDERS,

With utmost faith and gratitude to Allah, I present a summary of Bank Muamalat's performance for the financial year ended 31 December 2023.

It was a progressive year of transformation for Bank Muamalat notwithstanding the volatile economic environment and a competitive operating landscape. Within this challenging environment, the Bank demonstrated steadfast commitment to our mission of "Better Lives, Together", and determination towards becoming the strongest Islamic bank in Malaysia by 2026.

TAN SRI TAJUDDIN ATAN, FCB
Chairman

A YEAR OF PROGRESS

The Bank's strong performance in 2024 marks the third consecutive year of sustained progress and growth. We take pride in the steadfast investments in technology, people, process and training that have made this possible. I commend the teamwork and unity displayed by our board members, management and employees as the key drivers elevating Bank Muamalat as a preferred provider of Islamic financial products and services. In this journey, the Bank has also fostered positive and sustainable impacts that extend beyond financial metrics.

Alhamdulillah, these efforts were recognised and celebrated as the Bank emerged as the Most Improved Islamic Retail Bank in Malaysia 2023 at the Islamic Retail Banking Awards (IRBA). Further, our President & Chief Executive Officer (PCEO), Encik Khairul Kamarudin, was honoured as IRBA's CEO of the Year 2023. I take this opportunity to congratulate him and his team for their hard work and dedication in achieving this prestigious industry recognition.

RESILIENT GROWTH

Anchored on clear goals and purposefulness, the Bank resiliently grew financing and deposits, achieving a Profit Before Tax (PBT) of RM295.6 million and a robust Return on Equity (ROE) of 9.35% for our shareholders.



Profit before tax:
RM295.6
million

(RM306.7 million in FY2022)



ROE:
9.35%
(10.9% in FY2022)



VBI financing:
RM14,792
million

or 52.2% of total financing outstanding



Key drivers of the year's growth include deepening customer relationships and expanding our customer base; managing our balance sheet and asset quality to maintain a consistently low gross impaired financing ratio; implementing comprehensive risk mitigation strategies to protect and enhance returns; upholding the highest standards of transparency, accountability, and integrity; and demonstrating unwavering dedication and resilience in executing our strategic vision.

We also remain inspired and resolute to create more value to all our stakeholders by pioneering new possibilities, improving services to our customers, contributing to socio-economic prosperity, and creating growth opportunities for the Bank Muamalat family.

CHAIRMAN'S STATEMENT

PIONEERING NEW POSSIBILITIES

Our performance in FY2023 was accentuated by significant strides in digital transformation and innovative product offerings. The notable highlight was the launch of Malaysia's first VISA B2B platform to facilitate seamless bank-to-bank cross-border transactions. This integration of Visa B2B Connect into the Bank Muamalat Business Platform (iBiz) revolutionises cross-border business payment, offering ministries, agencies, companies and businesses an unprecedented opportunity for global expansion and success. It exemplifies the impact Islamic banks can make in leading industry innovation.

With this move, Bank Muamalat joins an esteemed group of financial institutions across 109 countries worldwide, demonstrating its commitment to support the government's endeavours to stimulate economic growth, foster international trade, and promote financial inclusion within the country.

IMPROVING DIGITAL CAPABILITIES

In pioneering new milestones in Islamic finance services, the Bank has also made concerted efforts towards improved service delivery and efficiency, as well as expanded customer digital touch points. These include back-office processes through Robotic Process Automation; enabled digital account opening and customer onboarding; expanded wealth management and takaful offerings to digital channels; and refreshed our Retail Internet Banking and Mobile Banking digital platforms for improved user experience.

In tandem with improved service delivery, cybersecurity measures were launched to ensure a secure and seamless banking experience, alongside a more robust Enterprise Risk Management.

The progress made on these fronts fuel Bank Muamalat's plan to introduce its own Digital Bank in the near future. The Digital Bank will leverage on the new Digital Core Banking and Digital Front End to offer Straight Through Processing (STP), comprehensive marketplace, and AI-driven recommendations that can assist customers in making well-informed financial decisions.

B40 customers have benefitted from our partnership with SJKP and SRP with a total of RM1.06 billion in house financing being approved.

CONTRIBUTING TO SOCIO-ECONOMIC PROSPERITY

Together with digital transformation, Bank Muamalat continues to uphold our standing as a contributor to natural growth and a leader in social finance. Living up to our commitment of "Better Lives, Together", the Bank mindfully ensures that actions today pave the way for a more prosperous and resilient future for all. Our proactive initiatives, partnerships,

and innovative financing solutions drive our dedication to driving positive change and fostering inclusive economic prosperity.

Supporting the vital role that small and medium-sized enterprises (SMEs) play in driving economic growth, Bank Muamalat has forged strategic partnerships with government agencies and private sector organisations to facilitate greater access to capital for SMEs through government guaranteed schemes, empowering them to grow and contribute to the national economy.

B40 customers were empowered through collaborative financing schemes, facilitating home ownership and entrepreneurship. Partnerships with Skim Jaminan Kredit Perumahan (SJKP) and Skim Rumah Pertamaku (SRP) resulted in RM1.06 billion in house financing approvals, while initiatives like iTEKAD Mawaddah and iPUSH expanded support to budding entrepreneurs, reflecting our dedication to inclusive growth. Under the iPUSH programme, RM14 million funds were raised. For iTEKAD Mawaddah, 11 new entrepreneurs were onboarded with RM32,044 working capital and over RM62,000 of seed capital provided.

Our commitment to sustainability was further demonstrated through our Special Electric Vehicle campaign and other Value-Based Intermediation (VBI) financing initiatives. As of the year under review, VBI financing accounted for RM14.79 billion, translating to 52.2% of our total financing outstanding. This financing supports projects that align with our sustainability goals, including education, environmental preservation, and healthcare. By prioritising these sectors, we are able to drive positive social and environmental outcomes alongside economic growth.



A comprehensive Climate Risk Management Framework has been developed in line with BNM Climate Change and Principle-Based Taxonomy Guidance, outlining the Bank's approach to managing climate risks across business activities and operations.

Our Enterprise Risk Management (ERM) Framework has also been aligned with our sustainability goals. By integrating ERM with the Bank's strategy and activities, we ensured that sustainability considerations are embedded into our decision-making processes. This holistic approach allows us to proactively manage risks and seize opportunities related to sustainability.

CONTRIBUTING TO CLIMATE RESILIENCE GOALS

Climate change is also a growing concern. To this end, the Bank became a member of the Joint Committee on Climate Change (JC3) during the year. This is a collaborative platform dedicated to building climate resilience within the Malaysian financial sector. Through JC3, we engage in collective actions aimed at mitigating climate risks and promoting sustainable finance.

In addition, a comprehensive Climate Risk Management Framework has been developed in line with Bank Negara Malaysia's (BNM) Climate Change and Principle-Based Taxonomy Guidance, outlining the Bank's approach to managing climate risks across business activities and operations. By integrating climate considerations into our risk management processes, we enhance our resilience and ability to contribute to a sustainable future by ensuring that we are well-equipped to navigate the challenges posed by climate change.

CREATING GROWTH OPPORTUNITIES

With business transformation in place, a culture transformation roadmap was developed during the year to guide our team towards high performance. This focuses on embedding values of integrity, employee development, and teamwork into every aspect of our operations from strategic decision-making to daily interactions. By embedding our values, we create a thriving environment where our employees can excel and our stakeholders can trust in our commitment to excellence. More than just a set of values, we intend to embed this culture as a way of life at the Bank in how we conduct business, interact with clients, and support our communities.

CHAIRMAN'S STATEMENT

During the year, we nurtured our employees professional growth and well-being by investing over RM5 million in extensive training and development opportunities which include leadership training, skill-building workshops, and career advancement opportunities. Beyond that, inspired by our "One Team" belief, we began to promote a collaborative work environment where cross-functional teamwork is encouraged. The Board and Management actively fostered open communication and knowledge-sharing across departments and levels. This collaborative spirit drove innovation and ensured that diverse perspectives were considered in decision-making processes, leading to more robust outcomes.

We also continued to prioritise work-life balance through flexible working arrangements, and offered a variety of health and wellness programmes to support our employees' physical and mental well-being. These efforts not only enhance job satisfaction but also ensure our employees' enjoy better lives.

EMBEDDING A CULTURE OF GOVERNANCE AND INTEGRITY

In fostering the highest standards of conduct in all our operations, the Board and Management lead by example. Rigorous policies and procedures have been established to ensure that our commitment to integrity and ethical conduct is unwavering. In addition, regular training sessions on ethics and compliance reinforce these standards, ensuring that every employee understands and adheres to our code of conduct.



Significantly, in alignment with the National Anti-Corruption Plan (NACP), we have launched our Organisational Anti-Corruption Plan (OACP) for 2023-2025. This comprehensive plan positions the Bank as a leader in ethical practices and robust governance by fostering a culture of integrity within the Bank. Developed in accordance with the mandatory initiatives prescribed in the NACP, our OACP sets forth a clear framework for addressing critical strategic issues related to integrity and anti-corruption governance. This alignment ensures that our efforts are consistent with national standards and best practices.

As we move forward, we remain dedicated to upholding these principles and continuously improving our governance practices to meet the evolving expectations of our stakeholders.

FUTURE OUTLOOK AND STRATEGIC PRIORITIES

As we navigate the challenges and opportunities ahead, our focus remains on building a leading Islamic financial institution that upholds the highest standards of integrity and transparency. The Board has outlined key strategic priorities to drive optimal profitability, strategic capital allocation, robust risk management, enhanced customer service, and a steadfast focus on governance and compliance.

In order to ensure sustainable growth in an environment of increased uncertainty, we aim to protect our assets and optimise operations while maximising growth opportunities. Staying adaptable, continuing to invest in technology, and maintaining a focus on prudent regulation will be key factors going forward.

Customer outreach is key in ensuring our services are accessible to all customers, in line with our aspiration under the RISE26+ initiative to enable Islamic banking for all. Customer experience will continue to be enhanced through innovation and digital transformation. This inclusive approach will help us reach a broader customer base and meet diverse financial needs of the customers.

Focusing on sustainable returns, we aim to prioritise long-term returns for our shareholders and stakeholders, ensuring that our growth strategies align with broader economic and sustainability goals. This will be supported by robust risk management practices and risk mitigation processes across all business lines to navigate uncertainties and protect our financial health. To maintain stability and resilient growth, we aim to reduce the impact of over-concentration in any single sector by strategically balancing our retail and non-retail portfolios. This strategic allocation will enable us to optimise our portfolio performance and capitalise on market opportunities.

Furthering our digital banking strategy, we will seek strategic partnerships to enhance our digital offerings.

ACKNOWLEDGEMENTS

Our performance in FY2023 celebrates resilience, innovation, and commitment to creating value for all stakeholders. This wonderful mission embraces the Prophet's concern of helping others as enshrined in the hadith:

"A Muslim is a brother of another Muslim, so he should not oppress him, nor should he hand him over to an oppressor. Whoever fulfilled the needs of his brother, Allah will fulfill his needs; whoever brought his (Muslim) brother out of a discomfort, Allah will bring him out of the discomforts of the Day of Resurrection, and whoever screened a Muslim, Allah will screen him on the Day of Resurrection ."

[Sahih Al-Bukhari 2442]

Once again, I commend the dedication and teamwork exhibited by our board, management and employees in delivering on this mission while navigating challenges and achieving new milestones.

The Board and I extend our steadfast gratitude for the investments made by the Malaysian government and regulatory authorities in growing opportunities for the Islamic finance industry. The Bank's positive evolution and growth over the years must be credited to the support and constant guidance from BNM and our Shariah committee.

In conclusion, I also extend my gratitude to all stakeholders, particularly our customers, for your continued trust and support. Towards becoming the strongest Islamic financial bank, we intend to strive for further distinction in all fronts of performance.

As we embrace new opportunities and challenges in the coming year, let us remain committed to excellence, transparency, and accountability. I look forward to future milestones achieved upon the unwavering commitment and resilience of our employees, and the trust of our stakeholders.

Thank you for your unwavering support and dedication. May Allah SWT bless us with compassion and guide us towards uplifting more Malaysians in the coming year.

Wabillahi taufiq walhidayah wassalamu'alaikum wa rahmatullahi wa barakatuh

To Allah we surrender

TAN SRI TAJUDDIN ATAN, FCB
Chairman

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



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Peace Be Upon You and Mercy of Allah and His Blessings

DEAR STAKEHOLDERS,

It has been a transformative year for Bank Muamalat. Our theme, 'Better Lives, Together,' is a testament to our dedication to forge positive relationships with shareholders, customers, employees, regulators, and communities. In line with our aspirations for 2023, our management and staff prioritised stakeholder value, showcased resilience and innovation in every aspect of operations. This commitment is driven by our role as an Islamic Bank, guided by Maqasid Shariah principles.

Our purpose-driven RISE26+ strategy underpins our vision to help people and businesses achieve their ambitions while building a more sustainable and inclusive business. As we move forward together, we pave the road to success. Our efforts culminated in Bank Muamalat being recognised as the Most Improved Islamic Retail Bank in Malaysia at the Islamic Retail Banking Awards (IRBA). This accolade reflects our unwavering financial stability, community-centric focus, and commitment to sustainable growth, all rooted in our Islamic principles.

KHAIRUL KAMARUDIN

President & Chief Executive Officer

MACRO LANDSCAPE

The global macroeconomic landscape in 2023 presented numerous challenges. Bank Negara Malaysia's Economic and Monetary Review 2023 highlighted the impacts of higher interest rates and inflation, slowing global growth to 3.1%. Geopolitical tensions, including the Ukraine-Russia war and unrest in Gaza, further exacerbated market volatility.

Weakened external demand and commodity production disruptions led to rising living costs. However, supportive government policies and initiatives from the Madani Economy framework anchored the nation's domestic demand. This, together with a resurgence in tourism activities led to a 3.6% GDP growth in FY2023.

Meanwhile, the banking sector continued to face pressures from increased competition for deposits and ongoing regulatory changes. The rise in the overnight policy rate (OPR) to 3% contributed to the overall challenges in maintaining net profit margins across the industry. Additionally, the introduction of digital banks, following the issuance of five digital banking licenses in 2022, further intensified competition within the sector.

CASA deposits grew by 14.1% or RM1.3 billion, enhancing the Bank's CASA ratio to 31.2%.

REALISING 'BETTER LIVES, TOGETHER'

Alhamdulillah, Bank Muamalat's core commitment to serving all stakeholders and realising 'Better Lives, Together' led to a host of FY2023 achievements.

Delivering Sustainable Value to Shareholders

Our good balance sheet management bolsters investor confidence and fosters long-term investments. Diligent resource management has resulted in resilient financial performance that consistently delivers sustainable shareholder returns through profitability.

Despite the volatile macroeconomic environment and new regulatory priorities, Bank Muamalat achieved a commendable Profit Before Tax and Zakat (PBTZ) of RM295.6 million for the fiscal year. This financial performance was accentuated by several encouraging industry accolades and awards as we continue on our journey to be the strongest Islamic bank by 2026.

Through steadfast adherence to RISE26+ strategic initiatives, total revenue grew by 33.2% to RM1.8 billion, underpinned by a 30.3% increase in financing income and a growth of 7.1% in net income. The robust growth in revenue reflected the Bank's focus on expanding financing activities, driving total gross financing to increase by 17.7%, or RM4.3 billion. This growth was mainly fuelled by the household sector, particularly financing for residential property purchases and personal financing. The household sector contributed around 71.2% of total financing in FY2023. Affordable housing financing guaranteed by Syarikat Jaminan Kredit Perumahan Berhad (SJKP) played a crucial role, earning Bank Muamalat the Anugerah Prestasi Terbaik 2022-2023 award.

The Bank's efforts to secure and maintain a strong deposit base paid off, as total deposits and investment account of customers increased by 24.1%, or RM6.4 billion. Current Account and Savings Account (CASA) deposits grew by 14.0% or RM1.3 billion, which enhanced the Bank's CASA ratio to 31.2%. This growth in deposits indicates strengthened customer trust and a customer-centric product range.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT

Despite intense competition in the market for deposits leading to a compression of the net profit margin from 2.66% to 2.22%, we were able to manage operating and credit costs prudently. Total operating expenses increased by RM42 million or 9.3% to RM494.8 million, driven mainly by higher personnel expenses. Despite this rise, the Bank maintained operational efficiency, ensuring that expense growth did not outpace revenue growth.

Our total assets recorded double-digit growth for the year at 23.9%, outperforming the industry average of 5.12%, largely driven by financing growth. Effective risk management practices and improved credit quality within our financing portfolio contributed to this growth. Despite the increasing trend of credit cost across the banking industry, Bank Muamalat recorded RM7.8 million or 18.9% lower allowance for impairment losses on financing. Our Gross Impairment Financing (GIF) ratio was 0.93%, well below the industry level of 1.69%, reflecting our commitment to helping customers manage their finances better.

As a result, we maintained strong capital ratios, with the Common Equity Tier I (CET I), Tier I, and Total Capital Ratios at 11.40%, 12.85%, and 17.34%, respectively. These were bolstered by the issuance of Tier-I Perpetual Sukuk amounting to RM350 million during the year. The successful inaugural issuance of RM350 million Additional Tier 1 Sukuk Wakalah, in which the Bank also acted as the Joint Principal Adviser/Joint Lead Arranger & Joint Lead Manager, gathered wide investor interest, earning the Regulatory Deal of the Year at the Islamic Finance News (IFN) Deals of the Year 2023.

Our non-funded income ratio increased by 7.9% in FY2023, up from 6.2% in the previous year while our return on equity, based on profit before tax recorded at 9.35%. We achieved this while upholding high standards of transparency, corporate governance, compliance, and risk management.

Effective risk management practices and improved credit quality within our financing portfolio contributed to double digit growth of total assets.



Total revenue
RM1.8 billion
(↑ 33.2%)



Total financing income
RM1.4 billion
(↑ 30.3%)



Total deposits and investment account
RM33.0 billion
(↑ 24.1%)



Serving Customers Better

As the rising cost of living was a key concern during the year, the Bank provided necessary support through initiatives that reflected our commitment to societal wellbeing and our adherence to Islamic values. We extended rescheduling and restructuring (R&R) assistance to offer customers relief from financial challenges and help them regain control of their finances.

To incentivise deposits, a Sijil Simpanan Islamik (SSi) campaign with substantial prizes up to RM1 million, was introduced.

These proactive actions taken helped the Bank sustain growth within the increasingly competitive environment as the Bank gained a substantial deposit increase of RM6.5 billion in FY2023.

Addressing the challenges brought by rapid digitalisation, we expanded our distribution channels and partners to transform the way we serve and interact with our customers. Digitisation was accelerated to increase efficiency and responsiveness, provide our customers with better banking solutions, and ensure that customers can interact with us how and when they want.

At the forefront of our operations, we made significant strides in enhancing internet banking and mobile banking services. These include the rollout of DuitNow QR for retail payments at all POS Malaysia outlets and improvements to the Mobile Application Platform (MAP), driving a 49.87% growth in MAP applications in FY2023.

For business clients, the launch of real-time cross-border payments through VISA B2B Connect Platform exemplified our commitment to efficient and effective financial solutions. This real-time cross-border payments and settlements platform simplifies and streamlines cross-border business-to-business payments, providing swifter and more reliable transfers at a lower cost.

In parallel with greater innovation, we invested in keeping our customers safe through secure banking transactions as financial crimes surged globally during the year, with online scams in Malaysia reportedly causing RM1.2 billion in losses. Our proactive response was to expedite more robust security measures, in line with Bank Negara Malaysia's directives, including moving from SMS one-time-password (OTP) to more secure forms of authentication for online transactions and account changes. This was followed in June 2023 with an i-MSecure feature to approve and reject transactions directly from smartphones securely. A kill switch was also introduced, enabling users to block access to their online banking accounts in case of suspicious activities, along with a cooling-off period for new enrolments of online banking services and secured devices. This commitment to providing a secure and seamless banking experience continues to be a core priority.

Empowering Our People

Central to our success are our employees. We are committed to building an inclusive and sustainable organisation where our colleagues can perform the best that they can. Within the Bank, we remain committed to creating a workplace that values and supports employees from all backgrounds while providing a balance between work, health, spiritual, and development needs. Diversity, creativity, and inclusion are deemed essential in cultivating a culture of innovation and excellence.

Towards greater employee engagement and satisfaction, an Employee Engagement Survey was conducted among 90% of employees in December 2023. Significant investments have also been made towards establishing comprehensive career development frameworks and apprenticeship programmes to nurture a dynamic talent pool. Training was prioritised, with an average of 52 training hours per staff member in FY2023, surpassing the targeted 40 hours.

On this front, Bank Muamalat was recognised at the 6th TALENTBANK Graduates' Choice Award (GCA) 2023 for an unwavering commitment to attracting and retaining top graduate talent.

PRESIDENT & CHIEF EXECUTIVE OFFICER'S STATEMENT



Driving Nation-Building Goals

We are committed to Malaysia's climate change goals, aligning with the National Energy Transition Roadmap (NETR) 2023 and Bank Negara Malaysia's Climate Change and Principle Based Taxonomy (CCPT) guidelines. During the year, Bank Muamalat actively participated in the Joint Committee on Climate Change (JC3) and developed a Climate Risk Management Framework in line with the Climate Risk Management and Scenario Analysis Policy requirements.

We have also been proactive in meeting regulatory requirements to advance a more sustainable future for the nation. Actions taken include integrating value-based intermediation and sustainability elements into our credit scorecard and business strategy. In contributing to the industry's value based intermediation (VBI) and sustainability journey, the Bank's VBI financing asset over total financing grew to 52.2% in FY2023. This comprised financing assets categorised for the purpose of sustainable financing that provides positive economic, environment and social impacts.

Leveraging synergies to amplify our commitments, we further collaborated with Malakoff Corp Berhad to support sustainable energy solutions in Malaysia through financing programmes for renewable energy (RE), including solar photovoltaic systems, battery energy storage systems, and electric vehicle chargers. This collaboration aligns with Budget 2024's focus on boosting the local electric vehicle (EV) industry.

Contributing to the Community

When it comes to socio-impact, Bank Muamalat has always been a community bank at heart. Since the Bank's establishment, we have actively engaged in various collaborations with state religious councils and government agencies, executing numerous corporate social responsibility (CSR) programmes that reflect our commitment to social justice, environmental stewardship, and community development. These initiatives align with our Maqasid Shariah principles, ensuring we uphold our ethical and moral obligations.

Highlights for the year include the Bank's Waqf commitment, which reached RM37.1 million in collections, with RM20.3 million disbursed to healthcare, education, and investment sectors. Through the charity arm, Tabung Mawaddah, the Bank mobilised funds for social, educational, and health-related matters, disbursing a total of RM2.2 million across more than 1,400 projects in 2023. During Ramadan, the Bank continued to contribute to annual CSR programmes, distributing over RM400,000 in aid to orphans, asnaf, tahfiz students, and welfare homes.

More significantly, the development of Islamic social finance instruments for small businesses, namely the Bank's iPUSH and iTEKAD programmes, provide commercial growth opportunities with cascading impacts on low-income communities. In our journey towards becoming Malaysia's leading Islamic Bank, these specially developed products that serve the underserved towards holistic societal growth will continue to be the Bank's core focus.

During the year, Bank Muamalat actively participated in the JC3 and developed a Climate Risk Management Framework in line with the Climate Risk Management and Scenario Analysis Policy requirements.

RIISING AS THE STRONGEST ISLAMIC BANK BY 2026

Delivering sustainable returns through diligent resource management, efficient management of balance sheet and operational excellence has charted new milestones on our RISE26+ journey. Moving forward, our strategic focus areas for upcoming growth emphasise sustainable profitability, operational excellence, customer centricity, and digital innovation. By optimising capital allocation and enhancing our digital offerings, we aim to maintain double-digit revenue growth and improve customer experiences.

Operationally, the focus will be on growing high-yield assets and accelerating core fee income by expanding outreach, optimising funding cost and launching attractive promotional campaigns. Effective management of Risk Weighted Assets (RWA) will drive financial stability, regulatory compliance, and operational efficiency. Rigorous capital planning, close monitoring and stress testing will be conducted to anticipate future capital needs under various economic scenarios.

We aim to ensure a sustainable net profit margin by investing in digital technologies that enhance operational efficiency and improve the customer experience. Towards uplifting customer experiences, we want to be a provider of seamless, user-friendly experiences across all devices with robust functionalities and real-time transactions. Proactive customer support will be further enhanced through multiple channels, including chatbots, live chat, phone, and social media, and expand our outreach through omni-channel touchpoints.



Our digital banking strategy includes launching digital products for the retail segment, executing strategic digital marketing campaigns, and developing unique selling propositions to differentiate ourselves from competitors. We will also seek strategic partnerships to enhance our digital offerings.

By pursuing these strategic initiatives, Bank Muamalat is poised to achieve its goal of becoming the top Islamic bank in Malaysia, delivering exceptional value to all stakeholders and realising our mission of 'Better Lives, Together'.

IN HUMBLE GRATITUDE

As we move forward, we are committed to maintaining our growth trajectory and addressing new challenges. Our focus remains on delivering sustainable value to all stakeholders, driven by our Islamic principles and the Maqasid Shariah. We will continue to innovate, leveraging technology and strategic partnerships to enhance our offerings and expand our reach.

We are grateful for the trust and support of our stakeholders, and we look forward to achieving greater heights together.

I extend my deepest gratitude to our Board of Directors, whose guidance has been instrumental in our success. I also thank our management team and staff for their unwavering dedication and hard work. To our customers, shareholders, and partners, your continued support and trust are invaluable to us. Placing our trust in the Almighty, we are inspired by the Quran:

**"And rely upon Allah and sufficient is Allah as Disposer of affairs."
(Al-Ahzab: 3)**

Insha-Allah, we will continue to strive for excellence, uphold our Islamic values, and work towards a brighter future for all.

With sincere gratitude,

KHAIRUL KAMARUDIN
President & Chief Executive Officer

SHARIAH COMMITTEE CHAIRMAN'S STATEMENT



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

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Peace Be Upon You And Mercy of Allah and His Blessings

MAKING ISLAMIC BANKING BETTER

"To Allah alone belongs whatever is in the heavens and whatever is on the earth. And to Allah all matters will be returned for judgment."

(Surah Ali 'Imran :109)

Islamic finance products offer unique and sustainable benefits through the foundational principles of profit and risk-sharing, which promote equitable income and wealth distribution, and foster social justice. As social finance instruments, these provide essential financial solutions to the underserved and unserved groups, which significantly impact small businesses and contribute to the real economy.

As these products are governed by Shariah law, any breach of Shariah principles results in non-compliance, rendering contracts void. Thus, as the highest authority on Shariah at the Bank, the Bank's Shariah Committee (SC) plays a vital role to ensure that the Bank's activities, business, and operations comply with Shariah requirements. We are tasked to approve products, services, documentation and initiatives initiated by the Bank, ensuring compliance with Shariah principles in all aspects.

The SC also advises the Bank on developing new products using various Shariah contracts, providing Shariah perspectives on various matters upon request, and at the same time, endeavour to increase public awareness to promote the adoption of Islamic banking products and services.

DR. YUSRI MOHAMAD

Chairman, Shariah Committee

THE YEAR IN FOCUS

Allah SWT says: "Help one another in acts of piety and righteousness. And do not assist each other in acts of sinfulness and transgression. Be aware of Allah. Verily, Allah is severe in punishment."

(Surah al-Maidah: 2)

In FY2023, as part of the RISE26+ strategy to develop Bank Muamalat as an Islamic Bank for All, the SC played a vital role in advising the Bank on the development of new products, services, and initiatives to diversify our offerings. Towards this end, the SC actively supported the development of products applying Shariah contracts other than Tawarruq to reduce contract concentration. This encompassed contributing ideas and solutions to address the challenges faced; guiding the Bank in researching and exploring new innovative products and services that meet market demand; and encouraging digitalisation while ensuring Shariah compliance.

Further, the SC has approved various products, services, and initiatives proposed by the Bank to cater to different societal needs. Notable endorsements granted during the year include the RM5.0 billion Program Sukuk Wakalah (Project Snow), Cash-i Muamalat for Employees Provident Fund (EPF) members under the "Fasiliti Sokongan Akaun 2 (FSA 2)" programme, Multi-Currency Trade Financing (MCTF), Collateralised Commodity Murabahah, Term Investment Account, and the new VISA B2B payment gateway service.

Beyond this, Shariah governance, transparency, and integrity continued to be fortified with the SC ensuring that decision-making processes comply with governance standards and that honesty, ethics, and consistency are applied to every SC decision.

ADVANCING THE BANK'S VALUE-DRIVEN JOURNEY

Rasulullah SAW says: "Protect yourself from hell-fire even by giving a piece of date as charity. If one cannot find it, then with a kind word."

(Sahih Bukhari 6540 and Sahih Muslim 1016)

As we continue to enhance the impact of Islamic finance, we drive the development of ethical products, compliant with Maqasid Shariah, that emphasise sustainable, environmentally and socially responsible finance principles. They promote justice and fairness through profit-sharing principles in mudarabah and musharakah-based products.

Towards this end, SC helped the Bank progress on its VBI journey during the year by actively advising the Bank on introducing products based on financial support and inclusion, aiming to generate sustainable economic impact, especially for the B40 and asnaf (Zakat-eligible) communities. Notably, we initiated the development of social welfare products like iTEKAD Mahabbah, offered to asnaf (zakat beneficiaries) and B40 through the i-PUSH scheme.

FUTURE OBJECTIVES AND ACKNOWLEDGEMENTS

Rasulullah SAW says: "I am amazed by the believer. If he is granted goodness, he praises Allah and is grateful. If he is afflicted with a calamity, he praises Allah and is patient. The believer is rewarded for every matter, even lifting a morsel of food to his wife's mouth."

(Musnad Ahmad 1495)

Looking ahead, the SC aims to guide the Bank in exploring new hybrid Shariah contracts, and continue to help the development of products and services that benefit all customer ranges, especially asnaf (zakat beneficiaries) and B40.

I take this opportunity to thank the SC for its steadfast dedication in fulfilling its duty. The SC's power is rooted in the honesty, expertise, and commitment of our members. I am honored to lead a team of dedicated professionals who strive to advance Shariah governance and drive innovation for everyone's benefit.

I would like to take this opportunity to express the SC's gratitude to our former chairman Tn. Hj. Azizi Che Seman for his 18 years of service with Bank Muamalat, and his excellent contribution and commitment up until the end of his term of service on 31 March 2023. I would also like to welcome Dr. Badruddin Hj. Ibrahim and En. Khairun Najmi Saripudin who joined the SC on 15 January 2023.

Insya-Allah, may our lofty aspirations and constructive efforts create a path towards a better future for all stakeholders.

DR. YUSRI MOHAMAD

Chairman, Shariah Committee



Achieved

2,302

applications for i-PUSH
microfinancing programme



Onboarded

11

entrepreneurs under the iTEKAD
Mawaddah programme

OUR STRATEGY

Islamic Bank for All

- 6% increase in non-bumi customers
- Introduced the innovative Sijil Simpanan Islamik that enables existing customers to win RM1 million through their savings
- Introduced a live chat function on the Bank's website to provide a real time and personalised support for better customer experience
- Rolled out DuitNow QR for retail payment at all POS Malaysia outlets
- Introduced business Whatsapp channel as a key customer engagement

“

In line with the second year of Bank Muamalat's RISE26+ strategy, we have broadened our outreach to more Malaysians, with intensified focus on serving underserved microentrepreneurs.

”

Zury Rahimee Zainal Abiden
Chief Operating Officer



For more information,
please refer to page 48

MARKET AND INDUSTRY OVERVIEW

THE GLOBAL ECONOMY

In 2023, the global landscape presented significant challenges with a restrictive monetary stance by the United States (US) Federal Reserve, defaults among China’s property players, and ongoing geopolitical conflicts in Eastern Europe and the Middle East. Malaysia, being an open economy, felt these external impacts with economic growth moderating to 3.7%, a marked reduction from the previous year’s 8.7%. A key factor in this lackluster performance was weakened external trade, with net exports contracting by 35.6% largely due to reduced demand from major partners like China, Singapore, the European Union (EU) and the US. In the last quarter of the year, domestic drivers such as consumer spending and private investment had also moderated as households became cautious due to rising living costs. Similarly, private investment growth eased to 4% during the last quarter as businesses remained vigilant amid rising operational expenses.

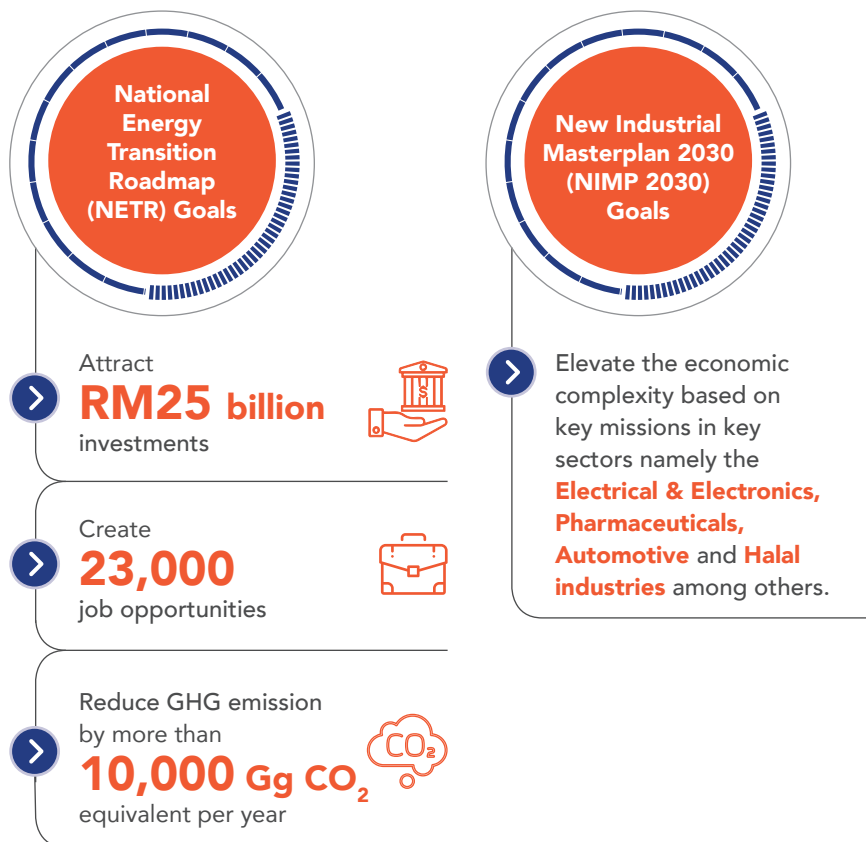


DOMESTIC ECONOMIC PERFORMANCE

Despite subdued growth, Malaysia’s labour market remained resilient, with unemployment rates reducing to 3.3% in December 2023. Labour productivity saw an uptick, and approved investments rose by 23% to RM329.5 billion, driven by both local and foreign investments, particularly in the manufacturing and services sectors.

The Malaysian government unveiled policy documents aimed at enhancing economic growth potential under the MADANI economy framework. Initiatives like the National Energy Transition Roadmap and the New Industrial Masterplan 2030 aim to attract investments, create job opportunities, and address climate risks while elevating economic complexity.

Since May 2023, Bank Negara Malaysia (BNM) has maintained the Overnight Policy Rate (OPR) at 3% as the decline in inflation to 1.5% in January 2024 from its peak at 4.7% in August 2022 suggests the impact from past monetary tightening has contained the inflationary pressures. In its recent monetary policy statement, the Malaysian central bank expressed confidence in the country’s economic prospects, forecasting GDP growth of 4% to 5% in 2024. The International Monetary Fund (IMF) has also projected a significant increase in global trade volume, expected to grow by 3.3% in 2024 compared to 0.4% in 2023. This bodes well for Malaysia’s external demand, particularly in the technology sector, where the country plays a crucial role in the global supply chain. However, risks persist, including geopolitical tensions and uncertainties in the global economy.





BANKING SECTOR OUTLOOK

Malaysia's banking sector continues to remain resilient despite having to contend with bouts of economic uncertainties. However, intense competition has prompted banks to innovate and prioritise customer experience, especially in the digital realm, to meet emerging demands for greater ease and connectivity. Changing demographic profiles and increasingly tech savvy Malaysian households within the digital space warrants for a seamless customer experience.

Although economic challenges persist, banking institutions still managed to achieve a 5.3% growth in financing books, albeit slower than the previous year's 5.7%. The sector maintained superior asset quality, as evidenced by the decline in the Gross Impaired Financing Ratio (GIFR) from 1.72% in the previous year to 1.65% in 2023.

Furthermore, banks remained well-capitalised, with Common Equity Tier-1 (CET1) and Total Capital Ratio (TCR) comfortably above regulatory minimum standards at 14.9% and 18.6% respectively. Liquidity coverage also improved, with the Liquidity Coverage Ratio (LCR) rising to 160.9% by December 2023 from 151.5% at the end of 2022. All this indicates that banking institutions were able to play their significant role as financial intermediaries between the customers and the depositors effectively despite the heightened economic uncertainties.

Looking ahead, the banking sector is expected to continue driving economic growth, with sustainable financing growth projected at 5.5% in 2024. However, the industry landscape will evolve with the emergence of digital banks, reshaping customer expectations for seamless service that complies with regulatory requirements. This dynamic is likely to prompt traditional players to invest in enhancing their digital presence to compete effectively in the evolving market.









Implications for Bank Muamalat

In navigating this challenging environment, Bank Muamalat should remain vigilant of external factors impacting economic growth and trade. Opportunities lie in supporting sectors experiencing growth, such as technology, while managing risks associated with geopolitical tensions and global economic uncertainties. Additionally, government policies, economic strategies and growing demand for digital transactions are shaping the Bank's readiness to capitalise on emerging opportunities and contribute to Malaysia's sustainable economic development.











PRINCIPAL RISKS AND UNCERTAINTIES

At Bank Muamalat, risk identification, analysis and mitigation have been continuously practised as key components in building and executing our business sustainability strategy.













We strive to enhance our risk analysis and response by understanding the issues that are material to the business and our stakeholders. Here, we outline the principal risks within our operating environment, define the ways in which they could affect Bank Muamalat and how we manage these risks.














Type of Risk	Description and impact of the risk	How we manage or mitigate the risk
 <p>Credit Risk</p>	<p>The risk of financial loss if a customer or counterparty fails to meet its obligations. It is the primary source of risk to the Bank</p> <p><i>This risk may impact the Bank's profitability, asset quality, liquidity and reputation</i></p>	<ul style="list-style-type: none"> • Enhance key risk indicators to monitor emerging credit risk and provide early warning signals • Ongoing review, enhancements and monitoring of risk appetite • Enhance and tighten risk acceptance criteria. • Ongoing monitoring on collaterals, guarantees and risk limits • Conduct periodic stress testing and scenario analysis to assess customer • Diversify into new market segments • Streamline and enhance Credit Risk policies • Validate Credit Risk models
<p> Link to Material Matter M1 M2 M3 M5 M8 M12</p>		<p> Link to Impact on Capitals </p>
 <p>Market Risk</p>	<p>The risk of losses in on- and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity and commodity prices, which may adversely impact earnings and capital positions</p> <p><i>The risk may present an impact on the Bank's profitability, liquidity and capital</i></p>	<ul style="list-style-type: none"> • Develop hedging strategies against adverse price movements • Enhance monitoring in market risk limits • Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Ongoing review, enhancements and monitoring of risk appetite • Diversification in pricing strategy • Conduct periodic stress testing and scenario analysis • Streamline and enhance Market Risk policies
<p> Link to Material Matter M1 M2 M5 M12</p>		<p> Link to Impact on Capitals </p>













- M1** Ethics & Integrity
- M2** Economic Performance
- M3** Entrepreneur Development
- M4** Procurement Practices
- M5** Digital Banking
- M6** Energy Consumption and Environmental Impact
- M7** Community Development
- M8** Customer Experience
- M9** Diversity and Equal Opportunity
- M10** Training and Education
- M11** Employment
- M12** Financial Inclusion
- M13** Responsible Financing

Type of Risk	Description and impact of the risk	How we manage or mitigate the risk
Rate of Return Risk 	<p>The risk of variability of assets and liabilities arising from volatility of market benchmark rates, impacting portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value</p> <p><i>The Bank's capital, liquidity and profitability may be impacted by the risk</i></p>	<ul style="list-style-type: none"> • Develop hedging strategies against adverse price movements • Enhance monitoring in market risk limits • Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Ongoing review, enhancements and monitoring of risk appetite • Diversification in pricing strategy • Conduct periodic stress testing and scenario analysis • Enhance risk strategies and monitoring in Asset and Liabilities Management • Streamline and enhance Rate of Return Risk policies
 Link to Material Matter M1 M2 M12		 Link to Impact on Capitals 
Liquidity Risk 	<p>The risk of inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from depositors. This ability has a serious implication on reputation and continued existence</p> <p><i>The risk could impact the Bank's capital, liquidity, profitability and reputation</i></p>	<ul style="list-style-type: none"> • Enhance liquidity limits and strategy to manage and optimise liquidity position • Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Enhance Liquidity Contingency Funding Plan to manage liquidity crisis • Ongoing monitoring of liquidity crisis early warning signals • Ongoing review, enhancements and monitoring of risk appetite • Diversification in pricing strategy • Conduct periodic stress testing and scenario analysis • Streamline and enhance Liquidity Risk policies
 Link to Material Matter M1 M2 M5 M12		 Link to Impact on Capitals   

PRINCIPAL RISKS AND UNCERTAINTIES

Type of Risk	Description and impact of the risk	How we manage or mitigate the risk
<p>Operational Risk</p> 	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems or from various external events. The effect may extend beyond financial losses and may result in legal and reputational risk impacts</p> <p><i>This risk could also create an impact on the Bank's profitability and ability to meet regulatory requirements as well as disrupt the Bank's business</i></p>	<ul style="list-style-type: none"> Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals Ongoing review and validation of operational risk tools, i.e. Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Incident Management & Data Collection (IMDC) Ongoing management of bank-wide operational risks and monitoring of risk ratings Ongoing management of business continuity strategy and plan Ongoing management and monitoring of outsourcing arrangements and mitigation strategy Ongoing review, enhancements and monitoring of risk appetite Conduct periodic stress testing and scenario analysis Streamline and enhance Operational Risk Management policies and procedures
<p> Link to Material Matter M1 M2 M4 M5 M8 M10 M12</p>		<p> Link to Impact on Capitals </p>
<p>Shariah Non-Compliance Risk</p> 	<p>The risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee (SC) of the Bank and relevant Shariah regulatory councils or committees.</p> <p><i>This risk creates regulatory, profitability and reputation impacts.</i></p>	<ul style="list-style-type: none"> Ongoing Shariah review Continuous monitoring and reporting of Shariah non-compliances Enhanced monitoring and tracking of Shariah non-compliance risk exposures via risk tools i.e. Key Risk Indicators (KRI), Risk & Control Self-Assessment (RCSA) and Incident Management & Data Collection (IMDC) Ongoing review, enhancements and monitoring of risk appetite Conduct periodic stress testing and scenario analysis Streamline and enhance Shariah Risk Management policies and procedures
<p> Link to Material Matter M1 M2 M8 M12</p>		<p> Link to Impact on Capitals </p>
<p>Technology and Cybersecurity Risk</p> 	<p>Risk arising from technology vulnerabilities which could result in financial loss, disruptions to infrastructure, operations and/or reputational harm. Cybersecurity risk is the probability of loss of customer information and banking records due to cyber threat or attack</p> <p><i>This risk creates regulatory, profitability and reputation impacts as well as disrupts the Bank's business</i></p>	<ul style="list-style-type: none"> Establish and operationalise new Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF) Develop and implement IT & Cybersecurity Strategic Plan in alignment with business requirements and adherence to BNM's Risk Management in Technology (RMiT) policy Foresight by gathering FI threat intelligence through identify, manage, and address related risks Strengthen cyber resilience level and monitor sustainability of technology and cybersecurity controls Ongoing review, enhancements and monitoring of risk appetite
<p> Link to Material Matter M1 M2 M5 M8 M12</p>		<p> Link to Impact on Capitals </p>

-  **M1** Ethics & Integrity
-  **M2** Economic Performance
-  **M3** Entrepreneur Development
-  **M4** Procurement Practices
-  **M5** Digital Banking
-  **M6** Energy Consumption and Environmental Impact
-  **M7** Community Development
-  **M8** Customer Experience
-  **M9** Diversity and Equal Opportunity
-  **M10** Training and Education
-  **M11** Employment
-  **M12** Financial Inclusion
-  **M13** Responsible Financing

Type of Risk	Description and impact of the risk	How we manage or mitigate the risk
 <p>Strategic Risk</p>	<p>The risk of unexpected adverse developments in the Bank's performance stemming from fundamental strategic and business decisions and their execution</p> <p><i>The risk may present impacts to the Bank's profitability, capital and reputation</i></p>	<ul style="list-style-type: none"> Ongoing review, enhancement and monitoring of the business strategies, risk appetite and capital planning process Conduct periodic stress testing and scenario analysis Ongoing review, enhancements and monitoring of risk appetite and business performance
<p> Link to Material Matter M1 M2 M5 M8 M12</p>		<p> Link to Impact on Capitals </p>
 <p>Reputational Risk</p>	<p>The risk of loss arising from negative perception of the Banks's image by conduct or business practice which adversely impact profitability, operations or shareholder value</p> <p><i>The Bank's reputation, liquidity, capital and profitability may be impacted by this risk</i></p>	<ul style="list-style-type: none"> Ongoing monitoring of Bank's risk rating Perform competitive analysis on industry and market benchmark Build and protect goodwill Institutionalise and monitor culture and compliance
<p> Link to Material Matter M1 M2 M4 M5 M7 M8 M9 M10 M11 M12</p>		<p> Link to Impact on Capitals </p>
 <p>Climate Risk</p>	<p>The financial dangers stemming from climate change impacts and efforts to reduce carbon emissions, like potential losses from financings/loans to industries vulnerable to extreme weather events or policy shifts</p> <p><i>Climate risk poses financial, operational, and reputational threats to the Bank due to increased defaults on financings/ loans, reduced asset values, infrastructure disruptions, and reputational damage</i></p>	<ul style="list-style-type: none"> Thoroughly evaluating exposure to climate-related risks across portfolios for risk assessment, guided by Climate Risk Management Framework Integrating climate risks into every aspect of planning and investment decisions Thoroughly assessing potential impacts of different climate scenarios through Climate Risk Stress Testing Close collaboration with stakeholders to effectively address climate-related challenges Enhancing resilience against climate hazards through implementation of strategies Actively supporting efforts aimed at reducing greenhouse gas emissions Providing transparent information on climate risk is necessary for informed decision-making Advocating for policies that promote sustainability and resilience in the face of climate change
<p> Link to Material Matter M2 M4 M8 M10 M12 M13</p>		<p> Link to Impact on Capitals </p>

OUR VALUE CREATION MODEL

OUR CAPITAL

HOW WE CREATE VALUE



Financial Capital

- Total Assets: RM39.1 billion
- Shareholders' equity: RM3.44 billion;
- Deposits and Investment Accounts: RM33.04 billion



Manufacturing Capital

- 68 dedicated branches
- 246 self service terminals nationwide
- Vast digital outreach through i-Muamalat mobile app, retail and corporate internet banking, QR Payment for merchant, Muamalat Application Platform (MAP), Online Deposits Account Application (ODA) etc



Human Capital

- In-house training: 583 programs
- A diverse workforce of 2,416 employees
- Invested RM5.9 million on training and skills development programmes



Intellectual Capital

- Over 20 years of sustainable growth as the nation's 3rd full-fledged Islamic financial institution



Social & Relationship Capital

- More than 720,000 customers
- Embracing value-based financing to meet the VBI as well as ESG practices
- Invested RM182,209.10 of working capital and RM187,120.00 in training fees of sustainable financing provided under iTEKAD initiatives



Natural Capital

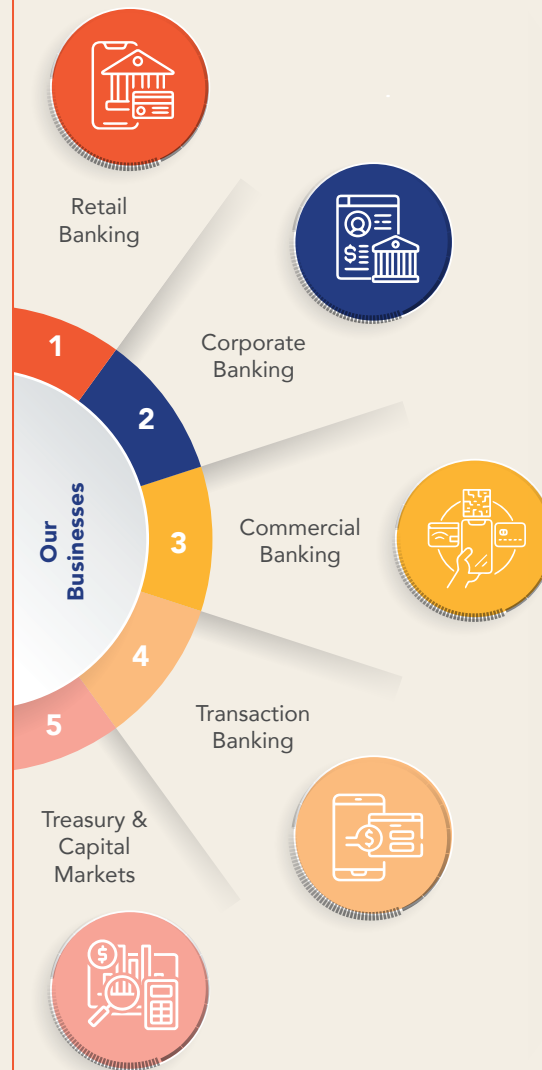
- Electricity usage of : 8,266,903.36 kWh
- Water: 144,276.94 m³
- Petrol: 445,292.01 litres
- Diesel: 22,773.14 litres

Inspired by RISE26+ Aspirations:

- Sustainable Shareholder Returns
- Islamic Bank for All
- Next Generation and Agile Banking
- High Performing Organisation
- Promote VBI and Sustainability

Driven by 8 Strategic Thrusts:

- Accelerate Business Growth
- Enable Islamic Bank for All
- Drive Sustainability
- Customer Centricity
- Innovation
- Operational Efficiency
- Strengthening Our Foundation
- High Performing Organisation



STRONG GOVERNANCE OVERSIGHT

Bank Muamalat is committed to the highest standards of governance, ethics and integrity

Our diverse and knowledgeable Board of Directors ensures best practices are adopted while providing oversight to the Management Committee in creating long-term shareholder and stakeholder value

We ensure established and comprehensive internal and external risk management processes, policies and frameworks are in place to continuously deliver and sustain the Bank's value propositions

Through Our Business Activities, the Bank

FY2023 STAKEHOLDER OUTCOMES **STAKEHOLDERS IMPACTED**

- ▶ Deliver products and financial solutions that cut across critical areas as well as penetrate new untapped markets by harnessing digital technologies
- ▶ Expand products and diversify customer base in order to be the preferred provider of investment solutions
- ▶ Maintain, optimise and invest in our operations including technology, marketing and infrastructure
- ▶ Deliver exceptional customer services to optimise customer experience at all times
- ▶ Empower local communities in building a more resilient and thriving community
- ▶ Strengthen our base by complying with all regulatory requirements and ensure a high commitment to risk and compliance
- ▶ Identify ideal approaches to sustainability, innovation and leadership in order to be recognised as a socially responsible bank

Financial Capital

- RM832 million income attributable to depositors
- RM295.6 million profit before tax
- 9.35% return on equity

Manufacturing Capital

- 32.85% increase in mobile app subscribers
- 63% of retail internet banking users were mobile users, compared to 54% in FY2022
- 49.87% increase in applications through Muamalat Application Platform (MAP)

Human Capital

- A diverse workforce of 49% male and 51% female
- 65 average training hours per employee
- Distributed RM307 million in remuneration for employees

Intellectual Capital

- Ranked 1st in Net Promoter Score within the Malaysian financial industry

Social & Relationship Capital

- Disbursed a total of RM2,234,638.21 of its Tabung Mawaddah Fund into 1,499 projects
- Disbursed RM25,999,934.01 million under waqf projects to support 142 nationwide projects for healthcare, education and the investment sector
- RM10.23 million of zakat contribution

Natural Capital

- Financing for preserving natural environment was RM774 million for FY2023

S1 Shareholders & Investors	
S2 Customers	
S1 Shareholders & Investors	S4 Regulatory Agencies & Statutory Bodies
S2 Customers	S5 Local Communities
S3 Business Partners	
S6 Employees	
S2 Customers	S5 Local Communities
S3 Business Partners	S6 Employees
S2 Customers	S5 Local Communities
S3 Business Partners	S6 Employees
S2 Customers	S4 Regulatory Agencies & Statutory Bodies
S3 Business Partners	S5 Local Communities

▶ Our 6 success beliefs have become our trademark in serving our stakeholders

▶ Our employees are essential assets, and we seek to create a work environment that is inspiring, healthy and welcoming to allow our employees to develop professionally and empower them to work effectively in line with our mission

OUR STRATEGIC DIRECTION

“ Through RISE26+, Bank Muamalat is charting a transformative journey aimed at growing sustainable impact and competitiveness in an increasingly dynamic and competitive banking sector. ”



EXECUTING THE SECOND PHASE OF RISE26+

Amidst the ever-evolving landscape of the banking industry, Bank Muamalat stands resolute as it embarks on the second year of its RISE26+ strategic plan. This five-year roadmap, launched in 2022, guides the institution's proactive response to a dynamic market environment, catalysed by the rapid emergence and adoption of digital technologies.

Crafted with a keen understanding of the "new norm," RISE26+ harnesses insights from market dynamics, potential opportunities, and the Bank's intrinsic capabilities. It represents more than mere financial and organic growth; it embodies Bank Muamalat's vision to become the "Strongest Islamic Bank," underpinned by sustained financial stability, robust balance sheet, market leadership, and adaptability to change.

For Bank Muamalat, being the Strongest Islamic Bank is about maintaining stable and consistent financial performance and having a well-managed balance sheet, while leading the market and agilely adapting to change.


In FY2023, as the Bank strode into its second year of implementation, the RISE26+ aspirations were more strongly evident in its operations. Key strategies were reviewed and implemented with precision, aligning closely with the plan's overarching objectives. Emphasis was placed not only on expanding reach and customer base but on fostering resilience, innovation, and operational excellence.


By fortifying its core strengths and embracing adaptability, the Bank is poised to achieve its 2026 vision by navigating complexities, leading market trends, and setting new benchmarks of excellence in Islamic banking.


The year's strategic achievements are captured on pages 50 and 51


KEY FOCUS TO DRIVE MOMENTUM IN FY2024


Moving forward these 8 strategic thrusts will continue to be the drivers of progress in FY2024. The Bank's key focus areas for next year will be to:


- 

> Continue to Drive
Sustainable Growth
- 

> Optimise
Cost of Fund
- 

> Manage
Asset Quality
- 

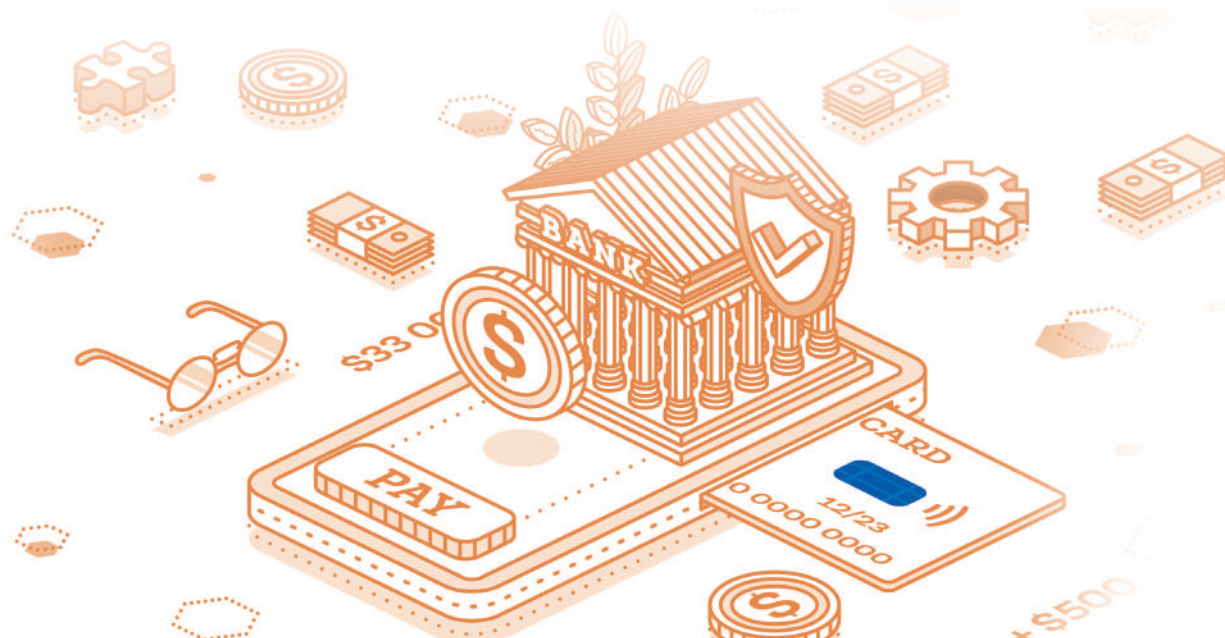
> Maximise
Capital
- 

> Drive
Customer Centricity
- 

> Ensure
Operational Efficiency

To achieve the goals of these focus areas, we plan to:

1. **Maintain revenue growth momentum** by growing high yielding assets, heightening group synergies, and accelerating core fee income through the cards business and retail-based products.
2. **Optimise cost of fund** by re-engineering the Bank's deposits structure towards low cost deposits through campaigns and intensive marketing.
3. **Manage our asset quality by:**
 - growing secured and government backed assets.
 - proactively monitoring asset quality by regularly reviewing customers' performance and identifying early warning signs of potential credit deterioration.
 - providing prompt remedial actions where necessary.
 - ensuring that the Bank's gross impaired financing (GIF) ratio is well below the industry level.
4. **Ensure efficient capital allocation and distribution** across business lines and activities while considering factors such as risk-adjusted returns, growth opportunities and strategic priorities.
5. **Drive customer centricity** and transform customer journeys through acceleration of digitalisation efforts, and by continuing to empower the B40 and asnaf community through expansion of microfinance initiatives.
6. **Continue to enhance operational efficiency** by implementing process reengineering and digitisation initiatives.



OUR STRATEGIC DIRECTION

FY2023 STRATEGIC THRUSTS AND PRIORITY FOCUS AREAS

<h3>ACCELERATE BUSINESS GROWTH</h3> <p>Catalyse growth by transforming core business streams and diversifying into new growth engines</p>	<h3>ENABLE ISLAMIC BANK FOR ALL</h3> <p>Diversify customer base and enhance range of financial solutions within all business segments</p>	<h3>DRIVE SUSTAINABILITY</h3> <p>Expand Social Finance and transition responsibly to a low carbon economy</p>	<h3>CUSTOMER CENTRICITY</h3> <p>Elevate customers' experiences through digitalisation, customer care and brand transformation</p>
<p> Focus Areas:</p> <ul style="list-style-type: none"> Accelerate profitability by expanding beyond business as usual (BAU) Expand fee-based income Conduct thorough credit assessments and monitor financing portfolios to mitigate default risks and maintain asset quality Forge strategic partnerships and establish group synergy Deploy strategies to optimise capital 	<p> Focus Areas:</p> <ul style="list-style-type: none"> Engage with local communities through outreach programmes, sponsorships, and partnerships Develop a range of financial products and services that appeal to a diverse customer base Expand the Bank's customer base through targeted marketing campaigns and relationship-building efforts to increase financing activities and income 	<p> Focus Areas:</p> <ul style="list-style-type: none"> Expand programmes or products to assist Asnaf and B40 entrepreneurs Develop financial products that support environmentally sustainable projects and finance eco-friendly initiatives Comply with requirements from BNM on Climate Risk as outlined in the Climate Risk Management and Scenario Analysis 	<p> Focus Areas:</p> <ul style="list-style-type: none"> Elevate customer experience through digitalisation and new engagement channels Reduce abandoned call rate Execute Bank-wide brand transformation
<p> Key Achievements for the Year:</p> <ul style="list-style-type: none"> Expansion and growth in key businesses indicators <ul style="list-style-type: none"> Financing: 17.7% ↑ Deposits and Investment Account: 24.1% ↑ Asset: 23.9% ↑ Low Gross Impaired Financing: 0.93% Launched real time cross border payments and settlements (VISA B2B) 	<p> Key Achievements for the Year:</p> <ul style="list-style-type: none"> Active growth of customer base with more than 128,000 new customers Evolved as an Islamic Lifestyle Banker with introduction of fidyah services for collection and over-the-counter advisory at branches 	<p> Key Achievements for the Year:</p> <ul style="list-style-type: none"> Expanded sustainable products and service offerings <ul style="list-style-type: none"> Collaborated with Malakoff Corp Berhad to introduce ECO Green financing Introduced Special Electric Vehicle Campaign, which contributed about RM340,000 of financing income Approved 2,240 applications for the iPUSH scheme Onboarded 11 entrepreneurs under the iTEKAD Mawaddah programme, providing RM32,044 of working capital and RM46,244 of seed capital in addition to RM55,000 in training fees VBI assets as at December 2023 made up 52.2% of total financing Developed Climate Risk Management framework to align with BNM's requirement 	<p> Key Achievements for the Year:</p> <ul style="list-style-type: none"> Effective channel management <ul style="list-style-type: none"> Enhanced retail internet banking and mobile banking Launched new look for the corporate website Completed brand transformation for 62% our total branches Introduced a live chat function on the Bank's website to provide real-time and personalised support for better customer experience Introduced Business Whatsapp channel as a key customer engagement Rolled out DuitNow QR for retail payment to all POS Malaysia outlets Elevated customer experience <ul style="list-style-type: none"> Improved Customer Service Index (CSI) 94% from 82.8% (FY2022) Ranked #1 for CSI in the industry Improved Brand Health ranking from 7th (FY2022) to 4th among Islamic banks

INNOVATION

Drive innovative products, adopt Artificial Intelligence capabilities, enhance data analytics and rollout new digital banking business

**Focus Areas:**

- Expand digitalised product offerings
- Continue to build new digital capabilities via Open API and cloud infrastructure

**Key Achievements for the Year:**

- **Expanded digital platform and products**
 - Expanded wealth management takaful product offerings with the soft launch of *My Click Medicare* and *My Click Term Takaful*
 - Established an open API platform for system accessibility and interface

OPERATIONAL EFFICIENCY

Automate banking operations and drive cost efficiency

**Focus Areas:**

- Deploy RPA solutions to automate repetitive and rule-based tasks
- Automate banking processes to improve turnaround time (TAT)
- Drive cost efficiency by strengthening cost monitoring and controls

**Key Achievements for the Year:**

- **Achieved market competitive TAT and more scalable operations**
 - Improved TAT of disbursement performance to 98.3% against 97.4% in FY2022
 - Rolled out RPA for Skim Jaminan Kredit Perumahan (SJKP) mortgage, Malaysian Electronic Payment System (MEPS) and Mahkamah collection

STRENGTHEN OUR FOUNDATION

Data transformation and analytics, strengthen risk management and compliance, and modernise technology infrastructure and cybersecurity

**Focus Areas:**

- Implement cyber security measures to ensure secured banking experience
- Strengthen risk management and compliance through establishment of related frameworks
- Improve capabilities of the Bank's existing data platform

**Key Achievements for the Year:**

- **Strengthened risk and compliance controls**
 - Launched Organisational Anti-Corruption Plan (OACP) for 2023-2025
 - Identified potential risks of integrity and anti-corruption related governance
 - Revised key financing guidelines and policies
- **Improved data driven decision making**
 - Fine-tuned database and upgraded capacity
- **Implemented IT Infra and Cyber Security**
 - Launched i-MSecure security measure to ensure secure and seamless banking experience for the customers
 - Deployed Network Detection and Response (NDR) for security control of unauthorised network access

HIGH PERFORMING ORGANISATION

Transform human capital and culture towards becoming a high performing organisation

**Focus Areas:**

- Optimise and digitalise Human Resource (HR) processes through the HR platform
- Establish a performance management framework that aligns with the Bank's goals, values, and objectives
- Enhance employer branding and reputation among graduates, positioning the Bank as an employer of choice

**Key Achievements for the Year:**

- **Digitalised 100% of HR processes through HR platform**
- **Operationalised the Performance Management Framework**
- **Received TALENTBANK Graduates Choice Award 2023**



Named the Most Improved
Islamic Retail Bank in
Malaysia 2023 at the **Islamic
Retail Banking Awards
(IRBA) 2023**



49.87%

growth in applications through
Muamalat Application Platform
(MAP)

OUR BUSINESS PERFORMANCE

High Performing Organisation

- Recorded double digit financing growth of 17.7%
- Achieved 9.35% ROE
- Enhanced digital services to ensure customer satisfactions, especially through improvements in the internet banking platform and mobile apps services
- Over 128,000 new to bank customers for 2023

“

Beyond profit, our success is measured by the impact of our growth in digitalisation and innovative Shariah solutions while putting customer satisfaction at the heart of our operations. It is a testament to Bank Muamalat's commitment to making Islamic financing accessible to all Malaysians, ensuring all can achieve 'Better lives, together'.

”

Dr. Mohd Izuwan bin Mahyudin
Head Shariah

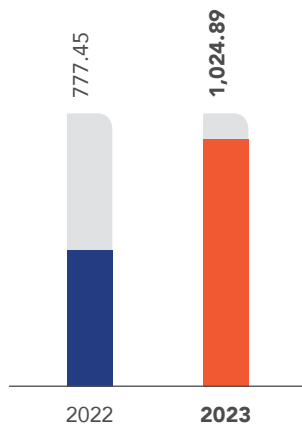


For more information,
please refer to page 33

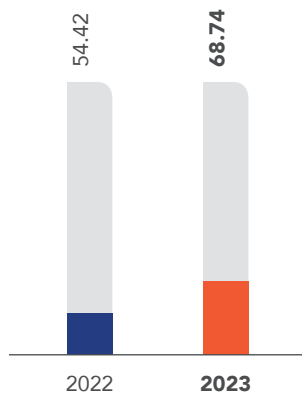
RETAIL BANKING

Revenue
RM1.11 billion
 (28.80% ↑ YoY)

Financing Income (RM Million)



Fees and Other Income (RM Million)



The Retail Banking Division (RBD) plays a pivotal role in serving individual customers and meeting their financial needs. It provides a diverse array of retail financing products and services, encompassing property financing, personal financing, vehicle financing, Amanah Saham Bumiputra (ASB) financing, Ar-Rahnu financing, and retail investment. The division focuses on building long-term relationships with customers by offering personalised financial solutions, delivering exceptional customer service, and enhancing accessibility through various banking channels. Additionally, RBD plays a significant role in generating revenue for the Bank through financing income, fees, and commissions derived from its retail product offerings.

In FY2023, strategic package enhancements were accompanied by strides made in service delivery through process improvements and adoption of Robotic Process Automation (RPA). These helped support financing growth by increasing efficiency and elevating customer experiences. In particular, the roll out of an improved Muamalat Application Platform (MAP) attracted a total of 14,302 applications which amounted to RM847.39 million worth of approved financing. As at 31 December 2023, RBD effectively managed a cumulative total of RM20.35 billion in retail financings, marking a substantial 19.3% growth from FY2022.

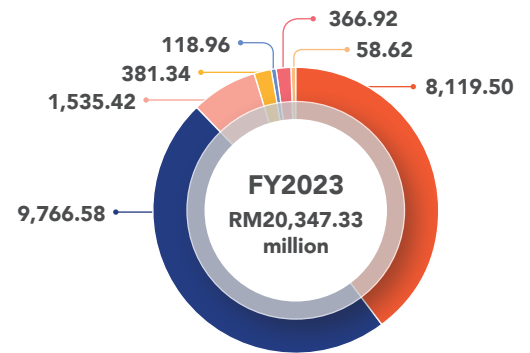
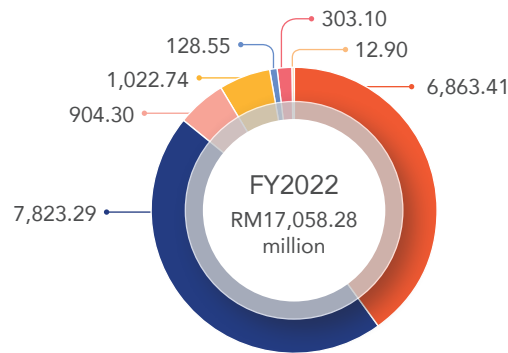


Retail Banking Division's Performance Highlights

Total Financing Asset Outstanding

RM20.35 billion

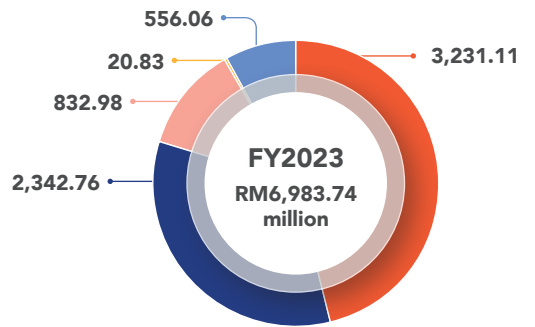
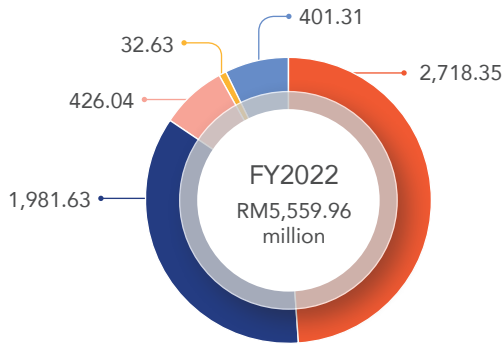
(19.3% ↑ YoY)



Total New Disbursements

RM6.98 billion

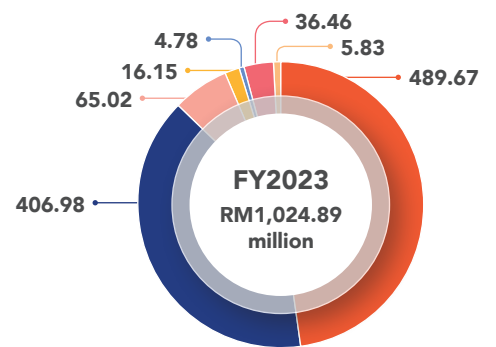
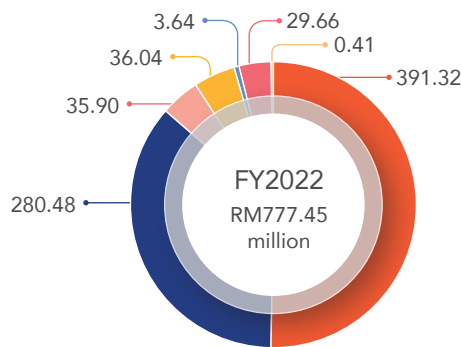
(25.6% ↑ YoY)



Total Financing Income

1.02 billion

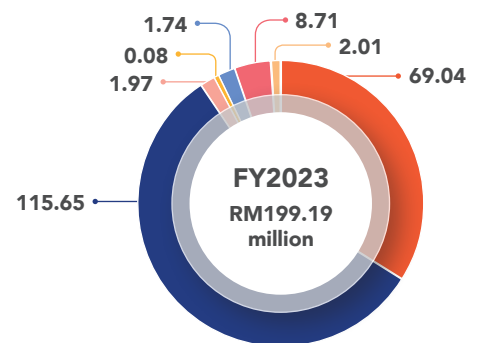
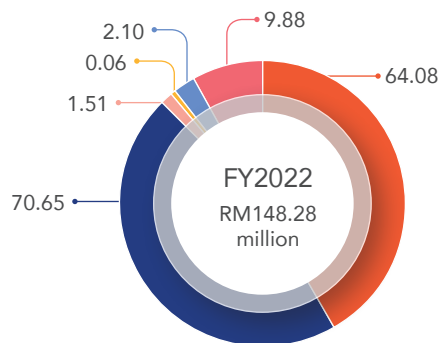
(31.83% ↑ YoY)



Total NPF - Impaired Position by Product

RM199.19 million

(34.3% ↑ YoY)



● Personal Financing ● House Financing ● Auto Financing ● ASB ● Other ● Ar Rahu Financing ● Credit Card

RETAIL BANKING

PERFORMANCE REVIEW

Property Financing



> **Ranked No. 1 among financial institutions for SMART Mortgage SJKP in 2023. Won the "Anugerah Prestasi Terbaik 2022-2023" for SJKP affirming its industry leadership and excellence**

> **FY2023 Financing Assets: RM9.77 billion**
(24.8% ↑ YoY)

> **Financing Income: RM406.98 million**
(45.1% ↑ YoY)

> **Total Disbursements: RM2.34 billion**
(18.2% ↑ YoY)

> **Net Impairment: 1.18%**
(FY2022: 0.90%)

The Bank's property financing recorded robust growth and industry recognition amidst FY2023's recovering property market.

Malaysia's property sector recorded a 9.9% increase in transactions in 2023, amounting to over 399,000 transactions valued at RM196.83 billion. The positive trend stemmed from support provided by the national budget, which provided continuous injections and initiatives for the development of the sector. These efforts include a full stamp duty exemption on ownership transfer documents for first-home purchases up to RM500,000 effective until December 2025, as well as more flexibility given to application requirements for the Malaysia My Second Home programme. The market also continued to be supported by previous government policy measures, which included exemptions of real property gains tax and stamp duty, and initiatives comprising the Skim Rumah Pertamaku (SRP) and Skim Jaminan Kredit Perumahan (SJKP).

The engagement of "SMART Mortgage" as the flagship brand underscored the Bank's commitment to excellence and customer-centricity in mortgage products. In strategic alignment with market demands, the Bank provided a comprehensive package and one-stop mortgage packages such as SMART Mortgage SJKP and SMART Mortgage SJKP-Madani which provided financing accessibility for properties priced between RM100,000 and RM500,000. This segment accounted for 6,601 applications or 65% of the Bank's total number of approved property financing for the residential segment. Furthering its Value Based Initiative (VBI) commitment, RM5.01 million of financing was approved for residential properties developed on Waqf land, notably from Wakaf Seetee Aishah 2 project in Seberang Jaya, to uplift underserved communities and contribute sustainable societal value.

The Bank also introduced innovative mortgage packages such as the Step-up Package in collaboration with prominent developers, solicitors, and real estate agents. Together with more efficient and agile service delivery, these initiatives reflected timely responsiveness to evolving market dynamics and customer needs.

As a result, total outstanding property financing for FY2023 reached RM9.77 billion, indicating a commendable 98.5% growth over the past five years. A notable milestone was also achieved as property financing income of RM406.98 million surpassed the RM400 million benchmark.

Personal Financing



> **FY2023 Financing Assets:**

RM8.12
billion

(18.3% ↑ YoY)

> **Financing Income:**

RM489.67
million

(25.1% ↑ YoY)

> **Total Disbursements:**

RM3.23
billion

(18.9% ↑ YoY)

> **Net Impairment:**

0.85%

(FY2022: 0.93%)

There was a significant increase in the Bank's personal financing business, marked by a stream of innovative product launches and strategic initiatives to expand market share, while adhering to prudent credit assessment.

The salary deduction at source programme offers the Bank's signature Personal Financing-i to a stable base of employees from government agencies statutory bodies, government-linked companies, and selected private companies. The expansion of the Bank's Employer Empanelment Programme (EEP), which now has 234 organisation/companies with 423 subsidiary companies on board, largely contributed to market share expansion and personal financing growth. A significant highlight was the establishment of Angkasa/AG Salary Deduction in August 2023 for Angkatan Koperasi Kebangsaan Malaysia Berhad, which has led to 1,415 applications worth RM167.1 million and disbursement worth RM85.2 million for FY2023. As at the end of 2023, personal financing assets grew steadfastly from RM6.86 billion to RM8.12 billion.

While supporting financial inclusion and sustainability, the Bank is also seeking better credit quality by attracting the T20 & M40 segments, including professionals and young graduates, as well as non-Bumis. To heighten brand visibility and engagement, more education enhancement programmes and collaborations were executed across all regions through sales events, webinars, and CSR activities.

Additionally, the personal financing department closely engage with the organisations within its network to gain comprehensive insights into their unique financial needs. This helps the Bank create enhanced product features tailored to specific needs towards penetrating new market segments. Six customised products were launched throughout the year, to heighten the Bank's profile as a preferred choice in other targeted segments, including affluent and high-end customers.

Cash-i Muamalat First (M1) Programme, launched on 1 January

Caters to employees under the Al-Bukhary Group, including DRB-HICOM, Tradewinds, MMC, and subsidiaries, offering financing for personal use with the convenience of salary crediting into Bank Muamalat accounts, along with benefits from the Bank's other products and services.

Cash-i Muamalat Eco Green Financing, introduced on 9 March

Targeting individual residential owners of landed properties, this financing programme offers professional advice and services from Malakoff upon the purchase of a modular combination of solar photo-voltaic (PV) system, battery energy storage system, and EV charger.

Cash-i Muamalat for Kelas Al-Quran & Fardu Ain (KAFA) & Religious Educators, launched on 31 March

Meets the needs of teachers and administrators of KAFA under JAKIM, Majlis Agama Negeri, and private Islamic schools.

Cash-i Muamalat for Public Listed Companies (PLC), launched on 31 March

This provides financing for personal use by employees of PLCs listed on the Main Market of Bursa Malaysia.

Cash-i Muamalat for Education Programme, launched on 17 April

A plan to facilitate progressive funding for university fees and charges for Malaysian students of selected local universities, including parents.

Cash-i Muamalat MuSS Plus, launched on 5 December

A plan to facilitate progressive funding. This provides financing for personal use by employees of companies enrolled in the Muamalat Salary Scheme (MuSS), with the added convenience of salary crediting into Bank Muamalat accounts.

RETAIL BANKING

Auto Financing



> **Improved approval turnaround time through establishment of Muamalat Auto Centre (MAC) under Monoline Structure; and EON's Digital Sales Channel in collaboration with EON BHD**

> **FY2023 Financing Assets:**

**RM1.54
billion**

(69.8% ↑ YoY)

> **Financing Income:**

**RM65.02
million**

(81.1% ↑ YoY)

> **Total Disbursements:**

**RM832.98
million**

(95.5% ↑ YoY)

> **Net Impairment:**

0.13%

(FY2022: 0.17%)

The Bank's auto financing, which represents 7.6% of Retail Banking's total financing portfolio, delivered sterling growth of 69.8% or RM631.12 million as at the end of 2023, surpassing the year's target by 175%. Growth was buoyed by the automotive industry's all-time high Total Industry Volume (TIV) of 799,731 units in 2023 as compared to 720,658 units in 2022. This was driven by pent-up demand, enticing new launches including many new EVs with competitive prices, as well as buyers taking advantage of the Government's extension of the registration deadline for sales tax exemption for all new vehicles booked by 30 June 2022 and registered by 31 March 2023. The emergence of online used car platforms have also contributed to significant double-digit growth in used car sales during the year.

Harnessing strategic collaborations and improved dealer coverage, the Bank successfully expanded its presence within the top five brands in the new car segment. Vehicle financing successfully increased market share for Non-National segment from 38% in Dec 2022 to 47% in Dec 2023. By leveraging these partnerships and enhancing the dealer network, the Bank was able to effectively cater to the growing demand for auto financing and provide customers with competitive financing options. This was supported by stronger sales support with more manpower resources, digital channels and the establishment of MAC's monoline processing for improved processing turnaround. MAC centralises Auto Financing application processing, credit assessment, approval disbursement and documentation under one roof. The establishment of EON's Digital Sales Channel towards providing specialised automotive financing solutions to EON customers and auto financing application referrals to Bank Muamalat has also enhanced process efficiency with an approval turnaround time of just four hours.

These resulted in a substantial increase in application volume and approval volume compared to FY2022.

The growth was achieved without any compromise to asset quality as evidenced by the achievement of lower than industry average gross impaired financing ratio of 0.13% as at the end of 2023.

ASB Financing



<p>> FY2023 Financing Assets: RM381.34 million (62.7% ↓ YoY)</p>	<p>> Financing Income: RM16.15 million (55.2% ↓ YoY)</p>	<p>> Total Disbursements: RM20.83 million (-36.2% ↓ YoY)</p>	<p>> Net Impairment: 0.02% (FY2022: 0.01%)</p>
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The Bank's Amanah Saham Nasional Berhad (ASNB) business experienced negative growth in FY2023, primarily due to a significant settlement from ASBZ (Special ASB Financing for Armed Forces), which matured after five years starting in March 2023.

Despite these challenges, the ASB team actively marketed ASB Financing to the open market, particularly through the Bank's Employer Empanelment Programme (EEP). ASB briefings were conducted for all staff under EEP companies, as well as selected organisations, including PNB, PROTON, LHDN, MHE, Al Rajhi Bank, PERODUA, and MODENAS. Additionally, ASB Financing was cross sold to existing financing customers via the Bank's call centre and focused

on product bundling and cross-selling initiatives for new customers. To further support the programme, an ASB financing package was customised specifically for EEP clients and a promotional campaign rate for ASB financing was implemented for six months. Joint training sessions with ASNB were also provided for sales and support staff across all regions to promote over-the-counter (OTC) ASB financing.

Although the Bank's ASB financing faced hurdles such as competitive rates from other banks and reduced market sentiment due to lower ASB dividend rates, the ASB team remains optimistic and intends to address these challenges by continuing to focus on promoting a saving habits and emphasising that ASB returns exceed deposit rates.

Ar Rahnū Financing



<p>> FY2023 Financing Assets: RM366.92 million (21.1% ↑ YoY)</p>	<p>> Total Disbursements: RM556.06 million (38.6% ↑ YoY)</p>
<p>> Financing Income: RM36.46 million (22.9% ↑ YoY)</p>	<p>> Net Impairment: 2.37% (FY2022: 3.26%)</p>

An alternative to conventional pawn broking, Muamalat Pajak Gadai Islam (Islamic pawn broking or Ar-Rahnū) provides instant and easy cash of up to RM1,000,000.00 based on Shariah principles. Provided at 68 branches that operate from Monday to Friday, this has been one of the Bank's most successful products since its introduction in 2010. In 2023, it continues to record good growth as more Ar-Rahnū products continue to be introduced and services continue to improve.

During the year, more collaborations with gold business players have been made to improve the marketing and branding of the product. Dedicated Ar-Rahnū Specialists have been offered at nearly all branches as well as improved processes such as online revaluation and online tender system.

RETAIL BANKING

Credit Cards



FY2023 Financing Assets:
RM58.62 million
 (354.5% ↑ YoY)

Financing Income:
RM5.83 million
 (1,309.1% ↑ YoY)

Net Impairment:
3.43%
 (FY2022: 0%)



In 2023, Bank Muamalat’s credit card business demonstrated robust growth despite a fiercely competitive industry landscape. The Bank experienced a significant 55.7% increase in its credit card base and a substantial 354.5% rise in credit card receivables, driven by the country’s economic recovery, expanded marketing efforts, and a growing merchant network. This success was underpinned by effective customer acquisition strategies, including targeted cross-selling and retention initiatives.

Recognising the evolving landscape of e-commerce and emerging payment technologies, the Bank is committed to continuous evolution and introduced innovative products like Co-Brand Credit Cards, the Ultimate Card, and Corporate Credit Cards tailored for specific organisations and cooperatives, with a total of 18,820 cards approved for the year.

Strategic collaborations with POS outlets and e-voucher partnerships expanded market reach and enhanced customer engagement. The deployment of 2,520 terminals across POS Malaysia outlets facilitated cashless transactions, supporting the Bank’s commitment to digital innovation. Additionally, integrating credit card cross-selling with financing applications at branches via MAP and offering instant approvals streamlined service offerings throughout the year.

To address profitability challenges within this segment, the Bank is focusing on leveraging advanced analytics, investing in financing origination systems, and enhancing loyalty programmes to drive sustained profitability. Continuous improvement and innovation, including exploring digital/virtual credit card solutions, are strengthening the Bank’s market position and poised to deliver exceptional value to our customers and stakeholders.

RETAIL INVESTMENT

The Bank's Retail Investment Department (RID) brings a unique approach to wealth management, not only from the standpoint of Islamic, but also from the perspective of inclusivity and sustainability returns. RID aspires to be the *Premier Islamic Wealth Management Lifetime Solutions Provider*, providing customers with guidance throughout their life journey. Through its "one stop" solution advisory services, it offers a comprehensive suite of wealth management products and services encompassing both worldly and spiritual return.

RID demonstrated its ability to generate significant fee-based income for the Bank, realising RM43.8 million primarily through Credit Takaful and Investment domains. This achievement highlights RID's growing contribution to the Bank's overall financial performance.

Wealth Creation	Wealth Protection	Wealth Distribution	Wealth Accumulation	Wealth Purification
<p>Gold (*QM)</p> <ul style="list-style-type: none"> • MG-i Physical • MG-i Account • EZ Gold <p>UNIT TRUST (UT) (*iFAST/AmlInvest/PNB/ Phillip Capital)</p> <ul style="list-style-type: none"> • UT Cash • UT EPF • Private Retirement Scheme (PRS) • Muamalat Mutual-i Power Combo (MMI) • Private Managed Account iFAST ESG Focus Portfolio 	<p>Family Takaful (*STMB)</p> <ul style="list-style-type: none"> • M-Zahra IncomeTakaful • M-Zahra Income Plus Takaful • M-Zahra Flexi Takaful <ul style="list-style-type: none"> - Hibah - Income - Education - Medical - Retirement • M-Zahra Invest Prime Takaful <p>Digital Takaful Products</p> <ul style="list-style-type: none"> • Takaful MyClick Term • Takaful MyClick Medicarei <p>General Takaful (*STMB)</p> <ul style="list-style-type: none"> • M-Zahra Motor Takaful • M-Zahra PA Care Takaful • M-Zahra Home Content Takaful 	<p>Estate Planning (*AST)</p> <ul style="list-style-type: none"> • Wasiat • Harta Sepencarian • Tabung Amanah • Estate Administration • Wakaf <p>Estate Planning (*ARB)</p> <ul style="list-style-type: none"> • Wasiat • Estate Administration <p>Estate Planning (*MAAB)</p> <ul style="list-style-type: none"> • Wasiat • Estate Administration <p>Estate Planning (*Awaris)</p> <ul style="list-style-type: none"> • Wasiat • Estate Administration <p>Non Financial Product</p> <ul style="list-style-type: none"> • M-Jannah – Pengurusan Jenazah (*Bumijez) 	<p>Gold (*QM)</p> <ul style="list-style-type: none"> • MG-i Physical • MG-i Account • EZ Gold <p>UNIT TRUST (UT) (*iFAST/AmlInvest/PNB/ Phillip Capital)</p> <ul style="list-style-type: none"> • UT Cash • UT EPF • Private Retirement Scheme (PRS) • Muamalat Mutual-i Power Combo (MMI) • Private Managed Account iFAST ESG Focus Portfolio 	<ul style="list-style-type: none"> • EZ-Zakat Gold-i • Wakaf Tunai • Jariah Fund

RETAIL BANKING



Islamic Financial Planning Stage

Wealth Creation & Accumulation

Building, establishing and improving asset holdings



Islamic Wealth Management Products

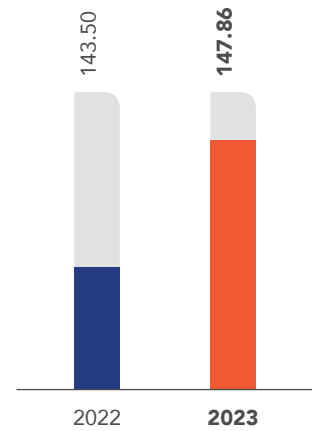
- ISLAMIC UNIT TRUST (159 funds from 30 Fund Houses)
- PRIVATE MANAGED ACCOUNT/ESG FOCUS PORTFOLIO
- MUAMALAT MUTUAL-i POWER COMBO
- MUAMALAT GOLD-i/ EASIGOLD
- M-KASIH AMAL

Muamalat Gold-i

Investment products represent a core feature in financial planning. As such, the Bank has pioneered the Shariah compliant Muamalat Gold-i Account (MG-i) which was launched in 2017. This has made gold investments accessible to the middle and lower income group from as low as RM10. MG-i has received wide acceptance since its inception and has quickly become the Bank's flagship investment product.

Total gold sales in FY2023 was registered at 482.2 kg with a corresponding sales value of RM147.9 million, representing a 3.1% increase over the previous year. Sales of MG-i Account contributed 444.6kg, while MG-i Physical sales amounted to 37.6kg. Since its inception in January 2016, the total gold sold currently stands at 3,375.92kg, with an equivalent sales value of RM830.1 million. The positive growth of gold sales is largely attributed to investors' preference towards gold as a safe haven commodity considering the ongoing geopolitical concerns in Europe and the Middle East.

Gold Sales (RM Million)

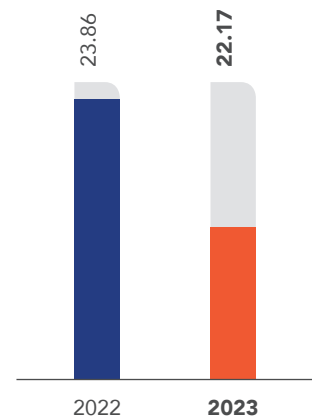


Unit Trust

Towards the end of last year, the Bank launched its Private Managed Account (PMA), thus augmenting its current offerings. PMA provides professional investment services with active monitoring of the portfolio by a dedicated investment team. As at December 2023, total Managed Account sales stood at RM19.7 million. This is a new area of growth with great potential as it is the first private managed facility offered by the Bank.

Nevertheless, overall Unit Trust in FY2023 witnessed a decline of nearly 7.1% compared to the previous year amidst a subdued local equity market. This decline was mainly attributed to lingering uncertainty in local market conditions which created an unfavourable environment for unit trust investments, and investors adopting a more cautious approach, distancing themselves from unit trusts due to past negative experiences.

Unit Trust Sales (RM Million)





Islamic Financial Planning Stage

Wealth Protection

Protecting your assets and loved ones from unexpected crisis

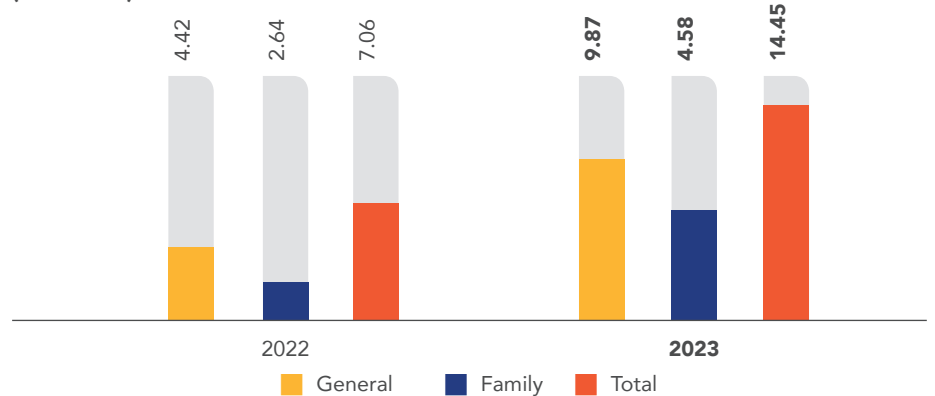


Islamic Wealth Management Products

- FAMILY TAKAFUL: M-Zahra Income/M-Zahra Income Plus/M-Zahra Flexi/M-Zahra Invest Prime
- GENERAL TAKAFUL: M-Zahra Motor/M-Zahra Home Protect/M-Zahra PA Care

In April 2023, the Bank formed a strategic business relationship with Syarikat Takaful Malaysia Berhad to provide Family and General Takaful. Notwithstanding the new partnership and competitive market scenario, overall performance for FY2023 showed a marked improvement with Family Takaful recording sales of RM4.5 million representing a growth of 73% over the previous year while General Takaful registered exceptional growth in sales to RM9.8 million, representing a 123% increase over the past year.

Family & General Total Assets (RM Million)



Islamic Financial Planning Stage

Wealth Distribution

Distribute assets to heirs, beneficiaries and/or waqaf for your peace of mind



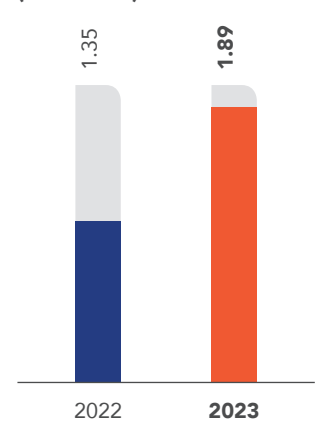
Islamic Wealth Management Products

- ISLAMIC ESTATE PLANNING: Trust Deed, Islamic Estate Administration Planning, Wasiat, Hibah, Hibah Amanah, Declaration of Jointly Acquired Assets
- WASIAT: Basic and Comprehensive

Daily Banking Products

Islamic Estate Planning, a key product solution within the Daily Banking domain, had been a key focus FY2023 and registered admirable growth as a result of strategic promotions and execution. Monthly sales recorded substantial increase, averaging 221 cases which represent a 195% increase over the previous year's average figure of 75 cases per month. This success stemmed from effective cross-selling of estate planning products by branch personnel and translated to a commendable 40% increase in sales from the previous year, rising from RM1.3 million in FY2022 to RM1.8 million in FY2023.

Daily Banking Sales (RM Million)



RETAIL BANKING



OUTLOOK & STRATEGY

In 2024, Bank Muamalat's Retail Banking department is poised to drive growth and innovation across multiple fronts, aligning with strategic priorities aimed at enhancing customer-centric solutions and market penetration.

The focus for property financing is on strengthening the SMART Mortgage brand and expanding residential property financing by offering enhanced, one-stop mortgage solutions tailored to diverse customer segments. The strategy emphasises a targeted approach to property segmentation based on state demographics and property types, ensuring customised offerings that resonate with specific customer needs.

To augment market reach and credibility, the Bank will forge strong partnerships with reputable developers and business collaborators, accelerating tie-up programmes to bolster sales and market presence. Additionally, a digitalised platform will be established through an affiliate programme with real estate agents and developers' sales personnel, aiming to streamline financing applications and enhance customer experience. Exploring synergies with Google further underscores the commitment to advancing digital capabilities and operational efficiency.

In personal financing, the Bank aims to expand market reach and refine pricing strategies to maximise growth and profitability. Targeting affluent professionals and secured market segments such as government employees and cooperative members, tailored financing solutions will be developed to meet specific customer needs. The Bank's aspiration to become a preferred financing partner for education and healthcare underscores its commitment to addressing evolving customer demands and providing comprehensive financial solutions.

Meanwhile, the auto financing strategy will navigate industry challenges by expanding into the pre-owned, reconditioned, and used car market. Service delivery will be streamlined through engagement with reputable dealers, branch roadshows, joint sales events, and the establishment of the EON Digital Sales Channel. Thematic sales campaigns will further drive customer engagement and growth in this sector.

Ar-Rahnu initiatives in 2024 will introduce innovative solutions, including a new product offering for Silver Bars and the launch of Ar-Rahnu Panel Gold Shop collaborations. The establishment of Ar-Rahnu Service Centers will enhance accessibility and convenience for customers, supported by digitalisation efforts like the Online Ar-Rahnu Application (MG-i) for revaluation services.

Additionally, new credit card products aligned with the Group's network needs, a focus on balance transfer programmes, and strategic tie-ups with key industry players will strengthen the Bank's credit card business. Expansion of the merchant network and targeted marketing in lifestyle segments underscore the commitment to delivering value-added services and enhancing customer engagement.

By consolidating efforts across these strategic fronts, Bank Muamalat's Retail Banking department aims to fortify its market position, drive sustained growth, and deliver exceptional value to customers and stakeholders in 2024.

COMMERCIAL BANKING

Revenue
RM103.4 million
 (48.8% ↑ YoY)

The Commercial Banking Division (CMBD) holds principal responsibility for managing the financing needs of a diverse clientele, encompassing state-owned agencies, commercial enterprises, and small and medium-sized enterprises (SMEs). CMBD provides a comprehensive suite of financial products and services, spanning both short- and long-term financing solutions such as working capital, project funding, and trade finance. As of 31 December 2023, CMBD oversaw a total asset portfolio valued at RM1,927 million, with 77% allocated to commercial financing clients and 23% to Retail SME financing clients.

PERFORMANCE REVIEW

In FY2023, the Bank’s CMBD targeted to expand its assets and market share within a competitive banking landscape dominated by larger banks. The challenging market condition was marked by an increase in the Overnight Policy Rate (OPR) from 2.75% to 3% in May 2023. Within this environment, CMBD remained vigilant through proactive monitoring of its asset quality, prudently managing its credit risks in its financing portfolios and maintaining asset quality proactively, with a focus on selectively acquiring creditworthy customers. Through strategic initiatives, including personalised approaches to attract and retain high-quality clients, CMBD successfully broadened its customer base and met its growth targets.

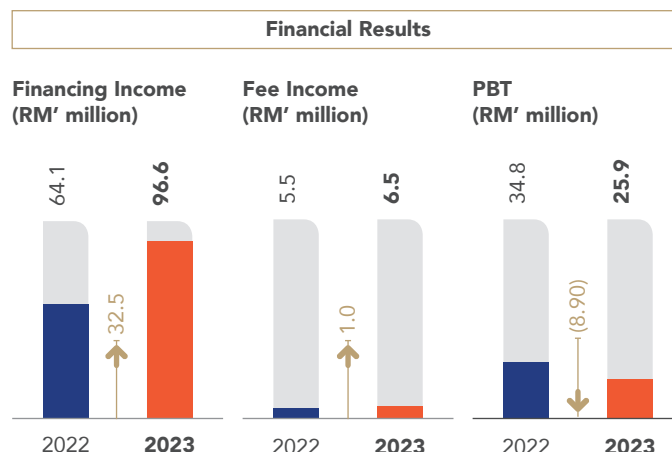
Financially, CMBD experienced significant revenue growth in FY2023, attributed to a RM369 million increase in assets and a RM312 million rise in total deposits. Notably, there was a 135% surge in the Managed Retail Funds (MRF) segment during the year. Deposit expansion was primarily driven by current accounts (CA) which brought in RM170 million. Profit Before Tax (PBT) for FY2023 stood at RM25.9 million. PBT was hampered by the increase in provision for credit loss and lower profit spread due to competition.

CMBD’s commitment to sustainable impacts continued to be demonstrated by its increasing exposure to Triple Bottom Line (TBL) activities. Notably, outstanding exposure to TBL activities rose by 17%, reaching RM1,567.9 million in FY2023. Of this, 47.3% was allocated to SME financing as SMEs play a significant role in driving economic growth and development in Malaysia. They contribute to job creation, innovation, and productivity improvements, which are

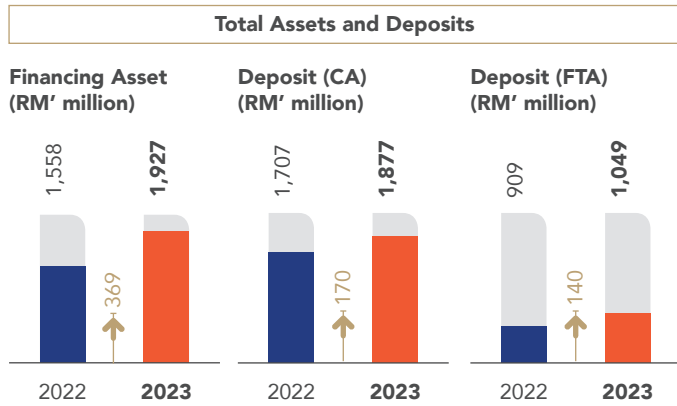
essential for a thriving economy. Financing for initiatives aimed at raising community standards of living witnessed a 28% increase, showcasing CMBD’s commitment to societal impact.

CMBD’s ongoing collaboration with the Pahang State Government on Phase 2 of the Skim Pembiayaan Mikro Negeri Pahang (i-PUSH), continued to be popular, with 1,521 customers onboarded during the fiscal year. This micro-financing scheme is aimed at providing financial support to underserved communities by empowering underserved individuals and businesses nationwide. This commitment to financial inclusion is driving the Bank’s pursuit of similar collaborations with other state governments.

As CMBD looks ahead, its commitment to sustainability and long-term growth remains unwavering. The division will continue to monitor economic trends closely and adapt its strategies accordingly to navigate evolving market conditions successfully.



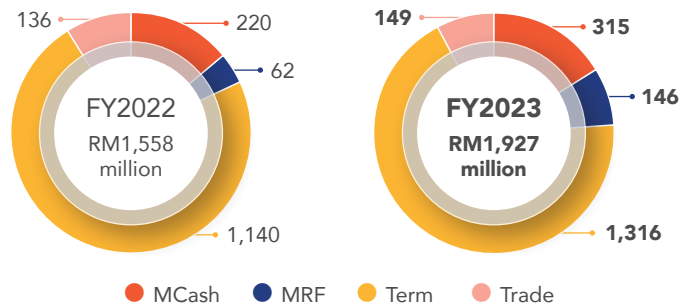
COMMERCIAL BANKING



Assets by Product

Total Assets

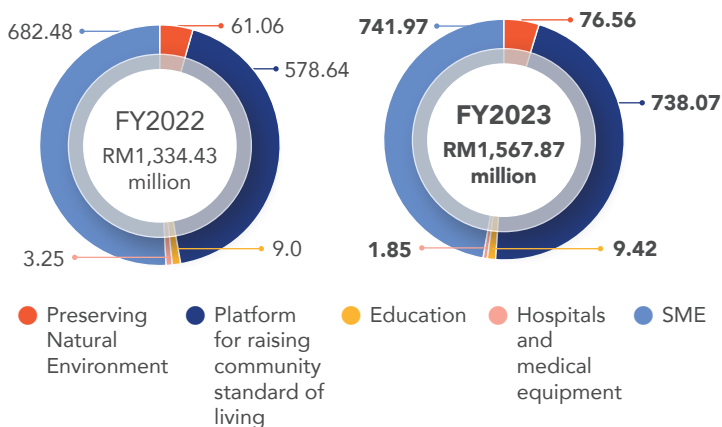
RM1,927 million (24% ↑ YoY)



Outstanding Exposure to the Triple Bottom Line Sector

Total Outstanding Exposure to the Triple Bottom Line Sector

RM1,567.87 million (17% ↑ YoY)



OUTLOOK & STRATEGY

In the upcoming year, CMBD remains resolute in its pursuit of asset expansion. The division's primary focus will be on fostering strong relationships with existing clientele while actively engaging in lead generation endeavours aimed at attracting potential customers with favourable credit ratings across Commercial and SME sectors. Leveraging Government-backed schemes and forging alliances with governmental bodies, business associations, and corporations will be instrumental in facilitating asset growth and meeting the financing needs of SMEs.

Furthermore, targeted marketing initiatives will be deployed, with emphasis on pivotal sectors including manufacturing, pharmaceuticals, healthcare, and specific green sectors such as solar, wind, biomass, hydro, and geothermal energy. CMBD will also extend its services to customers holding government contracts within preferred sectors.

To ensure robust asset quality while pursuing expansion, CMBD will implement stringent screening and appraisal procedures to acquire customers in high-potential segments while effectively managing the risk of bad debts and maintaining overall asset quality.

Recognising the imperative of maintaining and enhancing asset quality, prevention measures will be emphasised to prevent asset slippage, with close collaboration between CMBD and its customers to ensure timely payments and prevent overdue payments. Through active support and guidance, CMBD endeavours to uphold a healthy financing portfolio and minimise the risk of asset quality erosion.

As part of its growth strategy, additional resources will be deployed nationwide to manage the burgeoning asset portfolio, ensuring compliance with governance standards and the implementation of effective risk management practices. Recruitment efforts will continue to focus on acquiring professionals with the requisite expertise and experience to support CMBD's organic expansion effectively.

TRANSACTION BANKING

Total Deposits
RM17.27 billion
 (18% ↑ YoY)

In FY2023 a significant transformation occurred within the Transaction Banking Division (TBD), shifting its focus from the traditional model of Non-Retail deposit and Trade Finance pillars to strategically prioritising Retail deposit and Non-Retail deposits business under one roof.

Trade business responsibilities were delegated to Commercial Banking, allowing TBD to concentrate more on deposit endeavours to bolster liquidity, fortify customer relationships, and foster sustainable long-term growth. This new strategic focus has resulted in a significant deposit growth of 18%, equivalent to RM2.65 billion, which led to total deposits of RM17.27 billion.

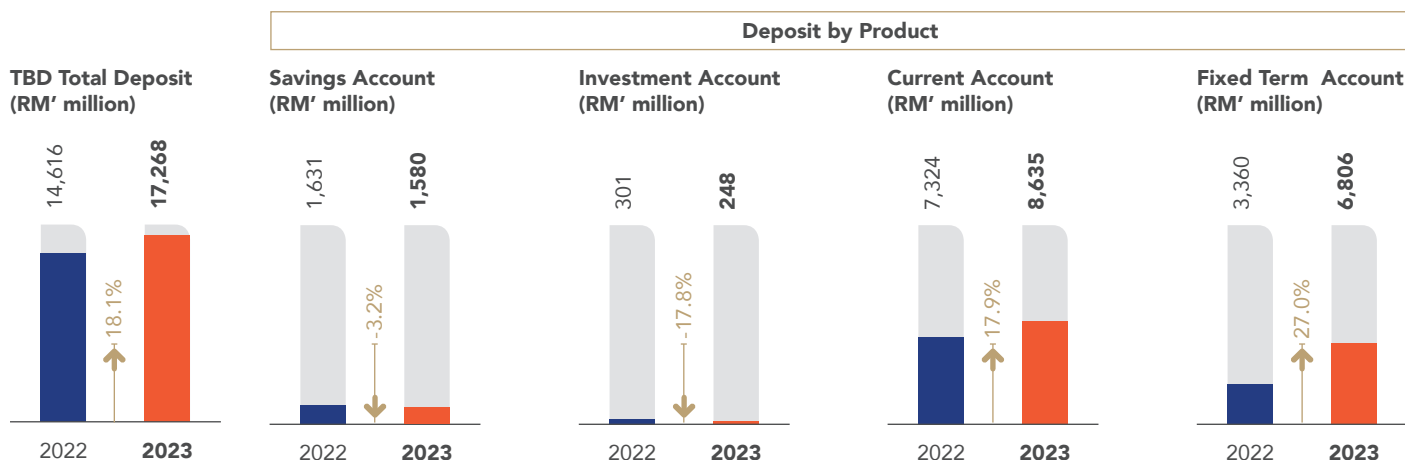
PERFORMANCE REVIEW

In 2023, TBD embraced digital transformation and implemented innovative digital solutions for cash management, and payments while improving customer experience and loyalty. Aligned with the Bank’s digitalisation journey, TBD launched VISA Business to Business Connect (VISA B2BC), highlighting its standout feature of near real time value whereby Foreign Telegraphic Transfer (FTT) transactions processed through Visa B2B Connect is delivered to recipients within an hour. A milestone was reached as the Bank became the first Bank in Malaysia to utilise Visa’s payment networks.

TBD continued to implement various proactive key strategies aimed at driving growth which has effectively spurred growth within the division. One of these involved boosting Retail Deposit growth through the introduction of a new flagship product called Sijil Simpanan Islamik (SSi). The campaign

for SSi was launched on 8 August 2023, and ran until 29 February 2024. Despite the relatively short duration of the campaign, TBD successfully closed RM98 million in deposits by 31 December 2023. Additionally, TBD pursued other strategic initiatives, such as enhancing the Muamalat Salary Scheme, implementing the Pensioner Account Programme, and introducing the Fantastic Pocket as a short-term strategy to elevate performance by the year’s end.

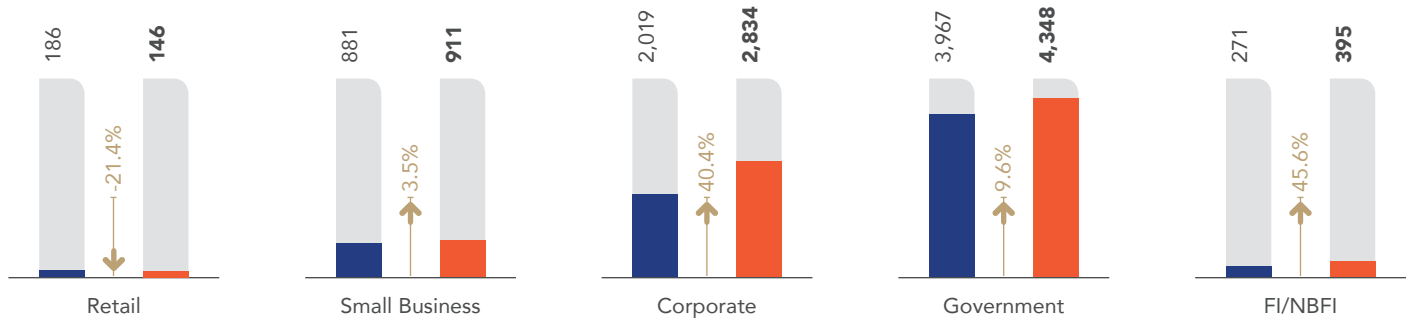
As a result, robust growth was recorded for Fixed-Term and Current Accounts. Specifically, Fixed-Term Accounts saw significant growth of 27% or RM1.45 billion, followed by Current Accounts which had a notable increase of 17.9% or RM1.31 billion. However, due to market challenges and increased competition, Savings Accounts witnessed a slight decrease of RM52 million, while Investment Accounts declined by RM53 million due to impacts on the retail segment.



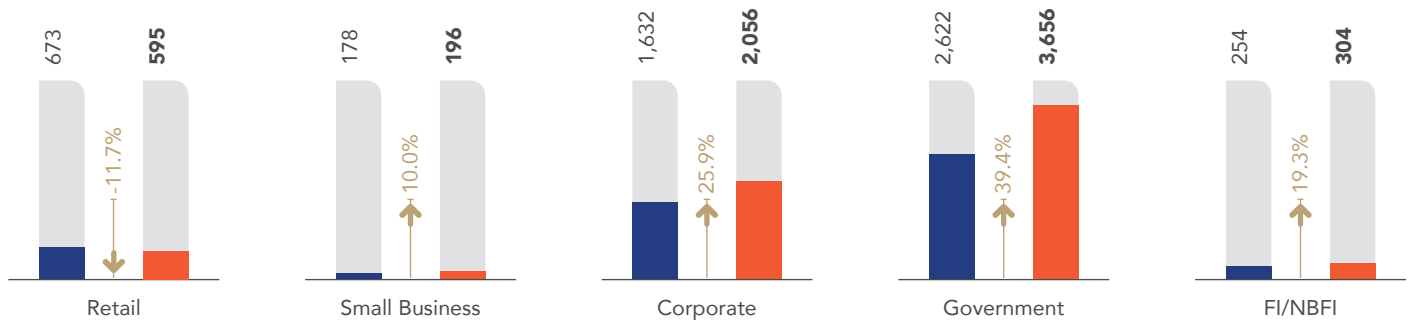
TRANSACTION BANKING

Deposit by Sector

Current Account (RM' million)



Fixed Term Account (RM' million)



OUTLOOK & STRATEGY

In addition to the current existing strategic initiatives, the primary focus for FY2024 revolves around expanding and prioritising Green Deposits within Individual and Small Business segments. This aims to not only manage the Bank's liquidity position more effectively but also involves the development of a holistic ecosystem through fostering collaborations and partnerships with other Financial Institutions (FIs) and Non-Bank Financial Institutions (NBFIs).

Driving sustainable growth further, Bank Muamalat is embarking on a Muamalat First (M1) initiative which harnesses strategic synergies at driving business growth through collaboration within Tan Sri Syed Mokhtar Al-Bukhary's group of companies (the Group). This collaborative effort extends across various entities within the Group, including DRB-HICOM, MMC, Tradewinds, and Al-Bukhary. By leveraging on this synergy, business opportunities can be unlocked in order to boost the entire Group's business forward.

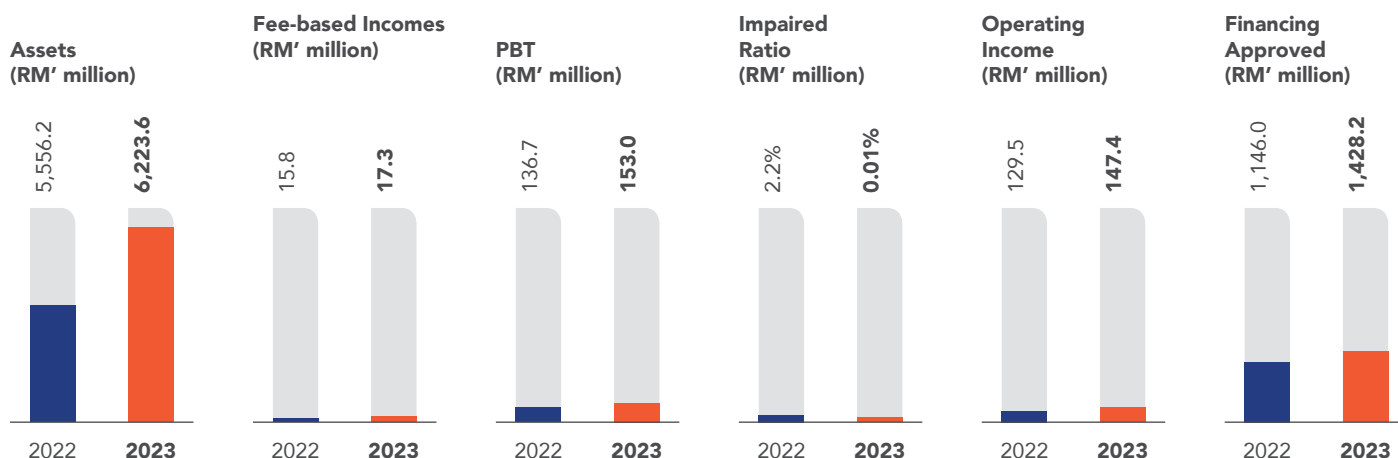
CORPORATE BANKING



Revenue
RM286.5 million
 (26.60% ↑ YoY)

The Corporate Banking Division (CBD) manages the Bank’s corporate customers, forging strong client relationships while maximising good-quality assets and minimising non-performing assets. CBD responsibilities include providing a full suite of banking requirements; performing credit evaluation for new financing applications; and financing renewal requests.

As at 31 December 2023, CBD successfully managed RM6 billion worth of financing assets, with 35.5% of the financing assets being granted to financial and insurance/takaful sectors, 18.2% to the real estate sector, 14.1% to the manufacturing sector and 12.2% to the wholesale and retail trade sectors.



CORPORATE BANKING

PERFORMANCE REVIEW

Among the challenges faced by CBD for the year were sizeable scheduled financing payment of RM494.4 million, slow market recovery post-pandemic, the after-effects of the 2022 general election, stiff pricing competition within the banking industry to secure working capital facilities' utilisation, and retaining human resources. Nevertheless, CBD managed to achieve a commendable growth for FY2023, continuing the strong financial performance over the past three years.

With the enhanced client relationship model and proactive business strategies, CBD's asset base had increased by RM667.4 million while credit risk had been maintained low as a result of extending financing to selected medium-risk customers. CBD had also explored the capital expenditure requirements of customers' supply chain ecosystem to identify new growth opportunities. At the same time, timely recruitment for talent sourcing and improvements to remuneration packages were conducted to retain skilled employees who were able to maintain and grow relationships within this segment.

As a result, a total of RM1.4 billion million in financing was approved and RM1.2 billion were disbursed by the end of FY2023. As a further reflection of the Bank's VBI commitment, the outstanding exposure on value-based initiatives increased to RM3.8 billion in FY2023 from RM3.0 billion in FY2022 whereby financing released under the "platform for raising community standard of living" accounted for the biggest exposure.



OUTLOOK & STRATEGY

CBD is positioned to sustainably grow in line with the industry average, with the focus on further increasing term financing portfolio while maintaining the momentum in working capital financing portfolio. In alignment with government objectives, CBD aims to further penetrate the impactful sectors including halal food-based industries, public safety and health, infrastructure and transportation, and renewable energy in 2024.

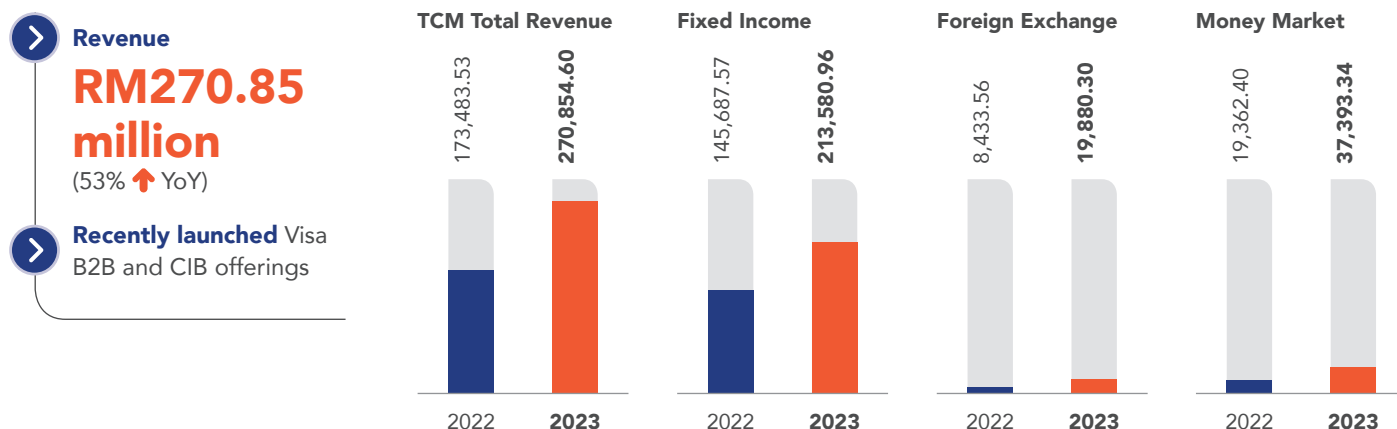
To achieve these goals, CBD has articulated several strategies. Firstly, the Bank will prioritise offering secured term financing to meet clients' existing and future capital expenditures and projects. Additionally, CBD will target new clients, particularly government-linked entities and public listed companies within the identified sectors.

The second strategy is to drive efficiency by refining client coverage models to maximise business relationships and improving onboarding processes for new targeted clients.

Lastly, CBD is committed to cultivate leadership and human capital within the division to sustain ongoing business growth momentum through building a skilled and capable internal team.

TREASURY AND CAPITAL MARKETS

The Treasury and Capital Markets division (TCM) operates through three core components: Money Market, Fixed Income, and Foreign Exchange. These segments facilitate short-term fund placing and taking, manage long-term debt instruments, and handle foreign currency transactions, respectively. Together, these segments ensure effective risk management and capitalise on market opportunities to achieve the Bank’s objectives.



PERFORMANCE REVIEW

In the face of an exceptionally challenging market landscape marked by unprecedented levels of volatility, economic deceleration, and sign of recessionary forecasts throughout 2023, the TCM division displayed resilience and strategic acumen in achieving a commendable total revenue of RM271.20 million for the fiscal year. This represented a significant 53% increase compared to the preceding year's revenue of RM177.30 million.

Revenue growth for the year was led by the fixed income sector, which has seen a notable increase of 47%, or RM49.60 million, fuelled by a 35% rise in coupon income. This resulted in an impressive nine-fold increase in capital gains, totalling RM20.30 million. Additionally, foreign exchange (FX) fee-based income had also played a part in this growth, contributing to a three-fold increase of RM12.60 million in FX revenue.

Influenced by a proactive and forward-looking philosophy, TCM implemented a versatile strategy to manoeuvre through the intricacies of the market. This strategy was defined by an unwavering dedication to recognising and capitalising on emerging business prospects while strictly adhering to regulatory mandates. These proactive steps not only facilitated TCM's pursuit of new opportunities but also served as a protective measure against potential risks, establishing the division as a stronghold of stability and innovation amidst turbulent conditions.

Among the notable additions to TCM's product line-up are the recently launched Visa B2B and CIB offerings. These innovative products have broadened our range of financial solutions, catering to the evolving needs of our clientele. The Visa B2B product facilitates seamless business-to-business transactions, streamlining payment processes and enhancing efficiency for corporate clients. Similarly, the CIB product provides comprehensive banking services tailored to the unique requirements of commercial and institutional customers. These introductions underscore our commitment to innovation and customer-centricity, positioning TCM as a leading provider of cutting-edge financial products in the market.

OUTLOOK & STRATEGY

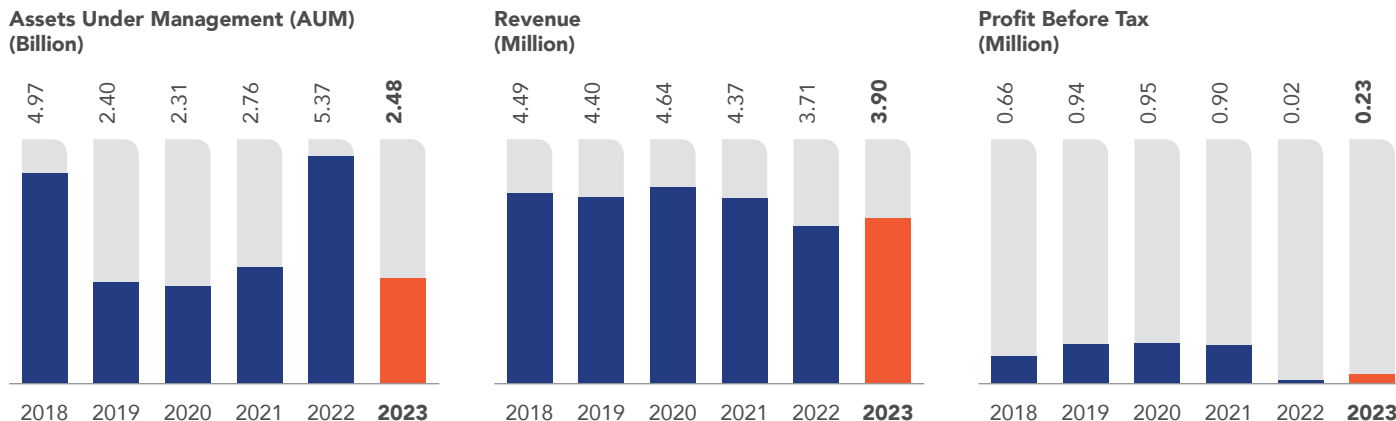
By integrating innovative strategies, careful risk management, and insightful market foresight, TCM not only endured the challenges of market volatility but also emerged stronger, more resilient, and adaptable. Cultivating a culture of ongoing enhancement and embracing strategic flexibility, TCM is poised to seize forthcoming opportunities and effectively address any obstacles that may arise. This commitment ensures continuous growth and the creation of value for all stakeholders.

SUBSIDIARY: MUAMALAT INVEST SDN BHD

Revenue
RM3.90 million
(5.12% ↑ YoY)

Muamalat Invest Sdn. Bhd. (MISB), an Islamic fund management subsidiary of Bank Muamalat, was established in 2006 and licensed in 2010. MISB’s primary role is to serve institutional and high-net-worth investors by offering a comprehensive range of Shariah-compliant investment management services. These services span a wide array of capital market products, including discretionary and non-discretionary mandates, as well as wholesale and retail investment solutions. The managed portfolios of investments are diversified across various asset classes such as Islamic money market instruments, equities, and Sukuk. In 2023, the substantial decline in Assets Under Management (AUM) was influenced by the removal of tax benefit from money market funds, which have no material impact to the revenue of MISB. On the back of underwhelming domestic market during the period under review, MISB emerged as one of the top performers in the domestic equity Shariah strategy in Malaysia, and showed positive performance overall in its sukuk funds.

PERFORMANCE REVIEW



The operating environment for MISB proved to be challenging in 2023. Despite a strong rally in the global market, global trade experienced a downturn, and the Malaysian stock market declined. The FTSE Bursa Malaysia KLCI Index fell by 2.73% over the year, while the broader FTSE Bursa Malaysia saw a slight increase of 0.46%. Despite the underwhelming performance of Bursa Malaysia, MISB’s sole retail unit trust fund, Muamalat Invest Islamic Equity Fund (MUIIEF), performed exceptionally well, registering a return of 10.59%.

The tightening of monetary policy in the US continued to be a significant factor affecting financial performance. Throughout the year, the US Federal Reserve raised the interest rate four times, increasing it to 5.50% from 4.50% at the start of the year. In contrast, Malaysia raised its interest rate only once, and as a result, the Malaysia’s 10-year bond yield stood at 3.736%, compared to 4.067% a year earlier. This drop in bond yield contributed to the positive performance of MISB’s sukuk funds.

As a whole, MISB recorded RM2.48 billion in AUM, down 53.8% from FY2022. Though AUM decreased significantly following the cessation of income tax exemption incentive for the retail money market fund from year 2022, MISB recorded profit before tax of RM0.23 million principally due to increase in profit sharing income from private mandates and distribution income. This led to a 1.1% increase in shareholders' funds.



OUTLOOK & STRATEGY

The year 2024 is seen as a year of opportunity for long-term positioning despite the short-term uncertainty in the equity market due to rapidly changing economic conditions. Taking into account that the equity market has been in a downtrend since 2021, and some negatives have already been factored into the market, MISB aims to leverage on improving macroeconomic environment to optimise returns across various asset classes. A key initiative will be to diversify its asset classes to meet the evolving needs of its investors. Towards this end, MISB is committed to collaborating with reputable partners to expand its product offerings and distribution networks as well as increase its customer outreach.

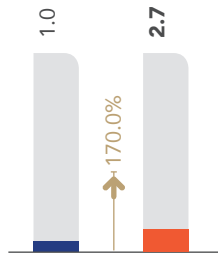
As a responsible institution, MISB also prioritises its stakeholders' welfare and is committed to contributing positively to the communities it serves. Upholding the importance of Environmental, Social, and Governance (ESG) considerations in investment decisions, MISB plans to launch unit trust funds that embed the principles of Value-Based Intermediation (VBI) into its investment strategies. VBI aims to re-orient Islamic finance business models towards realising the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment through practices, processes, offerings and conduct. This is also part of MISB's strategy of venturing into the retail market.

As part of its commitment to digitalisation, MISB plans to launch an AI-powered online investment platform, allowing customers to invest conveniently and securely from anywhere. These initiatives are part of MISB's strategic plans to continue its growth and success in the years ahead and further enhance its position as an innovator within the fund management industry.



INVESTMENT BANKING

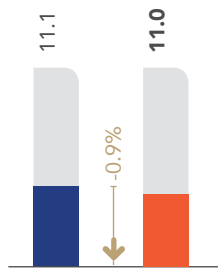
Fee Income (RM Million)



Investment Banking (IB) focuses on Islamic Capital Markets deals as well as manages the Bank’s private equity investments via its private equity arm, Muamalat Venture Sdn Bhd (MVSB). In FY2023, IB’s investment income from MVSB was at RM11 million, while, through arranger fees, agency fees and management fees stemming from managing the investments under MVSB, IB received fee income of RM2.7 million.

PERFORMANCE REVIEW

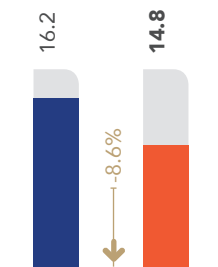
Investment Income (RM Million)



Investment income from MVSB continued to contribute significantly to IB despite a slight decrease of 0.9% due to the Bank’s joint venture partner’s annual capital buyback from a Musharakah Mutanaqisah investment undertaken jointly with MVSB in an Ar-Rahnu business. As a result, MVSB registered a lower ROI of 14.8% as compared to 16.2% in FY2022. IB also benefitted from a 170% growth in fee income.

Throughout the financial year 2023, IB also successfully arranged and managed the inaugural issue of the Bank’s RM350.0 million Additional Tier-1 Capital Sukuk Wakalah (AT-1 Sukuk) under the new RM5.0 billion Sukuk Wakalah Programme established by the Bank on 29 September 2023. The AT-1 Sukuk was recognised by the industry journal Islamic Finance News (IFN) as the Regulatory Best Deal of the Year 2023. IB acted as the Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager for the Sukuk Wakalah Programme.

MVSB’s Return on Investment (%) (RM Million)



In addition, IB had also successfully managed other Sukuk issuances in the market which includes the largest local development financial institution subsequent Sukuk issuance in October 2023 as well as the sukuk issuances for national mortgage corporation in June 2023 and September 2023.



OUTLOOK & STRATEGY

Malaysian capital markets remain resilient in line with the domestic economy. However, the domestic economy will continue to be influenced by key global developments driven by global monetary policy tightening and geopolitical developments. Notwithstanding the challenges, IB will continue to focus on its key corporate relationships with potential Sukuk issuers and other financial institutions or investment advisory firms for deal flows in debt or capital markets as well as seek opportunities in growing the Bank’s private equity investments portfolio. As part of its business strategy for 2024, IB has also embarked into advisory services for its existing and new customers via cross selling and service bundling.



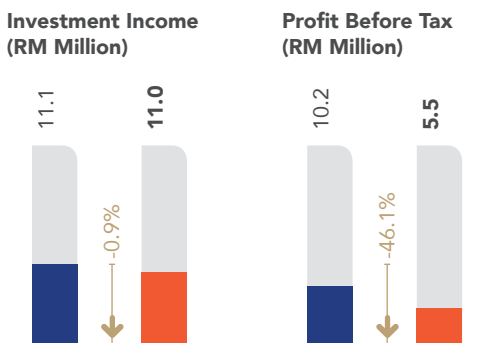
MUAMALAT VENTURE SDN BHD (MVSB) FYE 2023

Company Focus:

MVSB is an Islamic venture capital management company which invests in high-growth companies, mezzanine and pre-IPO companies.

Financial commentary and performance analysis:

MVSB mainly focused on a Musharakah venture with a state government linked company, which accounts for more than 90% of its Assets Under Management (AUM) of RM50.1 million as at 31 December 2023.



During the fiscal year under review, MVSB had registered a lower profit before tax of RM5.5 million from RM10.2 million mainly due to increase in the management fee expenses.

Anticipated Risks and Prospects

The dynamic nature of both domestic and global economies, coupled with factors such as global monetary policy tightening and geopolitical developments, will persistently influence the performance of companies across diverse sectors. This in turn will affect investors' return on investment which will add to the volatility of investment performance. To address these risks, we will focus on constant engagement with our investee companies and manages the negative impacts of an economic volatility. Despite the challenging economic environment, we see opportunities in our investment which can generate stable recurring income while mitigating the inherent risk.



OUTLOOK & STRATEGY

We expect business and economic activities to remain soft given continuing external headwinds. We will exercise greater prudence and remain vigilant in the face of uncertainties and downside risks. We will continue to focus on our existing portfolio, while keeping an eye out for viable, potential investments and opportunities to build our Islamic private equity portfolio including via potential partnership or collaboration with other private equity firms.



52.2%

of total financing is categorised under VBI, or towards economic, environment and social impacts



Developed Climate Risk Management Framework, guided by BNM's Climate Change and Principle-Based Taxonomy Guidance document

SUSTAINABILITY STATEMENT

Drive Sustainability

- Partnership with Malakoff to support growth and development of sustainable energy solutions in Malaysia through sustainable financing programmes
- Introduced the Electric Vehicle financing
- Integrated value-based intermediation and sustainability elements in our credit scorecard and business strategy
- Serving BNM's JC3 as a member of the SME Sub Group, focusing on supporting the SME clients in transitioning to a low carbon economy

“

We are the first bank to start offering “eco-green” financing via different innovative products such as personal financing, mortgages, credit cards and car financing that fitted the requirements of customers. Our aim is to provide our customers with the best possible financial services.

”

Hamidi A. Razak
Chief Risk Officer



For more information,
please refer to page 79

ABOUT OUR SUSTAINABILITY STATEMENT



This sustainability statement comprehensively outlines Bank Muamalat's sustainability strategy, principles, initiatives, and performance for the financial year 2023. It serves to provide updates on our sustainability initiatives across all key business units and operations.

SCOPE AND BOUNDARIES

The content of this Report highlights the Bank's sustainability progress and performance across our operations in Malaysia.

FRAMEWORK AND GUIDELINES

This report disclosure aligns with both local and international standards and guidelines:

- Bursa Malaysia Securities Berhad's (Bursa Malaysia) Main Market Listing Requirements (MMLR)
- Bursa Malaysia's Sustainability Reporting Guide 3rd Edition (Guide)
- Global Reporting Initiative (GRI) 3rd edition
- Malaysian Code on Corporate Governance 2021 (MCCG 2021).

SUSTAINABILITY @ BANK MUAMALAT

OUR APPROACH TO SUSTAINABILITY

The Bank's vision places sustainable development at the heart of what we do.

Sustainability has gained significant momentum throughout Bank Muamalat, shaping our policies and integrating sustainability into our core business decision-making processes. There is a growing awareness of the environmental, social, and governance (ESG) agenda across all departments, recognising that every individual at Bank Muamalat plays a crucial role in advancing sustainability.

The progress we have made is reflected in the improvements across the various indices we are benchmarked against. We are very encouraged by the increasing level of interest and engagement among our key stakeholders, and we will continue to be transparent in communicating our ESG risks, commitments and progress.

At Bank Muamalat, we view sustainability as a powerful tool to build a better future for our organisation, community and country. Our commitment to sustainability is rooted in our belief that as a responsible and ethical institution, we have a duty to meet society's financial needs in a way that supports the social and economic well-being of all stakeholders.

Rooted in our Islamic values, we strive to make a positive and lasting impact. We are more than just a financial institution; we see ourselves as catalysts for change, dedicated to fostering inclusive growth and sustainable development. Through our purpose-driven approach, guided by our Islamic principles, we aim to create economic opportunities for all, support the development of the real economy, enhance community welfare, and contribute to environmental conservation.

The Bank has long been dedicated to sustainable finance, providing Shariah-compliant banking products and services for businesses and consumers. We follow the Value-based Intermediation (VBI) strategy proposed by Bank Negara Malaysia (BNM), which aims to achieve the *maqasid al-shariah* (intended outcomes of Shariah) through our practices and product offerings. Using the Value-based Intermediation Assessment Framework (VBIAF) as our guide, we develop our products to ensure sustainable banking for all our customers.

As members of the CoP for VBI by BNM and participants in the GABV, we remain steadfast in our commitment to sustainability. Alongside integrating ESG considerations into our operations and business decisions, we actively promote sustainability and mainstream VBI.

In 2023, Bank Muamalat committed to strengthening its sustainable finance initiatives by developing a Climate Risk Framework to meet the climate risk requirements set by BNM. The primary goal of this Framework is to integrate climate-related risks and impacts into the Bank's overall Risk Management Framework. As part of this effort, we conducted an ESG assessment and gap analysis of our existing ESG risk management framework. Looking ahead, we aim to establish a comprehensive framework that deeply embeds climate risk management into all aspects of our banking operations, including financing and promoting sustainable banking opportunities across all customer segments.

As members of the Committee of Practitioners (CoP) for VBI by BNM and participants in the Global Alliance for Banking on Values (GABV), we remain steadfast in our commitment to sustainability. Alongside integrating ESG considerations into our operations and business decisions, we actively promote sustainability and mainstream VBI. We emphasise the transformative potential of Social Finance, leveraging investment and profit-sharing offerings to empower underserved segments. Additionally, we are deeply involved in climate risk management, aligning with BNM's Climate Change and Principle-based Taxonomy (CCPT) guidance. This framework underscores the central bank's dedication to enhancing financial sector resilience and facilitating a smooth transition to a greener economy. Furthermore, our adoption of the Climate Risk Management and Scenario Analysis policy, which is set to be finalised in 2024, establishes principles and requirements for managing climate-related risks within financial institutions.

SUSTAINABILITY @ BANK MUAMALAT

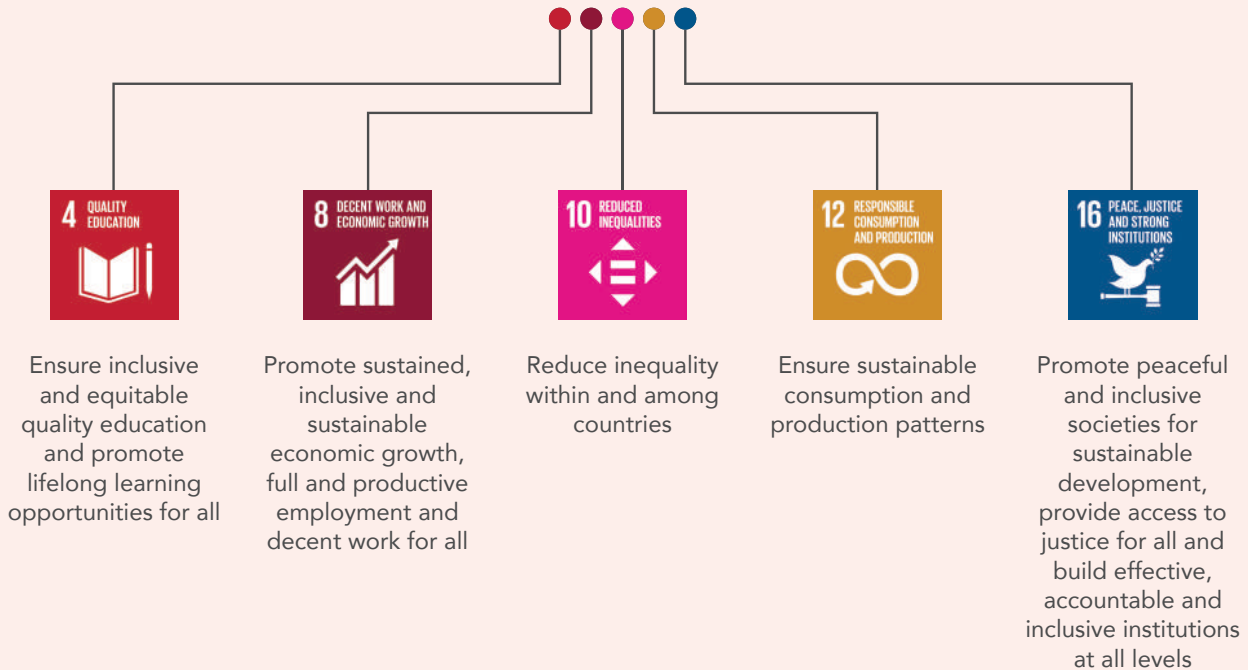


SUSTAINABILITY OBJECTIVES

We continue to accomplish the United Nation’s Sustainable Development Goals (SDGs). The 17 SDGs interrelated global ambitions are closely linked to our efforts in improving the outcomes of communities and the environment. We play our part in the global goals by enhancing the lives and livelihoods of Malaysians, focusing particularly on sustainable economic growth, environmental protection and social inclusion. This ultimately reinforces Malaysia’s contribution to the global collective journey of building peaceful, just and inclusive societies, and ensuring the tangible conservation of the planet and its natural resources.

Methodology on UN SDG Alignment:

To optimise our SDG contributions, we prioritise the goals that are directly or indirectly impacted by our operations and activities. We assessed each of the 17 SDGs and their corresponding indicators to determine how our business can help achieve these goals. As a result, we have identified five priority SDGs, as shown below:



STAKEHOLDER ENGAGEMENT

THE SIGNIFICANCE OF STAKEHOLDER ENGAGEMENT

At Bank Muamalat, we recognise the significance of stakeholder engagement and place paramount importance on robust and meaningful interactions with our stakeholders for several compelling reasons:



INCLUSIVE PERSPECTIVES FOR EFFECTIVE SUSTAINABILITY

Including diverse stakeholders allows us to consider a broad spectrum of perspectives, leading to a deeper understanding and a greater capacity to develop effective sustainability strategies. This comprehensive insight becomes the foundation upon which our business strategies are built. In return, this fosters trust and support from our stakeholders, which is a vital ingredient for the successful transformation of the Bank.

STAKEHOLDER ENGAGEMENT PROCESS

We embarked on an extensive stakeholder engagement process that played a pivotal role in identifying and validating the sustainability-related interests of each stakeholder group. Two key metrics guided our approach:



- **Level of Influence:** We assessed the influence each stakeholder group has on our business.
- **Level of Dependence:** We evaluated how dependent each stakeholder group is on our business.

As a result of this comprehensive engagement, six key stakeholder groups emerged as our priorities:



We meticulously analyse feedback from these stakeholder groups to stay aligned with their most significant concerns. This input is incorporated into our materiality assessment, guiding the prioritisation of key issues that will shape our future business strategies. Our comprehensive approach to stakeholder engagement underscores our commitment to building a more sustainable and prosperous future for everyone while adhering to regulatory compliance and industry standards. As a responsible financial institution, we ensure that our practices not only meet but exceed compliance requirements, reinforcing our dedication to ethical and sustainable banking.

STAKEHOLDER ENGAGEMENT

	Why we engage	How we engage	Stakeholders' expectations
 <p>Shareholders & Investors</p>	<ul style="list-style-type: none"> Establish transparent and timely communication with stakeholders, fostering trust and confidence in our organisation and facilitating informed investment decisions Actively seek input from stakeholders on their investment preferences and expectations, ensuring our strategies align closely with their needs and maintaining sustainable access to capital 	<ul style="list-style-type: none"> Annual reports Sustainability statements Financial announcements Online communications: emails, corporate website, and social media Meetings and discussions 	<ul style="list-style-type: none"> Sustainable and long-term business strategies alongside prudent cost management to ensure sustainable financial returns Proactive management of asset quality and credit risks, particularly in high carbon emitting sectors Uphold financial stability Integration of VBI elements into business operations to promote ethical and sustainable practices Ethical and responsible business conduct as a core principle Strong and experienced management leadership Commitment to transparent disclosure Adoption of sustainable practices
 <p>Customers</p>	<ul style="list-style-type: none"> Engage stakeholders to understand their needs and expectations thoroughly, identifying areas for improvement in our service delivery Champion financial literacy initiatives aimed at empowering stakeholders to make well-informed financial decisions 	<ul style="list-style-type: none"> Branch representatives Digital touchpoints: Internet banking and digital applications Online communications: Emails, corporate website, and social media Customer service centers Call centers Customer networking events Printed materials Customer survey 	<ul style="list-style-type: none"> Innovative financial solutions, products, and services Convenient, continuous, and safe access to banking services Convenient and transparent value-for-banking products and services Secured and safe environment with strict data protection for conducting banking activities, particularly through digital channels Excellent customer service Financial assistance that can ease their financial burden
 <p>Business partners</p>	<ul style="list-style-type: none"> To ensure mutual understanding and alignment of goals, objectives, and expectations for better collaboration, more efficient operations, and improved customer service 	<ul style="list-style-type: none"> Online communications: Emails, corporate website, and social media Formal and informal engagements e-Procurement system 	<ul style="list-style-type: none"> Fair and equal evaluation of vendors and their proposals Fair conditions for both vendors and the Bank Effective and timely communication on new policies, guidelines, or strategies to ensure optimal performance Transparent reporting and disclosure to ensure smooth collaboration with potential partners

Our responses	Related material matters	Related UN SDGs
<ul style="list-style-type: none"> Implement sustainable business strategies Prudent cost management for sustainable financial returns Proactive management of asset quality and credit risks from exposure to sectors affected by the pandemic Sound balance sheet management Integrate VBI elements in business operations Uphold ethical and responsible business conduct Strong and experienced management Transparent reporting and disclosure Implement sustainability initiatives across the Bank 	<ul style="list-style-type: none"> M1 Ethics & Integrity M2 Economic Performance M5 Digital Banking M6 Energy consumption and environmental impact M13 Responsible financing 	  
<ul style="list-style-type: none"> Develop innovative financial solutions, products, and services to meet customers' financial needs Enhance touchpoints, both physical and digital, to maximise customer satisfaction. Improve processes to deliver operational excellence and efficiency Drive service excellence through skilled and trained customer service personnel Enhance end-to-end cyber response and simulation plans to ensure cyber resilience and continuously improve IT security Provide continuous awareness through online communication and digital touchpoints to educate customers and employees on potential fraud and scams Implement strict standard operating procedures to ensure customers' safety at branches 	<ul style="list-style-type: none"> M1 Ethics & Integrity M2 Economic Performance M3 Entrepreneur Development M5 Digital Banking M8 Customer Experience M12 Financial inclusion M13 Responsible financing 	    
<ul style="list-style-type: none"> Support local vendors Provide convenient access to procurement systems Conduct engagement sessions to ensure vendors' understanding of the procedures, processes, guidelines, and expectations of deliverables and their quality Ensure fair procurement practices and transparent vendor selection Establish a dedicated tender committee to ensure the objectives of the engagements are achieved 	<ul style="list-style-type: none"> M1 Ethics & Integrity M2 Economic Performance M4 Procurement practices M5 Digital Banking M8 Customer Experience 	 

STAKEHOLDER ENGAGEMENT



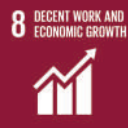



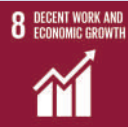



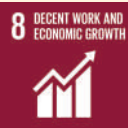


Why we engage	How we engage	Stakeholders' expectations
<ul style="list-style-type: none"> • Ensure the Bank stays updated on changes and developments that affect the sector, maintains operational efficiency, and complies with legal and regulatory requirements • Collaborate and participate in policy formulation and national development initiatives that have a positive impact on the overall economy 	<ul style="list-style-type: none"> • Online communications: Emails, corporate website, and social media • Formal and informal engagements • e-Procurement system 	<ul style="list-style-type: none"> • Compliance with all legal and regulatory requirements • Good corporate governance • Transparent reporting and disclosures • Participation and contribution to industry and regulatory working groups



<ul style="list-style-type: none"> • Positively impact our communities through access to financing, service offerings, social initiatives, and community programmes • To stay connected to developments and trends related to our operations to enhance our relevance in the communities we serve 	<ul style="list-style-type: none"> • Community engagement activities • Online communications: Emails, corporate website, and social media • Digital touchpoints: Mobile applications, Internet banking, and SMS blasts • Printed materials 	<ul style="list-style-type: none"> • Financial and VBI literacy awareness. • Efforts in tackling common economic, environmental, and social issues • Feasible and convenient access to advisory on suitable financial solutions • Efforts in building a resilient and thriving community
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<ul style="list-style-type: none"> • To ensure clear communication of the Bank's vision for effective execution and delivery of strategies • To address their concerns and keep them engaged and motivated 	<ul style="list-style-type: none"> • Internal portal and emails • Employee dialogue sessions with Chief Executive Officer • Annual engagement survey • Social and recreational activities • Employee engagement events and programmes • Roadshows 	<ul style="list-style-type: none"> • Fair remuneration, recognition, and effective performance management • Balanced work-life environment • Opportunities for career development and advancement • An empowering environment that embraces diversity and enables employees to deliver quality work output • A safe, healthy, and conducive workplace supported by flexible work practices
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Our responses	Related material matters	Related UN SDGs
<ul style="list-style-type: none"> Continuously update our systems and processes to meet current compliance and risk requirements Ensure compliance delivery, risk management, and governance that meet regulatory requirements Integrate VBI elements into risk management practices Ensure timely and transparent reporting to regulatory agencies and statutory bodies Actively participate in VBI working groups to develop a sectoral guide Active participation in: <ul style="list-style-type: none"> CCPT working groups to adopt Due Diligence Questions; CCPT Subgroup for Small Medium Enterprises (SMEs), leading the development of sectoral guides tailored for high-emitting carbon sectors within the SME sector 	<ul style="list-style-type: none"> M1 Ethics & Integrity M2 Economic Performance M6 Energy consumption and environmental impact M13 Responsible financing 	  
<ul style="list-style-type: none"> Collaborate with various state religious councils and government agencies to address the needs of the local communities Provide access to advisory on suitable financial solutions through digital channels Extend financial relief assistance Continuously implement corporate social responsibility initiatives 	<ul style="list-style-type: none"> M6 Energy consumption and environmental impact M7 Community Development 	   
<ul style="list-style-type: none"> Enhance task delegation and improve employee performance management Provide employee remuneration Strengthen employee learning and career development programmes to equip them with essential skills for them to be competitive with other peers in the industry Conduct employee engagement and employee satisfaction surveys Develop a career development plan framework and apprenticeship programme 	<ul style="list-style-type: none"> M1 Ethics & Integrity M9 Diversity and equal opportunity M10 Training and education M11 Employment 	   

SUSTAINABILITY MATTERS

MATERIALITY ASSESSMENT METHODOLOGY

As a responsible and sustainable financial institution, the Bank recognises the importance of identifying and prioritising the material matters that are most relevant to our stakeholders and our business. To ensure we create value for our stakeholders in the short, medium, and long term, we have established a three-step approach to materiality. This approach enables us to identify the most significant economic, environmental, and social (EES) matters that could impact our operations, financial performance, sustainability, and contributions to our stakeholders. By prioritising these material matters, we can better allocate our resources, manage risks, seize opportunities, and enhance our decision-making. This approach also ensures our sustainability reporting is focused on the matters most important to our stakeholders, maintaining transparency and accountability in our progress toward addressing them.

We have built on the solid foundations set in and conducted an enhanced 3-stage assessment process to identify, assess, and prioritise the topics that matter most to our business strategy and stakeholders.

Our 3-step approach is as follows:



Identify

We identify material matters by reviewing previous material matters, engaging with our stakeholders to understand their expectations, concerns, and needs, and assessing issues relevant to industry best practices.



Evaluate

We evaluate the identified material matters internally, following standards such as Bursa Malaysia Securities Berhad's MMLR and the International Integrated Reporting Council (IIRC) framework. Externally, we measure these matters based on their impact on our business and their relevance to our stakeholders.



Prioritise

We prioritise the identified material matters based on their significance to both our business and our stakeholders.




OUR IDENTIFIED MATERIAL MATTERS AND OUR COMMITMENT TO THEM

Taking into account the UN SDGs, the Bank has identified the most significant material matters for our business and stakeholders under the three EES pillars as follows:

Economic		
Material Matter	Our Commitment	Relevant Goals and Standards
M2 Economic performance	<ul style="list-style-type: none"> Align the Bank’s strategic directions, business, and operations with Malaysia’s economic plan to create direct economic value for society 	<p>Goals:</p>   <p>Standards:</p> <ul style="list-style-type: none"> GRI-103: Management Approach 2016 GRI-201: Economic Performance 2016 GRI-205: Anti-Corruption 2016 GRI-418: Customer Privacy 2016
M3 Entrepreneur development	<ul style="list-style-type: none"> Develop strategies and initiatives to help the underserved segments that drive the local economy, i.e., micro, small, and medium-sized enterprises and entrepreneurs (MSMEs) 	
M13 Responsible financing	<ul style="list-style-type: none"> Increase financing to entities that meet ESG criteria Avoid financing entities involved in unethical activities 	
M4 Procurement practices	<ul style="list-style-type: none"> Ensure a fair and transparent process for vendor evaluation and onboarding to establish a stable, equitable, and sustainable supply chain Adopt social procurement to prevent abuse of local and international human rights by vendors and the supply chain 	
M1 Ethics and integrity	<ul style="list-style-type: none"> Ensure compliance with all applicable laws and regulations by BNM, the Companies Commission of Malaysia, and other relevant local authorities, including the Islamic Financial Services Act, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act, Personal Data Protection Act, and more Adhere to the capital adequacy and liquidity guidelines stipulated by Basel III Uphold a commitment to ethical conduct and behaviour throughout the organisation, from directors to officers 	
M8 Customer experience	<ul style="list-style-type: none"> Improve service delivery while adhering to all applicable laws and regulations regarding customer confidentiality Provide enjoyable, reliable, and memorable customer journeys while striking the right balance between digital and traditional approaches 	
M5 Digital banking	<ul style="list-style-type: none"> Drive digital transformation and builds internal capability for greater customer experience, accessibility, and efficiency 	

SUSTAINABILITY MATTERS

Environment		
Material Matter	Our Commitment	Relevant Goals and Standards
M6 Energy consumption and environmental impact	<ul style="list-style-type: none"> Efficiently manage the consumption of natural resources such as fuel, electricity, and water in operations while striving to reduce waste and pollution Develop and implement strategies to support climate change mitigation and adaptation 	<p>Goals:</p>  <p>Standards:</p> <ul style="list-style-type: none"> GRI-103: Management Approach 2016 GRI-302: Energy 2016 GRI-303: Water and Effluents 2018

Social		
Material Matter	Our Commitment	Relevant Goals and Standards
M11 Employment	<ul style="list-style-type: none"> Enhance hiring, recruitment, and retention processes to attract and retain top talent. Develop and implement programmes to support employee well-being, including physical and mental health, work-life balance, and career development opportunities The Bank is aligned to the comprehensive ISO 45001 occupational health and safety management system. We prioritise workplace safety for all employees through rigorous risk assessments, including the HIRARC Assessment Review conducted annually, quarterly Internal Workplace Inspections, and Enforcement Audits by relevant authorities conducted annually or as needed. 	<p>Goals:</p>    <p>Standards:</p> <ul style="list-style-type: none"> GRI-103: Management Approach 2016 GRI-401: Employment 2016 GRI-403: Occupational Health and Safety 2018 GRI-404: Training and Education 2016 FS7: Monetary Value of Products and Services Designed to Deliver a Specific Social Benefit for Each Business Line Broken Down by Purpose FS13: Access Points in Low-Populated or Economically Disadvantaged Areas by Type FS14: Initiatives to Improve Access to Financial Services for Disadvantaged People
M9 Diversity and equal opportunity	<ul style="list-style-type: none"> Ensure equal treatment and fair evaluation of employees based on individual merit Prevent all forms of discrimination and harassment in the workplace 	
M10 Training and education	<ul style="list-style-type: none"> Develop and equip employees with necessary knowledge and skills through training and education programmes 	
M7 Community development	<ul style="list-style-type: none"> Empower communities through sustainable development programmes that create positive impacts Collaborate with communities to identify their needs and design programmes accordingly Foster economic growth and social wellbeing through community development initiatives 	
M12 Financial inclusion	<ul style="list-style-type: none"> Develop affordable and accessible products and services to promote financial inclusion in the nation 	

SUSTAINABILITY GOVERNANCE

FUNCTIONS AND DECISION MAKING

The Bank understands that establishing a robust sustainability governance structure is crucial to effectively managing key sustainability issues across all aspects of the organisation. To streamline operations and avoid unnecessary duplication, our sustainability framework is fully integrated into our corporate governance framework.

Leadership from the Top	Comprehensive Support Throughout the Organisation
<p>At the Bank, we embrace a comprehensive and holistic governance structure that begins at the top, with the Board of Directors taking a central role. They establish a robust sustainability culture, implement our sustainability and climate risk strategies, and use the sustainability performance scorecard to ensure accountability</p>	<p>Sustainability Department and Climate Risk Working Group provide robust support. Each plays a distinct role in our sustainability governance process, ensuring the consistent execution of sustainability strategies across the Bank. <i>For more details, please refer to the Bank's sustainability governance structure</i></p>

Board of Directors (BOD)

Board Risk & Compliance Committee (BRCC)

- Steers the Bank's sustainability and climate risk matters, including incorporating climate risk and opportunities into the risk agenda, strategy, and appetite
- Overseeing sustainability-related matters and climate risk matters, including overall strategies and monitoring the execution of the strategies

Executive Risk Management Committee (ERMC)

- Advises the Board on strategic sustainability directions
- Ensures the adoption of sustainability and climate risk strategies, frameworks, policies, and procedures for embedding sustainable practices throughout the Bank
- Assesses sustainability and climate risks and opportunities

Climate Risk Working Group (CRWG)

- Coordinates the Sustainability Department in managing data and matters related to sustainability and climate risk targets and reporting
- Assists the Sustainability Department in the implementation of sustainability and climate risk initiatives across the Bank
- Gathers and organises the sustainability and climate risk data report and data generated by the Sustainability Department

Sustainability Department

- Ensures that on-ground practices are in line with the Bank's overall sustainability and climate risk agenda and strategies
- Assists in implementing and overseeing sustainability initiatives and policies, as well as tracking progress toward set targets
- Keeps track of stakeholders' feedback, the latest BNM's requirements, market trends, and peer performances on sustainable development

SUSTAINABILITY GOVERNANCE

SUSTAINABILITY RISK MANAGEMENT

We recognise the threats posed by ESG and climate risks to our long-term value creation and overall performance. These risks not only jeopardise business continuity and growth but are also under increasing scrutiny by stakeholders, making effective risk management essential. To safeguard our business and stakeholder value, we implement specific measures and controls to mitigate identified ESG and climate risks.

As a financial institution, we understand that one of the top ESG risks we face involves concerns that our customers' business operations may negatively impact people and the environment. When we extend financing to our customers, we are seen as their business partners and, therefore, have a responsibility to ensure their operations align with our sustainability agenda. Non-compliance with global and local standards could result in business shutdowns by authorities or hefty fines, impacting business continuity and the financial standing of our customers. Moreover, financing customers with poor sustainability practices could lead to significant reputational damage for the Bank.

We have integrated the ESG Scorecard as a critical component of our assessment process, guided by BNM's Due Diligence Questions for evaluating BNM CCPT Guiding Principles 3 & 4 (GP3 & GP4). This structured approach ensures that our assessments align with regulatory standards, specifically focusing on climate change and principle-based taxonomy requirements. This scorecard serves as a comprehensive tool used by our relationship managers and business units to evaluate and assign ESG scores, while also categorising climate change impacts based on BNM's CCPT. This structured approach ensures that our assessments are robust and aligned with regulatory standards, enabling us to effectively manage environmental, social, and governance considerations across our operations and client interactions.



- Evaluation of Climate Change Risks
- Assessment of Supply Chain and Mitigation Strategies
- Implementation of Procurement Policies Embedding Sustainable Considerations
- Adoption of Deforestation Policies with Clear Land Clearance Methods
- Implementation of Water Management Policies (e.g., sourcing, usage monitoring, pollution control)
- Implementation of Waste/Effluents/Chemical Management Plans



- Compliance with Labour Laws, including Child Labour Laws and Avoidance of Poor Labour Practices
- Compliance with Workers' Minimum Standards of Housing and Amenities Act 2019
- Conducting Social Impact Assessments where relevant
- Implementing Free, Prior, and Informed Consent where relevant
- Implementation of Grievance Handling and Management Policies
- Implementation of Occupational Safety and Health Management Policies in compliance with ISO45001



Governance Assessment Includes:

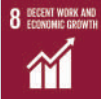
- Compliance with Guidelines on Adequate Procedures under the Malaysia Anti-Corruption Commission Act 2009
- Implementation of Anti-Money Laundering Policies
- History of significant incidents, legal actions, penalties, or fines related to ESG
- Adoption of Principles and Practices from the MCCG
- Publication of Sustainability Reports or ESG Disclosures
- Holding valid certifications (including industry schemes) covering Environmental, Social, or Governance considerations
- Establishment of Sustainability Commitments, Sustainability Strategies, and Risk Management Frameworks integrating ESG

MEMBERSHIPS & ASSOCIATIONS

We actively participate in various associations and memberships to share our resources and gain industry insights into sustainability best practices. Through these associations, we have the opportunity to exchange ideas, knowledge, and experiences on maximising positive impact and building long-term resilience.

Association	Our Role & Contributions
Association of Islamic Banking and Financial Institutions Malaysia (AIBIM)	<ul style="list-style-type: none"> • Help represent the voice of the Islamic Finance industry, underpinning the VBI thrust in serving the community
GABV	<ul style="list-style-type: none"> • Adopt sustainable banking practices including integrating ESG criteria into banking operations, supporting community development, and fostering financial inclusion • Participate in GABV's capacity-building initiatives, such as training programmes and workshops, to enhance our capabilities in sustainable banking practices, ESG integration, and impact measurement
Joint Committee on Climate Change (JC3)	<ul style="list-style-type: none"> • Help pursue collaborative actions for building climate resilience within the financial sector • Collaborate with other financial players to build industry capacity through the sharing of knowledge, expertise and best practices in managing climate related risks • Actively support the identification of issues and priorities facing the financial sector in managing the transition towards a low-carbon economy • Collaborate with stakeholders in advancing coordinated solutions to address climate-related challenges • Bank Muamalat leads the CCPT Sub Focus Group for SMEs in developing SMEsGuidance Notes for 6 high emitting carbon sectors
CoP of BNM's VBI	<ul style="list-style-type: none"> • Actively contribute to the development of the industry's VBI scorecard, framework, guidelines and strategy
General Council for Islamic Banks and Financial Institutions (CIBAFI)	<ul style="list-style-type: none"> • Actively support the advancement of Islamic finance on a global scale • Enhance the Bank's commitment to ethical banking, financial inclusion, and sustainable development, while fostering innovation and growth within the Islamic financial services industry
Partnership for Carbon Accounting Financials (PCAF)	<ul style="list-style-type: none"> • Committed to measuring and reducing the carbon footprint of the Bank's financial activities, further underscoring a dedication to combat climate change and promote sustainable finance

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY



8 DECENT WORK AND ECONOMIC GROWTH

SDG 8.1: Sustaining per capita economic growth in accordance with national circumstances



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SDG 16.5: Substantially reducing corruption and bribery in all their forms



ECONOMY

1. STRENGTHENING RESILIENCE AND INCLUSIVE GROWTH

M2 Economic Performance

Why is this Important?

Bank Muamalat currently operates in a dynamic and challenging economic environment characterised by volatile conditions and margin compression due to higher profit rates. The expansion of the digital landscape has also led to a growing threat of financial crimes, necessitating robust cybersecurity measures. Additionally, heightened competition from digital banks demands continuous innovation and enhancement of our digital platforms.

For local communities, access to and knowledge of financial assistance can significantly boost economic activity, particularly for small businesses. By catering to all income levels, including B40, asnaf, gig economy workers, affluent individuals, and professional workers, Bank Muamalat ensures comprehensive financial inclusion. Corporate and commercial customers are also encouraged to integrate Environmental, Social, and Governance (ESG) perspectives into their business models, promoting sustainable business practices.

What is Our Approach?

Bank Muamalat’s approach is centered around its 5-year Business Plan, RISE26+, which aims to position the Bank as the strongest Islamic bank with consistent positive performance. Key strategies include:

- **Strategic Growth and Futureproofing:** In response to volatile economic conditions and margin compression, we have reengineered our deposit structure to focus on low-cost funding sources, thereby containing funding costs.
- **Cybersecurity Enhancement:** To combat the growing threat of financial crimes, we have ensured that our cybersecurity measures are on par with industry standards.
- **Digital Platform Upgrades:** In light of heightened competition from digital banks, we have continually upgraded and enhanced our IT infrastructure and digital platforms.
- **Strategic Partnerships:** Partnership with selected companies to support growth and development of sustainable energy in Malaysia.

What Did We Do?

Throughout 2023, Bank Muamalat implemented several strategies to navigate the challenging economic environment and stimulate local economies:

- **Financial Assistance for Small Businesses:** Provided crucial financial support to small businesses within the community, aiding economic stimulation.
- **Inclusive Product and Service Offerings:** Offered tailored products and services to diverse income groups, including B40, asnaf, gig workers, affluent individuals, and professional workers, reinforcing our commitment to financial inclusion.
- **Support for Sustainable Energy Solutions:** Collaborated with Malakoff Corp Berhad to support the growth and development of sustainable energy solutions in Malaysia through financing programmes.

What Did We Achieve?

Despite facing a challenging environment with higher inflation and interest/profit rates, Bank Muamalat remained resilient and successfully harnessed opportunities to serve its customers and grow its business. Our achievements in FY2023 include:

➤ Economic Value Generated: RM1,784.65 million	➤ Economic Value Distributed: RM1,455.18 million	➤ Economic Value Retained: RM329.47 million
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These results reflect Bank Muamalat’s unwavering commitment to sustainable economic growth and value creation for all stakeholders. By promoting financial inclusion, supporting local economies, and advancing sustainable practices, we continue to uphold our mission of creating ‘Better Lives, Together’.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

2. FOSTERING GROWTH AND INNOVATION

M3

Entrepreneur Development

Why is this Important?

Entrepreneur development is crucial for fostering innovation, driving economic growth, and creating employment opportunities. By collaborating with identified parties and government agencies, Bank Muamalat leverages partly secured guarantees to support MSMEs, which are vital for the economic development of local communities. Ensuring that these businesses have access to financial resources enables them to thrive, contributing to a robust and dynamic economy. This approach aligns with our mission to support sustainable economic development and financial inclusion, thereby enhancing the overall well-being of society.

What is Our Approach?

Our approach to entrepreneur development focuses on strategic collaborations and targeted financial support for MSMEs. Key components of our strategy include:

- **Collaborations with Identified Parties:** Partnering with vendors, business partners, and government agencies to provide partly secured guarantees, ensuring that entrepreneurs have access to necessary funding.
- **Direct Stakeholder Engagement:** Focusing on the specific needs of MSME customers, tailoring our financial solutions to support their growth and development.
- **Leveraging Government Programmes:** Working closely with government initiatives such as Teraju to provide additional financial support and resources to entrepreneurs.

What Did We Do?

In 2023, Bank Muamalat made significant strides in supporting entrepreneur development through various initiatives and collaborations:

- **Financial Approvals and Disbursements:** We approved RM373.94 million in funding for MSME customers, with disbursements totalling RM239.28 million. This substantial financial support underscores our commitment to empowering entrepreneurs and fostering business growth.
- **Teraju Bumiputera Healthcare Supply Chain Financing Programme:** Through our collaboration with the initiative, we approved RM49.5 million in funding, with RM18.5 million disbursed. This programme aims to support Bumiputera entrepreneurs by providing financial assistance and resources to help them succeed.

What Did We Achieve?

Our efforts in entrepreneur development have resulted in significant positive outcomes for MSMEs:

- **Enhanced Access to Funding:** By approving and disbursing substantial amounts of financial support, we have enabled numerous entrepreneurs to access the resources they need to grow their businesses.
- **Strengthened Collaborations:** Our partnerships with government agencies and business partners have bolstered our ability to provide partly secured guarantees, enhancing the financial stability and growth prospects of our entrepreneurial clients.
- **Support for Bumiputera Entrepreneurs:** Through the programme, we have specifically targeted support for Bumiputera entrepreneurs, promoting inclusive economic growth and ensuring that all segments of society can benefit from our development initiatives.

These achievements highlight Bank Muamalat's dedication to fostering a thriving entrepreneurial ecosystem, supporting sustainable economic growth, and promoting financial inclusion. Our ongoing commitment to entrepreneur development is a key component of our mission to create 'Better Lives, Together', by empowering businesses and driving economic progress.

3. ENSURING SUSTAINABLE GROWTH

M13

Responsible Financing

Why is this Important?

This constitutes the Bank's commitment to responsible financing, which is the practice of providing financial services in a way that is sustainable, ethical, and responsible. The adoption of responsible financing principles is crucial for promoting social and environmental sustainability, as well as long-term economic growth. It ensures that the Bank operates in a manner that takes into account the impact of its decisions on the wider community and the environment while also creating value for its stakeholders.

What is Our Approach?

Our approach to responsible financing involves a comprehensive and proactive strategy to align our policies and practices with the latest regulatory requirements and industry developments. Key components of our strategy include:

- **ESG and Climate Risk Assessment:** Rolling out an ESG and climate risk assessment to identify and measure the impact of climate risk on the overall risk level of our customers portfolio.
- **Transparent Policy Implementation:** Reviewing internal policies frequently to ensure transparent and prudent implementation of regulatory changes and disseminating new policy documents to all employees.
- **Regulatory Compliance and Gap Analysis:** Conducting regular gap analysis exercises on regulatory policy documents to identify potential gaps and challenges, ensuring our policies and procedures are up-to-date and meet regulatory expectations.

What Did We Do?

In FY2023, Bank Muamalat undertook several initiatives to enhance responsible financing practices and support sustainable economic growth:

➤ Our total VBI Financing for FY2023:

- **SME Financing**
RM843 million
- **Retail Financing**
RM9,213 million
- **Preserving the Natural Environment**
RM774 million
- **Raising Community Standards of Living**
RM3,194 million
- **Promoting Healthy Lifestyle**
RM288 million
- **Education**
RM131 million
- **Hospitals and Medical Providers**
RM349 million

- **Climate Risk Management:** Developed Climate Risk Management Framework to manage climate risks associated with our business activities and operations, including climate exposure measurement and risk monitoring.
- **Climate Change Initiatives:** Supported BNM's agenda by incorporating the Climate Change and Principle-based Taxonomy (CCPT) classification and ESG scorecard in the non-retail financing applications.
- **Joint Committee on Climate Change (JC3) Participation:** Engaged in JC3, a regulator-industry platform, focusing on building climate resilience and supporting clients in transitioning to a low carbon economy. Bank Muamalat is the lead for the Subgroup for SMEs, developing Guidance Notes to answer Due Diligence Questions (DDQ) for the assessment of Bank Negara Malaysia's CCPT Guiding Principles 3 & 4 (GP3 & GP4).
- **VBIAF Guidelines Update:** Updated the VBIAF 3rd Cohort Sectoral Guideline of Agriculture to include CCPT due diligence assessment on transactional and entity levels.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

What Did We Achieve?

Our efforts in responsible financing have yielded significant positive outcomes, demonstrating our commitment to sustainable economic growth and responsible banking practices:

- **Economic Value:** Generated RM1,784.65 million in economic value, distributed RM1,455.18 million, and retained RM329.47 million, showcasing our dedication to creating value for all stakeholders.
- **MSME Support:** Provided substantial financial support to MSMEs, fostering economic development in local communities.
- **Staff Financing:** Approved a total of RM6.42 million in financing to employees, incorporating responsible financing practices to prevent excessive debt burdens.
- **Increased ESG Commitment:** Strengthened our commitment to the ESG agenda, supporting the transition to a low carbon economy and promoting green financing.

These achievements underscore Bank Muamalat's role as a responsible corporate citizen, committed to promoting financial inclusion, supporting sustainable economic growth, and ensuring ethical banking practices by fostering a more equitable and resilient financial system.

4. FOSTERING ETHICAL AND SUSTAINABLE PARTNERSHIPS

M4 Procurement Practices

Why is this Important?

Effective procurement practices are crucial for ensuring that the Bank's operations are ethical, sustainable, and in compliance with regulatory requirements. By adopting responsible procurement practices, the Bank not only mitigates risks associated with outsourcing and vendor relationships but also promotes social and environmental sustainability. This approach aligns with our commitment to ethical values and the principles of VBI, fostering long-term, mutually beneficial partnerships with our suppliers.

What is Our Approach?

Our approach to procurement is comprehensive and rooted in due diligence, governance, and inclusivity. Key aspects of our strategy include:

- **Due Diligence:** The Bank conducts thorough due diligence when onboarding new vendors, renewing contracts, or renegotiating existing arrangements. This includes regular testing of device provider's business continuity plan (BCP) and ensuring the security of shared information. We also ensure that the staff of service providers comply with the standards imposed by Bank Negara Malaysia.

- **Governance Meetings:** Monthly governance meetings are held by the respective business units to discuss any issues related to outsourcing providers, ensuring continuous oversight and accountability.
- **Regulatory Compliance:** Our procurement practices are designed to satisfy adequate procedures under Section 17A MACC Act 2009.
- **Ethical Commitments:** Vendors are required to sign a Vendor Code of Conduct and Declaration of Interest, reinforcing our commitment to ethical values and principles.
- **Inclusive Procurement:** In line with VBI values, we consider additional values that vendors can offer, such as employing people with disabilities, single mothers, and local vendors. We have also expanded to include ESG criteria in our vendor selection process.

What Did We Do?

In FY2023, we implemented several initiatives to enhance our procurement practices:

- **Vendor Performance Evaluation:** For better synergy with vendors, we conduct Vendor Performance Evaluations to ensure they continuously deliver the subscribed services efficiently. Poor-performing vendors are advised to improve their respective performance.
- **Vendor Code of Conduct:** We continue to have vendors sign a Vendor Code of Conduct and Declaration of Interest to build trust with stakeholders, showing our commitment to ethical values and principles.
- **Digital Procurement System:** We increased transparency and efficiency through a digital procurement system for vendor onboarding. The number of proposals processed through this system increased from 74% in 2019 to 83% in 2023.
- **P2P Procurement Solution:** We are exploring a P2P procurement solution to further strengthen our procurement processes, improve compliance, and enhance business efficiency.
- **Inclusive Supplier Collaboration:** We collaborated with vendors that employ people with disabilities, single mothers, and other marginalised groups, supporting our commitment to inclusivity.

What Did We Achieve?

Our procurement practices have yielded significant results, demonstrating our dedication to ethical and sustainable operations:

- **Increased Digital Procurement:** The number of proposals processed through the digital procurement system has steadily increased, indicating improved transparency and efficiency.
- **Enhanced Vendor Relationships:** By conducting regular performance evaluations and maintaining open communication, we have built stronger, more reliable partnerships with our vendors.
- **Regulatory Compliance:** By adhering to regulatory requirements and conducting thorough due diligence, we have mitigated risks and ensured the fair treatment of financial consumers.

Our commitment to responsible procurement practices ensures that our operations positively impact the community and environment. Through these efforts, we continue to uphold the values of transparency, fairness, and integrity in all our procurement activities.



Meeting the needs of new consumer demands while contributing to national decarbonisation goals, the Bank actively promoted rates as low as 2.1%, 100% financing, and up to nine-year tenure for Electric Vehicles.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

5. UPHOLDING STANDARDS AT BANK MUAMALAT

M1

Ethics and Integrity

Why is this Important?

Maintaining high standards of ethics and integrity is essential for the Bank's operations. A robust ethical framework helps prevent corruption, promotes transparency, and ensures that all stakeholders can trust the Bank. By fostering a culture of integrity, the Bank not only complies with regulatory requirements but also enhances its reputation and operational effectiveness, ultimately contributing to long-term sustainable growth.

What is Our Approach?

Our approach to ethics and integrity is comprehensive and multifaceted, encompassing strict adherence to anti-corruption guidelines, robust policies, regular training, and effective whistleblowing mechanisms.

- **Zero Tolerance for Corruption:** Bank Muamalat adopts a "zero tolerance" approach to all forms of bribery and corruption. We comply with the Guidelines on Adequate Procedure under Section 17A Corporate Liability (Amendment 2018) MACC Act 2009, which provides the T.R.U.S.T. framework:



- **Policy Updates and Awareness:** The Bank revises its policies regularly to ensure they are up to date with current regulations and industry standards. In 2023, the Policy of Industrial Relations was revised to increase awareness of anti-sexual harassment measures at the workplace.
- **Training and Communication:** We conduct comprehensive training programmes to equip our employees with the knowledge to combat bribery and corruption. In 2023, four Anti-Bribery and Anti-Corruption training programmes were completed by all employees, highlighting our commitment to ongoing education in this critical area.
- **Whistleblowing Mechanism:** The Muamalat Ethics Line serves as a dedicated channel for reporting any wrong doing. To enhance awareness, the Bank conducted eight sharing sessions, installed informational banners, and placed screensavers on all staff computers. These measures ensure employees are well-informed about how to report unethical behaviour.

What Did We Do?

Throughout 2023, we implemented several initiatives to strengthen our ethical practices:

- **Whistleblowing Cases:** The Bank received and investigated six reports via the Muamalat Ethics Line related to staff misconduct, negligence, and fraudulent transactions. The outcomes of five cases were escalated to the Board Audit Committee (BAC). A total of two whistleblowing cases were reported to Industry relations.
- **Policy Revisions:** We revised the Policy of Industrial Relations to enhance awareness of anti-sexual harassment measures and other critical issues.
- **Training Programmes:** Four Anti-Bribery and Anti-Corruption training programmes were successfully completed by all employees.
- **Awareness Campaigns:** Conducted eight sharing sessions on the Muamalat Ethics Line by the Internal Audit team covering selected Branches and Head Office Department, placed banners at head office floors and branches, and installed screensavers on all staff computers and Automated Teller Machines (ATM)'s screen.

What Did We Achieve?

- **Corruption-Free Environment:** By maintaining a strict no-gift policy and other anti-corruption measures, we ensured a corruption-free environment.
- **Enhanced Reporting Mechanisms:** Increased awareness and usage of the Muamalat Ethics Line, leading to timely and effective investigations of reported cases.
- **Employee Awareness:** Successfully trained all employees on Anti-Bribery and Anti-Corruption measures, reinforcing the importance of ethical conduct.

Our commitment to upholding the highest standards of ethics and integrity is evident through our proactive measures and continuous efforts to enhance awareness, training, and compliance. These initiatives reflect our dedication to fostering a culture of transparency, accountability, and ethical conduct, ensuring that we remain a trusted and responsible Islamic financial institution.

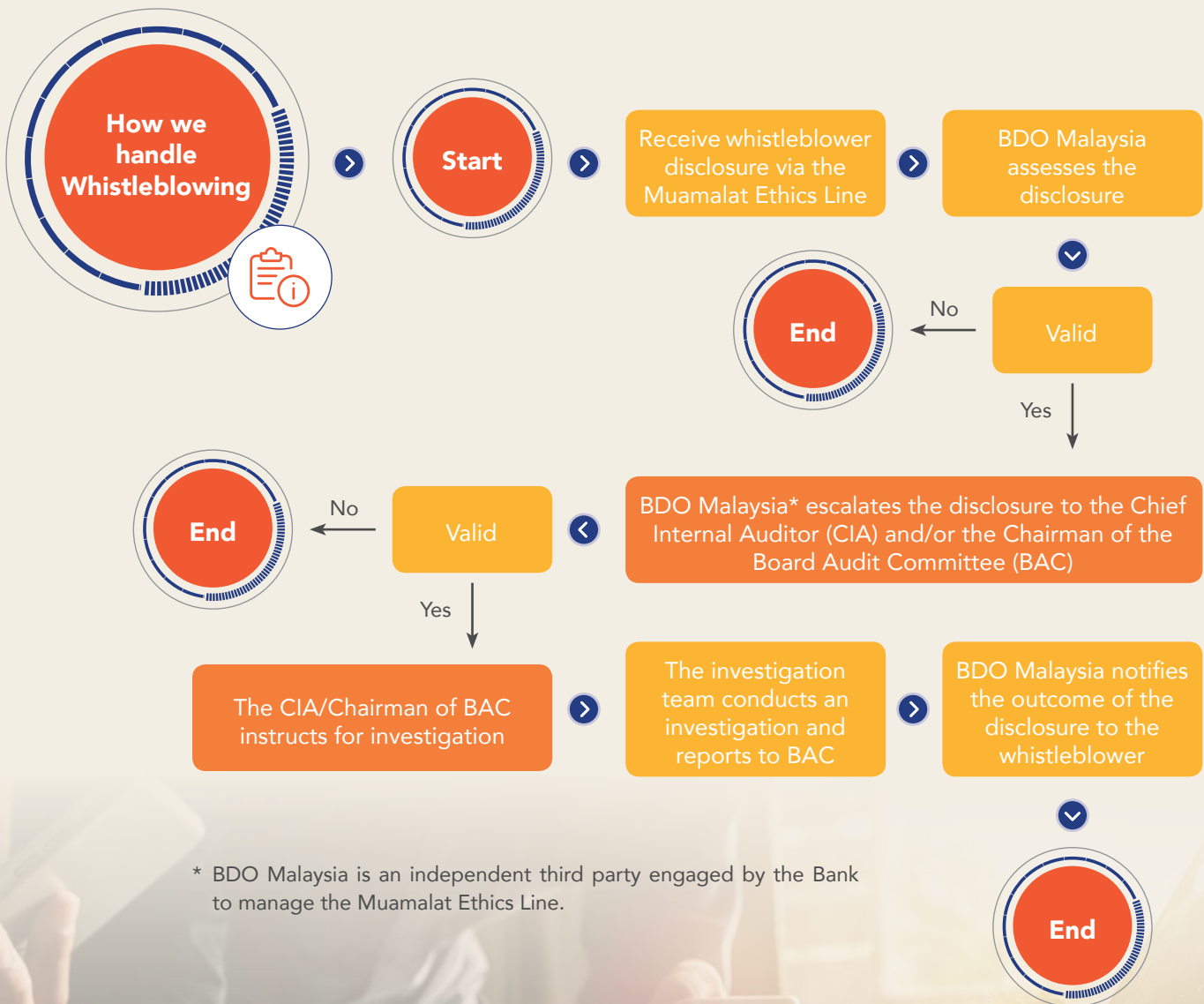


Bank Muamalat's PCEO launching the 2023-2025 Organisational Anti-Corruption Plan to Promote Integrity and Accountability on 7 November 2023.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY



**The Muamalat Ethics Line reporting channels:
Hotline: 03-26167111**



6. STRENGTHENING CUSTOMER SERVICE EXCELLENCE

M8

Customer Experience

Why is this Important?

Delivering exceptional customer service is crucial for Bank Muamalat to not only meet but exceed customer expectations, foster long-term loyalty, and maintain a competitive edge in the banking industry. By enhancing service efficiency, expanding digital accessibility, and engaging with communities, Bank Muamalat aims to ensure a seamless and satisfactory banking experience for all customers.

What is Our Approach?

Bank Muamalat's approach centers around two core strategies: improving physical branch services and leveraging digital advancements to offer convenience and accessibility. We are committed to integrating community engagement initiatives and developing tailored products and services that cater to the unique needs of different customer segments.

What Did We Do?

➤ Digital Banking Initiative

Bank Muamalat's Digital Banking Division (DBD) plays a pivotal role in enhancing customer service and operational efficiency through various initiatives:

- Acts as a mediator to address and resolve customer-related technical and operational issues swiftly.
- Assists employers and foreign workers in opening salary accounts, streamlining processes from data collection to card delivery at workplaces.
- Enhanced Electronic Know-Your-Customer (e-KYC) process, enabling more customers to onboard via straight through processing.
- Oversees daily Electronic Know-Your-Customer (e-KYC) applications, ensuring swift response at branches to expedite customer onboarding process and improve Turnaround Time (TAT).
- Collaboration with Financial Link Sdn Bhd to streamline Savings Account onboarding process for foreign workers, identifying and implementing initiatives to improve efficiencies.

- Enables SMS notifications via CRM platforms for the latest marketing campaigns, enhancing campaign awareness and customer engagement.
- Ensures customers are informed about the status of their personal financing applications through SMS and CRM updates.
- Enhances case and issue management for the Customer Service Department through the CRM system, ensuring prompt resolution of customer feedback.

➤ **Community Involvement Initiatives:** Integrated into over 50 deposit sales and marketing programmes in 2023, including:

- Peniaga-peniaga Kecil Jualan Ramadhan and Syawal: Supporting small businesses during Ramadan and Eid.
- Back to School Programme: Collaborating with corporations and schools to support educational initiatives.
- Collaborations with Persatuan Pengilang-Pengilang: Engaging with manufacturing associations to promote economic growth.
- Program Menjana Pendapatan bagi Wanita (WEJANA): Empowering women through income generation programmes.

These efforts targeted underserved market segments, bridging gaps in poverty, increasing earning power, and ensuring equitable access to banking services. As a result, Bank Muamalat acquired 32,682 accounts from small business customers, equivalent to RM911 million in Current Account balances as of 31 December 2023.

➤ **Promoting Cashless Banking:** Launched special deposit products and campaigns aimed at underserved segments like rural communities, young adults, students, and senior citizens:

- Pensioner Saving Account-i
- BeeSTAR-i Saving Account
- Masjid/Surau Current Account

These initiatives yielded RM144 million in outstanding balances and attracted 24,601 new accounts in FY2023, providing a convenient banking experience for our diverse customer base.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

➤ **Enhancing Nationwide Accessibility:** Maintained a network of 68 branches and expanded online platforms including Retail Internet Banking (RIB), Mobile Internet Banking (MOB) for Retail customers, and Corporate Internet Banking (CIB) for Non-Retail customers. Additionally, Bank Bergerak services further enhanced accessibility. By the end of 2023, Bank Muamalat recorded:

- **525,366 RIB users**
- **331,932 MOB users**
- **7,386 CIB users**
- **194 Bank Bergerak accounts**

Our localised marketing strategy focused on serving local customers within a 5km radius of each branch. We utilised localised advertising, community engagement initiatives, and tailored promotional campaigns to ensure services meet unique community needs, enhancing customer convenience, fostering stronger relationships, and upholding public trust.

What Did We Achieve?

- **Community Impact:** By supporting over 50 community programmes, we facilitated the creation of 32,682 new accounts and accumulated RM911 million in Current Account balances by 31 December 2023. These initiatives have made substantial contributions to local economic empowerment and community development. Through targeted outreach and tailored products and services for underserved market segments, we are bridging the poverty gap, enhancing earning power, and ensuring equitable access to banking services for all members of society.
- **Promoting Cashless Banking:** Achieved RM144 million in outstanding balances and attracted 24,601 new accounts by the end of FY2023, promoting financial inclusion and convenience for diverse customer segments.

➤ **Customer Convenience and Trust:** Efficiently handled 791,107 calls, addressing increased inquiries related to online banking issues and financing applications. This outstanding outcome can be attributed to the enhancements made to our Queue Management Service. The customer satisfaction level was maintained at over 80% since FY2021 at 89.4%, with a rate of 82.8% in 2022 and increased by 13.53% for FY2023 to 94.0%. The Bank also resolved 36% of complaints within 0-2 working days and aggressively performed callbacks for dropped calls to enhance the customer experience.

➤ The total calls received and answered in the Contact Centre for FY2023 increased by 28.87% compared to FY2022. Of these, 39.8% were related to Internet Banking, reflecting a significant rise in Internet Banking login issues, which highly impacted the volume of inbound calls. Additionally, product and general inquiries increased by 13.18%, and financing application issues rose by 7.36% compared to FY2022.

➤ Our effective call abandonment rate was 16.2%, in line with industry standards. Feedback and complaint handling is a significant agenda of the Bank Muamalat Management Committee (MANCO), with Senior Management regularly reviewing the performance and effectiveness of feedback handling.

➤ The top three types of queues were 40% for Internet Banking, 37% for Product & General inquiries, and 9% for Financing Applications. The high volume of calls was due to issues relating to online banking, unauthorised debit card transactions, and the increasing number of Internet Banking users, as well as more inquiries regarding financing assistance.

The Bank's dedication to enhancing the customer experience has evidently yielded positive results, as reflected in the high levels of customer satisfaction and retention. Moving forward, we will remain steadfast in our efforts to further enhance our services and maintain our commitment to superior customer experience.

7. CATALYSING DIGITALISATION

M5 Digital Banking

Why is this Important?

Digital banking is a fundamental aspect of modern financial services, offering customers the convenience and security of accessing their accounts anytime, anywhere. As technology evolves, banks must invest in digital solutions to improve the customer experience and remain competitive. Bank Muamalat understands the critical role of digital banking and is dedicated to delivering cutting-edge, seamless digital services that address the changing needs of our customers. Prioritising ease of use, security, and intuitive design, our digital banking initiatives are designed to offer a full range of services to offer a full range of services through our new Digital Banking Application. By adopting digital banking, we aim to improve customer satisfaction, optimise our operations, and reach underserved market segments.

What is Our Approach?

Our approach involves a comprehensive development strategy that integrates advanced technology with user-centric design principles. We are focused on building a robust Digital Core Banking system and an intuitive Digital Front End solution. This strategic integration ensures a seamless, efficient, and secure banking experience. We are also prioritising Straight Through Processing (STP) for onboarding and instant disbursement for personal financing to enhance service efficiency.

What Did We Do?

DBD's main initiative for FY2024 is to launch Bank Muamalat's Digital Bank.

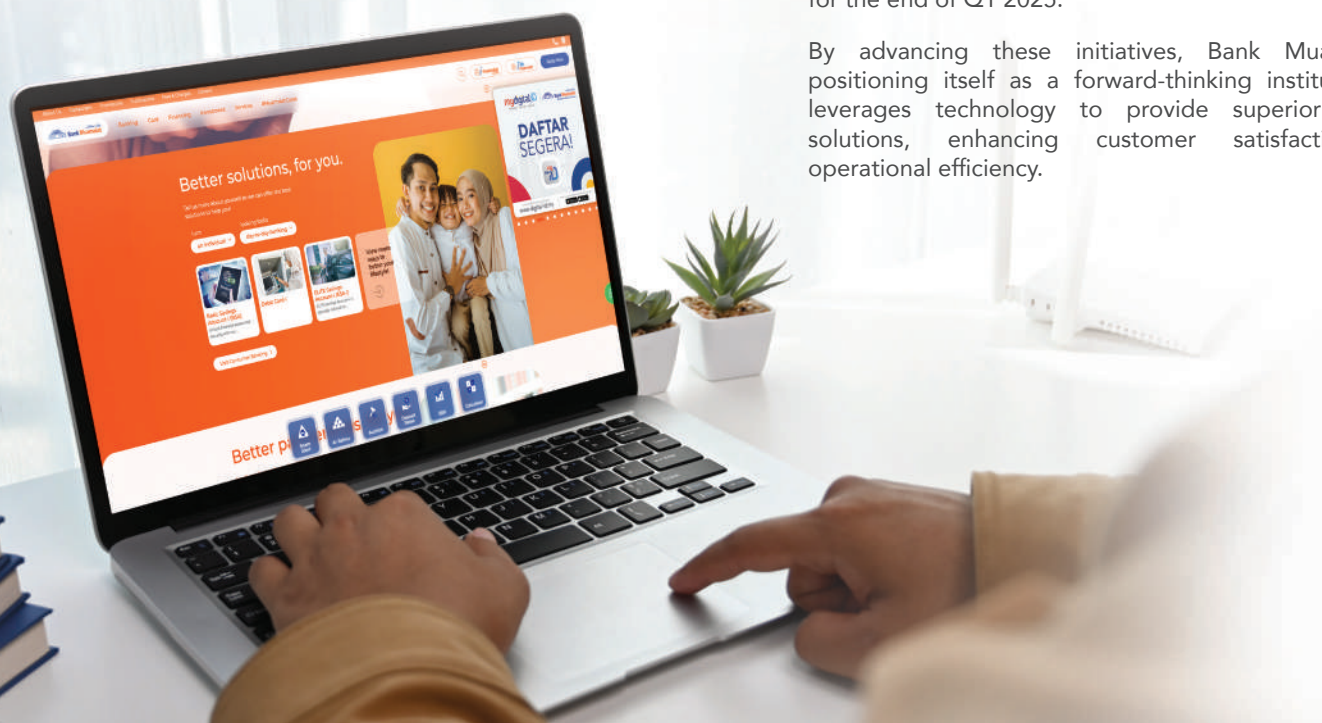
Updates:

- **Regulatory Approval:** We obtained BNM's approval on 27 February 2024 to proceed with the development of the new digital banking app. This app will include a new Digital Core Banking system and a new Digital Front End solution.
- **Project Kickoff:** The project commenced in March 2024, with the target of Alpha launch with selected users in November 2024.
- **Initial Launch Focus:** For the initial launch, we plan to introduce two Minimum Viable Products (MVPs):
 - **Savings Account with STP Onboarding:** This will facilitate a seamless, paperless account opening process.
 - **Digital Gold Account with STP onboarding:** This will provide security and potential growth to our customers, encouraging more deposits and savings

Future Goals:

In FY2024, we aim to onboard 2,500 new accounts during the testing phase, with a public launch scheduled for the end of Q1 2025.

By advancing these initiatives, Bank Muamalat is positioning itself as a forward-thinking institution that leverages technology to provide superior banking solutions, enhancing customer satisfaction and operational efficiency.



OUR PROGRESS AND OUTPUT IN SUSTAINABILITY



SDG 4.4: Increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship



SDG 8.6: Reducing the proportion of youth not in employment, education or training

SDG 8.8: Promoting safe and secure working environments for all workers



SDG 10.2: Empowering and promoting inclusion of all, irrespective of age, sex, disability, race and ethnicity

SOCIAL

1. STRENGTHENING OUR WORKFORCE

M11 Employment

Why is this Important?

Attracting and retaining top-tier talent is essential for maintaining our competitive edge and achieving long-term business success. A skilled and motivated workforce drives innovation, productivity, and overall organisational performance. Moreover, reducing turnover rates is critical for maintaining continuity, minimising recruitment costs, and preserving institutional knowledge. Ensuring employee welfare and engagement is fundamental to building a positive and inclusive workplace culture, which in turn enhances job satisfaction and productivity.

What is Our Approach?

Our approach centers around strengthening our hiring, recruitment, and retention methods to attract and retain the best talent in the industry. We are committed to reducing turnover rates by creating a supportive and engaging work environment. This involves implementing comprehensive employee welfare initiatives that address physical and mental health, work-life balance, and career growth opportunities. Additionally, we actively seek employee feedback to continually improve our workplace practices and policies.

What Did We Do?

➤ Strengthening Recruitment and Retention

- **Enhanced Hiring Practices:** We have refined our recruitment strategies to attract top-tier talent, focusing on diversity and inclusivity. Our hiring processes are designed to identify candidates who not only possess the necessary skills but also align with our organisational values.
- **Retention Strategies:** To reduce turnover rates, we have introduced several initiatives aimed at improving employee satisfaction and engagement. These efforts have resulted in a decrease in turnover from 14.01% in 2022 to 12.91% in 2023.

➤ Employee Welfare and Engagement

- **Employee Welfare Initiatives:** We have established programmes that support both the physical and mental well-being of our employees. These include wellness programmes, mental health resources and opportunities for career development.
- **Sustainability Engagement Score (SES):** Our commitment to sustainability is reflected in our high Sustainability Engagement Score of 88%. This score indicates strong employee engagement in our sustainability initiatives, demonstrating their commitment to our organisational goals.
- **Employee Engagement Survey (EES):** Introduced in 2023, the EES provides valuable insights into employee feedback. By understanding their perspectives, we can make informed decisions to enhance their work experience and address any concerns promptly.

➤ Collective Agreement and Benefits

- **Enhanced Collective Agreement:** We have worked closely with Unions to create an attractive package that includes competitive salaries, comprehensive benefits, and opportunities for professional growth. This agreement is designed to retain skilled employees and position us as an employer of choice in the industry.
- **New Programmes and Benefits:** We have implemented several new programmes aimed at cultivating a skilled and proficient workforce. These include training and development opportunities, mentorship programmes, and initiatives that promote a healthy work-life balance.

Our efforts to strengthen hiring, recruitment, and retention methods have yielded positive results. The reduction in turnover rates and the high SES are indicative of our success in creating a supportive and engaging work environment. By continually investing in employee welfare and engagement, we are well-positioned to attract and retain top-tier talent, ensuring the sustained growth and success of our organisation.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

2. PROMOTING A DIVERSE AND INCLUSIVE WORKPLACE

M9

Diversity and Equal Opportunity

Why is this Important?

At Bank Muamalat, we recognise that diversity and equal opportunity are crucial for fostering a dynamic and innovative work environment. A diverse workforce brings a variety of perspectives and ideas, enhancing creativity and problem-solving capabilities. Ensuring equal opportunities for all employees promotes fairness, reduces discrimination, and aligns with our ethical standards and values. By embracing diversity and inclusivity, we improve employee satisfaction, engagement, and overall organisational performance, which is essential for our long-term success.

What is Our Approach?

Our approach to diversity and equal opportunity at Bank Muamalat involves creating an inclusive environment where every employee feels valued and supported. We are committed to implementing policies and practices that promote gender balance, equal pay, and career advancement for underrepresented groups. Regular assessments of our diversity metrics help us identify areas for improvement and measure the effectiveness of our initiatives. Additionally, training programmes on diversity, equity, and inclusion (DEI) are integral to our strategy, fostering awareness and understanding among all employees.

What Did We Do?

➤ Gender Ratio and Representation

- **Gender Balance:** At Bank Muamalat, we have achieved a gender ratio of 49% male and 51% female across our organisation. This balance reflects our commitment to gender diversity and our efforts to create a workplace where both men and women can thrive equally.
- **Senior Management Representation:** While we are proud of our overall gender balance, we recognise the need to improve female representation in senior management. Currently, our senior management ratio is 86% male and 14% female. To address this disparity, we are actively supporting the career development of women within Bank Muamalat.

Our commitment to diversity and equal opportunity is demonstrated by our gender balance and the proactive steps we are taking to improve representation at senior management levels. While we have made significant progress in promoting gender diversity, we acknowledge the need for continued efforts to achieve greater gender parity in leadership positions.

These ongoing efforts underscore our dedication to creating a workplace at Bank Muamalat that values and leverages the diverse talents and perspectives of all employees, ultimately driving innovation and excellence. We believe that by prioritising diversity and equal opportunity, we not only enhance our organisational performance but also contribute positively to the broader community.



By fostering an inclusive culture and implementing targeted initiatives, Bank Muamalat is dedicated to ensuring that all employees have the opportunity to succeed and contribute to our organisation's success.

3. INVESTING IN EMPLOYEE DEVELOPMENT

M10 Training and Education

Why is this Important?

We believe that continuous learning and development are crucial for maintaining a competitive edge and ensuring organisational success. Training and education are essential for equipping our employees with the skills and knowledge necessary to navigate an ever-evolving financial landscape. By investing in our workforce's professional growth, we enhance their capabilities, foster innovation, and drive overall business performance. Moreover, providing opportunities for re-skilling and upskilling supports employee engagement and retention, contributing to a motivated and proficient workforce.

What is Our Approach?

Our approach to training and education at Bank Muamalat is comprehensive and strategic, focusing on both in-house and external programmes to address the diverse learning needs of our employees. We prioritise leadership development and Shariah knowledge to align with our organisational values and industry requirements. Our training programmes are designed to cater to various levels of the organisation, from entry-level employees to senior leaders, ensuring a continuous learning pathway for all.

What Did We Do?

Training Activities in 2023

In-House Training: We conducted a total of 583 in-house training programmes, categorised as follows:

- | | | |
|---|---|--|
| • Core Programmes:
354 | • Functional Programmes:
185 | • Leadership Programmes:
44 |
|---|---|--|

Public (External) Programmes: We facilitated 154 external training programmes, enabling employees to gain insights from industry experts and broaden their professional networks.

- | | |
|--|---|
| • Total Training Hours:
156,967 | • Average Training Hours per Staff:
65 hours |
|--|---|

Focused Training and Education Initiatives

In 2023, Bank Muamalat focused on providing leadership and Shariah knowledge training to re-skill and upskill our employees. Key programmes included:

- **Muamalat Professional Bankers Programme:** This programme was structured as part of the learning pathway for Assistant Branch Managers (ABM) and Branch Managers (BM).
 - o It consists of three modules: governance & compliance, technical/functional, and leadership & coaching.
 - o A total of 134 ABM & BM participated in this programme, enhancing their professional competencies and leadership skills.
- **INSEAD (Phoenix the Encounter):** 21 senior leaders participated in this programme, which aims to strengthen strategic capabilities. The programme focuses on anticipating and addressing current weaknesses and fostering a mindset that envisions potential disruptions to prevailing business models.
- **Powering Inspired Leaders: Situational Leadership II:** This programme equips leaders with situational leadership skills, enabling them to adapt their leadership style to the needs of their team members and the demands of different situations.
- **Empowering Young Executives (EYES):** Designed for young professionals, this programme aims to cultivate the next generation of leaders by providing essential skills and knowledge for career advancement.

Our commitment to training and education has resulted in significant professional development opportunities for our employees. The extensive range of training programmes and the high average training hours per staff reflect our dedication to continuous learning. By focusing on leadership development and Shariah knowledge, we ensure that our workforce is well-equipped to meet industry demands and uphold our organisational values.

Through these initiatives, Bank Muamalat continues to foster a culture of learning and development, positioning ourselves as an employer of choice and driving our collective success. Our ongoing investment in employee training and education underscores our commitment to excellence, innovation, and adherence to Shariah principles in the banking sector.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

4. ENHANCING SOCIAL WELFARE THROUGH MAQASID AL-SHARIAH, VBI PRINCIPLES, AND SUSTAINABLE DEVELOPMENT GOALS

M7

Community Development

Why is this Important?

Our commitment to community development, guided by the principles of Maqasid al-Shariah, aligned with the VBI framework, and supportive of the United Nations Sustainable Development Goals (SDGs), is integral to our theme of 'Better Lives, Together'. These frameworks underscore the importance of holistic well-being, ethical banking practices, and sustainable development, aligning perfectly with our mission to address social inequalities and promote inclusive growth. By integrating these principles into our initiatives, we strive to create a positive and lasting impact on the communities we serve, fostering a more equitable and prosperous society where everyone can thrive together.

What is Our Approach?

Our approach to community development integrates Maqasid al-Shariah and VBI principles into actionable strategies that prioritise the needs of the communities we serve. We collaborate closely with stakeholders, including State Islamic Religious Councils and NGOs, to implement programmes that support education, health, economic empowerment, and social welfare. Through innovative funding mechanisms like waqf and crowdfunding, we maximise our impact and ensure transparency and accountability in our initiatives. Our goal is to empower individuals and communities to achieve sustainable development outcomes.

What Did We Do?

Wakaf Muamalat Initiative

• Waqf Fund Collection and Management:

In partnership with State Islamic Religious Councils, we launched Wakaf Muamalat to manage cash waqf funds through a Joint Management Committee. In FY2023, the waqf fund collection reached RM33,711,026.66, and RM25,999,934.01 was approved to support 142 nationwide projects in education, health, and investment.

Tabung Mawaddah Fund

• **Disbursement and Expansion:** We disbursed a total of RM2,234,638.21 from our Tabung Mawaddah Fund, expanding its usage to aid selected Asnaf and non-Asnaf recipients in social, education, and health-related matters.

Jariah Fund Crowdfunding Portal

• **Collaborative Campaigns:** We collaborated with five selected NGOs to initiate 16 health, education, and economic empowerment campaigns under the Jariah Fund crowdfunding portal, collecting a total of RM86,809.



Corporate Social Responsibility (CSR)

In FY2023, the Bank carried out various CSR activities that benefitted different underprivileged communities, aiming to create 'Better Lives, Together' with the community. A total of RM194,500 in donations was distributed to more than 42 orphanages, mosques, welfare homes, schools, and educational institutions, alongside 2,000 bags of blood collected from the Bank's blood donation campaign.

Key CSR Activities in 2023

- **Branch Opening Donation:** Donation in conjunction with the grand opening of the new Bank Muamalat Malaysia Berhad Indera Mahkota Branch.
- **Back to School Programme:** Collaborated with Kelab Kebudayaan dan Sukan Generasi Baru Sungai Besi and Persatuan Pegawai Rendah Polis Diraja and Pejabat Ahli Parlimen Bandar Tun Razak.
- **Iftar Events:** Organised Majlis Berbuka Puasa with orphans in 5 regions and at Masjid Jamek, and distributed Iftar Packs for Media during Ramadhan 2023.
- **Rewang Bubur Lambuk:** Conducted in 5 regions during Ramadhan.
- **Blood Donation Programme:** Partnered with government and private hospitals across the country to organise blood donation drives.
- **Hari Asyura Donations:** Held in 6 locations across regions.
- **National Day Celebration with Orang Asli:** Engaged with indigenous communities to celebrate Malaysia's National Day.
- **Sumbangan Sempena Pelancaran SSi:** Donations in conjunction with the launch of new initiatives.



Bank Muamalat brought cheer to underprivileged pupils under its "Back to School" programme on 16 March 2023.

Sponsorship Programme

- **Support for Various Institutions:** The sponsorship programme distributed a total of RM289,400.00 in FY2023 to more than 65 institutions, including welfare homes, educational institutions, and NGOs.

Through these initiatives, Bank Muamalat has demonstrated its commitment to social welfare and ethical banking practices, aligned with Maqasid al-Shariah and VBI principles. By integrating these principles into our community development efforts, we not only create positive social impact but also contribute to sustainable economic growth and promote inclusive prosperity. Our ongoing dedication to community development underscores our role as a responsible corporate citizen, striving to create 'Better Lives, Together' with the community, and uphold the values of compassion, fairness, and integrity in all our endeavours.

Aligned with our commitment to the United Nations SDGs, our initiatives actively contribute to achieving global targets such as poverty alleviation, quality education, and good health and well-being. By supporting these SDGs, we aim to foster a more equitable and sustainable future for all, reinforcing our mission to create positive change and empower communities worldwide.



The Bank celebrated the spirit of unity and inclusivity by organising a Merdeka Day celebration with the Orang Asli community on 28 August 2023.

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

5. EMPOWERING COMMUNITIES THROUGH ACCESSIBLE BANKING

M12 Financial Inclusion

Why is this Important?

Aligned with its vision to serve as a leading Islamic bank that is accessible to all, Bank Muamalat is dedicated to advancing financial inclusion. This commitment ensures that individuals and businesses, regardless of their socioeconomic backgrounds, can access a diverse range of affordable and high-quality financial services. Financial inclusion plays a pivotal role in reducing poverty and inequality, fostering economic growth and stability, and cultivating a more equitable society. By expanding access to the financial system, Bank Muamalat empowers individuals and businesses to better manage their finances, enhance their resilience to economic challenges, and achieve their financial aspirations. These initiatives not only bolster community economic resilience but also underscore Bank Muamalat's mission to foster 'Better Lives, Together', through inclusive and accessible banking solutions.

What is Our Approach?

Our approach integrates innovative solutions and strategic collaborations to expand access to micro-financing and digital banking services. We collaborate closely with government agencies and local communities to tailor our services, ensuring they meet the unique needs of underserved populations. Through initiatives like the i-PUSH microfinancing programme and digital onboarding processes, we strive to provide seamless and paperless banking experiences that promote financial literacy and inclusion.

What Did We Do?

> iTEKAD Programme Expansion

- **i-PUSH Microfinancing:** Approved 2,240 applications for the i-PUSH microfinancing programme, part of the expanding iTEKAD programme established in collaboration with the Pahang State Government. This initiative aims to provide micro-entrepreneurs with essential working capital, empowering them to grow their businesses and improve their livelihoods.
- **iTEKAD Mawaddah Programme:** onboarded qualified entrepreneurs under iTEKAD Mawaddah programme, providing them with working capital and training fees. This programme supports entrepreneurs by equipping them with financial resources and skills training essential for business success.

- **Government Grant Utilisation:** Utilised RM85,000 from a Government Grant facilitated by Bank Negara Malaysia to provide seed capital to iTEKAD entrepreneurs for purchasing business assets and expanding their enterprises.

> Digital Onboarding and Efficiency

- **Digital Onboarding Process:** Digital Banking Department (DBD) or Digital Banking team supports branches by facilitating a digital onboarding process during outbound activities, ensuring a smooth, efficient, and paperless customer experience. Achieved an increase in digital onboarding rates, contributing to reduced paper usage and environmental impact. These efforts align with our commitment to sustainable practices while enhancing operational efficiency.

> Bank Bergerak Initiative

- **Mobile Banking Services:** The Bank Bergerak initiative offers essential banking services in rural areas, including Ar-Rahnu financing, inter-bank fund transfers, financing payments, and cash deposits and withdrawals. Through this initiative, a total of RM2.9 million in financing was processed, with 4,190 transactions completed. This service significantly enhances access to financial services for underserved communities and customers in limited access and rural areas.

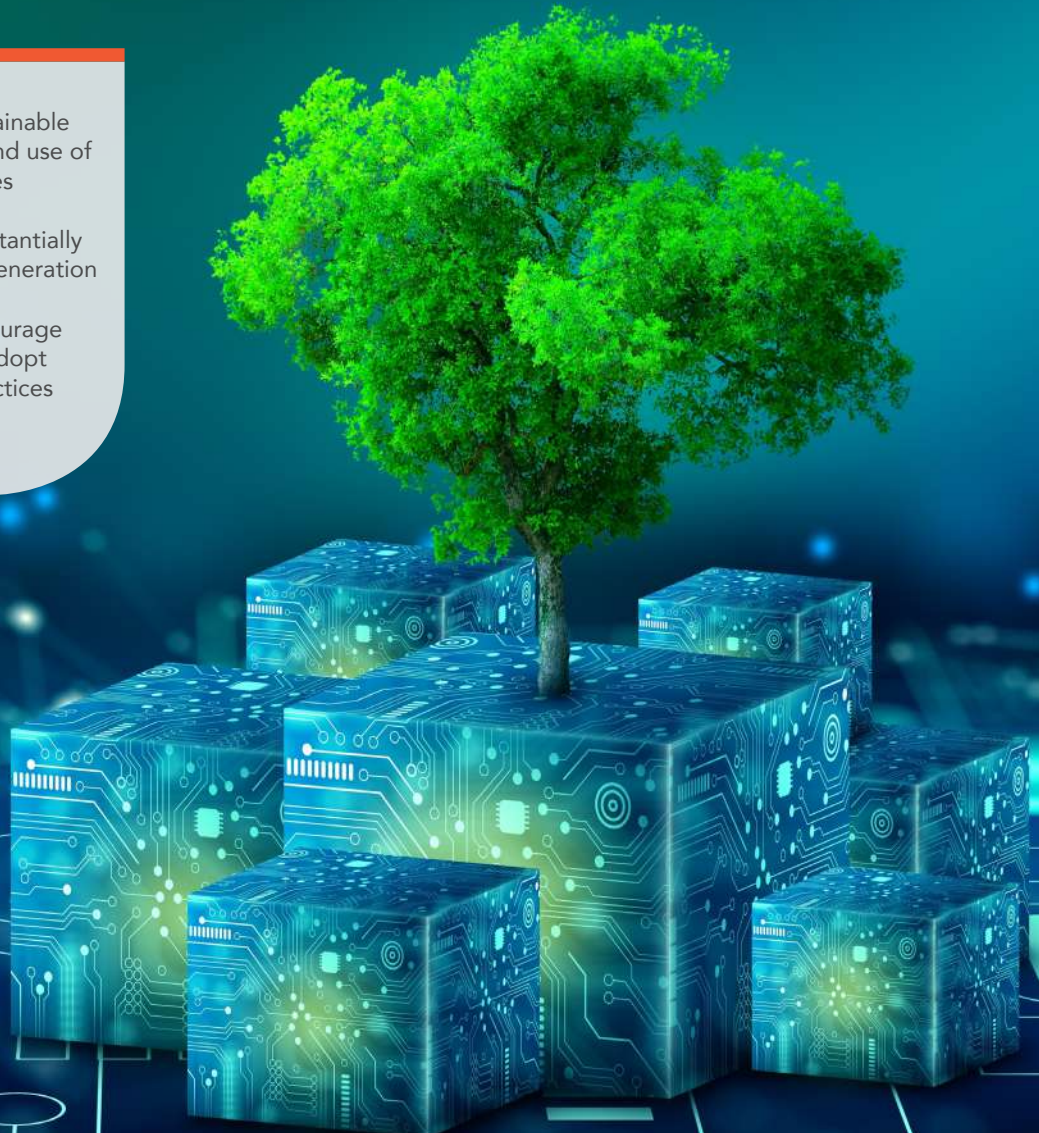
These initiatives have significantly enhanced financial inclusion and economic resilience among underserved communities. By providing access to micro-financing, digital banking solutions, and comprehensive support programmes, we empower individuals to achieve financial independence and contribute to inclusive economic growth. Our efforts underscore our dedication to creating 'Better Lives, Together' with the community, while advancing towards our goal of achieving sustainable development and fostering a more equitable society for all.



SDG 12.2: Sustainable management and use of natural resources

SDG 12.5: Substantially reduce waste generation

SDG 12.6: Encourage companies to adopt sustainable practices and sustainable reporting



ENVIRONMENTAL

OUR PROGRESS AND OUTPUT IN SUSTAINABILITY

1. ENERGY AND RESOURCE MANAGEMENT

Why is this Important?

At Bank Muamalat, we continue to prioritise resource and energy efficiency as well as sustainable infrastructure, processes, and systems to achieve our business goals. The formation of the Cost Saving Initiative (CSI) Taskforce in late 2019 has heightened our focus on energy and resource management. The CSI programme has successfully generated significant cost savings and established more efficient processes without compromising regulatory requirements.

Sustainability and environmental stewardship have become imperative in today's business landscape. We recognise the critical importance of reducing our environmental footprint and contributing to a greener future. The initiatives we have undertaken underscore our commitment to environmental responsibility, resource efficiency, and cost savings. By transitioning to more sustainable practices, we are not only safeguarding the environment but also enhancing our operational efficiency and long-term viability.

Supporting Climate and Environmental Objectives

In recent years, ESG factors have gained significant attention from stakeholders, including customers, investors, policymakers, and society as a whole. Effective ESG risk management has become increasingly crucial, with businesses expected to make decisions that contribute to the broader society and combat climate change. As a financial institution, Bank Muamalat faces particular scrutiny due to our ability and influence in mobilising capital. We are in a unique position to steer investments away from short-term, potentially harmful ventures toward long-term projects that address sustainability issues, with a strong emphasis on climate action. The growing demand for sustainable financing has led to a surge in interest among investors for sustainability-linked funding. By integrating ESG considerations into our financing, investment, and advisory practices, Bank Muamalat strengthens its position as a responsible financial institution and contributes to the global effort in combating climate change.

M6 Energy Consumption and Environmental Impact

Commitment to ESG and Climate Change at Bank Muamalat

On 30 April 2021, Bank Negara Malaysia issued the Climate Change and Principle-Based Taxonomy (CCPT), urging financial institutions to enhance their role in supporting climate and environmental objectives through green financing, investment, and advisory activities. Embracing this initiative, Bank Muamalat has initiated ESG Scorecard Assessment for customer assessments to gauge their exposure to climate change, aiming to monitor their progress toward adopting climate-related objectives.

Additionally, Bank Muamalat plans to integrate climate-related objectives into its risk management framework to fully embed sustainable practices across banking operations. We have conducted comprehensive ESG risk assessments for selected non-individual customers based on our ESG Scorecard Guideline. High-risk customers are required to develop mitigation plans with specific time-bound monitoring triggers, in alignment with the Climate Change Classification under the Bank Negara Malaysia's CCPT.

Our enhanced annual review process involves reassessing customers, tracking mitigation plans, and scrutinising them as needed. This ongoing refinement supports the transition to better practices for managing ESG risks and mitigating our impact on climate change. Through these measures, Bank Muamalat strengthens its commitment to responsible banking and contributes proactively to global sustainability efforts.



What is Our Approach?

Our approach to sustainability is comprehensive and multifaceted, focusing on reducing energy consumption, optimising resource usage, and implementing cost-saving measures. We have adopted new technologies and practices that minimise environmental impact while promoting efficiency and savings. These initiatives include:

- Replacing conventional fluorescent lighting with energy-efficient LED bulbs across all branches.
- Implementing a bank-wide Software-Defined Wide Area Network (SDWAN) for efficient network management.
- Expanding managed services to streamline operations.
- Optimising real estate expenses through strategic negotiations.
- Utilising HRDC funds for employee training to enhance skills and productivity.
- Deploying Robotic Process Automation (RPA) to automate manual tasks and reduce energy consumption.
- Upgrading RAM and SSD in existing laptops to reduce electronic waste and energy consumption.

What Did We Do?

- **The Green Way Forward:** In our ongoing efforts to promote sustainability, we have replaced conventional fluorescent lighting bulbs with LED bulbs in all our branches. This change is significant as traditional fluorescent bulbs contain harmful materials such as mercury, which pose environmental risks. In contrast, LED lights are free from toxic materials, are 100 percent recyclable, and have a longer operational lifespan. This initiative not only reduces our carbon footprint but also contributes to significant material and production savings.
- **Energy Usage:** We continually monitor and manage our energy consumption to identify areas for improvement. Here are the key statistics for our energy usage:

• **Both HQ & Branches:**

	2023	2022
Electricity:	8,266,903.36 kWh	8,166,063 kWh
Water:	144,276.94 m³	141,156 m³
Petrol:	445,292.01 litres	388,495.19 litres
Diesel:	22,773.14 litres	19,403.59 litres

What Did We Achieve?

In 2023, we achieved substantial cost savings totaling over RM6 million through various initiatives such as:

- **Bank-wide SDWAN Implementation: RM2.9 million**
 - Enhanced network management efficiency across the organisation.
- **Additional Managed Services - TM Vos: RM1 million**
 - Expanded managed services for streamlined operations.
- **Saving on Rental Premises & Negotiation: RM747K**
 - Optimised real estate expenses through strategic negotiations.
- **HRDC Fund Utilisation on Training: RM216K**
 - Invested in employee training to boost skills and productivity.
- **RPA Phase 1 & Pilot: RM253K**
 - Reduced energy consumption by automating manual tasks, minimising energy-intensive work and optimising resource usage. Bots also run tasks during low-demand energy periods, further increasing the energy saved.
- **Cost Saving from Upgrading RAM & SSD: RM1.2 million**
 - Improved system efficiency by upgrading RAM and SSD, leading to reduced energy consumption. This also minimised electronic waste by extending the lifespan of existing laptops, thereby promoting sustainability by reducing e-waste.
- **Digital Document Management System (DDMS): RM140K**
 - Significantly reduced paper usage, promoting efficient resource management, digitalising the policy vetting and approval process and ensuring compliance with governance standards.

Through these initiatives, Bank Muamalat continues to demonstrate its commitment to environmental stewardship, operational efficiency, and cost-effectiveness, setting a benchmark for sustainable practices in the banking industry.

DATA ON MATERIAL MATTERS

M8 CUSTOMER EXPERIENCE

Complaints

On resolving complaints received by our customers, the Bank ensures the TAT is prompt and does not result in customers' dissatisfaction.

The number of complaints in FY2023 has increased by 3% compared to FY2022. 36% of complaint cases were resolved within 2 working days. Fraud cases in FY2023 have increased by 6% compared to FY2022.

Turnaround Time for Complaint Resolution	Number of Complaints Resolved	Percentage (%)
0 - 2 Working Days	2,130	35.60%
3 - 5 Working Days	1,236	20.66%
> 5 Working Days	2,617	43.74%
Total	5,983	100%

Complaints by Category	No. of Complaints	%
Internet Banking Related	1,306	21.83%
Self-Service Terminal Related	36	0.60%
Fraud	2,659	44.44%
Branch Services	36	0.60%
Others	1,946	32.53%
Total	5,983	100%

Phone Calls

The increase in the volume of calls for FY2023 was due to issues relating to online banking issues, unauthorised debit card transactions, financing assistance inquiries, and overall increase in the number of internet banking users.

Phone Calls Received	FY2022	FY2023	Variance
Total Calls	613,883	791,107	28.87%
Total Answered Calls	399,086	448,011	12.26%
% Answered Calls	65.01%	56.63%	-8.38%

The top 3 categories of calls were Internet Banking (40%), Product & General (37%) and Financing Application (9%).

Phone Calls by Category	FY2022	FY2023	Variance
Internet Banking	190,435	314,950	65.38%
Product and General	256,751	290,582	13.18%
Financing Application	69,321	74,426	7.36%

Customer Satisfaction Survey

The Bank improved its overall customer satisfaction score to 91% in FY2023, while covering 193 more respondents than the previous year.

Touchpoints	FY2022	FY2023	Variance
No. of respondents	307	500	193
Overall Customer Satisfaction Index	82.80%	94%	11.20%
Branches	84.70%	92%	7.30%
Contact Centre	84.70%	84%	-0.70%
Internet Banking	82.50%	91%	8.50%
Mobile Banking	81.80%	89%	7.20%
Self-service Terminals	81.50%	91%	9.50%

DATA ON MATERIAL MATTERS

M11 EMPLOYMENT

The Bank has a total of 2,357 employees as at 31 December 2023, out of which 406 were new employees. A total of 361 employees had left the Bank during the year.

New Hires and Turnovers by Category	New Hires	Percentage of New Hire (%)	Turnover Employment	Turnover Rate (%)
Age Group				
Under 30 years old	221	55%	127	35%
30 - 50 years old	180	44%	198	55%
Over 50 years old	5	1%	36	10%
Total	406	100%	361	100%
Gender				
Male	217	53%	183	51%
Female	189	47%	178	49%
Total	406	100%	361	100%
HQ/Branches				
HQ	123	30%	146	40%
Branches	283	70%	215	60%
Total	406	100%	361	100%

The Bank had 788 employees at Managerial level, 1,435 at Executive level and 194 at Non-Executive level.

Employees by Position Level	By Employee Category		By Age Group		
	Male	Female	Under 30 years old	30 - 50 years old	Over 50 years old
Managerial	444 (56.35%)	344 (43.65%)	8 (1%)	589 (74.75%)	191 (24.25%)
Executive	634 (44.18%)	801 (55.82%)	445 (31%)	883 (61.50%)	107 (7.50%)
Non-Executive	119 (61.34%)	75 (38.66%)	53 (27.32%)	111 (57.22%)	30 (15.46%)

Employee benefits	Senior Management	Managerial	Executive	Non-Executive
Takaful Coverage ¹	√	√	√	√
Healthcare ²	√	√	√	√
Disability and invalidity coverage ³	√	√	√	√
Parental leave ⁴	√	√	√	√
Retirement provision ⁵	√	√	√	√
Stock ownership	N/A	N/A	N/A	N/A
Compassionate Leave ⁶	√	√	√	√
Other Types of Leave ⁷	√	√	√	√
Flexible Work Arrangement ⁸	√	√	√	√
Other Allowances ⁹	√	√	√	√
Membership with Professional Bodies ¹⁰	√	√	N/A	N/A
Staff Financing ¹¹	√	√	√	√

The benefits listed above are provided to full-time employees only.

Notes

- ¹ Includes Group Term Takaful and Critical Illness (only applicable to senior management and managerial staff).
- ² Includes medical benefits, dental benefits, optical benefits, executive health screening and child delivery charges.
- ³ Includes Group Personal Accident, SOCSO, Employee Insurance Scheme (EIS).
- ⁴ Includes maternity leave and paternity leave.
- ⁵ Includes additional EPF employer contribution, early retirement and pre-retirement leave (only applicable to executives and non-executives).
- ⁶ Includes death of family members, natural disaster and immediate family being hospitalised.
- ⁷ Includes annual leave, sick leave, hospitalisation leave, prolonged illness leave, marriage leave, hajj leave and examination leave.
- ⁸ Includes staggered work hours and reduced work hours.
- ⁹ Includes warm clothing allowance for travelling to temperate countries, acting/relief allowance, regional allowance (only applicable to East Malaysia), outstation duty allowance.
- ¹⁰ Includes professional membership (only applicable to senior management and managerial staff).
- ¹¹ Includes Staff Personal Financing, Vehicle Financing, Muamalat Car Scheme, House Financing and Eco-Green Financing.

FY2023 Workplace Related Injuries

Category	Description	No. of Cases
Occupational Disease	Disease or disorder developed due to exposure in the workplace and diagnosed by Occupational Health Doctor. Example: Slip Disc, Carpal tunnel Syndrome	7
Workplace Accidents (Less than 4 days of medical leave)	Unforeseen event that leads to injury or casualty to employees or third party in the Bank's premises, and causing no more than 4 days of medical leave. Example: Fall on same level, at lobby, in toilet or surau	3
Workplace Accidents (More than 4 days of medical leave)	Unforeseen event that leads to injury or casualty to employees or third party in the Bank's premises, and causing loss of 5 consecutive working days. Example: Slip, trip and falls	1
Commuting Accidents	Accidents that occur while travelling to and from office or any other work-related activities during working hours.	16

DATA ON MATERIAL MATTERS

M10 TRAINING AND EDUCATION

Average hours of training per year, per employee by gender, and by employee category:

Employee Training Hours	Male	Female
Number of employees (headcount or full-time equivalent)	1,197	1,220
Number of training hours provided	57,547	66,792
Average training hours per employee	48	55

Employee Training Hours	Management/Managerial	Executive	Non-Executive
Number of employees (headcount or full-time equivalent)	890	1,435	194
Number of training hours provided	19,374	33,064	5,109
Average training hours per employee	25	23	26

Programmes conducted for skills management and lifelong learning for current employees:

Type of Programmes	Programme 1	Programme 2
	Building High Performing Teams	Sales Programme
Scope of programmes	Help senior executives get traction on their strategy by fully harnessing the collective power of their executive team	Equip participants with the Sales Mindset, Islamic banking selling approach and strategies to effectively master prospecting, questioning techniques, overcome objections and obtain commitment

Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

Type of Programme	Programme 1
	Life, Renewed Planning for a meaningful retirement
Scope of programmes	Transitional assistance programmes provided to support employees who are retiring or who have been terminated

Regular Performance and Career Development Reviews

During the year under review, the total number of employees who received regular performance and career development reviews was 2,302.

Number of employees who received regular performance and career development reviews by gender	Male	Female
Number of employees who received regular performance and career development reviews	1,139	1,163
Percentage of employees who received regular performance and career development reviews (%)	49.48%	50.52%

Number of employees who received regular performance and career development reviews by position level	Managerial	Executive	Non-Executive
Total number of employees	788	1,435	194
Number of employees who received regular performance and career development reviews	763	1,348	191
Percentage of employees who received regular performance and career development reviews (%)	96.82%	94.93%	98.45%

DATA ON MATERIAL MATTERS

M9 DIVERSITY AND EQUAL OPPORTUNITY

Bank Muamalat strives to develop and promote a culture of diversity and equality throughout the organisation. We continue to ensure no single employee is treated differently to one another by giving them chances to achieve their potential.

The Bank has a total of 2,417 employees as of 31 December 2022. There are 1,093 employees at HQ level and 1,324 employees at Branch level.

Gender

	Male	Female
Bankwide		
Total number of employees Bankwide	1,197	1,220
% of men or women within the governance body	49.52%	50.48%
HQ		
Total number of employees at HQ	570	523
% of men or women within the governance body	52.15%	47.85%
Branches		
Total number of employees at Branches	627	697
% of men or women within the governance body	47.36%	52.64%

Gender diversity of governance bodies by gender

Governance Bodies	Male	Female
Board Member	7	1
Shariah Committee	6	-
MANCO	10	2

Ratio of basic salary and remuneration of women to men

Employee Category	% of Basic Pay by Gender	
	Male	Female
Managerial	80	20
Executive	44	56
Non-Executive	58	42
Grand Total	70	30

Employees by Ethnicity

	Malay	Indian	Chinese	Others
Bankwide				
Total number of employees	2,264	26	51	76
% of employees within the governance body	93.75%	1.10%	2.10%	3.10%
HQ				
Total number of employees	1,041	16	28	8
% of employees within the governance body	95.20%	1.50%	2.60%	0.70%
Branches				
Total number of employees	1,223	10	23	68
% of employees within the governance body	92.37%	0.76%	1.74%	5.14%

Position level by Ethnicity

	Malay	Indian	Chinese	Others
Managerial				
Total number of employees	715	17	34	22
% of employees within the employee category	90.74%	2.16%	4.31%	2.79%
Executive				
Total number of employees	1,365	6	15	49
% of employees within the employee category	95.12%	0.40%	1.05%	3.41%
Non-Executive				
Total number of employees	184	3	2	5
% of employees within the employee category	94.85%	1.55%	1.03%	2.58%



Ranked #1

in the industry for customer service satisfaction index according to a survey conducted by IPSOS in collaboration with ABM, AIBIM and BNM



Awarded TALENTBANK Graduates Choice Award 2023 at the 6th Graduates' Choice Award (GCA) 2023



GOVERNANCE

Strengthening Foundations

- Launched an Organisational Anti-Corruption Plan (OACP) for 2023-2025 to combat corruption and nurture good governance, in line with requirement outlined by the National Anti-Corruption Plan (NACP) 2019-2023.
- Introduced new security features and enhancements to protect customers against cybersecurity threats
- Invested in an average of 52 training hours per staff

“

The OACP is designed to improve efficiency, transparency and accountability as well as embed Bank Muamalat's integrity & ethics standard, towards transforming Bank Muamalat into the strongest Islamic bank in Malaysia.

”

Wan Kamarudin Wan Omar
Chief Compliance Officer



For more information,
please refer to pages 50 and 51

OUR BOARD DIVERSITY

Tan Sri
Tajuddin Atan,
FCB

Dato'
Ibrahim Taib

Johari
Abdul Muid

Tan Sri
Che Khalib
Mohamad Noh

Ainol Roznain
Yaacob

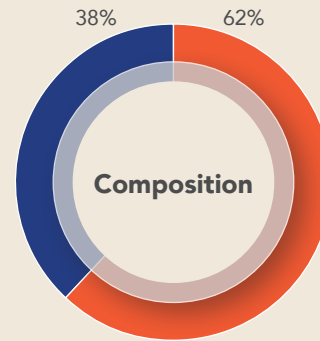




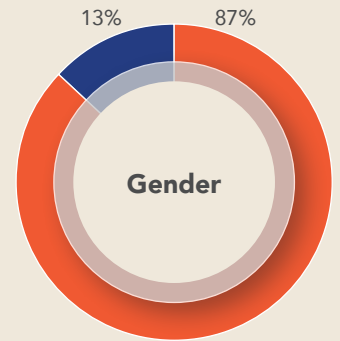
Md Khairuddin
Haji Arshad

Roshidah
Abdullah

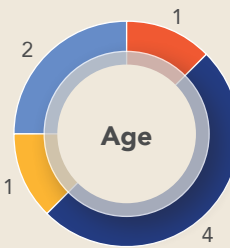
Mohd Razlan
Mohamed



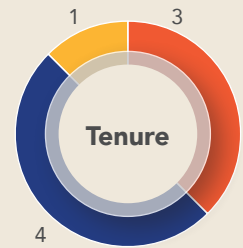
● Independent
● Non-Independent



● Male
● Female



● 50 to 55 ● 61 to 65
● 56 to 60 ● 66 to 70



● Less than 3 years
● 3 to 9 years
● 10 years and above

BOARD EXPERTISE



BOARD OF DIRECTORS' PROFILE

TAN SRI TAJUDDIN ATAN, FCB

Chairman

Nationality	Malaysian
Age and Gender	65 Male
Date of Appointment	6 May 2020
Meeting Attendance	11/11



Tan Sri Tajuddin Atan was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 6 May 2020 and subsequently, as an Independent Non-Executive Chairman on 3 June 2020.

Tan Sri Tajuddin brings with him over 35 years of experience in the financial industry and corporate sphere, including domestic and international exposure. He was the Chief Executive Officer/Group Managing Director of Bursa Malaysia Berhad, RHB Bank Berhad, Bank Pembangunan Malaysia Berhad, Bank Simpanan Nasional and Chase Perdana Berhad.

Tan Sri Tajuddin currently serves as the Chairman of MMC Corporation Berhad, Honda Malaysia Sdn Bhd as well as Chairman of Asian Institute of Chartered Bankers (AICB) Disciplinary Panel. He sits on the Board of Cagamas Berhad and chairs the Board Risk Committee.

Tan Sri Tajuddin holds a Bachelor of Science (Agribusiness) degree from the University Putra Malaysia and a Master of Business Administration from Ohio University. A Fellow Chartered Banker by AICB, he was conferred an Honorary Doctorate in Finance by University Putra Malaysia.

JOHARI ABDUL MUID

Senior Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	67 Male
Date of Appointment	10 November 2020
Meeting Attendance	11/11



Johari Abdul Muid was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 10 November 2020. He is the Chairman of the Board Nomination & Remuneration Committee and a member of the Board Audit, Board Risk & Compliance, Board Veto and Board Technology Committees.

Johari brings with him over 30 years of experience in the corporate and financial industry that including banking, capital markets and social security. He was previously the Head-Treasury Division at Commerce International Merchant Bankers Bhd (1983–1994), Senior Vice President-Institutional Sales at CIMB Securities Sdn Bhd (1994-2003), Chief Investment Officer of Valuecap Sdn Bhd (2003-2004), Deputy Chief Executive Officer of Employees Provident Fund (2004-2011), Chief Executive Officer and Managing Director of RHB Bank Berhad (2011-2013).

Johari is currently an Independent Non-Executive Director of Protect Health Corporation Berhad, Nomura Asset Management Malaysia Berhad and Nomura Islamic Assets Management Malaysia Berhad. Johari was previously an Independent Director of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (November 2017 to November 2020), Bursa Malaysia Berhad (April 2016 to March 2020) and Malaysia Debt Ventures Berhad (November 2015 to November 2019). Johari was also a Non-Independent Non-Executive Director of RHB Capital Berhad (April 2005 to November 2011), RHB Investment Berhad (April 2005 to January 2008), RHB Islamic Berhad (January 2008 to November 2011) and Iskandar Investment Berhad (January 2008 to January 2009). He was also a member of Investment Panel of Kumpulan Wang Amanah Pencen (October 2015 to July 2019).

Johari is a Fellow of the Chartered Institute Management Accounting (CIMA).

BOARD OF DIRECTORS' PROFILE

TAN SRI CHE KHALIB MOHAMAD NOH

Non-Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	59 Male
Date of Appointment	27 August 2012
Meeting Attendance	9/11



Tan Sri Che Khalib Mohamad Noh was appointed as Non-Independent as a Non-Executive Director of Bank Muamalat Malaysia Berhad nominated by DRB-HICOM Berhad on 27 August 2012. He is a member of the Board Nomination & Remuneration and Board Veto Committees.

He was the former President and Chief Executive Officer of Tenaga Nasional Bhd (TNB). After that, he was the Chief Operating Officer – Finance, Strategy & Planning of DRB-HICOM Berhad. Tan Sri Che Khalib began his career with Messrs Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. He was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from the year 2000 to 2004. He also served as a Board member within the United Engineers Malaysia (UEM) Group of companies and Bank Industri & Teknologi Malaysia Berhad.

Tan Sri Che Khalib is currently the Group Managing Director of MMC Corporation Berhad. He sits on the Board of Gas Malaysia Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, NCB Holdings Bhd, Aliran Ihsan Resources Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.

A qualified accountant, Tan Sri Che Khalib is a member of the Malaysian Institute of Accountants (MIA) and also a Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom.

DATO' IBRAHIM TAIB

Non-Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	70 Male
Date of Appointment	29 March 2018
Meeting Attendance	11/11



Dato' Ibrahim Taib was appointed as Non-Independent Non-Executive Director of Bank Muamalat Malaysia Berhad nominated by DRB-HICOM Berhad on 29 March 2018. He is currently the Chairman of the Board Technology Committee and a member of the Board Risk & Compliance Committee.

He started his career in the judicial service in 1978 as a Magistrate in the Magistrate Court, Jalan Duta, Kuala Lumpur. Thereafter, he was transferred to the Magistrate Court in Segamat, Johor. In 1982, he became a Legal Adviser with the Road Transport Department; and continued in the same role in the Ministry of Human Resources in 1986.

In October 1989, he was attached to the Attorney-General's Chambers as a Deputy Public Prosecutor for Selangor. In 1992, he served as a Judge in the Sessions Court, Kota Bharu. In July 1992, he was seconded to the Employees Provident Fund (EPF) as Head, Legal Department. He retired as the Deputy Chief Executive Officer (Operations) of EPF on 4 October 2014 but remained as the nominee Director of EPF in DRB-HICOM Berhad until 26 May 2017.

He is currently an Independent Non-Executive Director of DRB-HICOM Berhad. Dato' Ibrahim holds a Bachelor of Laws (Honours) degree from the University of Malaya and a Master of Laws from the University of London.

BOARD OF DIRECTORS' PROFILE

AINOL ROZNAIN YAACOB

Non-Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	55 Male
Date of Appointment	1 October 2022
Meeting Attendance	11/11



Ainol Roznain Yaacob was appointed as a Non-Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 October 2022. He is a member of the Board Nomination & Remuneration and Board Audit Committees.

Ainol joined Khazanah in March 2021 as Head of Transformation and leads the strategic transformation for Finance covering key areas such as technology, ways of working and talent development. He is also Head of Tax Planning and Advisory and provides leadership on tax policy and strategy that is focused and aligned with Khazanah's strategic imperatives.

Prior to Khazanah, Encik Ainol spent 8 years with BP Malaysia initially as Global Head of Compliance and Reporting Director and from 2017 as Head of Country, Malaysia. As part of his role, he provides leadership to BP's business transformation and change management for Malaysia and supports the Asian region. He also implemented a programme framework for BP Plc's global statutory audit covering key regions such as the UK, EMEA, Oceania and parts of Africa, and in 2020 was part of the leadership team involved in investments and divestments of BP's global key assets in the region.

He started his career in audit with KPMG London before moving to Corporate and International Tax within KPMG and later with Deloitte specialising in risk management and controls. Encik Ainol spent almost 20 years working in London prior to his return to Malaysia with Ernst & Young. One of his passions is developing and empowering talents as future leaders who can easily adapt to the evolving business needs and environment. He is also a firm believer that the key success for business is to provide a respectful, inclusive and diverse workplace for employees.

MD KHAIRUDDIN HJ ARSHAD

Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	58 Male
Date of Appointment	10 September 2019
Meeting Attendance	11/11



Md Khairuddin Haji Arshad was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 10 September 2019. He also serves as the Chairman of the Board Risk & Compliance Committee and a member of the Board Audit and Board Veto Committees.

Md Khairuddin has over 25 years of experience in the banking industry. He started his career with Bank Negara Malaysia (BNM) in 1991 and served in the Bank Regulation Department and Islamic Banking and Takaful Department until 2005. He was involved in the establishment of the International Islamic Financial Market and the Islamic Financial Services Board.

He was part of the pioneer management team tasked with the establishment of Perbadanan Insurans Deposit Malaysia. He served as Chief Operating Officer and General Manager, Insurance, Risk Assessment and Monitoring Division since its establishment in 2005 until 2013. He was also the first Chairman of the Islamic Deposit Insurance Group of International Association of Deposit Insurers.

He joined Bank Rakyat in 2013 as Chief Risk Officer and his last position was Chief Operating Officer where he was entrusted with the responsibilities to expand the retail and corporate banking businesses, ensure effective implementation of the recovery and rehabilitation activities, manage corporate services effectively and continuously improve the effectiveness and efficiencies of the overall banking operations.

He holds a Bachelor's Degree in Accounting from the International Islamic University Malaysia. He also attended the Oxford Advanced Management and Leadership Programme and ICLIF Global Leadership Development Programme. He also has a Master of Business Administration from Heriot Watt University.

BOARD OF DIRECTORS' PROFILE

MOHD RAZLAN MOHAMED

Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	58 Male
Date of Appointment	1 September 2021
Meeting Attendance	11/11



Mohd Razlan Mohamed was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 September 2021. He is the Chairman of the Board Veto Committee and a member of the Board Risk & Compliance and Board Nomination & Remuneration Committees.

Razlan was the Chief Executive Officer of the credit rating agency, Malaysian Rating Corporation (MARC), for 11 years from 2007 to 2018. As a member of MARC's Rating Committee, he was largely responsible for the decision of all credit rating assignments and actions on various asset classes including large corporates, structured products, infrastructure projects and financial institutions. Prior to that, he was a corporate and investment banker for debt and debt capital market for 13 years with Perwira Affin Merchant Bank, Bank of America (Malaysia), Maybank Investment Bank and MIMB Investment Bank.

He had served as a Board member of Asia credit rating industry body, the Association of Credit Rating Agency in Asia (2015 to 2018), as well as in two other international credit rating agencies, ARC Ratings SA, Portugal (2013 to 2018) and Islamic International Rating Agency, Bahrain (2011 to 2018). He was also an Independent Non-Executive Director of HSBC Amanah Malaysia Berhad (2008 to 2011), VCAP Asset Managers Sdn Bhd (2015 to 2018) and Senai-Desaru Expressway Berhad (2019 to 2021).

Currently, Razlan sits on the Board as an Independent Non-Executive Director of Glomac Berhad, Universiti Teknologi Malaysia, Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA), USAINS Holding Sdn Bhd and Pacific Trustees Group International Sdn Bhd.

In addition, he is also serving as Chairman of UTMSPACE and Chairman of Amanah Raya Investment Management Sdn Bhd, as well as an Investment Advisory Panel member of the Securities Commission Malaysia.

Razlan obtained his Bachelors of Science (cum laude) degree in Civil and Environmental Engineering from Duke University, USA and an MBA from Rice University, USA.

ROSHIDAH ABDULLAH

Independent
Non-Executive Director

Nationality	Malaysian
Age and Gender	57 Female
Date of Appointment	1 September 2021
Meeting Attendance	9/11



Roshidah Abdullah was appointed as an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad on 1 September 2021. She is the Chairman of the Board Audit Committee and a member of the Board Nomination & Remuneration and Board Technology Committees.

Roshidah has more than 25 years experience in financial management, corporate strategy development, governance and risk management in various organisations across diverse industries – upstream oil and gas; pharmaceutical manufacturing and distribution; construction and engineering – with operations in Malaysia and abroad (particularly Kazakhstan, Indonesia and the Middle East). Having worked for almost 20 years in public listed companies and large conglomerates in the capacity of Chief Financial Officer and equivalent positions, she has had much exposure to the requirements and set up of code of corporate governance and enterprise-wide risk management framework in her previous organisations.

Roshidah started her career as an auditor with Deloitte and Touche (Kassim Chan & Co) in 1989. She left the firm in December 1992 to join Time Engineering Berhad as a Group Accountant.

In January 1995, Roshidah moved to Remedi Pharmaceuticals (M) Sdn Bhd (Remedi) to head the Finance Department. Remedi was at that point just secured a 15-year concession contract to manage the drug procurement for the Ministry of Health Malaysia. She was also directly involved in the merger and acquisition of Remedi, Raza Manufacturing Berhad and Strand Pharmaceuticals Sdn Bhd by Pharmaniaga Berhad (Pharmaniaga) in 1998, and the subsequent public listing of Pharmaniaga on Bursa Securities in 1999. In January 2000, Roshidah was promoted as the General Manager Finance and later in April 2003, as the Chief Financial Officer for Pharmaniaga. She was also Pharmaniaga's Chief Operating Officer from 2006 to March 2008.

Roshidah then spent the next two years until early 2010 as Finance Director at UEM Group Berhad and UEM Builders Berhad before she returned to Pharmaniaga to assist the Company to, amongst others, finalise its negotiation for renewal of the concession agreement and prepare for the change in controlling shareholders.

After leaving Pharmaniaga in March 2011, Roshidah had a short stint as a business consultant. Then from April 2013 to October 2016, she was the Chief Financial Officer with Sumatec Resources Berhad.

She is an Independent Non-Executive Director of Pos Malaysia Berhad.

Roshidah obtained a Bachelors of Arts degree in Accountancy from South Australian Institute of Technology, Australia (now known as University of South Australia) in 1988. She is also a chartered member of Malaysian Institute of Accountants and a certified member of Australian CPA since 1992.

SHARIAH COMMITTEE PROFILE

The Shariah Committee comprises experienced and qualified individuals who perform the following responsibilities:

- 1 Advise the Board, Management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.
- 2 Endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.
- 3 Approve the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- 4 Assess the work carried out by Shariah Review and Shariah Audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.
- 5 Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah principles.
- 6 Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- 7 Scrutinise and endorse the annual financial report of the Bank.



DR. YUSRI MOHAMAD

Chairman,
Shariah Committee



Date joined
1 April 2019

Other Current Positions

- Chairman, Shariah Committee of FWD Takaful
- Chairman of Kolej Professional Baitulmal Kuala Lumpur
- Director of Pusat Wakaf Majlis Agama Islam Wilayah Persekutuan (MAIWP)
- Member, Islamic Religious Council of Federal Territory
- Member, Fatwa Council of Federal Territory
- Legal Assistant, Nuaim Razak and Partners

Qualifications

- Ph.D in Islamic Jurisprudence, International Islamic University of Malaysia (IIUM)
- Master in Law (LLM) at The School of Oriental and African Studies (SOAS), University of London
- Bachelor of Laws (LL.B) (Shariah), IIUM
- Bachelor of Laws (LL.B), IIUM
- Diploma in Shariah Law and Practice, IIUM

Relevant Work Experience

- Former Assistant Professor, Ahmad Ibrahim Kulliyah of Laws, IIUM
- Former President, Yayasan Dakwah Islamiah Malaysia (YADIM)
- Former Director & Shariah Committee Member, Zurich Takaful Berhad
- Former Shariah Committee Member, Kenanga Investment Bank Berhad



DR. MOHD SHAHID MOHD NOH

Member,
Shariah Committee



Date joined

1 March 2019

Other Current Positions

- Senior Lecturer, Academy of Islamic Studies, Universiti Malaya (UM)
- Director, Iqra Foundation (Training and Consultancy)
- Imam, Masjid Al-Ghufran, Pinggir Taman Tun Dr. Ismail
- Member, Fatwa Council of Negeri Sembilan

Qualifications

- Ph.D. in Faculty of Economy and Muamalat, Islamic Science University of Malaysia (USIM)
- Master in Business Administration (Muamalah), Selangor Islamic College University (KUIS)
- Master in Islamic Financial Practice (MIFP), INCEIF
- Bachelor of Art in Qiraat Specialisation, Maahad Qiraat Shoubra Al-Azhar, Egypt

Relevant Work Experience

- Lecturer, Academy of Islamic Studies, UM



DR. AHMAD ZAKIRULLAH MOHAMED SHAARANI

Member,
Shariah Committee



Date joined

1 April 2021

Other Current Positions

- Senior Lecturer, University Pendidikan Sultan Idris
- Senior Consultant, Tawafuq Consultancy Sdn Bhd
- Member, Shariah Committee, Pertubuhan Peladang Kebangsaan
- Member, Shariah Committee, Hong Leong MSIG Takaful
- Member, Shariah Committee, Perbadanan Tabung Pembangunan Kemahiran (PTPK)
- Member, Shariah Committee, EXIM Bank Malaysia Berhad

Qualifications

- Ph.D. in Usul Fiqh, UM
- Master in Islamic Revealed Knowledge - majoring in Usul al-Fiqh (Hons), IIUM
- Bachelor in Syariah Islamiyyah (Hons), Al-Azhar University, Tanta, Egypt
- Diploma in Syariah Islamiyyah (Hons), Institute of Islamic and Arabic Language (MADIWA), Perak

Relevant Work Experience

- Former Shariah Committee Member, United Overseas Bank (UOB) Malaysia
- Former Registered Shariah Advisor, Islamic Banking and Finance Institute of Malaysia (IBFIM)
- Former Shariah Committee Member, IBFIM Internal Shariah Committee (IISC)

SHARIAH COMMITTEE PROFILE



DR. MUHAMAD AZHARI WAHID

Member,
Shariah Committee



Date joined

1 April 2021

Other Current Position

- Senior Lecturer, Faculty of Economics and Muamalat, USIM

Qualifications

- Ph.D. in Islamic Banking and Finance, University of Gloucestershire, United Kingdom
- Chartered Islamic Finance Professional, INCEIF University
- Bachelor in Islamic Revealed Knowledge (Fiqh and Usul Fiqh), IIUM

Relevant Work Experience

- Former Assistant Manager cum acting Head of Shariah Research and Publication, Bank Muamalat
- Former Executive, Shariah Advisory and Secretariat, Bank Muamalat
- Former Management Trainee and Executive, Bank Muamalat (Seremban branch)



DR. BADRUDDIN HJ. IBRAHIM

Member,
Shariah Committee



Date joined

15 January 2023

Other Current Position

- Associate Professor, Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws (AIKOL), IIUM

Qualifications

- Ph.D (Law) (Administration of Wealth under Islamic Law), IIUM
- Master in Shariah and Law, International Islamic University Islamabad (IIUI), Pakistan
- Bachelor of Shariah and Law, IIUI, Pakistan

Relevant Work Experience

- Former Shariah Committee Chairman, Alliance Islamic Bank
- Former Shariah Committee Member, Alliance Islamic Bank



EN. KHAIRUN NAJMI SARIPUDIN

Member,
Shariah Committee



Date joined

15 January 2023

Other Current Positions

- Member, Shariah Committee, Swiss Re Retakaful
- Researcher at ISRA Research Management Centre, INCEIF University

Qualifications

- Chartered Islamic Finance Professional (CIFP), INCEIF University
- Master in Shariah (Fiqh Muamalat), UM
- Bachelor of Shariah (Fiqh and Usul), UM

Relevant Work Experience

- Former Associate Analyst & Analyst, Bank Negara Malaysia (BNM)

SENIOR MANAGEMENT PROFILE



KHAIRUL KAMARUDIN

President & Chief Executive Officer



Date joined

7 February 2019

Appointment to Current Position

1 November 2019

Key Responsibilities

- Provides visionary leadership by setting the Bank's strategic direction, ensuring alignment with the Board's vision and long-term goals
- Leads the innovation and development of new business opportunities, cultivates strong relationships with key stakeholders
- Drives the Bank's corporate culture transformation, fostering an environment that embodies core brand values and promotes organisational excellence

Appointments

- Director Islamic Banking and Finance Institute Malaysia (IBFIM)
- Adjunct Professor DRB-HICOM University of Automotive Malaysia

Award

- Islamic Retail Bank Award's CEO of the Year 2023

Qualifications

- Bachelor of Laws (LLB) (Hons), Anglia Ruskin University, United Kingdom
- Member, The Association of Chartered Islamic Finance Professionals, Malaysia

Experience

- Chief Executive Officer, Bank Islam Malaysia Berhad
- Director, BIMB Investment Management Berhad
- Pengurusan Danaharta Nasional Berhad
- PricewaterhouseCoopers (PwC), Malaysia



ZURY RAHIMEE ZAINAL ABIDEN

Chief Operating Officer



Date joined

22 April 2019

Appointment to Current Position

1 April 2023

Key Responsibilities

- Strategically defines and implements the optimal operating model to support the Bank's sustainable growth in alignment with the RISE26+ strategic plan and budgetary guidelines
- Directs and aligns operational strategies and procedures to cohesively support the Bank's overarching business objectives
- Ensures consistent and measurable success across all aspects of the Bank's operations
- Escalates operational capabilities and ensures seamless functioning across various business segments

Qualification

- Bachelor's Degree (Hons) in Marketing, Universiti Teknologi MARA

Experience

- Over 20 years of experience in retail banking industry
- Director Retail Banking, Bank Muamalat Malaysia Berhad
- Head, Deposit and Cash Management Division, Bank Islam Malaysia Berhad
- Assistant General Manager, Consumer Banking Division, Bank Islam Malaysia Berhad



AMIRUL NASIR ABDUL RAHIM

Chief Financial Officer



Date joined

1 September 2021

Appointment to Current Position

1 September 2021

Key Responsibilities

- Responsible for Group's financial, capital, balance sheet, and funding management
- Oversees overall finance function, Corporate Treasurer and Asset Liability Management, Capital Management, Strategic Procurement, Strategic Data Management, Investor Relations, Economics and Market Analysis, Social Finance, and Shariah

Qualification

- Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom

Experience

- Director, Strategy and Finance, CIMB Niaga, Indonesia
- Director, Business Finance Advisory and FRS, Group Finance, CIMB Group Malaysia
- Assistant Vice President, Business Finance Advisory, Retail Finance, AmBank Group Malaysia
- Audit Supervisor, Global Financial Services, Ernst and Young LLP Malaysia and Singapore



HAMIDI A. RAZAK

Chief Risk Officer



Date joined

3 February 2020

Appointment to Current Position

1 April 2023

Key Responsibilities

- Oversees the Bank's risk governance framework and risk appetite
- Implements all risk policies approved by the Board
- Oversees Credit Assessment, Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Cyber Risk, Technology Risk, Shariah Risk, Enterprise Risk, Sustainability, Risk Modeling and Validation, and Retail Approving Centre

Qualifications

- Master of Business Administration (with Distinction), Universiti Malaya, Malaysia
- Bachelor of Science (Actuarial Science), Universiti Kebangsaan Malaysia
- Lean Six Sigma Black Belt

Experience

- Vice President, Credit Risk Management Department, Bank Muamalat Malaysia Berhad
- Assistant Vice President, Financial Risk Management, Bursa Malaysia
- Manager, Prudential Financial Policy Department, Bank Negara Malaysia
- Executive, Credit Risk Analytics, Cards and Unsecured Lending, Maybank
- Executive, Credit Risk, Bank Kerjasama Rakyat Malaysia
- Executive, Customer Fulfillment, Integrated Supply Chain, International Business Machine (IBM)
- Adjunct Professor, INCEIF University

SENIOR MANAGEMENT PROFILE



WAN KAMARUDIN WAN OMAR

Chief Compliance Officer



Date joined

1 October 2020

Appointment to Current Position

15 November 2023

Key Responsibilities

- Oversees the Regulatory Advisory & Compliance Division, functioning as an independent party that reviews, evaluates, and assures compliance to the regulatory requirements within the Bank's business activities

Qualifications

- Advanced Certification in AML CFT, International Compliance Association (ICA)
- ICA International Diploma in AML
- Certificate in AMLCFT (ICA)
- Advanced Certification in Regulatory Compliance
- ICA International Diploma in Governance, Risk & Compliance
- Chartered Islamic Finance Professional
- Degree in Accountancy, University of Malaya

Experience

- Head Financial Crime, Bank Muamalat
- Head AMLCFT, UOB Bank
- Manager, Money Service Business Regulation, BNM



FAIDZUEL ZAIN

Chief Internal Auditor



Date joined

4 July 2011

Appointment to Current Position

1 October 2022

Key Responsibilities

- Responsible for effectively managing the Internal Audit activity of the Bank in accordance with the Internal Audit Charter, the requirements set by Bank Negara Malaysia and mandatory elements of the International Professional Practices Framework
- Engages directly with the Board, Board Audit Committee, and Senior Management

Qualifications

- Bachelor of Accountancy (Hons), Universiti Teknologi MARA, Malaysia
- Certified Banking Auditor, Asian Institute of Chartered Bankers
- Certified Credit Professional (Business), Asian Institute of Chartered Bankers

Experience

- Head of Operations and Management Audit Department, Bank Muamalat Malaysia Berhad
- Head of Forensic Audit Section, Bank Muamalat Malaysia Berhad
- Head of Credit Audit Section, Bank Muamalat Malaysia Berhad
- Internal Audit Manager, EON Bank Berhad
- Audit Supervisor/Team Leader, Maybank



NASHA PHEDRA AMIN

Head, Legal & Secretarial



Date joined

5 February 2024

Appointment to Current Position

5 February 2024

Key Responsibilities

- Leads, oversees, supervises and manages the deliverables under the legal and company secretarial functions within the department
- Ensures compliance with applicable laws, regulations, and industry standards, including those related to banking, finance, and corporate governance

Qualifications

- Bachelor of Laws & Economics, University of Tasmania
- Bachelor of Laws (LLB), University of Tasmania

Experience

- Director, Regional Head of Islamic Legal CIMB Islamic Bank Berhad
- Senior Legal Counsel, Head of Islamic Legal, HSBC Amanah Bank Berhad
- Vice President Shariah Transaction, Maybank Islamic Bank Berhad
- Assistant Vice President, Group Legal, Maybank
- Legal Advisor, Securities Commission
- Practicing Lawyer, Meesrs R.J. ESA & Co & Messrs. Othman Hashim & Co



NOR HAMIDAH ABU BAKAR

Head, Investment Banking



Date joined

25 August 2010

Appointment to Current Position

3 January 2023

Key Responsibilities

- Plans, monitors, coordinates, and manages Investment Banking activities as well as oversees the development and expansion of Investment Banking
- Embeds risk and compliance culture within the division while formulating and implementing strategic plans, new product research and development, staff up-skilling, and performance management
- Coordinates the marketing strategies for the Bank's wholesale customers

Qualifications

- Executive Masters in Management, Asia Metropolitan University, Malaysia
- Bachelor of Economics, International Islamic University Malaysia
- Member, The Association of Chartered Finance Professionals, Malaysia

Experience

- Executive Vice President, Business Banking Division, Bank Muamalat Malaysia Berhad
- Corporate Banking Division, RHB Bank Berhad

SENIOR MANAGEMENT PROFILE



DATO' MOHAMED NAZIR NOR MOHAMED

Director, Commercial Banking



Date joined

8 February 2021

Appointment to Current Position

1 September 2021

Key Responsibilities

- Manages the operations of Commercial, SME, and Leasing under Commercial Banking
- Spearheads growth strategies and the execution of strategies for the division, in line with the aspirations of the Board
- Markets the Bank's products, and spearheads high-level discussions and negotiations with potential partners such as Government Agencies and Cooperatives

Qualification

- Bachelor of Science (Hons) in Electronics, Middlesex University London, United Kingdom

Experience

- Group Managing Director, Chase Perdana Sdn Bhd
- Group CEO, Turiya Berhad
- CEO, Laksamana Warisan Sdn Bhd (Inai Kiara Group)
- Deputy General Manager, Johor Corporation
- Assistant Vice President I – Strategy and Business Development, Sime Darby Energy and Utilities
- Assistant Vice President II – Capital Management, Group Strategy and Business Development, Sime Darby Berhad
- Associate – Bonds Origination, Debt Capital Market, CIMB Investment Bank Berhad
- Senior Client Manager, Debt Capital Market and Oil and Gas, Bumiputra-Commerce Bank Berhad



NOR HAFIZAH AHMAD MARZUKI

Head, Human Capital Division



Date joined

15 June 2022

Appointment to Current Position

15 June 2022

Key Responsibilities

- Develops Human Resources (HR) strategies that are aligned with the Bank's Transformation Strategy
- Drives the People agenda to transform the Bank into a High Performing Organisation by adopting and executing HR best practice strategies that help foster employee engagement and culture, hence improving employee retention
- Responsible for executing HR transformation into becoming a strategic partner in driving results through people

Qualifications

- Master of Business Administration and Bachelor of Laws (LLB) from The University of Hertfordshire, United Kingdom
- Certified in several Leadership Psychometric Tools and Professional Development programs, including Prince2 Project Management, and Internal QMS Auditor
- Certified in "Brain-Based Coaching" by the Neuro Leadership Institute

Experience

- Human Resources professional with over two decades of demonstrated experience across sectors such as Consulting, Oil and Gas, FMCG, Professional Services, and Financial Services
- Mentors and coaches individuals on leadership transitions, career development, and personal growth
- Leads successful initiatives to institutionalise Talent Management frameworks and processes to transform organisations



DR. MOHD IZWAN BIN MAHYUDIN

Head Shariah



Date joined

15 December 2008

Appointment to Current Position

27 July 2020

Key Responsibilities

- Responsible for managing the Bank's Shariah Committee and performing the secretariat function for the Shariah Committee
- Accountable for providing Shariah advisory and consultancy functions to the Board and Management, including but not limited to the Bank's products, businesses, services, operation, risk management, credit, recovery, corporate planning, IT system, human resources, Zakat payment, and financial statements
- Provides expert input and materials on research, advisory, and training development on all Shariah matters of the Bank

Qualifications

- PhD in Islamic Economics, University Malaya
- Master of Shariah (with Distinction), University of Malaya
- Bachelor of Islamic Revealed Knowledge and Heritage (Fiqh and Usul Fiqh) Degree, International Islamic University Malaysia
- Executive Diploma in Advance Management, DRB-Hicom University
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Certified Training Professional by Financial Accreditation Agency

Experience

- Secretary of Shariah Committee, Bank Muamalat Malaysia Berhad
- Head of Advisory and Secretariat Section, Bank Muamalat Malaysia Berhad
- Head of Shariah Compliance and Review Section, Bank Muamalat Malaysia Berhad
- Head of Shariah Training and Awareness Section, Bank Muamalat Malaysia Berhad
- Acting Head, Product Development and Innovation, Bank Muamalat Malaysia Berhad
- Acting Head, Social Finance Department, Bank Muamalat Malaysia Berhad



TN. HJ. MUHAMAD RADZUAN AB RAHMAN

Head, Banking Operations



Date joined

13 February 2006

Appointment to Current Position

1 January 2021

Key Responsibilities

- Responsible for maintaining control of diverse operations segments with the main objective of securing the functionality of the business to drive extensive and sustainable growth in accordance with the strategic plan and budget

Qualifications

- Master of Business Administration, Universiti Kebangsaan Malaysia
- Bachelor of Business Administration in Management, West Texas A & M University, USA
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Certified Credit Professional (Consumer), IBBM

Experience

- Head, Credit Management Division, Bank Muamalat Malaysia Berhad
- Head, Financing Supervision and Rehabilitation, Bank Muamalat Malaysia Berhad
- Head, Retail Approving Centre, Bank Muamalat Malaysia Berhad
- Branch Manager, Jalan TAR Branch, Bank Muamalat Malaysia Berhad
- Credit Manager (Mortgage Approval Team Leader), Credit Approval Centre, Southern Bank Berhad
- Branch Manager, S17 PJ and Kulim Branch, Southern Bank Berhad
- Head of Credit, Damansara Town Centre Branch, Bank Bumiputra Malaysia Berhad

SENIOR MANAGEMENT PROFILE



TS. MEGAT MOHAMMAD FAISAL KHIR JOHARI

Chief Technology Officer



Date joined
3 August 2020

Appointment to Current Position

1 September 2021

Key Responsibilities

- Manages the Bank's information assets and ensures technologies are adequately protected, which includes developing and overseeing the IT Strategic Plan and budget
- Plans, deploys, and maintains IT systems and operations
- Manages the organisation's software development needs
- Develops IT policies, procedures, and best practices
- Monitors IT trends and emerging technologies
- Develops and enforces IT best practices across the organisation
- Oversees relationships with vendors, contractors, and service providers
- Reports to the Board and other executives on the benefits and risks of new IT related projects

Qualifications

- Bachelor of Commerce (Accountancy), The University of Queensland, Australia
- Professional Technologist in Cyber Security Technology, Malaysia Board of Technologists
- Business Continuity Professional (Pending Certification Submission for CBCP), Disaster Recovery Institute

Experience

- Over 24 years experience in Technology and Cyber Security Project Advisory Services, Business Continuity, Internal Audit, IT Audit, and Risk Management
- Former Partner of Deloitte Risk Advisory
- Former Deloitte Asia Pacific Risk Advisory Leader for Oil, Gas and Chemical



ASNULHADI YEOP AZIZ

Director, Corporate Banking



Date joined
15 September 2023

Appointment to Current Position

15 September 2023

Key Responsibilities

- Responsible for planning, developing, managing and expanding corporate banking businesses and asset quality of the Bank
- Analyses the overall banking requirements of corporate clients, and collaborates across all business segments in the Bank to provide tailored solutions
- Identifies market trends, client needs, and competitive offerings to formulate product development and innovation strategies for transactional banking
- Oversees the implementation and enhancement of transaction banking systems, processes, and controls to ensure efficiency, accuracy, and compliance with regulatory requirements

Qualifications

- MBA, Universiti Sains Malaysia
- Bachelor of Business Administration, West Texas State University, USA
- Certified Credit Practitioner (CCP), Institut Bank – bank Malaysia (now Asian Institute of Chartered Bankers)
- Certificate in Islamic Law, International Islamic University Malaysia

Experience

- Head Islamic Business, Commercial, Corporate & Institutional Banking, Standard Chartered Saadiq Berhad
- Senior Manager, Commercial Banking and Corporate Banking Divisions, Bank Islam Malaysia Berhad
- Manager, Restructuring & Rehabilitation, Corporate Banking, Bank Islam Malaysia Berhad
- Branch Manager, Bank Islam Malaysia Berhad

BOARD COMMITTEES

BOARD AUDIT COMMITTEE

Chairman
Roshidah Abdullah

- Members*
- Johari Abdul Muid
 - Md Khairuddin Hj Arshad
 - Ainol Roznain Yaacob

BOARD RISK & COMPLIANCE COMMITTEE

Chairman
Md Khairuddin Hj Arshad

- Members*
- Johari Abdul Muid
 - Dato' Ibrahim Taib
 - Mohd Razlan Mohamed

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairman
Johari Abdul Muid

- Members*
- Tan Sri Che Khalib Mohamad Noh
 - Ainol Roznain Yaacob
 - Mohd Razlan Mohamed
 - Roshidah Abdullah

BOARD VETO COMMITTEE

Chairman
Mohd Razlan Mohamed

- Members*
- Johari Abdul Muid
 - Tan Sri Che Khalib Mohamad Noh
 - Md Khairuddin Hj Arshad

BOARD TECHNOLOGY COMMITTEE (established on 1 March 2023)

Chairman
Dato' Ibrahim Taib

- Members*
- Johari Abdul Muid
 - Roshidah Abdullah

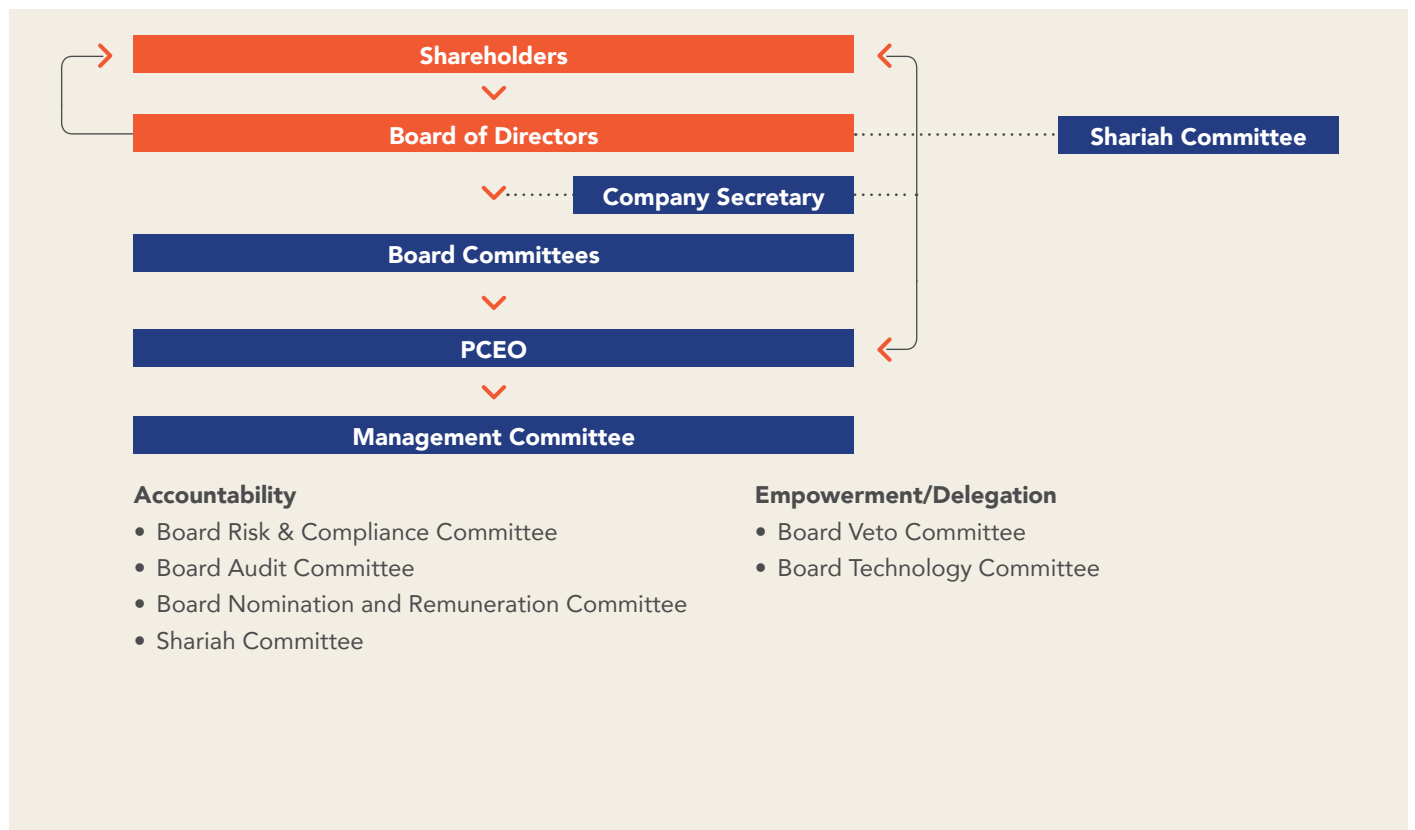
GOVERNANCE DISCLOSURE

OUR GOVERNANCE FRAMEWORK

Our governance framework takes guidance based on the following key statutory provisions and best practices:

- Companies Act 2016 (CA 2016)
- Islamic Financial Services Act 2013 (IFSA 2013)
- Policy Document on Corporate Governance issued by BNM (BNM CG)
- Policy Document on Shariah Governance
- Malaysian Code on Corporate Governance issued by Securities Commission Malaysia (MCCG 2021)
- Relevant requirements as outlined under the respective guidelines by BNM and other regulators.

GOVERNANCE STRUCTURE



GOVERNANCE DISCLOSURE

BOARD CHARTER

The Board Charter formalises the various roles and responsibilities of the Board, Board Committees and individual Director of Bank Muamalat with the aim of streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities.

The powers of the Chairman, Non-Executive Directors and President & Chief Executive Director (PCEO) are set out in the Board Charter (Charter).

 The Charter is available online at <https://www.muamalat.com.my/downloads/corporate-overview/Board-Directors/Board-Charter-v3.0.pdf>

The following summarises the list of Matters Reserved for the Board's deliberation and decision:

- Strategic decisions which are, or may be significant, in terms of future profitability of the Bank
- Decisions on significant/material matters on capital and finance
- Adoption/changes to the Constitution or terms of reference of Board/Board Committees
- Decision in relation to delegation of authority
- Decision on appointments and removal of any member of the Board, or the company secretary, or the senior management, a director from the Chairmanship of the Board and external auditors or other professional advisors.
- Significant and/or connected party contracts and transactions or contract that involves conflict of Director's personal interest.
- Disclosure on financial information/reports for publication as well as presentation to Shareholders or disclosure on material information that may affect the image of the Bank
- Policy governing the Board Meetings
- Payment by Bank arising out of legal dispute/legal settlement exceeding RM100,000

Further details on Board Reserved Matters can be found in the Board Charter.

THE BOARD

The Board comprised eight Directors, of whom five are Independent Non-Executive Directors (INEDs) and three Non-Independent Non- Executive Directors (NINED).

The Board takes cognisance of the requirement of BNM CG in relation to the board composition with a majority of independent directors.

i. Appointment and Re-appointment of Directors

The Bank adheres to the BNM CG in relation to the nomination of new Directors and the renewal of tenures of existing Directors upon their expiration, as authorised by BNM. All nominations and renewals of Director positions are contingent on the endorsement of BNM.

The Board Nomination & Remuneration Committee (BNRC) has been assigned with the primary duty of evaluating potential candidates for new appointments or re-appointments of existing Directors. The BNRC further ensures that each candidate/Director fulfills the necessary prerequisites of a Director in terms of expertise and fundamental competencies and meets the standards of being fit and proper to be appointed/re-appointed as a Director in accordance with the criteria outlined by BNM. Following the assessment, the BNRC will subsequently propose the appointment of the candidate as a Director for approval by the Board.

The Directors have demonstrated exceptional commitment and dedication in fulfilling their duties and responsibilities, as evidenced by their attendance record that surpasses the prescribed criteria outlined in the Charter. Moreover, the Directors have fully complied with the attendance requirements of at least 75 per cent, as per the BNM CG. The table below provides the attendance record of each Director at the Board and Committee meetings held in 2023:

Name of Directors	Board	BAC	BRCC	BNRC	BVC	BTC	BCC
Tan Sri Tajuddin Atan, FCB	11/11	N/A	N/A	N/A	N/A	N/A	N/A
Johari Abdul Muid	11/11	11/11	15/15	9/9	11/11	4/4	N/A
Tan Sri Che Khalib Mohamad Noh	9/11	N/A	N/A	8/9	11/11	N/A	N/A
Dato' Ibrahim Taib	11/11	N/A	15/15	N/A	N/A	4/4	1/1
Ainol Roznain Yaacob	11/11	10/11	N/A	9/9	N/A	N/A	N/A
Md Khairuddin Hj Arshad	11/11	11/11	15/15	N/A	11/11	N/A	1/1
Mohd Razlan Mohamed	11/11	N/A	14/15	9/9	11/11	N/A	N/A
Roshidah Abdullah	9/11	10/11	N/A	9/9	N/A	4/4	1/1

ii. Re-election of Directors

Clause 76 of Bank Muamalat's Constitution provides among others, that one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. The Directors to retire shall be the Directors who shall have been longest in Office. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he/she retires.

Md Khairuddin Hj Arshad, Johari Abdul Muid and Mohd Razlan Mohamed are retiring by rotation in accordance with Clause 76 of Bank Muamalat's Constitution and been eligible, and have offered themselves for re-election.

The retiring Directors mentioned above have satisfied the performance standards of an efficient and high-performing Board, as assessed by the Board Effectiveness Evaluation, which encompasses Self and Peer Assessment.

After assessing their professionalism, extensive experience, significant relationships, expertise, dedication, and individual contributions in carrying out their respective responsibilities, the Board and BNRC have determined that all Directors standing for re-election at the upcoming AGM have met the Board's expectations by consistently fulfilling their duties with diligence as Directors of the Bank.

Based on the BNRC's evaluation, the Board has decided to endorse and propose the re-election of each retiring Director at the forthcoming AGM.

iii. Tenure of Independent Directors

The maximum tenure for an Independent Director is nine years, which can either be served consecutively or cumulatively with intervals. The tenure will conclude either upon the expiration of the current term as authorised by BNM or the later date of the two options.

As of the date of this report, none of the INEDs has served the Board for more than nine years.

GOVERNANCE DISCLOSURE

DELEGATION OF AUTHORITY

i. Separation of Chairman and PCEO

The roles of the Chairman and PCEO are distinctly separate, and the Chairman has not previously held the position of PCEO in Bank Muamalat. The Chairman's main responsibility is to provide significant guidance to the Board to ensure that the Board carries out its duties effectively. On the other hand, the PCEO is primarily accountable for managing day-to-day business operations in line with the Board's strategy and key performance indicators.

The specific duties and responsibilities of the Chairman and PCEO are outlined in the Charter.

The Management Committee supports the PCEO in managing the Group's operations by establishing performance targets, executing the Group's strategy, overseeing critical objectives and commercial plans to assist in achieving the Group's targets, and evaluating new business initiatives and opportunities.

ii. Board Committees

There are five Board Committees established by the Board; the Board Audit Committee, Board Risk & Compliance Committee (formerly known as Board Risk Management Committee), Board Nomination & Remuneration Committee, Board Veto Committee and Board Technology Committee (newly formed on 28 April 2023). These Committees play a significant role in reviewing matters within their respective Terms of Reference and support the Board's discharge of its duties and responsibilities, and in keeping the Board efficient. Each of the Committees has specific Terms of Reference, scope and authority to review matters tabled before the Committee prior to decision-making by the Board as a whole. Membership of these Committees is reviewed as and when required, with specific emphasis on updates in governance requirements and efficiency of the Committees.

Each Committee comprises a minimum of three (3) Directors, with a majority of Independent Directors, and Directors possessing the skills, knowledge, and experience necessary to fulfill the responsibilities of the corresponding Board Committees.

Save for the Board Compliance Committee which was disbanded on 1 March 2023, all Committees are chaired by Independent Directors. The Chairman of the Board does not chair any of the Board Committees.

In light of the progress achieved and measures implemented of Bank Muamalat's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures, the Board has resolved to dissolve the Board Compliance Committee. In its place, the Board Risk Management Committee will assume responsibility for overseeing the Bank's compliance management, ensuring regulatory compliance risk, and overseeing AML/CFT measures.

Bank Muamalat has established a Board Technology Committee to oversee the implementation of its IT Strategic Plan and RISE26+ transformation, in order to accelerate growth and unlock value through innovative digital offerings and modernised digital operations and platform. This move is in line with Bank Muamalat's mission to embark on digital banking.

Source of Authority/Roles and Responsibilities specified in:

- Board Charter
- Constitution
- Terms of Reference of each Board Committee
- Companies Act 2016
- IFSA 2013
- BNM Policy Documents and other applicable regulatory requirements

Board Nomination & Remuneration Committee (BNRC)	
Members	<p>Name of members</p> <p>Johari Abdul Muid (Chairman)</p> <p>Tan Sri Che Khalib Mohamad Noh</p> <p>Ainol Roznain Yaacob</p> <p>Roshidah Abdullah</p> <p>Mohd Razlan Mohamed</p>
Roles and responsibilities	<ol style="list-style-type: none"> 1. Establishing minimum requirements for the Board, i.e., required mix of skills, experience, qualification, and other core competencies required of a director. 2. Establishing and recommending for the main Board's approval the minimum requirements and criteria for the PCEO. 3. Assessing and recommending the candidates for Directorship, Board Committee members, Shariah Committee members, as well as the PCEO. This includes assessing Directors and Shariah Committee members for reappointment before an application for approval is submitted to Bank Negara Malaysia. The final decision as to who shall be appointed should be the responsibility of the main Board. 4. Overseeing the overall composition of the Board, in terms of the appropriate size, skills, and balance between Non-Independent Directors and Independent Directors through annual review. 5. Assessing and recommending to the Board the removal of a Director/ PCEO/ Shariah Committee member if the Director/PCEO/Shariah Committee member is ineffective, errant, and negligent in discharging his/her responsibilities. 6. Establishing a mechanism for the formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the PCEO and Key Senior Management officers. Annual Assessment should be conducted based on an objective performance criterion. The main Board should approve such performance criteria. 7. Ensuring that all Directors and Shariah Committee members receive an appropriate continuous training programmes to keep abreast with the latest developments in the industry. 8. Overseeing the appointment, management succession planning, and performance evaluation of Key Senior Management officers. 9. Assessing and recommending to the Board the removal of Key Senior Management officers if he/she is ineffective, errant, and negligent in discharging his/her responsibilities. 10. Assessing on an annual basis to ensure that the Directors and Key Senior Management officers are not disqualified under section 23 of the Islamic Financial Services Act 2013 (IFSA) and the Shariah Committee members are not disqualified under the Guidelines on the Shariah Governance for the Islamic Financial Institution. 11. Assessing and recommending a remuneration framework for Directors, PCEO, and Key Senior Management officers for the main Board's approval. The remuneration framework should support the Islamic bank's culture, objectives, and strategy, should reflect the responsibility and commitment of Board members, SC members, PCEO, and Key Senior Management officers, and able to attract and retain talent but not excessively vis-a-vis the Bank's financial position.

GOVERNANCE DISCLOSURE

Board Nomination & Remuneration Committee (BNRC)	
	<p>12. Assessing and recommending specific remuneration packages for the PCEO. The remuneration package should be structured such that it is competitive and consistent with the Islamic bank's culture, objectives, and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for Non-executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. In addition, the remuneration of each Board member may differ based on their level of expertise, knowledge, and experience.</p> <p>13. Assessing and recommending the remuneration of the Shariah Committee members for the main Board's approval. The remuneration shall be commensurate and reflect the roles and responsibilities of the Shariah Committee.</p>
Focus Area	<p>The BNRC focuses on reviewing and recommending:</p> <ul style="list-style-type: none"> • The appointment and re-appointment of Independent and Non-Independent Non-Executive Directors. • The appointment and re-appointment of Shariah Committee members • The revised composition of the Board Committees. • The new appointment/renewal/revision of the contract of service of Senior Management and their remunerations. • The annual Corporate Scorecard and KPI's for Senior Management and their respective performance and reward. • The remuneration of the Non-Executive Directors.

Board Veto Committee (BVC)	
Members	<p>Name of members</p> <p>Mohd Razlan Mohamed (Chairman)</p> <p>Johari Abdul Muid</p> <p>Tan Sri Che Khalib Mohamad Noh</p> <p>Md Khairuddin Hj Arshad</p>
Roles and responsibilities	<p>1. Review and approve/concur/recommend new and/or additional increases on the existing facility.</p> <p>2. Material Changes/Variations to Terms and Conditions – review of the decision for the Board Veto Committee covers only the following:</p> <ul style="list-style-type: none"> • Change of major shareholders. • Entering into a joint venture that is being financed by the Bank • Merger, consolidation, and reorganisation • Change in core business operation • Erosion in collateral value that arises from the substitution of the earlier approved security. • Withdrawals or substitutes in guarantor

Board Veto Committee (BVC)	
	<ul style="list-style-type: none"> • Increase in the margin of financing/advance • Increase in tenure/duration for term financing • Changes in the purpose of financing • Upward changes in the limit <ol style="list-style-type: none"> 3. Ratify approvals of the relevant approving authorities on connected party financing. 4. Review and concur/recommend the relevant financing reviews.

Board Technology Committee (BTC)	
Members	Name of members Dato' Ibrahim Taib (Chairman) Johari Abdul Muid Puan Roshidah Abdullah
Roles and responsibilities	<ol style="list-style-type: none"> 1. To review and recommend to the Board, Management's strategies, policies and framework related to IT and digitalisation activities including e-banking services and Cybersecurity-related matters. 2. To review and recommend to the Board, the IT Security blueprint in line with the security strategies of the Bank. 3. To review any proposals relating to IT and digitalisation initiatives and e-banking products and services before recommending them to the Board. 4. To oversee Management's implementation of IT and digitalisation initiatives/projects undertaken by the Bank to ensure it is in line with the Bank's strategies and policies. 5. To review and recommend to the Board any appointment of such person, consultants or advisors to undertake any specific projects or assignments in relation to the Bank's IT or digitalisation initiatives/projects. 6. To review and ensure the adequacy of cyber security investments and that its associated roadmap for implementation is acceptable. 7. To undertake such other duties and responsibilities on other Technology and Cybersecurity-related matters as determined by the Board of Directors of the Bank.

iii. Company Secretary

During Board meetings, the Company Secretary is present and responsible for documenting key deliberations and decisions made. Additionally, the Company Secretary serves as a liaison between the Board, its committees, and management, and provides support to Directors in fulfilling their duties. The Company Secretary also aids in the orientation of new Directors and helps to facilitate the ongoing professional development of all Directors.

GOVERNANCE DISCLOSURE

BOARD EFFECTIVENESS

i. Board Effectiveness Evaluation

On an annual basis, Board Effectiveness Evaluations (BEE) are carried out to identify areas where efficiency can be improved, strengths can be maximised, and aspects that require improvement. If necessary, professional consultants are hired to conduct the assessment. The BNRC Chairman oversees the overall evaluation process, while the BNRC reviews and analyses the responses. The assessment results are then presented to the Board.

Following the recommendation in the BNM CG, the Board conducted the Board Effectiveness Evaluation (BEE) for the year 2023. In compliance with the BNM PD on Shariah Governance, the 2023 BEE also assessed the performance of the Shariah Committee and its members.

The categories of assessment embedded in the 2023 BEE questionnaires were:

- Board Assessment to assess amongst other the Board's structure, size, composition (mix of skills, experience and competency), quality of information, deliberation and decision making including how Directors challenge matters discussed.
- Individual Directors' Assessment (including Independent Directors) to assess amongst others the respective Directors' ability to critically challenge and ask the right questions, character and integrity in dealing with potential conflict of interest situations, commitment to serve the Bank with due diligence and integrity, critical and vigilant in offering alternative points of view, fit and properness and independence of the Independent Directors including level of independence in exercising his/her judgment and ability to act in the best interest of the Bank; and
- Board Skill Set Assessment to assess amongst others the Board's leadership and strategy, legal and regulatory requirements, banking and finance, corporate governance, Shariah governance, risk management and internal controls, accounting and financial reporting and operational management.
- Board Committee Effectiveness Assessment (including Shariah Committee) to assess amongst others, the Committees' Structure (size, composition and member classification), quality of information, deliberation and decision making including how members challenge matters discussed, accountability and responsibilities and effectiveness of the Board Committee including its terms of reference, processes and reporting line.
- Individual Board Committee Members' Assessment (including Shariah Committee) to assess amongst others the Committees' dynamics, participation and Fit and Proper criteria.

ii. Board Meetings and Access to Information

The agenda of Board meetings is drawn up upon consultation between the Chairman, PCEO and Company Secretary. The agenda and Board papers are circulated to Board Members via meeting software which allows the Directors to access, read and review Board/Committee documents securely.

The Board meets at least 10 meetings in a year with additional meetings convened as and when urgent issues and/or important decisions are required to be made between the scheduled meetings. Scheduled Board meetings are structured with certain pre-set agendas.

Directors participated in Board and Committee meetings in person, or via virtual platform, Teams. Directors utilised digital means to participate in meetings that were effectively held. Minutes of the meetings, together with a summary of the action items were circulated to all members of the Board prior to meetings.

During each meeting, the respective Chairmen/representatives of the Board Committees provide updates to the Board on matters discussed in the committees as well as on matters that require the Board's attention. Other Heads of Division and external advisers may be invited to attend the meeting to advise the Board on specific matters. Directors have the opportunity to discuss these matters and challenge the ideas presented if necessary. The Chief Financial Officer is invited to attend all Board meetings, while relevant Senior Management Officers of Bank Muamalat are invited to attend to provide briefings and details to the Directors on recommendations or reports submitted to the Board.

The PCEO and Head of Business, Operations, Support, and Control functions update the Board on the Bank's business and operations, regulatory and compliance updates, as well as industry trends and developments. The Chief Financial Officer presents the financial performance and significant financial highlights. The minutes of the Board meetings record all important deliberations, decisions, and conclusions.

Management takes note of the comments and feedback from the Directors and receives guidance from the Board. They agree with the Directors on proposed actions to be taken, including decisions made. For matters in the ordinary course of business, Board approvals can be obtained through written resolutions outside of Board meetings. Ad-hoc meetings are held when necessary. Directors have direct access to Senior Management and can request additional information from them. The Company Secretary is available to the Directors at all times.

iii. Board Induction and Succession Planning

Upon appointment, each new Director will be required to undergo an on-boarding exercise to facilitate their familiarisation with the Bank's operating environment, business strategy, and operations. All new Directors must attend an induction programme tailored to their specific needs as soon as practicable, but no later than three months after their appointment to the Board.

Attendance at the induction programme or similar sessions that may assist in achieving the intended outcome is mandatory for all new Directors. The Company Secretary is responsible for facilitating the induction of newly appointed Directors.

The BNRC is accountable for developing succession plans and identifying and recommending candidates to the Board to ensure that it comprises directors with suitable skills, experience, expertise, and diversity. The BNRC also oversees the appointment and succession planning for key Senior Management positions.

iv. Training and Development of Directors

The Board has implemented measures to ensure that its members have ongoing access to appropriate and relevant continuing education programmes. A reasonable budget has been allocated for this purpose. Directors are strongly encouraged to attend talks, briefings, workshops, and utilise online learning tools, reading materials, and training programs on areas that would benefit them in their roles and responsibilities.

It is mandatory for all Directors of Bank Muamalat to register for the director's core training programme under the Financial Institutions Directors' Education Programme (FIDE) within a year of their appointment, and the Islamic Finance for Board within two years of their appointment.

All Board members have attended and successfully completed the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In line with the MCCG 2021 recommended practice, the Company Secretary facilitates the orientation of new Directors and assists in directors' training and development.

GOVERNANCE DISCLOSURE

A summary of training courses attended by the Directors during the financial year are listed below:

- FIDE CORE Programme - Module A & Module B
- AIBIM Integrity Year 2023 Launching and Townhall
- CMDP Module 1: Directors as Gatekeepers of Market Participants
- Bank Muamalat Training: AMLA/CFT
- FIDE Enrollment Programme - Keeping The Board Out Of Trouble
- Shariah Structured Training : Overview of Islamic Financial Inclusion- Waqf, Zakat & Sadaqah /Social Finance Instruments
- Islamic Finance for Board of Directors Training Programme (IF4BOD)
- Anti-Bribery And Anti-Corruption (ABAC) Training For Board Of Directors And Chief Executive Officers
- Artificial Intelligence (AI) for Company Directors and Executives
- FIDE “Beyond Box-Ticking: Essentials for Effective Remuneration Committees”
- Shariah Structured Training: Islamic Capital Market Products & Instruments
- Bank Muamalat: FIDE Training - Complimentary Talk on “Sustainability In The Digital Age”
- Bank Muamalat Shariah Structured Training: Digital Banking the Way Forward for Islamic Finance
- Cybersecurity Awareness
- Bank Muamalat: FIDE Training - ESG and Islamic Finance: Implications for Boards and Corporate Governance
- BCM Awareness
- FinTEch for Real: AI in Banking & Finance

v. Ethical Business Conduct and Whistle Blowing

The Board of Bank Muamalat places significant importance on promoting a culture of good corporate governance that upholds the values of integrity, ethics and transparency in all aspects of its operations.

To ensure compliance with these values, the Board has established a Code of Business Conduct (CoBC) that lays out the expected conduct of all employees, directors and third-party entities involved in business dealings with Bank Muamalat. The CoBC encompasses various procedures related to non-discrimination, whistleblowing, asset and property protection, confidential information, personal data protection, insider trading, fraud, conflict of interest, bribery and anti-corruption.

All directors and employees of Bank Muamalat are expected to adhere to the CoBC. Recently, the CoBC has been updated to incorporate fundamental principles on Competence, Integrity, Fairness, Confidentiality and Objectivity, aligned with the Professional Code developed by the Financial Services Professional Board (FSPB), guidelines from relevant Acts and regulatory requirements. The CoBC aims to mitigate the impact of changes resulting from the Industrial Revolution 4.0, such as IT device utilisation, social media usage, and cybersecurity threats.

Bank Muamalat has a zero-tolerance policy towards any conduct that constitutes malpractice, including breaches of ethics, conflict of interests, bribery and corruption, money laundering, terrorism financing, and fraudulent acts, as described in its Anti-Bribery Code and other relevant documents.

In line with the requirements of the BNM CG and the CA 2016, the Board has established a Whistleblowing Policy that provides a secure reporting avenue via the Ethics Hotline for employees and third parties who have knowledge or are aware of any improper conduct or unethical behavior, including suspected fraud, bribery, corruption and criminal activity.

REMUNERATION

i. Non-Executive Director's Remuneration

The Non-Executive Directors are remunerated through fixed monthly fees, meeting allowances and benefits-in-kind, inclusive of the reimbursement of utilities bills and business peripherals.

The level of remuneration of Non-Executive Directors reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry. The Non-Executive Directors' remuneration/benefits remain unchanged, since 2017.

ii. Disclosure of Directors' Remuneration

Details of each Director's remuneration for the Financial Year ended 31 December 2023:

Bank Muamalat Directors:	Fees (RM)	Other emoluments (RM)	Benefits in-kind	Total (RM)
Tan Sri Tajuddin Atan, FCB	428,082.98	49,000.00	76,486.24	553,569.22
Johari Abdul Muid	160,666.64	216,200.00	-	376,866.64
Tan Sri Che Khalib Mohamad Noh	160,666.64	97,000.00	-	257,666.64
Dato' Ibrahim Taib	160,666.64	114,500.00	-	275,166.64
Ainol Roznain Yaacob	110,666.64	63,000.00	-	173,666.64
Md Khairuddin Hj Arshad	160,666.64	178,000.00	-	338,866.64
Mohd Razlan Mohamed	160,666.64	157,000.00	-	317,666.64
Roshidah Abdullah	160,666.64	121,500.00	-	282,166.64
Directors – subsidiaries				
Md Khairuddin Hj Arshad	20,000.00	6,000.00	-	26,000.00
Dato' Dr. Adnan Alias (resigned wef 15 May 2023)	7,473.04	3,000.00	-	10,473.04
Roshidah Abdullah	20,000.00	6,000.00	-	26,000.00
Fakihah Azahari (resigned wef 31 May 2023)	8,333.30	3,000.00	-	11,333.30
Total				2,649,442.04

In order to attract and retain qualified individuals to lead Bank Muamalat, the Board has delegated responsibility to the BNRC to oversee and recommend the structure of the remuneration policy and frameworks for Directors and Senior Management.

The remuneration structure for Non-Executive Directors is based on relevant factors, such as function, workload, responsibilities, and time spent preparing for Board and Board Committee meetings. It includes fees, meeting allowances, and benefits in kind. The Chairman of the Board and Board Committees receives a premium due to their additional role in guiding and managing the Board and Board Committees.

The BNRC reviews and tracks the PCEO's Corporate Scorecard and PCEO-1's Key Performance Indicators annually.

GOVERNANCE DISCLOSURE

REMUNERATION FOR SENIOR MANAGEMENT AND MATERIAL RISK TAKERS

The Remuneration Policy for Senior Management and Material Risk Takers (MRTs) constitutes the foundation of Bank Muamalat's overarching risk management framework. Acknowledging the pivotal role of attracting, retaining, and incentivising top-tier talent in achieving organisational objectives, Bank Muamalat is committed to maintaining a remuneration structure that harmonises with its risk appetite and fosters a culture of prudent risk management.

The primary objective of this policy is to outline the guiding principles, governance framework, and procedural mechanisms that Bank Muamalat will adhere to in determining the remuneration packages of its senior management and MRTs. These endeavors are directed toward ensuring regulatory compliance and aligning with industry best practices.

PRINCIPLES

Equitability

Bank Muamalat shall uphold transparency, equity, and non-discrimination in its remuneration structure, consonant with prevailing market/industry norms.

Performance-based

The remuneration framework shall be intricately tied to performance metrics encompassing both financial and non-financial parameters, reflective of Bank Muamalat's strategic imperatives and enduring values.

Risk alignment

Remuneration arrangements shall be congruent with Bank Muamalat's risk tolerance levels, fostering a culture that discourages undue risk-taking and underscores prudent risk management practices.

Sustainability

Embracing a long-term outlook, remuneration schemes shall be crafted to resonate with Bank Muamalat's enduring interests and stakeholders' expectations, while adhering to principles of corporate social responsibility and environmental sustainability.

GOVERNANCE

Board Oversight

The Board of Directors shall assume responsibility for overseeing the Remuneration Policy, ensuring its adherence to regulatory mandates and alignment with Bank Muamalat's strategic direction and long-term interest.

Remuneration Committee

Entrusted with the pivotal role of scrutinising and endorsing remuneration packages for senior management and MRTs, the Remuneration Committee shall ensure compliance with policy tenets, regulatory requisites, and industry benchmarks.

Independent Review

Bank Muamalat shall periodically subject its remuneration practices to independent scrutiny by external experts, affirming their continued alignment with policy imperatives and regulatory mandates.

PROCEDURES

Performance Assessment

A comprehensive performance evaluation, encompassing both quantitative and qualitative measures, shall underpin remuneration decisions, ensuring objectivity and consistency across all operational domains.

Remuneration Mix

The remuneration structure shall strike a balance between fixed and variable components, with variable pay subject to deferral and contingent upon performance, thereby aligning with Bank Muamalat's risk posture and nurturing a culture of prudential risk-taking.

Clawback and Malus

Inclusion of clawback and malus provisions within remuneration agreements shall empower Bank Muamalat to recoup variable pay in instances of misconduct, underperformance, or material risk events, reinforcing accountability among senior management and MRTs.

Disclosure

Bank Muamalat shall uphold transparency and accountability to stakeholders by disclosing pertinent details regarding remuneration practices for senior management and MRTs in its annual report, encompassing remuneration structures, performance criteria, and the link between remuneration and risk.

The Remuneration Policy for Senior Management and Material Risk Takers epitomises Bank Muamalat's commitment to robust risk governance. It underscores the alignment of remuneration practices with risk appetite, the cultivation of a sound risk culture, and the advancement of long-term organisational interests. Bank Muamalat remains steadfast in its pledge to uphold transparent, equitable, and sustainable remuneration practices, reflective of its dedication to diversity and inclusion, corporate social responsibility, and environmental stewardship.

ADDITIONAL INFORMATION

Identifying Material Risk Takers (MRTs) stands as a pivotal facet of Bank Muamalat's remuneration policy. Bank Muamalat will delineate MRTs based on the following criteria:

Job Function

Bank Muamalat will discern job roles that wield a substantive influence on its risk profile, encompassing domains such as risk management, investment banking, trading, and financing.

Decision-Making Authority

Bank Muamalat will identify employees vested with decision-making prerogatives over critical areas that has potential material impact on Bank Muamalat's risk profile, including credit approvals, investment decisions, risk assessments, and trading positions.

Compensation

Bank Muamalat will identify employees receiving compensation levels akin to senior management, encompassing both fixed and variable elements such as bonuses, stock options, and other incentives.

Performance

Bank Muamalat will identify employees whose performance correlates with Bank Muamalat's risk profile, such as traders contributing significantly to revenue generation or risk managers overseeing risk management activities.

Bank Muamalat will establish a methodical process for identifying MRTs, meticulously aligned with regulatory mandates and industry benchmarks. This process will entail the following steps:

1 Identification

Rigorous evaluation will be conducted to identify employees meeting the criteria for MRTs, considering job function, decision-making authority, compensation, and performance metrics.

2 Review and Approval

The Remuneration Committee will diligently review and sanction the list of potential MRTs, ensuring objectivity and consistency across the business units.

3 Notification

Bank Muamalat will notify the employees identified as MRTs, clarifying the rationale behind their inclusion in the list, and the impact of assuming the role on their compensation and performance evaluation.

4 Regular Review

Bank Muamalat will review the list of MRTs regularly, accommodating changes in employees' roles, decision-making authority, compensation, and performance. Any modifications to the MRT list will necessitate approval from the Remuneration Committee.

Bank Muamalat is committed to maintaining a transparent, objective, and uniform process for identifying MRT across all business units. Additionally, Bank Muamalat will ensure that the list of MRTs undergoes regular review and approval by the Board Nomination & Remuneration Committee, with any changes promptly and transparently communicated to the affected employees.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Board Accountability

i. Board Audit Committee (BAC)

The BAC has effectively fulfilled their obligations and responsibilities as stipulated in the Terms of Reference (TOR), and has efficiently assisted the Board in making informed decisions related to quarterly results, year-end financial statements, evaluation of external auditors, and the internal audit function.

The BAC conducts an annual review of the suitability, objectivity, and independence of the external auditors, and the results are presented to the Board for approval.

The BAC Report provides an overview of Bank Muamalat's internal control systems and financial reporting adequacy and integrity, adherence to internal policies and procedures, and compliance with external rules and regulations.

GOVERNANCE DISCLOSURE

ii. Risk Management and Internal Controls

The Board, supported by its committees, operates within a framework of prudent and effective controls in the interests of shareholders, customers and other stakeholders. The Group's Governance of Risk Management and Internal Controls ensures the safety and soundness of the Group and its key entities. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls.

iii. Board Risk & Compliance Committee (BRCC)

Members	Md Khairuddin Hj Arshad Johari Abdul Muid Dato' Ibrahim Taib Mohd Razlan Mohamed
Roles	Responsible to oversee Management's activities in managing all risks namely credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning. The BRCC is assisted by the PCEO, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.
Focus Areas	<p>The BRCC focuses on reviewing and recommending:</p> <ul style="list-style-type: none"> • Review the risk management report covering market risk, credit risk, operational risk and Shariah non-compliance risk and emerging risk report. • Review compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance and update on new policies and regulations. • Review and recommend to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction • Review and recommend to the Board the stress test scenario and its methodology. • Review the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) for the Bank. • Review and deliberate new product/services and product programmes proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank. • Review and deliberate significant business and operating risk-related policies of the Bank.

The composition of the BRCC is in line with Paragraph 12.3 (c) of BNM CG, which requires that the position of the BRCC Chairman be held by an Independent Director of Bank Muamalat.

The Board has delegated to the BRCC the responsibility of overseeing the effectiveness, adequacy and integrity of the risk management framework and policies of Bank Muamalat and ensuring that significant risks faced by Bank Muamalat are being managed appropriately to respond to changes in the business environment. In addition, BRCC is also responsible for overseeing business continuity management of Bank Muamalat.

Risk Management and Internal Control provides an overview of Bank Muamalat's risk management and internal control framework as well as the adequacy and effectiveness of the framework.

iv. Board Compliance Committee (disbanded on 1 March 2023).

Roles	<ul style="list-style-type: none"> • To provide oversight and advice to the Board of Directors and Management in respect of the management of compliance risks, including AML/CFT, bribery, and corruption. • To evaluate the adequacy and effectiveness of the Bank's overall management of compliance risks (such as infrastructure, resources, and systems), having regard to the assessment of Senior Management and internal audit, as well as the Regulatory Advisory and Compliance Division, and recommend improvement needed to the Board. • To review and assess compliance and AML/CFT emerging issues/concerns, and ensure such issues/concerns are resolved effectively and expeditiously. • To review the findings of major investigations, routine audit findings, and internal controls related to regulatory compliance issues identified by internal, external, and regulators, and to ensure that appropriate and prompt remedial actions are taken by the management. • To ensure the Bank closely monitors the progress of all remedial action plans tabled to the Committee in managing the compliance risks and that such remedial measures are effectively implemented in addressing the regulators' concerns and expectations. • To review, assess, and recommend to the Board the corrective measures to address compliance risks and concerns, as highlighted by the Regulatory Advisory and Compliance Division and various regulatory authorities, where relevant. • To report to the Board on any significant development, issues and concerns raised during the meeting, as and when necessary. • To review and recommend Policy on Compliance, and any policies in respect to AML/CFT and Bribery and Corruption. • To approve the following: <ol style="list-style-type: none"> a. Annual Compliance Report for reporting to any relevant regulators. b. Compliance Programme and Strategy. • To assess AML/CFT risk appetite which includes sanctions risks by defining the terms and the risks that are acceptable. The AML/CFT Risk Appetite should be developed by considering the risks around customers, products, channels and geographies, as well as types of business. • To appraise the Chief Compliance Officer who reports directly to BCC.
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PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

Stakeholders are crucial in ensuring the sustainability of our business. Bank Muamalat engages with both internal and external stakeholders on a regular basis through various touchpoints, formal and informal, to better comprehend their expectations and concerns. Our corporate website serves as a convenient platform for stakeholders to access comprehensive and up-to-date information about Bank Muamalat.

General Meetings

The Board ensures that shareholders are given sufficient notice to consider resolutions that will be discussed and decided at the General Meetings. The General Meeting notice includes details of the resolutions proposed along with any relevant information and reports.

SHARIAH COMMITTEE

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013, which prescribed the setting up a Shariah body to ensure the Bank conducts its affairs in accordance with Shariah principles. Members of the Shariah Committee are scholars renowned for their knowledge and experience in Shariah and Fiqh Muamalat.

The Shariah Committee is guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Shariah Committee, the authority and conduct of the Shariah Committee meetings. The Terms of reference are governed by the Central Bank Act 2009, Islamic Financial Services Act 2013 (IFSA), Guidelines on Islamic Capital Markets Product and Services and the Policy Document on Shariah Governance (including any amendment that will be made from time to time) (Laws and Regulations).

Duties, Responsibilities & Accountability of the Shariah Committee are as follows:

i. Responsibility and accountability

The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

ii. Advise to the Board and Bank including the Bank's subsidiaries

The Shariah Committee is expected to advise the Board, Management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

iii. Endorse Shariah policies and procedures

The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

iv. Endorse and validate relevant documentations

To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

- a. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
- b. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

v. Assess work carried out by Shariah review and Shariah audit

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

vi. Assist related parties on Shariah matters

The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

vii. Shariah Advisory Council, Bank Negara Malaysia

The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC) on Shariah matters that could not be resolved.

viii. Shariah Advisory Council, Securities Commission Malaysia

Shariah Committee members are registered with Securities Commission Malaysia (SCM) as individual Shariah Adviser a Shariah adviser must, among others:

- a. provide Shariah expertise and advice on Shariah matters in relation to the Islamic capital market products or the Islamic capital market service including matters relating to documentation (which includes the deed and prospectus), structure, feature, investment instruments and ensure that

all aspects of the products or activities are in accordance with Shariah requirements as set out in the relevant securities laws and guidelines issued by the SCM;

- b. ensure that the applicable Shariah rulings, principles and concepts endorsed by the SAC are complied with; and
 - c. apply *ijtihad* (intellectual reasoning) to ensure all aspects relating to the Islamic capital market products and the Islamic capital market activity are in compliance with Shariah, in the absence of any Shariah rulings, principles and concepts endorsed by the SAC.
- ix. Provide Written Shariah Opinions
- The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank make reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.
- x. Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.
 - xi. Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
 - xii. Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.
 - xiii. Provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.
 - xiv. Scrutinise and endorse the annual financial report of the Bank.
 - xv. Provide training to the staff as well as notes or relevant materials for their reference.
 - xvi. Represent the Bank or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.

xvii. The Shariah Committee shall maintain the confidentiality of the Bank's internal information and shall be responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.

xviii. The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

COMPOSITION OF SHARIAH COMMITTEE

According to Policy Document on Shariah Governance (PDSG), the composition of Shariah Committee at minimum must comprise of at least five (5) members and the member must not accept any appointment in more than one licensed Islamic bank, one licensed takaful operator and one prescribed institution. Furthermore, a Shariah Committee member must not serve the same Islamic Financial Institutions (IFI) for more than nine (9) years with effect from 1st April 2023. For this year, the Bank has appointed two (2) new members and subsequently appointed a new Chairman after the previous Chairman has reached the maximum period of appointment as set by BNM.

As at December, Shariah Committee of Bank Muamalat comprises of six (6) members where they are based on renewal as per guided under PDSG. A brief profile of each member of the Shariah Committee is presented on pages 134 to 137 of this Annual Report.

APPOINTMENT/REAPPOINTMENT OF SHARIAH COMMITTEE

The appointment/reappointment of the Shariah Committee members and Chairman of the Shariah Committee is subject to assessment and evaluation based on necessary conditions made by the Bank and met all requirements specified in the policies issued by BNM.

The Board shall, upon recommendation of its Nomination Committee, nominate the appointment of the members of the Shariah Committee.

Further written approval and endorsement from Bank Negara Malaysia must be obtained after approval from the Board at least three (3) months before it expects a proposed candidate to assume his/her responsibilities. In the case of reappointment, the application must be submitted three (3) months prior to the expiry of the Shariah Committee member's tenure.

SHARIAH COMMITTEE

RESIGNATION AND TERMINATION OF THE SHARIAH COMMITTEE

Where a Shariah Committee member resigns or is disqualified pursuant to the relevant paragraphs in PDSG, section 33(2) and 34(1) of the IFSA impose obligations on the Bank and the Shariah Committee member to notify the BNM of that fact and its reason immediately or in any cases no later than fourteen (14) days of such circumstances.

For the purpose of the application for termination, the Bank must provide justifications as well as assessment on the performance of such member to BNM.

NEGATIVE LIST

The Shariah Committee member or his immediate family member must not:

- a. be an executive of the Bank during the tenure of his appointment or within the last two (2) years of his proposed appointment as a Shariah committee member;
- b. be a substantial shareholder, executive director or senior officer of the Bank or any of its affiliates; or
- c. have a significant business or other contractual relationship with the Bank or any of its affiliates within the last two (2) years

SHARIAH COMMITTEE MEETINGS

According to PDSG, the Shariah Committee meetings shall be held at least once in every two (2) months. Meetings shall be held regularly to ensure that:

- a. the Shariah Committee is kept sufficiently in touch with the business of the Bank;
- b. the operations of the Bank are not adversely affected because of the difficulty in securing the Shariah Committee's approval for policy and decision.

For the period of January to December 2023, 12 Shariah Committee meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units:

No.	Meeting	Date
1.	1 st Monthly Meeting 2023	11 January 2023
2.	2 nd Monthly Meeting 2023	25 January 2023
3.	3 rd Monthly Meeting 2023	23 February 2023
4.	4 th Monthly Meeting 2023	8 March 2023
5.	5 th Monthly Meeting 2023	22 March 2023
6.	6 th Monthly Meeting 2023	10 May 2023
7.	7 th Monthly Meeting 2023	24 May 2023
8.	8 th Monthly Meeting 2023	21 June 2023
9.	9 th Monthly Meeting 2023	27 July 2023
10.	10 th Monthly Meeting 2023	14 September 2023
11.	11 th Monthly Meeting 2023	19 October 2023
12.	12 th Monthly Meeting 2023	22 November 2023

The Shariah Committee member is expected to contribute and allocate adequate time and efforts to discharge his duties effectively. The Shariah Committee member must attend at least 75% of the Shariah Committee meetings held in each financial year. Where necessary, the participation of the Shariah Committee can be facilitated by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve confidentiality of the deliberations.

In respect of the quorum for Shariah committee meetings, the Bank must ensure that there is a majority of Shariah qualified members to be present at each meeting. The Bank shall ensure that any decision of the Shariah Committee must be made on the basis of simple majority.

The Shariah Committee shall put on record in its report or statements directed to the board, its concerns over any Shariah non-compliance issues.

For January to December 2023, Shariah Committee attendance for 12 meetings held are as follows:

Shariah Committee Member	Attendance	%
Tn. Hj. Azizi Che Seman*	5/5	100%
Dr. Yusri Mohamad	12/12	100%
Dr. Mohd Shahid Mohd Noh	11/12	92%
Dr. Ahmad Zakirullah Mohd Sharaani	12/12	100%
Dr. Muhamad Azhari Wahid	12/12	100%
Dr. Badruddin Hj. Ibrahim**	11/11	100%
En. Khairun Najmi Saripudin**	11/11	100%

* Last date of service on 31 March 2023

**First date of service on 15 January 2023

It is concluded that all members of Shariah Committee complied with the requirement of attending no less than 75% of meetings.

TRAINING PROGRAMME FOR SHARIAH COMMITTEE

The Shariah Committee assumes the responsibility to further enhance the skills and knowledge on the relevant new laws and regulations as to keep abreast with developments in the financial services industry.

The training programmes attended by the Shariah Committee for the period January to December 2023 include the following:

Shariah Committee Member	Training Programme
Dr. Yusri Mohamad	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum (KLIFF) 2023 • Muzakarah KLIFF 2023 • 18th International Shari'ah Scholars Forum (ISSF 2023) • Business Foresight Forum (BFF) 2023 • Sukuk Fundamentals for Everyone • Suite Talk: Strengthening Islamic Capital Market Proposition Through Fintech • Board Structured Training- Overview of Islamic Financial Inclusion: Waqf, Zakat & Sadaqah/ Social Finance Instruments • Board Structured Training- Islamic Capital Market Products & Instruments • Board Structured Training- Digital Banking the way forward for Islamic Finance • Familiarisation Programme's on Wakaf Muamalat • Familiarisation Programme's Summary of New Product, Shariah Issues & Potential Shariah Non Compliance Event (PSNCE) 2023
Dr. Mohd Shahid Mohd Noh	<ul style="list-style-type: none"> • Certified Shariah Advisor (CSA) • Muzakarah Cendekiawan Syariah Nusantara Ke-17 2023 • Kuala Lumpur Islamic Finance Forum (KLIFF) 2023 • Muzakarah KLIFF 2023 • 18th International Shari'ah Scholars Forum (ISSF 2023) • Introduction to Islamic Treasury • Getting Acquainted with Sustainable and Responsible (SRI) Sukuk • Hajah and Darurah: Key Shariah and Operational Issues for Islamic Financial Institutions • Board Structured Training- Overview of Islamic Financial Inclusion: Waqf, Zakat & Sadaqah/ Social Finance Instruments

SHARIAH COMMITTEE

Shariah Committee Member	Training Programme
	<ul style="list-style-type: none"> • Board Structured Training- Islamic Capital Market Products & Instruments • Board Structured Training- Digital Banking the way forward for Islamic Finance • Familiarisation Programme's on Wakaf Muamalat • Familiarisation Programme's Summary of New Product, Shariah Issues & Potential Shariah Non Compliance Event (PSNCE) 2023
Dr. Ahmad Zakirullah Mohd Sharaani	<ul style="list-style-type: none"> • Muzakarah Cendekiawan Syariah Nusantara Ke-17 2023 • Kuala Lumpur Islamic Finance Forum (KLIFF) 2023 • Muzakarah KLIFF 2023 • 18th International Shari'ah Scholars Forum (ISSF 2023) • Finance Project Via Sukuk as an Alternative Financing • Sukuk Default and Case Studies • Suite Talk: Strengthening Islamic Capital Market Proposition Through Fintech • Getting Acquainted with Sustainable and Responsible (SRI) Sukuk • Board Structured Training- Overview of Islamic Financial Inclusion: Waqf, Zakat & Sadaqah/ Social Finance Instruments • Board Structured Training- Islamic Capital Market Products & Instruments • Board Structured Training- Digital Banking the way forward for Islamic Finance • Familiarisation Programme's on Wakaf Muamalat
Dr. Muhamad Azhari Wahid	<ul style="list-style-type: none"> • Certified Shariah Advisor (CSA) • Muzakarah Cendekiawan Syariah Nusantara Ke-17 2023 • Kuala Lumpur Islamic Finance Forum (KLIFF) 2023 • Muzakarah KLIFF 2023 • 18th International Shari'ah Scholars Forum (ISSF 2023) • A-Z Practical knowledge on Sukuk Structuring • Introduction to Islamic Treasury • E-Learning – Compliance Module 1 to 8 • E-Learning – Malaysian Capital Market Insights (MCMi) Series • Board Structured Training- Overview of Islamic Financial Inclusion: Waqf, Zakat & Sadaqah/ Social Finance Instruments • Board Structured Training- Islamic Capital Market Products & Instruments • Board Structured Training- Digital Banking the way forward for Islamic Finance • Familiarisation Programme's on Wakaf Muamalat

Shariah Committee Member	Training Programme
Dr. Badruddin Hj. Ibrahim	<ul style="list-style-type: none"> • Muzakarah Cendekiawan Syariah Nusantara Ke-17 2023 • Kuala Lumpur Islamic Finance Forum (KLIFF) 2023 • Muzakarah KLIFF 2023 • 18th International Shari'ah Scholars Forum (ISSF 2023) • A-Z Practical knowledge on Sukuk Structuring • Strategic Islamic Treasury Management • Board Training- Overview of Islamic Financial Board Structured Training-Overview of Islamic Financial Inclusion: Waqf, Zakat & Sadaqah /Social Finance Instruments • Board Structured Training- Islamic Capital Market Products & Instruments • Board Structured Training- Digital Banking the way forward for Islamic Finance • Familiarisation Programme's for New Shariah Committee • Familiarisation Programme's on Wakaf Muamalat
En. Khairun Najmi Saripudin	<ul style="list-style-type: none"> • Kuala Lumpur Islamic Finance Forum (KLIFF) 2023 • Muzakarah KLIFF 2023 • 18th International Shari'ah Scholars Forum (ISSF 2023) • Strategic Islamic Treasury Management • ESG and Sustainability: Impact of Environmental and Climate Change on Financial Sector • Board Structured Training- Overview of Islamic Financial Inclusion: Waqf, Zakat & Sadaqah/ Social Finance Instruments • Board Structured Training- Islamic Capital Market Products & Instruments • Board Structured Training- Digital Banking the way forward for Islamic Finance • Familiarisation Programme's for New Shariah Committee • Familiarisation Programme's on Wakaf Muamalat

In equipping the role of Shariah Committee, Shariah Department is to provide secretariat function, including inputs on banking operations and in-depth research on Shariah matters for Shariah Committee. These functions include coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the Shariah Committee and provide all other secretariat.

BOARD AUDIT COMMITTEE REPORT

Chairman

Roshidah Abdullah

Members

- Johari Abdul Muid
- Ainol Roznain Yaacob
- Md Khairuddin Hj Arshad

The composition of the BAC is in line with Paragraph 12.3 (c) of BNM CG, which requires that the position of the BAC Chairman be held by an Independent Director of Bank Muamalat.

BAC is chaired by Roshidah Abdullah with over 25 years' experience in financial management, corporate strategy development, governance and risk management in various organisations across diverse industries – upstream oil and gas; pharmaceutical manufacturing and distribution; construction and engineering – with operations in Malaysia and abroad (particularly Kazakhstan, Indonesia and the Middle East). A member of the Chartered Accountant of the Malaysian Institute of Accountants since 1992. She is also a Certified Practising Accountant from the Australian CPA.

Ainol Roznain Yaacob was appointed as a member on 1 October 2022 to replace Iwan Rashman Gulamoydeen as a representative from Khazanah Nasional Berhad. He started his career in audit with KPMG London before moving to Corporate and International Tax within KPMG and later with Deloitte specialising in risk management and controls.

ROLES AND RESPONSIBILITIES

The BAC is established to provide structured and independent oversight of the Bank's governance, risk management, internal control system and financial reporting. This oversight mechanism serves to provide confidence in the integrity and compliance with applicable rules, regulations and procedures.

The BAC is guided by the Terms of Reference and the Board Audit Committee Charter in discharging its functions. The responsibilities of the BAC include providing the Board with independent and objective advice on the adequacy of the Management's arrangements on the Bank's governance, values and ethics, risk management, internal control system, fraud and compliance.

MEETINGS

Members	Attendance of Meetings
Roshidah Abdullah	10/11
Johari Abdul Muid	11/11
Ainol Roznain Yaacob	10/11
Md Khairuddin Hj Arshad	11/11

Eleven (11) BAC meetings were held during the financial year ended 31 December 2023.

The BAC meets on a scheduled basis to review audit and investigation reports prepared by the internal auditors. The Management of the respective audit reports were also invited to the meetings, where required, to provide explanations to the BAC on issues arising from the audit reviews or address any other concerns raised by the BAC.

The external auditor was also invited to the meeting to present the audited financial statements, the Audit Plan, audit and non-audit related fees, and other relevant matters. The BAC also reviews the financial performance reports, write-offs and related party transactions prepared by the Management.

The PCEO, Chief Internal Auditor and Chief Financial Officer attend all BAC meetings as permanent invitees to facilitate deliberation that deems necessary for BAC to discharge its duties. The BAC Chairman communicated any significant concerns or issues the internal and external auditors highlighted to the Board.

KEY BAC ACTIVITIES

The key activities undertaken in 2023:

- 1 Reviewed and approved the Annual Audit Plan FY2023 and its revision to ensure its relevance and adequate scope and coverage, agile in responding to challenges in the business and operation landscape and competency of internal auditors.
- 2 Reviewed and deliberated the audit engagements, investigations, and whistleblowing reports including recommendations and action plans by Management. Where necessary, directed the Management to implement the remedial action plans to strengthen the internal control system.
- 3 Reviewed the progress of remedial action plans by Management to ensure timely resolution of the control lapses highlighted in the reports. Where necessary, reviewed the justifications and approved the extension of deadlines to resolve audit issues requested by Management.
- 4 Reviewed and endorsed the result of the Chief Internal Auditor's Scorecard for the Financial Year 2022 to the BAC.

- 5 Reviewed and endorsed the Corporate Governance Disclosure for inclusion in the Bank's Annual Report FY2022.
- 6 Reviewed and deliberated on the internal quality assessment review reports, including the recommendations for Internal Audit improvement.
- 7 Reviewed the ongoing monitoring and measurement analyses update on the Internal Audit performance metrics and achievement.
- 8 Deliberated with the external auditor the results of the audit of the annual financial statements for the financial year ended 31 December 2022 and the Report to the BAC.
- 9 Reviewed the overall performance and effectiveness of the external auditor for the period from 1 January 2022 to 31 December 2022.
- 10 Reviewed the re-appointment proposal of the external auditor for the Company and recommended the re-appointment for Board approval.
- 11 Reviewed the Annual Audit Plan for the financial year ended 31 December 2023.
- 12 Reviewed and endorsed the external auditors' scope of work.
- 13 Reviewed and endorsed quarterly unaudited financial results of Bank Muamalat.
- 14 Reviewed and endorsed the Audited financial statement of Bank Muamalat Group for the financial year ended 31 December 2022 and agreed that the financial statements were prepared in accordance with the relevant standards and regulatory requirements as to give a true and fair view of the Group's financial performance.
- 15 Reviewed write off and related party transactions before making recommendations to the Board for approval.

INTERNAL AUDIT FUNCTION

Organisational

Serving as an unbiased independent assessor, the role of the Internal Auditor in 2023 is not only pivotal but multifaceted. In a fast-changing landscape, Internal Audit has demonstrated the integration, transparency, and agility approach in assessing the risk management, internal control, and governance processes of the Bank that together prove its continuing value to stakeholders.

The Internal Audit Division is led by Faidzuel Zain, the Chief Internal Auditor, appointed in October 2022. He holds a Degree in Bachelor of Accountancy and has 23 years of audit experience in the banking industry. He is an active member of the Chief Internal Auditors Networking Group (CIANG) and holds Certification for Bank Auditors and Certified Credit Professional Business.

Responsibility, Scope, and Methodology

The Internal Audit activity is driven by the Internal Audit Charter and its function is governed by the relevant regulatory guidelines and the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA).

In evaluating the effectiveness of the Bank's internal control environment, Internal Audit continues to leverage the Internal Control-Integrated Framework (ICIF) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in 2013. This COSO ICIF has also continue been integrated into our rating methodology which generally impacts the overall audit engagement conclusion and forms part of delivering the result of the engagement to the stakeholders.

We perdure engaging with the stakeholders in performing our independent risk assessment to formulate the Annual Internal Audit Plan for 2023 approved by the BAC. In response to the rapidly changing risk landscape and stakeholders' demand, Internal Audit assessed risks periodically and revised its 2023 Audit Plan.

From the engagements executed throughout the year, Internal Audit communicated the results through the engagement reports to Management and the BAC, including the audit issues, associated risks, causes, recommendations, and Management's action plans for remediation contributing to strengthening the overall control, risk and governance of the Bank. Besides,

BOARD AUDIT COMMITTEE REPORT

we also reported the outcome of the investigation and whistleblowing engagements conducted to the relevant stakeholders. Progress of outstanding issues and action plans are monitored and observed through the Operational Risk Management Committee and subsequently presented to the BAC monthly to ensure remediation plans are timely implemented. Management had followed through on its commitments and accomplished the disposition of outstanding issues highlighted within the committed deadlines.

To enable the evaluation of the Internal Audit's activity's conformance and effectiveness, we continuously maintained a Quality Assurance and Improvement Programme through both internal and external assessments. Internal assessments are ongoing, internal evaluations of the internal audit activity, coupled with periodic assessments. The assessments identified opportunities for improvement and enhanced Internal Audit value and the results were communicated to our stakeholders. Conversely, Internal Audit must obtain an external assessment at least every five years by an independent reviewer outside the Bank to maintain conformance with the IIA's Standards. The last external assessment was conducted in 2021 by IIA Malaysia where we were assessed as General Conforms to the Standards. The next external assessment will be due in 2026.

Resources

As of 31 December 2023, the Internal Audit Division had a total of 40 auditors with diverse credentials, competencies, and experience. 67% of internal auditors have obtained at least 1 certification related to banking and audit, compliance and AML/CFT, technology and cybersecurity, and Shariah. Earning a professional certification is imperative in championing knowledge thereby all auditors are encouraged to strive for professional credentials to enhance their intellect.

Furthermore, in 2023, the internal auditors had attended various internal and external, physical and online training programs to equip them with the latest knowledge, foster skills in a particular domain, and amplify job performance.

A total of RM 6.4 million was incurred on internal audit activity in 2023 consisting of personal, establishment, administration, and general expenses.

While we have made significant progress in enhancing our internal audit activity, we acknowledge challenges such as resource constraints and evolving regulatory requirements. Looking ahead, Internal Audit remains committed to expanding our competency through professional

development, leveraging technology, and fostering collaboration to address these challenges and seize opportunities for improvement and better value-added towards the Bank's transformation journey.

KEY INTERNAL AUDIT ACTIVITIES

Key activities by Internal Audit in 2023 are as follows:

- 1 Developed and presented to the BAC a risk-based Annual Audit Plan and its Revision for 2023.
- 2 Conducted and completed 178 audit engagements, 12 investigations, and 5 whistleblowing and communicated the reports to the BAC and other applicable stakeholders.
- 3 Presented the result of the Chief Internal Auditor's Scorecard for the Financial Year 2022 to the BAC.
- 4 Presented to the BAC the Internal Audit Annual Assertion that represents a leading practice approach in providing assurance to the BAC on our commitment to conforming to the Internal Audit Standards and Code of Ethics for the year 2022.
- 5 Prepare the write-up on the Internal Audit function and Whistleblowing for inclusion in the Bank's Annual Report 2022.
- 6 Conducted and communicated the ongoing monitoring and periodic internal assessment of internal audit activity, including analyses and information on the Internal Audit performance metrics to the BAC and other stakeholders.
- 7 Delivered 45 awareness sessions to the audited units on audit-related concerns, including Shariah compliance culture, Muamalat Ethics Line and Whistleblowing, AML/CFT, common and recurring audit issues, and summary of investigation cases to the relevant targeted audience alerting them of the specific concerns and suggesting ways to overcome or reduce these concerns.
- 8 Recommended 48 Managing for Value recommendations where all recommendations were implemented by the respective owners.

STATEMENT ON COMPLIANCE

The ever-changing nature of the operating environment led to evolvement of legal and regulatory requirements in which non-compliance may have greater and more adverse effects to the integrity, trust and stability of the banking institutions and the industry as a whole. Recognising this, the Bank has put in place a robust compliance risk management programme to ensure adherence to applicable laws, regulations and meet industry best practices while protecting the interest of stakeholders, customers, and the broader society.

The Board has established tone at the top and maintain overall oversight responsibility including defining the appropriate governance structure and setting risk appetite. The Board is assisted by Board Risk & Compliance Committee (BRCC) and Board Audit Committee (BAC) to oversee matters relating to management of compliance risk and implementation of its controls mechanism. At management level, Executive Risk Management Committee is responsible to oversee the implementation of risk management programme.

Bank Muamalat's Compliance Risk Management Programme adopts the three lines of defence mechanism, designed to ensure effective controls in managing compliance risk. In this method, the primary responsibilities in managing the compliance risk are with the first line of defence which implements the management controls to ensure compliance in day-to-day operations. The second line of defence which is independent from the first line is responsible to establish appropriate policies, procedures, and control mechanism with the objective to ensure continuous compliance with the regulatory requirements. The third line of defence is the Internal Audit Function which is independent from the first line and second line where the role is to provides independent assessment and validation of the adequacy and effectiveness of overall compliance programme.

COMPLIANCE RISK MANAGEMENT PROGRAMME

The Bank has put in place a systematic Compliance Risk Management Programme that designed to ensure adherence to specific regulations, standards, and internal policies. It is a continuous methodical process comprise of risk assessment, control, monitoring, and reporting of risk exposures within the Bank.

i. Risk assessment

The Bank conduct compliance risk assessment to identify, evaluate, prioritise, and manage risks inherent in the Bank's products, initiatives and business operations as well as emerging risks that may led to non-compliance to regulatory, Anti-Money Laundering/Counter Terrorist Financing and Shariah requirements

that could negatively impact the Bank. Gap analysis assessment is a vital process that helps the Bank to assess the adherence to the specific law, regulations, and standards as well as to identify areas of improvement or potential compliance risk that may affect the Bank's product, activities, and initiatives. Through gap analysis, the Bank is able to identify and prioritise processes that must be improved and assist Board and senior management in making a decision by allocating the resources, budget and priority accordingly.

ii. Risk Control

Based on the risk assessment, the Bank has established comprehensive policies, procedures and manuals that outline the Bank's compliance expectations and requirements. These documents are regularly reviewed, updated, and communicated to relevant stakeholders to ensure that the controls established are effective to minimise the risk and able to prevent new or emerging risk from occurring.

The Bank continuously enhances and develops products, services and initiated various projects to offer better range of products and services to enhance customers' experience. These initiatives are well supported by the regulatory advisory function as a control measure to ensure all regulatory requirements and expectations are met and compliance risk are proactively managed by the Bank.

The Bank acknowledged that having staff with good compliance culture is paramount in managing compliance risk. Thus, the Bank is continuously provide regular training and awareness programs to employees at all level of the organisation to ensure they understand their compliance responsibilities and obligations. Training is tailored to matters relevant to their roles, helping them to understand their responsibilities and keep updated on regulatory requirements.

iii. Risk monitoring

Monitoring mechanism is in place to assess and assure that the Bank's operations, activities, and practices comply with the regulatory requirements, industry standard. Compliance review function is carried out based on systematic identification of compliance risk areas which form a basis for Annual Review Plan. The main objective is to provide reasonable assurance to Board and senior management on the adherence to the compliance programme, identify areas of non-compliance or potential risk and take corrective actions to mitigate those risk. The review coverage includes regulatory compliance, Anti Money Laundering/

STATEMENT ON COMPLIANCE

Counter Terrorist Financing programme and Shariah compliance. The review objective is also to ensure that the internal policies, procedures, and controls are being updated and align with the prevailing regulatory requirements and industry best practices.

iv. Risk reporting

Comprehensive and timely compliance reporting is essential for effective managing compliance risk while promoting a culture of transparency, accountability, and integrity. The Bank has established reporting procedures to appropriate levels of management and Board. Compliance activities are periodically reported to the Senior Management, Shariah Committee, BRCC and/or Board of Directors for deliberation and/or endorsement. This includes updates on new regulatory guidelines issued, results of gap analysis conducted, AML dashboard, compliance review reports, training progress updates, breaches/incidence, and other material compliance concerns.

ANTI-MONEY LAUNDERING & COUNTER FINANCING OF TERRORISM AND TARGETED FINANCIAL SANCTION (AML/CFT & TFS)

The Bank is committed to combat money laundering and the financing of terrorism in the Bank's business operations. As an effort to methodically understand the risk exposure, the Bank conducts Institutional Risk Assessment (IRA) on periodic basis covering both the AML/CFT and sanction risk. IRA is a proactive approach that enables the Bank to identify, evaluate, and address the specific AML/CFT and TFS risks associated with the products, services, and activities, and assess the adequacy of available mitigating controls to manage such risk where action plan is being formulated for areas with enhancement opportunity.

To effectively mitigate AML/CFT risk, the Bank continues invest in technology upgrades and enhancements to stay ahead of evolving threats and meeting regulatory expectations. Enhancement has been made to the Bank's AML/CFT solution to improve detection capabilities which in turns strengthen its transaction monitoring and screening processes to protect the Bank from being exploited as a conduit for ML/TF activities.

Bank Muamalat reckons the needs to contribute to the collective efforts in safeguarding the integrity of the financial system. The Bank actively collaborates with its industry peers, regulatory authorities, Law Enforcement agencies (LEAs), and other stakeholders to share insights, best practices, and intelligence related to AML/CFT & TFS risks.

FRAUD COUNTERMEASURES

Here at BMMB, we recognise the growing sophistication of fraudsters and scammers who continually evolve their tactics to deceive unsuspecting individuals. The Bank understands the significant impact of the financial fraud can have on individuals, families, and businesses, and fully committed to take proactive measures to mitigate these risks. Throughout the year, the Bank has undertaken constant initiatives to strengthen security standards and fraud management programs across digital banking platforms, ATMs, and other relevant channels. This includes migration of SMS OTP to more secure multi-factor authentication, kill switch function, cooling-off period for certain online banking activity, enhance capability of fraud management system and 24/7 Scam Response Hotline. The initiatives are continuously being enhanced to ensure better customer experience without compromising the security of Bank's products and services.

In addition to the active participation in various industry taskforces and working groups that aimed at combating cybercrimes, the Bank also engages and pledges its extensive supports to the National Scam Response Center (NSRC) which is established as a national command hub to coordinate swift action to disrupt online financial scams.

INTEGRITY AND ANTI-BRIBERY & CORRUPTION

The Bank adopts a zero-tolerance policy against any form of bribery and corruption. The Bank view bribery and corruption as significant risks not only to the financial industry but also to the good of the society as a whole. As part of the bank continuous efforts to promote good governance and combat bribery and corruption, the Bank has in 2023 developed and launched BMMB Organisational Anti-Corruption Plan (OACP) with the aims to uphold the highest standards of integrity, transparency, and ethical conduct in all aspects of the Bank's operations. The OACP represents the Bank's steadfast commitment in combating corruption and integrity misconduct by implementing various initiatives to further strengthen the existing Anti-Bribery & Corruption (ABC) programs. The initiatives are being monitored centrally by Integrity Governance Unit with periodic status reporting to senior management and Board.

STATEMENT ON RISK MANAGEMENT

The Bank adopts a prudent approach towards risk management and has emplaced appropriate control frameworks to support sustainable business growth. Key control mechanisms include timely identification and escalation of current and emerging risks and enhanced oversight to ensure growth is within the Bank's established risk appetite and driven by risk-informed decision-making.

BOARD RESPONSIBILITY

The Board plays a vital role in providing risk oversight and determining the Bank's risk appetite with regards to the levels and types of risk that the Bank is willing to take towards achieving its strategic objectives. It is therefore committed to its overall responsibility in implementing and ensuring that a sound risk management and internal control system are maintained within the Bank.

The Board's responsibilities include approving and reviewing the adequacy and effectiveness of the risk management and internal control systems that are being used in identifying, assessing, monitoring and mitigating risks.

The control structures and processes, which incorporate elements of financial, operational, risk and compliance management, have been instituted throughout the Bank. From time to time, the control structure and processes are reviewed to suit the changes in the business environment.

MANAGEMENT RESPONSIBILITY

The Management is responsible for developing and implementing all policies and procedures approved by the Board as well as identifying, evaluating, measuring and monitoring risk exposures. The roles of the Management include, but not limited to:

- identify and evaluate the risks relevant to the Bank's business and achievement of its business objectives and strategies;
- design and implement risk management frameworks in accordance to the Bank's strategies and risk appetite;
- formulate relevant policies and procedures to manage risks in accordance to the Bank's strategic vision and overall risk appetite; and
- report in a timely manner to the Board on any changes to the current risks or of any emerging risks and the appropriate actions taken.

RISK GOVERNANCE

The Bank's risk governance and oversight structure outlines the accountabilities as well as roles and responsibilities for the management of risk. The Board plays a crucial role in establishing a strong risk management structure and provides oversight for overall risk governance to ensure that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework. To carry out its risk and control oversight, the Board is supported by the Board Risk & Compliance Committee (BRCC) that directly oversee matters relating to risk. The BRCC updates the Board on monthly basis on the key deliberations and decisions.

STATEMENT ON RISK MANAGEMENT

The governance structure and committees responsible for effective governance and supervision over risk-related functions is as illustrated below:

RISK GOVERNANCE STRUCTURE		
BOARD OF DIRECTORS (BOD) Establish a strong risk management and provide oversight for overall risk governance to ensure that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework		
BOARD RISK COMMITTEES		
Board Risk & Compliance Committee (BRCC) <ul style="list-style-type: none"> Ensure effective management of risks and enforcement of approved risk tolerances and limits. Review and assess the existing risk management framework for its continued efficacy. Ensure robust infrastructure and systems as well as resources are in place to monitor risk and capital effectively. 	Board Veto Committee (VETO) <ul style="list-style-type: none"> Review approvals of large financing granted by Credit Committee (management level). 	Shariah Committee (SC) <ul style="list-style-type: none"> Serve as advisory to the Board and Management team on all Shariah matters.
EXECUTIVE LEVEL-RISK MANAGEMENT COMMITTEES		
Executive Risk Management Committee (ERMC), Asset Liability Committee (ALCO), Credit Committee (CC), Investment Committee (IC), Operational Risk Management Committee (ORMC), Business Continuity Management Committee (BCMC), Enterprise Risk Management Committee (ERMCo), Asset Quality and Impairment Committee (AQIC), Credit Risk Management Committee (CRMC), Model Validation and Acceptance Committee (MVAC) and Collection & Recovery Task Force (CRT) <ul style="list-style-type: none"> Undertake the execution and implementation of Bank's strategies, policies and methodologies in line with the Board's vision. Identify, evaluate, measure and monitor the strategic and business plans, capital plan and risk appetite statement as per the Board's approval. 		
LINE OF DEFENCE		
1st Line (Business Units) <ul style="list-style-type: none"> Risk are directly undertaken and assumed in the day-to-day business activities and operations. As front-liners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank's strategic targets. 	2nd Line (Risk Management Control & Compliance) <ul style="list-style-type: none"> Ensure independent oversight and management of all material risks undertaken by the Bank. Provide specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control. Provide the control function, which monitors the risk by using various key indicators and reports, guided by established risk appetite and tolerance limits. 	3rd Line (Internal Audit) <ul style="list-style-type: none"> Provide independent review and assurance on adequacy of risk management process and effectiveness of the first two lines of defence in fulfilling their mandates.

RISK CULTURE

The Bank continues to enhance and strengthen its risk management capability by reinforcing and embedding a strong risk culture throughout the organisation. The Board plays an active role in establishing and maintaining the Bank’s risk culture through continuous emphasis on the “tone from the top” and holding management accountable for maintenance of high ethical standards and effective policies and practices.

The Bank acknowledges that continuous communication of its core values and sound risk practices are essential in order to embed a robust risk culture for its long-term sustainability. The Management is therefore committed in driving the established risk and compliance programmes which include reinforcement of shared values, engagement sessions, e-learnings and roadshows. Focus is on fostering a strong and coherent risk culture among all staff and on building and sustaining long-term relationships with customers by enhancing customer experience, building trust and increase the brand value of the Bank.

The Bank has established Enterprise Risk Management (ERM) framework as part of initiatives in promoting a strong risk culture that integrates risk management into significant activities and functions.

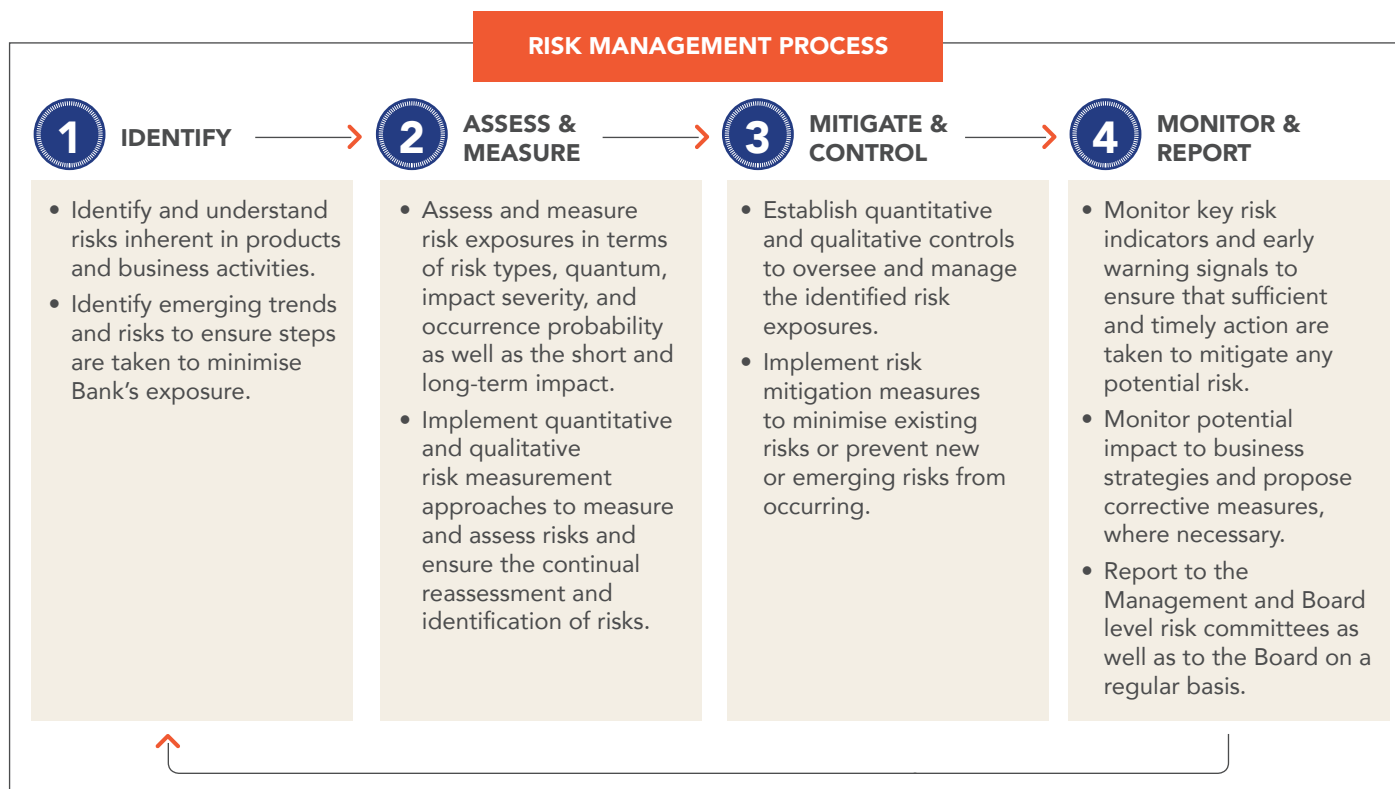
RISK APPETITE

The risk appetite serves as a foundation and reference for the Bank’s aspired risk culture and is integral in providing the necessary guidance and parameters for all business and risk-taking activities and decision-making.

The Bank defines its risk appetite by the amount and types of risk that it is willing to accept in pursuit of its strategic and business objectives. The Board reviews and approves the Bank’s risk appetite annually and is kept updated on its status on a monthly basis.

RISK MANAGEMENT PROCESS

The Bank has established a continuous risk management approach that facilitates systematic identification, measurement, control, and monitoring of risk exposures and produces appropriate and accurate risk reporting to enable management to make informed risk decisions.



STATEMENT ON RISK MANAGEMENT

CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations. The credit management policies, guidelines, and credit underwriting standards are outlined in the Bank's Credit Risk Policy (CRP) and Guideline to Credit Risk Policies (GCRP) documents. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

The Bank adopts a holistic portfolio-based risk management approach to ensure sustainable growth and market share retention while operating within the established risk appetite and tolerance parameters. Regular portfolio reviews and stress tests are performed on identified high risk sectors and vulnerable customer segments, taking into consideration potential emerging risks, to ensure remedial actions are appropriately and timely initiated.

Several initiatives have been implemented to improve the management of credit risk. These include enhancements of credit risk reports to facilitate informed decision-making process, development and calibration of application and behavioural scorecards, and strengthening of risk monitoring through dedicated risk and asset quality management committees.

The Bank has also established clear target markets and risk acceptance criteria for customer onboarding, including financing parameters and risk-return expectations, to ensure that risk-returns are maintained within the risk appetite and parameters.

The Bank plays a pivotal role in accelerating customers' transition towards more sustainable practices in their business operations by introducing the environmental, social and governance (ESG) scorecard that embed sustainability metrics, guided by BNM's Climate Change and Principle-based Taxonomy Guidance Document.

MARKET RISK MANAGEMENT

Market risk is defined as risk of losses in on- and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity, and commodity prices which may adversely impact earnings and capital positions.

The Bank's market risk framework contains policies and guidelines on key risk management practices such as risk identification, measurement, mitigation, monitoring and control. The market risk policies and specific limits for trading and non-trading book portfolios are reviewed and updated to be in line with the latest regulatory expectation and industry practices.

In view of the ongoing volatility in the financial markets, the Bank undertakes periodic stress tests to assess the impact of the movements in market rates to the Bank's earning at risk (EaR) and economic value of equity (EVE).

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to maintain liquidity, thus resulting in serious implications on its reputation and continued existence.

The Bank's priority in managing liquidity risk is to maintain a stable source of financial resources to meet its funding requirements. The Bank ensures sufficient cash and liquid assets are made available to meet short and long-term obligations through active balance sheet and funding position management.

The primary focus of liquidity management is to proactively assess all cash inflows against outflows to identify any potential net shortfall going forward, including for those involving off-balance sheet commitments. The measurements and limits used to monitor and manage liquidity risk are as prescribed under the Bank Negara Malaysia's (BNM's) liquidity framework, i.e., Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank has also established a liquidity contingency plan to ensure its readiness in dealing with any potential liquidity crisis.

For effective liquidity risk prediction, the Bank has put in place Liquidity Crisis Early Warning Signals (LCEWS) that are pivotal tools in identifying and mitigating liquidity risks before they materialise.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. The effects of operational risk may extend beyond financial losses and could result in legal and reputational risk implications.

The risk management framework has been enhanced to incorporate improvements to risk and control assessment approaches and risk reporting with the inclusion of leading risk indicators and control testing mechanism.

Other mitigation actions include strengthening the first line of defence via continuous operational risk training and awareness for new recruits and risk agents and increased engagements with the risk owners at branches and head office departments.

BUSINESS CONTINUITY MANAGEMENT (BCM)

The Bank's BCM, which entails enterprise-wide planning, coordination and mobilisation of key resources and processes under a broad spectrum of business disruption scenarios, arising from both internal and external events, has enabled the Bank to respond and continue to operate critical business functions under various prolonged adverse conditions.

The business continuity plan is reviewed annually based on detailed risk assessments and business impact analyses performed on identified potential threats to business functions. Business impact analyses are used to identify critical business functions and systems and to formulate corresponding business continuity plan and management action. This includes assessment and analysis on the materiality of outsourcing services by third party service providers.

SHARIAH RISK MANAGEMENT

Shariah non-compliance risk is defined as the risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee of the Bank and other relevant Shariah regulatory councils or committees.

Management of Shariah non-compliance risk is guided via established policies and guidelines on Shariah risk management as well as governance and oversight processes. These include the approaches for identification and assessment of Shariah non-compliance risks in business activities, products and services, and assessment of the effectiveness of existing controls and mitigation plan. Assessment of products, services and operating procedures are continuously performed from Shariah risk perspective. Continuous training and awareness programme on Shariah risk are conducted to promote a cohesive Shariah compliance risk culture.

TECHNOLOGY AND CYBER RISK MANAGEMENT

Risk arising from technology vulnerabilities could result in financial loss, disruptions to infrastructure and operations, and reputational harm while cybersecurity risk is the probability of loss of customer information and banking records due to cyber threat or attack.

The Bank continuously ensures that BNM's policy on Risk Management in Technology (RMiT) is adhered to along with various other regulatory requirements on technology and cybersecurity. The Bank has established and operationalised its Technology Risk Management Framework and Cyber Resilience Framework to ensure confidentiality, integrity and availability of information are aligned with the risk profile through the Cybersecurity Strategic Plan that was developed align with BNM's Cyber Resilience Maturity Assessment (CRMA) controls.

In addition, the Bank has made effort to safeguard the infrastructure and information, whether it is in digital or physical form. This entail putting controls in place through policies and procedures that comply with BNM's RMIT, PayNet's requirements and international best practices. These controls are constantly reviewed to ensure its continuous relevance.



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CYBER SECURITY

07



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DIRECTORS' REPORT

In the name of Allah, The Most Beneficent, The Most Merciful

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

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

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

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE GROUP AND THE BANK

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

Bank Muamalat Malaysia Berhad

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

Muamalat Invest Sdn Bhd

Khairul Kamarudin
 Mohd Faruk Abdul Karim
 Md. Khairuddin Hj Arshad
 Roshidah Abdullah
 Fakhah Azahari
 Dato' Adnan Alias

(resigned on 31 May 2023)

(resigned on 15 May 2023)

Muamalat Venture Sdn Bhd

Khairul Kamarudin
 Amirul Nasir Abdul Rahim

Muamalat Nominees (Asing) Sdn Bhd

Khairul Kamarudin
 Amirul Nasir Abdul Rahim

Muamalat Nominees (Tempatan) Sdn Bhd

Khairul Kamarudin
 Amirul Nasir Abdul Rahim

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			As at 31.12.2023
	As at 1.1.2023	Acquired	Disposed	
Interest in the holding company, DRB-HICOM Berhad:				
Tan Sri Che Khalib Mohamad Noh				
- spouse	3,500 [^]	-	-	3,500 [^]

[^] Deemed interest in shares in the holding company held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Other than as disclosed above, none of the Directors holding office at the end of the financial year ended 31 December 2023 had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received nor become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors from or the fixed salary of a full-time employee of the Bank as shown in Note 36 to the financial statements or from related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which, the Director is a member, or with a company in which the Director has a substantial financial interest.

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

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

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

INDEMNITY AND TAKAFUL COST

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

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written-down to an amount which they might be expected so to realise.
- (b) As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render:
- (i) the amount written-off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

- (c) As at the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (f) In the opinion of the Directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S POLICY DOCUMENTS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that the preparation of the financial statements of the Group and of the Bank are in compliance with the Bank Negara Malaysia's Policy Documents on Financial Reporting for Islamic Banking Institutions and the Policy Documents on Classification and Impairment Provisions for Loans/Financing.

BUSINESS REVIEW 2023

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

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

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

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

DIRECTORS' REPORT

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

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

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

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

PROSPECTS AND FORECAST

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

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

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

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

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are required to be in full compliance with the Shariah requirements, as governed and guided by the Shariah Committee ("SC"). The duties and responsibilities of the Shariah Committee are prescribed by the Shariah Governance Policy Document ("SGPD") issued by Bank Negara Malaysia ("BNM"). The key responsibilities of the Shariah Committee are as follows:

- (a) To have a charter that sets out the mandate, responsibilities and procedures of the SC including matters reserved for its decision or advice.
- (b) To provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:
 - (i) to provide a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
 - (ii) to provide a decision or advice on matters which require a reference to be made to the SAC;
 - (iii) to provide a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
 - (iv) to deliberate and affirm any Shariah non-compliance finding by any relevant functions; and
 - (v) to endorse rectification measure to address any Shariah non-compliance event.
- (c) To be accountable for the quality, accuracy and soundness of its own decision or advice.
- (d) To establish a robust methodology to guide its decision-making process. The SC must take into account relevant business and risk practices in arriving at a decision or advice.
- (e) Where the SC has reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank, the SC must immediately update the Board of Directors ("BOD") on such matter.
- (f) In cases where the SAC has not made any rulings on a particular matter or the SC is not able to arrive at a decision or advice, the Bank shall refer to the SAC for a ruling in accordance with *Manual Rujukan Institusi Kewangan Islam kepada Majlis Penasihat Syariah*. Any requests for a ruling or advice shall be communicated through the Secretariat of the SAC.
- (g) In the event where the SC decides or advises to place additional restrictions on the operations, business, affairs and activities of the Bank in applying the SAC rulings, the Bank must:
 - (i) document the deliberations and justifications of the SC decision or advice;
 - (ii) ascertain the BOD's views on the decision or advice made by the SC with regard to the SAC ruling; and
 - (iii) ensure immediate notification to the BNM of such decision or advice.
- (h) The Bank shall ensure that any records of SC's decision or advice to be submitted to BNM, including a rectification plan to address a Shariah non-compliance event (under section 28(3) of the Islamic Financial Services Act ("IFSA") 2013), is supported with key deliberations, rationale and any significant concerns or dissenting views to the decision or advice.

DIRECTORS' REPORT

DISCLOSURE OF SHARIAH COMMITTEE (CONT'D.)

- (i) In the event that the SC delegates any of its responsibilities to any persons or functions:
 - (i) The Bank must ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the SC's charter and the Bank's internal policies;
 - (ii) The Bank must establish reporting arrangements to keep the SC informed of the work, key deliberations and decisions on the delegated matters; and
 - (iii) The SC must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
- (j) To exercise objectivity in coming up with the SC judgement and be free from associations or circumstances that may impair the exercise of professional objectivity. In fulfilling the responsibility, a SC member must ensure that the judgement in arriving at a Shariah decision or advice is not affected by other professional commitments.
- (k) To devote sufficient time to prepare for and attend SC meetings.
- (l) To ensure consistency in providing the SC views and must not act in manner undermine the rulings of the SAC or any decisions of the SC that they represent.
- (m) To disclose the nature and extent of the SC interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in SC circumstances that may affect SC status.
- (n) To continuously develop a reasonable understanding of the business and operations of the Bank and keep abreast with relevant market and regulatory developments. The chairman of the SC must lead efforts to manage the SC's developmental plans.

ZAKAT OBLIGATIONS

The Bank pays zakat on its business to the state zakat authorities, based on the growth model method as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the shareholders or depositors, unless upon request by the shareholders or depositors.

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

AUDITORS AND AUDITORS' REMUNERATION

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

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

Tan Sri Tajuddin Atan, FCB
Chairman

Roshidah Abdullah
Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the name of Allah, The Most Beneficent, The Most Merciful

We, Tan Sri Tajuddin Atan and Roshidah Abdullah, being two (2) of the Directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 193 to 372 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023 and of the results and the cash flows of the Group and of the Bank for the year then ended.

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

Tan Sri Tajuddin Atan, FCB
Chairman

Roshidah Abdullah
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

In the name of Allah, The Most Beneficent, The Most Merciful

I, Amirul Nasir Abdul Rahim, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 193 to 372 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Amirul Nasir Abdul Rahim
(I.C No. 840830-14-6087) at
Kuala Lumpur in Federal Territory
on 29 April 2024.

Amirul Nasir Abdul Rahim

Before me,

Commissioner for Oaths

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, The Most Beneficent, The Most Merciful

In compliance with the letter of appointment, we are required to submit the following report:

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

We, the members of the Shariah Committee as established under the Bank, are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

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

We planned and performed our review by obtaining all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles and to rectify to our reasonable satisfaction the matters that required improvements toward Shariah compliance.

To the best of our knowledge based on the information provided to us and discussions and decisions transpired and made in the meetings of or attended by the Shariah Committee of the Bank as have been detailed out in the relevant minutes of meetings and taking into account the advices and opinions given by the relevant experts, bodies and authorities, we are of the opinion that:

- (a) the contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2023 that we have reviewed are in compliance with the Shariah principles;
- (b) the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
- (c) all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes; and
- (d) the financial statements of the Bank for the year ended 31 December 2023 together with the calculation of zakat disclosed to us are in compliance with Shariah principles.

REPORT OF THE SHARIAH COMMITTEE (CONT'D.)

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the overall operations, business, affairs and activities of the Bank for the year ended 31 December 2023 are in compliance with Shariah principles but it has come to the Shariah Committee's attention that two (2) Shariah non-compliance events have occurred and have been rectified, detail as follows:

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

We were informed on the causes for the events and noted that the Bank has taken the corrective as well as preventive measures in order to avoid recurring events in the future. We also confirmed that the events together with the rectification plans were presented to us and Board of Directors and reported to BNM in accordance with the reporting requirements by the regulator.

Signed on behalf of the Shariah Committee of Bank Muamalat Malaysia Berhad,

Dr. Yusri Mohamad
Chairman of Shariah Committee

Dr. Mohd Shahid Mohd Noh
Member of Shariah Committee

Kuala Lumpur, Malaysia
29 April 2024

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of material accounting policy information as set out on pages 193 to 372.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Bank does not cover the Directors' Report and Shariah Committee's Report and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

Other matters

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

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

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

Petaling Jaya, Selangor
29 April 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H) (cont'd.)

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

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

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H) (cont'd.)

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

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

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

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

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the year		211,815	222,778	218,046	219,438
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss					
Net gain/(loss) on financial investments at fair value through other comprehensive income		25,520	(40,339)	25,520	(40,339)
Net (loss)/gain on financial investments at fair value through other comprehensive income		25,520	(40,339)	25,520	(40,339)
- Net gain/(loss) on change in fair value		54,076	(39,342)	54,076	(39,342)
- Changes in expected credit losses	5 (ii)	526	(60)	526	(60)
- Income tax effect	16	(8,852)	1,069	(8,852)	1,069
- Realised gain transferred to profit or loss on disposal of debts instruments	28 & 30	(20,230)	(2,006)	(20,230)	(2,006)
Exchange fluctuation reserve		(1,475)	2,417	(1,475)	2,417
Items that may not be reclassified subsequently to profit or loss					
Net unrealised loss on equity securities at fair value through other comprehensive income		(34,718)	(51,039)	(34,718)	(51,039)
Other comprehensive loss for the year, net of tax		(10,673)	(88,961)	(10,673)	(88,961)
Total comprehensive income for the year		201,142	133,817	207,373	130,477

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

Bank	← Non-Distributable →				Distributable		Total equity RM'000
	Ordinary shares RM'000	Perpetual Sukuk RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained profits RM'000	
At 1 January 2023	1,195,000	-	94,239	3,067	(1,342)	1,577,800	2,868,764
Profit for the year	-	-	-	-	-	218,046	218,046
Other comprehensive loss for the year	-	-	-	(1,475)	(9,198)	-	(10,673)
Total comprehensive (loss)/income for the year	-	-	-	(1,475)	(9,198)	218,046	207,373
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	-	3,574	(3,574)	-
Net issuance of Perpetual Sukuk	-	348,755	-	-	-	-	348,755
Transfer to regulatory reserve	-	-	61,508	-	-	(61,508)	-
At 31 December 2023	1,195,000	348,755	155,747	1,592	(6,966)	1,730,764	3,424,892
At 1 January 2022	1,195,000	-	28,079	650	43,374	1,471,184	2,738,287
Profit for the year	-	-	-	-	-	219,438	219,438
Other comprehensive income/(loss) for the year	-	-	-	2,417	(91,378)	-	(88,961)
Total comprehensive income/(loss) for the year	-	-	-	2,417	(91,378)	219,438	130,477
Transfer of fair value changes recognised for equity instruments (elected as FVOCI) upon derecognition	-	-	-	-	46,662	(46,662)	-
Transfer from regulatory reserve	-	-	66,160	-	-	(66,160)	-
At 31 December 2022	1,195,000	-	94,239	3,067	(1,342)	1,577,800	2,868,764

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before zakat and taxation					
Adjustment for:		295,583	306,725	300,756	300,510
Unwinding of financial liabilities	30 (a)	1,664	4,690	1,664	4,690
Amortisation of intangible assets	38	33,563	24,711	33,483	24,678
Depreciation of property, plant and equipment	38	10,664	11,201	10,646	11,183
Gain from termination of right-of-use asset	30	(3)	(47)	(3)	(47)
Depreciation of right-of-use assets	38	11,152	10,736	11,152	10,736
Amortisation of cost on subordinated sukuk issued		422	369	422	369
Property, plant and equipment written-off	38	6	38	6	38
Intangible assets written-off	38	64	-	64	-
Amortisation of premium (net)	28 & 30	40,444	47,287	40,444	47,287
Return of a financial investment at fair value through other comprehensive income	30	-	(10,552)	-	(10,552)
Net gain from sale of financial investments at fair value through other comprehensive income	28 & 30	(20,230)	(2,005)	(20,230)	(2,005)
Net gain from sale of financial investments designated at FVTPL	28	(77)	(36)	(77)	(36)
Unrealised (gain)/loss on revaluation of financial investment designated at FVTPL	28 & 30	(3,420)	3,387	(3,422)	3,387
Net gain on revaluation of foreign exchange transaction	30	(9,713)	(27,447)	(9,713)	(27,447)
Net (gain)/loss from foreign exchange derivatives	30	(10,164)	20,134	(10,164)	20,134
Unrealised gain on revaluation of Islamic profit rate swap	30	-	(37,532)	-	(37,532)
Unrealised loss on revaluation of hedged items	30	-	37,940	-	37,940
Allowance for impairment losses on financial investments, net	32	526	4,371	526	4,371
Fair value adjustments of investment properties	30	(192)	-	(192)	-
Allowance for impairment on financing	31	33,260	41,010	33,260	41,010
Allowance for impairment on other financial assets, net	33	105	38	105	38
Finance costs	39	82,174	55,114	82,174	55,114
Gross dividend income	30	(68)	(39)	(11,000)	(4,000)
Operating profit before working capital changes		465,760	490,093	459,901	479,866

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H) (cont'd.)

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities (cont'd.)					
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		1,592	(18,944)	1,592	(18,944)
Financial investments portfolio		(4,549)	(58,299)	(4,548)	(58,298)
Financing of customers		(4,363,837)	(3,386,771)	(4,370,239)	(3,385,805)
Statutory deposits with Bank Negara Malaysia		(166,718)	(286,942)	(166,718)	(286,942)
Other assets		(94,299)	10,591	(93,956)	10,490
Increase/(decrease) in operating liabilities:					
Deposits from customers		6,475,127	3,207,443	6,471,449	3,211,637
Deposits and placements of banks and other financial institutions		224,582	6,831	224,582	6,831
Investment accounts of customers		(53,469)	84,180	(53,469)	84,180
Islamic derivative financial liabilities		(1,592)	(900)	(1,592)	(900)
Bills and acceptances payable		(6,445)	12,463	(6,445)	12,463
Other liabilities		4,517	(44,064)	6,680	(45,197)
Cash generated from operations					
Finance cost on lease liabilities paid	39	2,480,669	15,681	2,467,237	9,381
Zakat paid		(1,839)	(1,925)	(1,839)	(1,925)
Tax paid		(4,723)	(4,163)	(4,264)	(3,796)
		(57,678)	(81,611)	(55,718)	(79,783)
Net cash from/(used in) operating activities		2,416,429	(72,018)	2,405,416	(76,123)
Cash flows from investing activities					
Proceeds from disposal of investment in securities		4,204,818	2,085,380	4,204,818	2,085,380
Purchase of financial investment in securities		(5,366,573)	(2,412,089)	(5,366,506)	(2,412,050)
Purchase of property, plant and equipment	14	(7,822)	(6,919)	(7,821)	(6,895)
Purchase of intangible assets	13	(47,669)	(58,883)	(47,656)	(58,802)
Dividend income	29	68	39	11,000	4,000
Net cash used in investing activities		(1,217,178)	(392,472)	(1,206,165)	(388,367)

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H) (cont'd.)

(a) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

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

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

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

(b) Cash outflows for leases as a lessee

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

CORPORATE INFORMATION

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013 (“IFSA”), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 30th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. DRB-HICOM Berhad holds 70% of the Bank’s shares, whilst the remaining 30% is held by Khazanah Nasional Berhad.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Board of Directors on 29 April 2024.

1. BASIS OF PREPARATION

1.1 Statement of compliance

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

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

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

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

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

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

1. BASIS OF PREPARATION (CONT'D.)

1.1 Statement of compliance (cont'd.)

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

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

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

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

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

1.2 Basis of measurement

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

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

1.3 Functional and presentation currencies

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

1.4 Use of estimates and judgements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES

2.1 Changes in material accounting policies

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

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

2.2 Material accounting policy information

(a) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank’s separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in statement of profit or loss.

(b) Financial assets

(i) Initial recognition and subsequent measurement

The Group and the Bank classify all of their financial assets based on the business model for managing the assets and the assets’ contractual cash flow characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The categories of financial assets under MFRS 9 Financial Instruments are as follows:

- Amortised cost;
- Fair value through other comprehensive income (“FVOCI”); and
- Fair value through profit or loss (“FVTPL”)

(1) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (“SPPP”) on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

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

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

The details of these conditions are outlined below:

(i) The SPPP test

As a first step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there were payments of principal or amortisation of the premium/discount).

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group's and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The way the managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales which are also important aspects of the Group's and the Bank's assessment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

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

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

(ii) Business model assessment (cont'd.)

- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, cash and placements with financial institutions, financial investments, financing of customers, statutory deposits and a portion of other assets as disclosed in the respective notes to the financial statements.

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

The Group and the Bank apply the new category under MFRS 9 *Financial Instruments* of debt instruments measured at FVOCI when both of the following conditions are met:

- The contractual terms of the financial assets meet the SPPP test; and
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the Other Comprehensive Income ("OCI"). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first-in-first-out basis. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial assets at FVOCI are certain equity and debt instruments.

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

Financial assets at FVTPL are those that are held-for-trading and have been either designated by the Group and the Bank upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9 *Financial Instruments*.

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

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

(3) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

The Group and the Bank designate an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, financing of customers and derivatives.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss under the caption of 'other operating income'.

(ii) Reclassifications

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or management buy-over.

(iii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from asset have expired.
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
 - The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
 - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset.

When the Group and the Bank have transferred their rights to receive cash flows from a financial asset or have entered into a pass through arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Group's and the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

(iv) Impairment of financial assets

The MFRS 9 *Financial Instruments* impairment requirements are based on an Expected Credit Loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI (with recycling to profit or loss), irrevocable financing commitments and financial guarantee contracts, and financing of customers and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

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

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

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

The Group and the Bank apply a 3-stage approach based on the change in credit quality since initial recognition:

3-Stage Approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

(2) ECL Measurement

There are three (3) main components to measure ECL, which include: (i) probability of default ("PD") model; (ii) loss given default ("LGD") model; and (iii) exposure at default ("EAD") model.

MFRS 9 *Financial Instruments* does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant.

(3) Expected life

Lifetime ECL must be measured over the expected life of the financial asset. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as overdraft. The expected life for these revolving facilities generally refers to their behavioural life.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

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

(4) Forward looking information

ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the collation of macroeconomic data obtained from various external sources, such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in the ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

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

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

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

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

(5) Financial investments at FVOCI

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

(6) Valuation of collateral held as security for financial assets

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(b) Financial assets (cont'd.)

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

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

The main types of collateral obtained by the Group and the Bank are as follows: (cont'd.)

- For syndicated financing - charges over the properties being financed;
- For vehicle financing - charges over the vehicles financed; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

(7) Impairment process – written-off accounts

Where a financing is uncollectible, it is written-off against the related allowances for impairment. Such financing are written-off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written-off are recognised in the statements of profit or loss.

(8) Impairment of other financial assets

The Group and the Bank apply the MFRS 9 *Financial Instruments* simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other financial assets. The simplified approach excludes tracking of changes in credit risk.

(v) Determination of fair value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices, which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Bank generally uses widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held; with exception to investment in private equity funds.

(c) Financial liabilities

(i) Date of recognition

All financial liabilities are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(c) Financial liabilities (cont'd.)

(ii) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortised cost.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held-for-trading include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. Derivative liabilities are initially and subsequently measured at fair value, with any resultant gains or losses recognised in statements of profit or loss. Net gains or losses on derivatives include exchange differences.

(2) Financial liabilities at amortised cost

The Group's and the Bank's financial liabilities at amortised cost include deposits from customers, deposits and placements of banks and other financial institutions, debt securities, payables, bills and acceptances payable, recourse obligation on financing sold to Cagamas and other liabilities.

(a) Deposits from customers, and deposits and placements of banks and other financial institutions

Deposits from customers, and deposits and placements of banks and other financial institutions are stated at placement values.

(b) Islamic debt securities

Issued Islamic debt securities are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities consist of two tranches of subordinated sukuk.

These Islamic debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, all issued Islamic debt securities are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of profit or loss over the period of the financing on an effective profit rate method.

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(c) Financial liabilities (cont'd.)

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

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

(c) Payables

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

(d) Bills and acceptances payable

Bills and acceptances are recognised at amortised cost using effective profit rate method. Payables represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(e) Other liabilities

Other liabilities are stated at cost, which is the fair value of the consideration expected to be paid in the future for goods and services received.

(f) Recourse obligation on financing sold to Cagamas

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

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of profit or loss.

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

The Group and the Bank use derivatives such as profit rate swap and forward foreign exchange contracts.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

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

(ii) Hedge accounting

The Group and the Bank have elected an accounting policy choice under MFRS 9 *Financial Instruments* to continue to apply the hedge accounting requirements under MFRS 139 *Financial Instrument Recognition and Measurement* on the adoption of MFRS 9 *Financial Instruments* on 1 April 2018.

The Group and the Bank use derivative instruments to manage exposures to profit rate and foreign currency risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

(1) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statements of profit or loss.

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income into cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in statements of profit or loss. When the hedged cash flow affects the statements of profit or loss, the gain or loss on the hedging instrument previously recognised in other comprehensive income are reclassified from equity and is recorded in the corresponding income or expense line of the statements of profit or loss.

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss exist in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the statements of profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statements of profit or loss.

The Group and the Bank did not apply cash flow hedge as at the financial year end.

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(e) Investment properties

Investment properties, comprising principally land and shop lots, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Bank.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market value determined annually by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in statement of profit or loss in the period of the retirement or upon disposal.

(f) Intangible assets

Intangible assets include computer software and software under development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, except for software under development which are not subject to amortisation, until the assets are ready for their intended use.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. Intangibles with finite lives or not yet available for use are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation year or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statements of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation of intangible asset is provided for on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer software is amortised over its estimated finite useful lives ranging from three (3) to ten (10) years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated. Work-in-progress property, plant and equipment are also not depreciated until the assets are ready for their intended use.

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

Buildings on freehold land	33 years
Buildings on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office Building	33 years
Furniture, fixtures and fittings	6 to 7 years
Renovations	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statements of profit or loss.

(h) Leases

(a) Classification

At inception of a contract, the Group and the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) Recognition and initial measurement

(i) The Group and the Bank as lessee

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(h) Leases (cont'd.)

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

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

Right-of-use ("ROU") asset

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

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

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

Lease liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(h) Leases (cont'd.)

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

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

Short-term leases and leases of low-value assets

The Group and the Bank applies the short-term lease recognition exemption to its short-term leases of office building (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office building that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Group and the Bank as lessor

Leases in which the Group and the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries, and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in statement of profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under exchange fluctuation reserve in equity.

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(i) Foreign currencies (cont'd.)

(ii) Foreign currency transactions and balances (cont'd.)

The exchange fluctuation reserve is reclassified from equity to statement of profit or loss of the Group and of the Bank on disposal of the foreign operations.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statements of profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of the Group's and the Bank's foreign operations, whose functional currencies are not the presentation currency, are translated into the presentation currency at average exchange rates for the year, which approximates the exchange rates at the date of the transaction, and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are taken directly to other comprehensive income and are subsequently recognised in the statements of profit or loss upon disposal of the foreign operations.

(j) Provision for liabilities

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(k) Impairment of non-financial assets

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

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

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written-down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

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

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

(l) Cash and cash equivalents

Cash and cash equivalents consist of bank balances with banks and other financial institutions, and short term deposits with original maturity tenor of less than three (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(m) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(n) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statements of profit or loss, as they are incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(o) Income recognition

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

(i) Profit and income from financing

For all financial assets measured at amortised cost, profit bearing financial assets classified as FVOCI and financial assets designated at FVTPL, profit income or expense is recorded using the effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

For impaired financial assets, profit/financing income continues to be recognised using the effective profit rate, to the extent that it is probable that the profit can be recovered.

(1) Bai' Bithaman Ajil

This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either to be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(2) Ijarah Thumma Al-Bai'

This contract involves lease ending with transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two (2) contracts involved in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the Ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on effective profit rate basis over the lease term.

(3) Bai' Inah

This contract involves sale and purchase of an asset whereby the Bank sells an asset to the customer on a deferred basis and subsequently buys back the asset at a cash price lower than the deferred sales price. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(o) Income recognition (cont'd.)

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

(4) Tawarruq

This contract relates to the arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statements of profit or loss, as they are incurred. Financing income is recognised on effective profit rate basis over the expected life of the contract based on the principal amount outstanding.

(5) Bai' Al-Dayn

This contract involves the sale and purchase of securities or debt certificates which conforms with the Shariah ruling. Securities or debt certificates are issued by a debtor to a creditor as evidence of indebtedness. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

(6) Murabahah

This contract involves the sale of goods or assets by the Bank at a mark-up price to the customer, which includes a profit margin as agreed by both parties. The price, costs and profit margin in Murabahah shall be made transparent and agreeable by both parties. This contract applies to the Bank's financing and advances products.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(7) Istisna'

Istisna' contract can be established between a Bank and contractor, developer, or producer that allows the Bank to make progress payments as construction progresses. Istisna' financing is provided in the form of advance progress payments to the customer who builds, manufactures, constructs or develops the object of sale. Upon completion of the project, the asset is delivered to parties who have earlier on agreed to take delivery of the asset. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(8) Qard

Qard is a contract of loan between two (2) parties on the basis of social welfare or to fulfil a short-term financial need of the borrower. The amount of payment must be equivalent to the amount borrowed. It is, however, legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract. As such, no accrual of income is recognised for this contract.

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(o) Income recognition (cont'd.)

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

(9) Musyarakah Mutanaqisah

In Musyarakah Mutanaqisah contract, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of Ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(ii) Fee and other income recognition

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

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

(p) Income and deferred taxes

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statements of profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(q) Zakat

The Bank pays zakat on its business to the state zakat authorities, based on the growth model method as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the shareholders or depositors, unless upon request by the shareholders or depositors.

(r) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives, and non-financial assets such as investment properties at fair value at each statement of financial position date.

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

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

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

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

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

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

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

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

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

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

2. MATERIAL ACCOUNTING POLICIES (CONT'D.)

2.2 Material accounting policy information (cont'd.)

(s) Government financing scheme and government financing facility

Financing under a government scheme is recognised and measured in accordance with MFRS 9 *Financial Instruments*, with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

(t) Investment accounts

Investment accounts are either:

i. Unrestricted investment accounts

An unrestricted investment account ("UA") refers to a type of investment account where the investment account holder ("IAH") provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudarabah contracts.

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

ii. Restricted investment accounts

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

RIA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RIA or to the residual cash flows from those assets. RIA is a type of restricted investment account based on the Mudarabah contract where the IAH and the Bank agree to share the profit generated from the assets funded by the RIA based on an agreed profit sharing ratio (PSR), while losses shall be borne by the IAH.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity, are as follows:

3.1 Impairment of financial investments portfolio (Notes 5 and 32)

The Group and the Bank review their debt instruments at FVOCI, and financial investments at amortised cost under MFRS 9 *Financial Instruments*, which requires the recognition of ECL at each reporting date to reflect change in credit risk of the financial investments not at FVTPL. MFRS 9 *Financial Instruments* incorporates forward-looking and historical, current and forecasted information into ECL estimation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.1 Impairment of financial investments portfolio (Notes 5 and 32) (cont'd.)

In carrying out the impairment review, the following Management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators, such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

The Group and the Bank review individually its significant financing of customers at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Group's and the Bank's ECL calculations under MFRS 9 *Financial Instruments* are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
- (ii) The segmentation of financial assets when ECL is assessed on a collective basis;
- (iii) Development of ECL models, including the various formulas and the choice of inputs;
- (iv) Determination of associations between macroeconomic scenarios and economic inputs, such as, unemployment levels and collateral values, and the effect on PDs, LGDs, and EADs including macroeconomic factors as disclosed in note 47(a)(iii); and
- (v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

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

Financing that have been assessed individually but for which no impairment is required as well as all individually insignificant financing need to be assessed collectively, in groups of assets with similar credit risk characteristic. This is to determine whether impairment should be made due to incurred loss events for which there is objective evidence but effects of which are not yet evident. The collective assessment takes into account of data from the financing portfolios (such as, credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual groups).

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

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions on profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

3.4 Taxation (Note 41)

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

4. (A) CASH AND SHORT-TERM FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

4. (A) CASH AND SHORT-TERM FUNDS (CONT'D.)

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

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2023				
At 1 January	153	-	-	153
Allowance made (Note 33)	276	-	-	276
Amount written-back in respect of recoveries (Note 33)	(171)	-	-	(171)
At 31 December	258	-	-	258
2022				
At 1 January	115	-	-	115
Allowance made (Note 33)	244	-	-	244
Amount written-back in respect of recoveries (Note 33)	(206)	-	-	(206)
At 31 December	153	-	-	153

(B) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

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

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

5. FINANCIAL INVESTMENTS

	Note	Group		Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Financial investments at fair value through profit or loss	(i)	33,707	182,089	31,096	179,544
Financial investments at fair value through other comprehensive income	(ii)	6,505,466	5,211,651	6,505,466	5,211,651
Financial investments at amortised cost	(iii)	116,871	113,589	116,871	113,589
		6,656,044	5,507,329	6,653,433	5,504,784

5. FINANCIAL INVESTMENTS (CONT'D.)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
(i) Financial investments at fair value through profit or loss				
Unquoted securities in Malaysia:				
Islamic private debt securities	27,122	175,950	27,122	175,950
Unit trusts	6,585	6,139	3,974	3,594
	33,707	182,089	31,096	179,544
			Group and Bank	2022
			2023	RM'000
(ii) Financial investments at fair value through other comprehensive income				
Debt instruments:				
Government securities and treasury bills:				
Malaysian government investment certificates			4,278,305	4,690,779
Unquoted securities:				
Islamic private debt securities in Malaysia			1,370,104	313,686
Cagamas sukuk			473,926	-
Bank Negara Malaysia Bills and Notes			199,865	-
			2,043,895	313,686
Equity instruments:				
Quoted securities in Malaysia:				
Quoted shares			75,381	56,783
Unquoted securities:				
Private equity funds			103,254	145,772
Shares in Malaysia			4,631	4,631
			107,885	150,403
Total financial assets at fair value through other comprehensive income			6,505,466	5,211,651

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

5. FINANCIAL INVESTMENTS (CONT'D.)

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

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

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

(iii) Financial investments at amortised cost

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

5. FINANCIAL INVESTMENTS (CONT'D.)

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

Movements in the allowances for impairment losses on financial investments at amortised cost are as follows for the Group and the Bank:

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2023				
At 1 January	-	-	34,185	34,185
Management overlay redesignated	-	-	(2,247)	(2,247)
At 31 December	-	-	31,938	31,938
2022				
At 1 January	-	39,640	-	39,640
Transfer to Stage 3	-	(39,640)	39,640	-
Net writeback	-	-	(5,455)	(5,455)
Allowance made (Note 32)	-	-	6,457	6,457
Management overlay redesignated	-	-	(11,912)	(11,912)
At 31 December	-	-	34,185	34,185

6. ISLAMIC DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCING OF CUSTOMERS

(i) By type and Shariah contracts

Group	Bithaman Ajjil		Ijarah Thumma Al-Bai		Inah	Tawarruq		Bai' Al-Dayn		Murabahah		Istisna'	Qard	Murabahah to the Purchaser		Total financing
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000	RM'000	
2023																
Cash line	-	-	-	-	861	482,351	-	-	-	-	-	-	-	-	-	483,212
Term financing:																
Home financing	1,107,372	-	-	-	-	8,315,860	-	-	-	-	-	8,171	-	-	-	9,431,403
Syndicated financing	-	-	-	-	-	546,137	-	-	-	-	-	-	-	-	-	546,137
Hire purchase receivables	40,272	88,859	-	-	-	-	-	-	-	-	1,413,961	-	-	-	-	1,543,092
Personal financing	28,982	-	-	-	-	8,119,470	-	-	-	-	-	-	-	-	-	8,148,452
Other term financing	95,598	-	-	-	-	4,227,205	-	-	-	-	-	-	-	-	54,033	4,376,836
Trust receipts	-	-	-	-	-	-	64,514	-	-	24,950	-	-	-	-	-	89,464
Claims on customers under acceptance credits	-	-	-	-	-	-	-	225,680	-	1,125,408	-	-	-	-	-	1,351,088
Staff financing	16,229	-	-	-	-	63,947	-	-	-	84	-	-	-	-	-	80,260
Revolving financing	-	-	-	-	-	2,080,702	-	-	-	-	-	-	-	-	-	2,080,702
Credit card	-	-	-	-	-	58,625	-	-	-	-	-	-	-	-	-	58,625
Ar-Rahnu	-	-	-	-	-	366,919	-	-	-	-	-	-	-	-	-	366,919
Total gross financing	1,288,453	88,859	861	24,261,216	290,194	1,150,358	8,171	84	1,413,961	54,033	28,556,190	13,974	54,033	28,570,164	13,974	
Fair value changes arising from fair value hedge ¹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less : Allowance for impaired financing	1,288,453	88,859	861	24,275,190	290,194	1,150,358	8,171	84	1,413,961	54,033	28,570,164	13,974	54,033	28,570,164	13,974	
At amortised cost	(1,586)	(626)	(6)	(112,424)	(195)	(725)	(11)	-	(4,665)	-	(120,238)	(11)	-	(120,238)	(11)	
- Stage 1 - 12 Months ECL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stage 2 - Lifetime ECL not credit impaired	(447)	(161)	(46)	(22,127)	(11)	(163)	(3)	-	(300)	-	(23,258)	(3)	-	(23,258)	(3)	
- Stage 3 - Lifetime ECL credit impaired	(4,276)	(224)	(184)	(71,418)	(2,624)	-	-	-	(298)	-	(79,024)	-	-	(79,024)	-	
Total net financing²	1,282,144	87,848	625	24,069,221	287,364	1,149,470	8,157	84	1,408,698	54,033	28,347,644	13,974	54,033	28,347,644	13,974	

¹ With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining maturity of the hedged item.

² Included in total net financing are financing at fair value through profit or loss amounting RM354,741,000 (2022: RM365,831,000) which mainly consists of the BNM established financing facility to provide relief and support recovery for SMEs in the services sector affected by the containment measures since June 2020.

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Group	Bai' Bkhaman		Bai' Ijarah Thumma Al-Bai		Inah	Tawarruq	Bai' AH-Dayn		Murabahah		Istisna'	Qard	Murabahah to the Purchaser		Total financing
	RM'000	Ajil	RM'000	Al-Bai			RM'000	RM'000	RM'000	Orderer			Musarakah	Mutanaqisah	
2022															
Cash line	-	-	-	-	962	407,608	-	-	-	-	-	-	-	-	408,570
Term financing:															
Home financing	1,220,143	-	-	-	-	6,158,460	-	-	-	9,280	-	-	-	-	7,387,883
Syndicated financing	-	-	-	-	-	555,291	-	-	-	-	-	-	-	-	555,291
Hire purchase receivables	53,339	144,954	-	-	-	-	-	-	721,030	-	-	-	-	-	919,323
Personal financing	32,513	-	-	-	1	6,863,968	-	-	-	-	-	-	-	-	6,896,482
Other term financing	117,812	-	-	-	-	4,408,464	-	-	-	-	-	-	73,351	-	4,599,627
Trust receipts	-	-	-	-	-	-	75,877	-	113,824	-	-	-	-	-	189,701
Claims on customers under acceptance credits	-	-	-	-	-	-	199,339	-	1,040,339	-	-	-	-	-	1,239,678
Staff financing	19,007	-	-	-	-	66,701	-	-	-	-	-	107	-	-	85,815
Revolving financing	-	-	-	-	-	1,660,102	-	-	-	-	-	-	-	-	1,660,102
Credit card	-	-	-	-	-	12,898	-	-	-	-	-	-	-	-	12,898
Al-Rahnu	-	-	-	-	-	303,100	-	-	-	-	-	-	-	-	303,100
Total gross financing	1,442,814	144,954	963	1,154,163	275,216	20,436,592	275,216	1,154,163	9,280	107	721,030	73,351	24,258,470		
Fair value changes arising from fair value hedge ¹	-	-	-	-	-	17,078	-	-	-	-	-	-	-	17,078	
Less : Allowance for impaired financing	1,442,814	144,954	963	1,154,163	275,216	20,453,670	275,216	1,154,163	9,280	107	721,030	73,351	24,275,548		
At amortised cost	(2,966)	(232)	(9)	(1,251)	(299)	(123,748)	(299)	(1,251)	(14)	-	(377)	-	(128,896)		
- Stage 1 - 12 Months ECL	(1,477)	(250)	(33)	(75)	-	(23,800)	-	(75)	-	-	(32)	-	(25,667)		
- Stage 2 - Lifetime ECL not credit impaired	(4,780)	(516)	(187)	(94,456)	(3,904)	-	-	-	-	-	(75)	-	(103,918)		
Total net financing ²	1,433,591	143,956	734	1,152,837	271,013	20,211,666	271,013	1,152,837	9,266	107	720,546	73,351	24,017,067		

¹ With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining maturity of the hedged item.

² Included in total net financing are financing at fair value through profit or loss amounting RM365,831,000 (2021: RM343,144,000) which mainly consists of the BNM established financing facility to provide relief and support recovery for SMEs in the services sector affected by the containment measures since June 2020.

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7. FINANCING OF CUSTOMERS

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

Bank	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai		Inah		Tawarruq		Bai' Al-Dayn		Murabahah to the Purchaser		Total financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2023													
Cash line	-	-	-	861	-	482,351	-	-	-	-	-	-	483,212
Term financing:													
Home financing	1,107,372	-	-	-	-	8,315,860	-	-	-	8,171	-	-	9,431,403
Syndicated financing	-	-	-	-	-	546,137	-	-	-	-	-	-	546,137
Hire purchase receivables	40,272	88,859	-	-	-	-	-	-	-	-	1,413,961	-	1,543,092
Personal financing	28,982	-	-	-	-	8,119,470	-	-	-	-	-	-	8,148,452
Other term financing	95,598	-	-	-	-	4,227,205	-	-	-	-	49,781	-	4,372,584
Trust receipts	-	-	-	-	-	-	-	64,514	24,950	-	-	-	89,464
Claims on customers under acceptance credit	-	-	-	-	-	-	-	225,680	1,125,408	-	-	-	1,351,088
Staff financing	16,229	-	-	-	-	63,947	-	-	-	-	84	-	80,260
Revolving financing	-	-	-	-	-	2,080,702	-	-	-	-	-	-	2,080,702
Credit card	-	-	-	-	-	58,625	-	-	-	-	-	-	58,625
Ar-Rahnu	-	-	-	-	-	366,919	-	-	-	-	-	-	366,919
Total gross financing	1,288,453	88,859	861	24,261,216	290,194	1,150,358	8,171	49,865	1,413,961	49,865	1,413,961	28,551,938	
Fair value changes arising from fair value hedge ¹	-	-	-	13,974	-	-	-	-	-	-	-	-	13,974
Less : Allowance for impaired financing	1,288,453	88,859	861	24,275,190	290,194	1,150,358	8,171	49,865	1,413,961	49,865	1,413,961	28,565,912	
At amortised cost													
- Stage 1 - 12 Months ECL	(1,586)	(626)	(6)	(112,424)	(195)	(725)	(11)	-	(4,665)	-	-	-	(120,238)
- Stage 2 - Lifetime ECL not credit impaired	(447)	(161)	(46)	(22,127)	(11)	(163)	(3)	-	(300)	-	-	-	(23,258)
- Stage 3 - Lifetime ECL credit impaired	(4,276)	(224)	(184)	(71,418)	(2,624)	-	-	-	(298)	-	-	-	(79,024)
Total net financing²	1,282,144	87,848	625	24,069,221	287,364	1,149,470	8,157	49,865	1,408,698	49,865	1,408,698	28,343,392	

¹ With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining maturity of the hedged item.

² Included in total net financing are financing at fair value through profit or loss amounting RM350,490,000 (2022: RM355,178,000) which mainly consists of the BNM established financing facility to provide relief and support recovery for SMEs in the services sector affected by the containment measures since June 2020.

7. FINANCING OF CUSTOMERS

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

Bank	Bait	Ijarah	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Card	Murabahah to the Purchaser	Total financing
	Bithaman Ajil	Thumma Al-Bai		RM'000	Al-Dayn		RM'000	RM'000		
2022										
Cash line	-	-	962	407,608	-	-	-	-	-	408,570
Term financing:										
Home financing	1,220,143	-	-	6,158,460	-	-	9,280	-	-	7,387,883
Syndicated financing	-	-	-	555,291	-	-	-	-	-	555,291
Hire purchase receivables	53,339	144,954	-	-	-	-	-	721,030	-	919,323
Personal financing	32,513	-	1	6,863,968	-	-	-	-	-	6,896,482
Other term financing	117,812	-	-	4,408,463	-	-	-	62,698	-	4,588,973
Trust receipts	-	-	-	-	75,877	113,824	-	-	-	189,701
Claims on customers under acceptance credit	-	-	-	-	199,339	1,040,339	-	-	-	1,239,678
Staff financing	19,007	-	-	66,701	-	-	-	107	-	85,815
Revolving financing	-	-	-	1,660,102	-	-	-	-	-	1,660,102
Credit card	-	-	-	12,898	-	-	-	-	-	12,898
Al-Rahnu	-	-	-	303,100	-	-	-	-	-	303,100
Total gross financing	1,442,814	144,954	963	20,436,591	275,216	1,154,163	9,280	62,805	721,030	24,247,816
Fair value changes arising from fair value hedge ¹	-	-	-	17,078	-	-	-	-	-	17,078
Less : Allowance for impaired financing	1,442,814	144,954	963	20,453,669	275,216	1,154,163	9,280	62,805	721,030	24,264,894
At amortised cost										
-Stage 1 - 12 Months ECL	(2,966)	(232)	(9)	(123,748)	(299)	(1,251)	(14)	-	(377)	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	(1,477)	(250)	(33)	(23,800)	-	(75)	-	-	(32)	(25,667)
-Stage 3 - Lifetime ECL credit impaired	(4,780)	(516)	(187)	(94,456)	(3,904)	-	-	-	(75)	(103,918)
Total net financing ²	1,433,591	143,956	734	20,211,665	271,013	1,152,837	9,266	62,805	720,546	24,006,413

¹ With the discontinuation of the fair value hedge, the unamortised fair value are amortised to profit or loss over the remaining maturity of the hedged item.

² Included in total net financing are financing at fair value through profit or loss amounting RM355,178,000 (2021: RM333,455,000) which mainly consists of the BNM established financing facility to provide relief and support recovery for SMEs in the services sector affected by the containment measures since June 2020.

NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCING OF CUSTOMERS (CONT'D.)

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

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

(ii) By type of customer

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

7. FINANCING OF CUSTOMERS (CONT'D.)

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

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

(iii) By profit rate sensitivity

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(iv) By sector

	Group	
	2023 RM'000	2022 RM'000
Agriculture	100,083	97,891
Mining and quarrying	34,411	5,365
Manufacturing	1,109,710	968,623
Electricity, gas and water	133,870	115,809
Construction	909,472	574,334
Household	20,341,841	17,058,280
Real estate	1,158,661	1,014,423
Wholesale, retail and restaurant	1,050,243	1,049,368
Transport, storage and communication	176,407	1 91,077
Finance, takaful and business services	2,190,259	1,651,457
Community, social and personal service	432,023	602,678
Government and statutory bodies	919,210	929,165
Gross financing	28,556,190	24,258,470

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

7. FINANCING OF CUSTOMERS (CONT'D.)

(v) By residual contractual maturity

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

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

(vi) By geographical area

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(vii) By economic purpose

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

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

7. FINANCING OF CUSTOMERS (CONT'D.)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

7. FINANCING OF CUSTOMERS (CONT'D.)

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

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

7. FINANCING OF CUSTOMERS (CONT'D.)

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

Group and Bank	12 Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total ECL RM'000
2023				
At 1 January 2023	128,896	25,667	103,918	258,481
Transfer to Stage 1	22,350	(16,303)	(6,047)	-
Transfer to Stage 2	(9,361)	13,428	(4,067)	-
Transfer to Stage 3	(9,028)	(3,346)	12,374	-
Changes in credit risk	(47,784)	4,356	83,440	40,012
New financing originated	59,787	-	900	60,687
Financing derecognised	(24,622)	(544)	(12,697)	(37,863)
Amount written-off	-	-	(98,797)	(98,797)
At 31 December 2023	120,238	23,258	79,024	222,520

Group and Bank	12 Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total ECL RM'000
2022				
Restated				
At 1 January 2022	116,768	34,046	76,134	226,948
Transfer to Stage 1	18,919	(3,063)	(5,856)	-
Transfer to Stage 2	(6,338)	7,549	(1,211)	-
Transfer to Stage 3	(8,526)	(15,712)	24,238	-
Changes in credit risk	(20,132)	3,716	61,412	44,996
New financing originated	61,989	-	-	61,989
Financing derecognised	(23,784)	(869)	(20,848)	(45,501)
Amount written-off	-	-	(29,951)	(29,951)
At 31 December 2022	128,896	25,667	103,918	258,481

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

8. IMPAIRED FINANCING

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
2023		
At 1 January 2023	205,957	205,957
Classified as impaired during the year	238,238	238,238
Reclassified as performing during the year	(25,019)	(25,019)
Recovered during the year	(50,920)	(50,920)
Written-off during the year	(102,027)	(102,027)
Gross impaired financing	266,229	266,229
Less: Stage 3 - Lifetime ECL credit impaired	(79,024)	(79,024)
Net impaired financing	187,205	187,205
Calculation ratio of impaired financing:		
Gross financing of customers	28,556,190	28,551,938
Less: Stage 3 - Lifetime ECL credit impaired	(79,024)	(79,024)
Net financing of customers	28,477,166	28,472,914
Ratio of gross impaired financing to total financing	0.93%	0.93%
Net impaired financing ratio	0.66%	0.66%
2022		
Restated		
At 1 January 2022	172,073	172,073
Classified as impaired during the year	170,478	170,478
Reclassified as performing during the year	(21,246)	(21,246)
Recovered during the year	(72,374)	(72,374)
Written-off during the year	(43,931)	(43,931)
Effects of modifications to contractual cash flows of financial assets	957	957
Gross impaired financing	205,957	205,957
Less: Stage 3 - Lifetime ECL credit impaired	(103,918)	(103,918)
Net impaired financing	102,039	102,039
Calculation ratio of impaired financing:		
Gross financing of customers	24,258,470	24,247,816
Less: Stage 3 - Lifetime ECL credit impaired	(103,918)	(103,918)
Net financing of customers	24,154,552	24,143,898
Ratio of gross impaired financing to total financing	0.85%	0.85%
Net impaired financing ratio	0.42%	0.42%

8. IMPAIRED FINANCING (CONT'D.)**(ii) Impaired financing by geographical area**

	Group and Bank	
	2023	2022
	RM'000	RM'000
Domestic	266,229	205,957

(iii) Impaired financing by sector

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

(iv) Impaired financing by economic purpose

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

9. OTHER ASSETS

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

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

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

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

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

11. INVESTMENT IN SUBSIDIARIES

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

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

Name	Principal activities	Percentage of equity held		Paid up capital	
		2023 %	2022 %	2023 RM	2022 RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	13,000,000	13,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2	2

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

12. INVESTMENT PROPERTIES

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

- (i) The Group's and the Bank's investment properties consist of a few units of commercial properties and a few pieces of undeveloped freehold commercial land.
- (ii) As at 31 December 2023, the fair values of the properties are based on valuations performed by Raine & Horne International Zaki + Partners Sdn Bhd, an accredited independent valuer. A valuation approach as guided by the Malaysian Valuation Standards as issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, has been applied.
- (iii) Description of valuation techniques used and key inputs to valuation on investment properties:

Types of investment properties	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
- Buildings on freehold land - Freehold land	Direct comparison method ("DCM")	Selling price per square foot ("psf") of comparable properties sold adjusted for location, size and shape of land, planning provisions, land tenure, title restrictions and any other characteristics.	The estimated fair value would increase (decrease) if selling price per square foot ("psf") of comparable properties is higher or (lower).

12. INVESTMENT PROPERTIES (CONT'D.)

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

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

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

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

- (vii) Valuation processes applied for Level 3 fair value

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

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

13. INTANGIBLE ASSETS

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

13. INTANGIBLE ASSETS (CONT'D.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
2023			
Cost			
At 1 January 2023	353,613	22,168	375,781
Additions	2,299	45,357	47,656
Write-off (Note 38)	-	(64)	(64)
Reclassification	49,142	(49,142)	-
Transfer to property, plant and equipment	-	(1,789)	(1,789)
At 31 December 2023	405,054	16,530	421,584
Accumulated amortisation			
At 1 January 2023	265,290	-	265,290
Charge for the year (Note 38)	33,483	-	33,483
At 31 December 2023	298,773	-	298,773
Carrying amount as at 31 December 2023	106,281	16,530	122,811
2022			
Cost			
At 1 January 2022	305,924	11,023	316,947
Additions	1,716	57,086	58,802
Write-off (Note 38)	32	-	32
Reclassification	45,941	(45,941)	-
At 31 December 2022	353,613	22,168	375,781
Accumulated amortisation			
At 1 January 2022	240,580	-	240,580
Charge for the year (Note 38)	24,678	-	24,678
Write-off (Note 38)	32	-	32
At 31 December 2022	265,290	-	265,290
Carrying amount as at 31 December 2022	88,323	22,168	110,491

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

14. PROPERTY, PLANT AND EQUIPMENT

Group	Building on freehold land RM'000	Office building RM'000	Furniture, fixtures and fittings RM'000	Motor vehicle RM'000	Computer equipment RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
2023								
Cost								
At 1 January 2023	19,209	19,389	96,286	2,769	105,416	80,955	55	324,079
Additions	-	-	1,729	-	1,993	1,030	3,070	7,822
Write-off (Note 38)	-	-	(773)	-	(21)	-	-	(794)
Disposals	-	-	-	-	(1)	-	-	(1)
Reclassification	-	-	693	-	-	2,384	(3,077)	-
Transfer from intangible assets	-	-	-	-	1,789	-	-	1,789
At 31 December 2023	19,209	19,389	97,935	2,769	109,176	84,369	48	332,895
Accumulated depreciation								
At 1 January 2023	2,934	8,824	90,165	2,032	96,905	75,545	-	276,405
Charge for the year (Note 38)	480	485	2,263	286	4,394	2,756	-	10,664
Write-off (Note 38)	-	-	(767)	-	(21)	-	-	(788)
Disposals	-	-	-	-	(1)	-	-	(1)
At 31 December 2023	3,414	9,309	91,661	2,318	101,277	78,301	-	286,280
Carrying amount as at 31 December 2023	15,795	10,080	6,274	451	7,899	6,068	48	46,615
2022								
Cost								
At 1 January 2022	19,209	19,389	98,650	2,526	103,025	79,425	-	322,224
Additions	-	-	2,093	-	2,628	376	1,822	6,919
Write-off (Note 38)	-	-	(4,929)	-	(121)	-	-	(5,050)
Reclassification	-	-	472	243	(116)	1,154	(1,767)	(14)
At 31 December 2022	19,209	19,389	96,286	2,769	105,416	80,955	55	324,079
Accumulated depreciation								
At 1 January 2022	2,454	8,339	92,430	1,783	92,819	72,391	-	270,216
Charge for the year (Note 38)	480	485	2,515	246	4,321	3,154	-	11,201
Write-off (Note 38)	-	-	(4,893)	-	(119)	-	-	(5,012)
Reclassification	-	-	113	3	(116)	-	-	-
At 31 December 2022	2,934	8,824	90,165	2,032	96,905	75,545	-	276,405
Carrying amount as at 31 December 2022	16,275	10,565	6,121	737	8,511	5,410	55	47,674

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Building on freehold land RM'000	Office building RM'000	Furniture, fixtures and fittings RM'000	Motor vehicle RM'000	Computer equipment RM'000	Renovation RM'000	Work-in- progress RM'000	Total RM'000
2023								
Cost								
At 1 January 2023	19,209	19,389	96,170	2,769	105,191	80,895	55	323,678
Additions	-	-	1,729	-	1,992	1,030	3,070	7,821
Write-off (Note 38)	-	-	(773)	-	(21)	-	-	(794)
Disposals	-	-	-	-	(1)	-	-	(1)
Reclassification	-	-	693	-	-	2,384	(3,077)	-
Transfer from intangible assets	-	-	-	-	1,789	-	-	1,789
At 31 December 2023	19,209	19,389	97,819	2,769	108,950	84,309	48	332,493
Accumulated depreciation								
At 1 January 2023	2,934	8,824	89,988	2,032	96,791	75,487	-	276,056
Charge for the year (Note 38)	480	485	2,261	286	4,378	2,756	-	10,646
Write-off (Note 38)	-	-	(767)	-	(21)	-	-	(788)
Disposals	-	-	-	-	(1)	-	-	(1)
At 31 December 2023	3,414	9,309	91,482	2,318	101,147	78,243	-	285,913
Carrying amount as at 31 December 2023	15,795	10,080	6,337	451	7,803	6,066	48	46,580
2022								
Cost								
At 1 January 2022	19,209	19,389	98,533	2,526	102,824	79,366	-	321,847
Additions	-	-	2,093	-	2,604	376	1,822	6,895
Write-off (Note 38)	-	-	(4,929)	-	(121)	-	-	(5,050)
Reclassification	-	-	473	243	(116)	1,153	(1,767)	(14)
At 31 December 2022	19,209	19,389	96,170	2,769	105,191	80,895	55	323,678
Accumulated depreciation								
At 1 January 2022	2,454	8,339	92,318	1,783	92,658	72,333	-	269,885
Charge for the year (Note 38)	480	485	2,513	246	4,305	3,154	-	11,183
Write-off (Note 38)	-	-	(4,843)	3	(172)	-	-	(5,012)
At 31 December 2022	2,934	8,824	89,988	2,032	96,791	75,487	-	276,056
Carrying amount as at 31 December 2022	16,275	10,565	6,182	737	8,400	5,408	55	47,622

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

15. LEASES

15.1 Group and the Bank as a lessee

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

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

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

(a) Lease liabilities

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

(b) Lease payments not recognised as a liability

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

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

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

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

15. LEASES (CONT'D.)**15.1 Group and the Bank as a lessee (cont'd.)****(c) Right-of-use assets**

The net book values of right-of-use assets are recognised and the movements during the year are shown as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

15. LEASES (CONT'D.)

15.2 Group and the Bank as a lessor

The Group and the Bank have entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one (1) and five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under commitments and non-cancellable operating leases at the reporting date are as follows:

	Group	
	2023 RM'000	2022 RM'000
Not later than 1 year	1,129	941
Later than 1 year but not later than 5 years	2,257	580
	3,386	1,521

	Bank	
	2023 RM'000	2022 RM'000
Not later than 1 year	1,249	1,061
Later than 1 year but not later than 5 years	2,497	650
	3,746	1,711

16. DEFERRED TAX ASSETS/(LIABILITIES)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position as follows:

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Deferred tax assets, net	24,483	36,442	23,943	36,442

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

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

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

Deferred tax assets of the Group:

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

	Financial Investments at FVOCI RM'000	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
2022							
At 1 January	12,673	25,168	761	7,316	11,841	411	58,170
Recognised in profit or loss	-	(2,295)	(144)	(3,053)	(664)	(163)	(6,319)
Recognised in other comprehensive income	1,069	-	-	-	-	-	1,069
At 31 December	13,742	22,873	617	4,263	11,177	248	52,920

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Group:

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

Deferred tax assets of the Bank:

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

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)**Deferred tax assets of the Bank: (cont'd.)**

	Financial Investments at FVOCI RM'000	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
2022							
At 1 January 2022	12,673	25,168	760	7,316	11,841	412	58,170
Recognised in profit or loss	-	(2,295)	(144)	(3,053)	(664)	(163)	(6,319)
Recognised in other comprehensive income	1,069	-	-	-	-	-	1,069
At 31 December 2022	13,742	22,873	616	4,263	11,177	249	52,920

Deferred tax liabilities of the Bank:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

17. DEPOSITS FROM CUSTOMERS

(i) By types of deposits

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

17. DEPOSITS FROM CUSTOMERS (CONT'D.)**(i) By types of deposits (cont'd.)**

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

(ii) By types of customer

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

17. DEPOSITS FROM CUSTOMERS (CONT'D.)

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

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

The maturity structure of term deposits are as follows:

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

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

18. INVESTMENT ACCOUNTS OF CUSTOMERS

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

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

Restricted Investment Accounts ("RIA") is a type of restricted investment account based on the Mudarabah contract where the Investment Account Holders ("IAH") and the Bank agree to share the profit generated from the assets funded by the RIA based on an agreed profit sharing ratio (PSR), while losses shall be borne by the IAH. RIA amounting to RM32,044 (2022: RM79,100) is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or the residual cash flows from those assets to the IAH.

(ii) By types of customer are as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Unrestricted investment accounts:		
Individuals	247,255	301,158
Non-individuals	434	-
	247,689	301,158
Restricted investment accounts:		
Individuals	32	79

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

(iii) Movement of investment accounts of customers:

Group and Bank	Unrestricted investment accounts Mudarabah RM'000	Restricted investment accounts Mudarabah RM'000
2023		
At 1 January 2023	301,158	79
New placements	1,817,186	32
Redemptions	(1,870,655)	(79)
At 31 December 2023	247,689	32
2022		
At 1 January 2022	216,978	132
New placements	1,566,701	41
Redemptions	(1,482,521)	(94)
At 31 December 2022	301,158	79

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

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

18. INVESTMENT ACCOUNTS OF CUSTOMERS (CONT'D.)

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

	Group and Bank 2023		Group and Bank 2022	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts	2.0%	0.09%	2.0%	0.07%
Restricted investment accounts	95.0%	0.00%	95.0%	0.00%

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2023 RM'000	2022 RM'000
Non-Mudarabah		
Bank Negara Malaysia	345,666	303,388
Licensed banks	183,968	-
	529,634	303,388

Included in these balances are the BNM funds received under government financing schemes for the purpose of SME lending at a below market and concession rate with 5.5 years to 8.5 years of maturity to be repaid between 2026 and 2031. The gross amount received from BNM of RM313,530,000 (2022: RM298,530,000) are net against the fair value gain arising from the placement of funds with the Group and the Bank. The fair value is applied to address the financial and accounting impact incurred from financing at concession rates to SMEs and for COVID-19 related relief measures.

20. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

21. OTHER LIABILITIES

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

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

21. OTHER LIABILITIES (CONT'D.)

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

Group and Bank	12 Months ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total ECL RM'000
2023				
At 1 January 2023	8,165	118	1,385	9,668
Transfer to Stage 1	2,125	(2,081)	(44)	-
Transfer to Stage 2	(599)	915	(316)	-
Transfer to Stage 3	(1)	(71)	72	-
Allowance (written-back)/made	(4,123)	1,444	1,710	(969)
New financial assets originated or purchased	5,685	274	-	5,959
Financing derecognised	(3,134)	(196)	(306)	(3,636)
Amount written-off	-	-	(801)	(801)
Other movements	3	7	-	10
At 31 December 2023	8,121	410	1,700	10,231
2022				
At 1 January 2022	5,206	133	616	5,955
Transfer to Stage 1	213	(116)	(97)	-
Transfer to Stage 2	(168)	236	(68)	-
Transfer to Stage 3	(1)	(367)	368	-
Allowance (written-back)/made	(543)	376	809	642
New financial assets originated or purchased	5,767	-	-	5,767
Financing derecognised	(2,309)	(144)	(243)	(2,696)
At 31 December 2022	8,165	118	1,385	9,668

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

22. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Zakat	10,618	5,114	10,320	4,655
Taxation	29	689	-	-
	10,647	5,803	10,320	4,655

23. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

24. SUBORDINATED SUKUK

Subordinated sukuk as at 31 December 2023 relates to two tranches of Subordinated Sukuk Murabahah (Series 2 and Series 3) which qualifies for Tier 2 capital under the BNM Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components). The sukuk carries a tenure of 10 years from the issue date, callable on the 5th anniversary date from the Issue date and on every profit payment date thereafter. Table below depicts a summary of the current Subordinated Sukuk Murabahah.

Issue date	Callable Date	Maturity Date	Profit Rate (% p.a)	Nominal Value
15 June 2021	15 June 2026	15 June 2031	4.50%, payable semiannually	RM500.0 million
20 July 2022	20 July 2027	20 July 2032	5.33%, payable semiannually	RM300.0 million

The Bank may redeem (in whole or in part) the initial Subordinated Sukuk Murabahah prior to maturity on the Call Date, subject to the redemption conditions under the principal terms and conditions of the Subordinated Sukuk Programme being satisfied.

25. SHARE CAPITAL

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

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

26. PERPETUAL SUKUK

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

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

27. RESERVES

	Note	Group	
		2023 RM'000	2022 RM'000
Regulatory reserve	(a)	155,747	94,239
Retained profits	(b)	1,742,374	1,595,641
Exchange fluctuation reserve	(c)	1,591	3,066
Fair value through other comprehensive income	(d)	(6,966)	(1,342)
		1,892,746	1,691,604

	Note	Bank	
		2023 RM'000	2022 RM'000
Regulatory reserve	(a)	155,747	94,239
Retained profits	(b)	1,730,764	1,577,800
Exchange fluctuation reserve	(c)	1,592	3,067
Fair value through other comprehensive income	(d)	(6,966)	(1,342)
		1,881,137	1,673,764

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

27. RESERVES (CONT'D.)

(a) Regulatory reserve

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, of no less than 1% of total exposures, in accordance with BNM's Revised Financial Reporting for Islamic Banking Institutions Policy Document issued on 29 April 2022.

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2023 under the single tier system.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of the Labuan Offshore Branch whose functional currencies are different from that of the Group's presentation currency.

(d) Fair value through other comprehensive income

This represent the cumulative fair value changes, net of tax, of fair value through other comprehensive income financial assets until they are disposed of or impaired.

28. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

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

28. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)**(i) Income derived from investment of fixed term deposits**

	Group and Bank	
	2023	2022
	RM'000	RM'000
Finance income and hibah:		
Income from financing	359,112	256,929
Financial investments designated at FVTPL	2,164	2,065
Financial investments at fair value through other comprehensive income	53,648	41,118
Financial investments at amortised cost	1,419	1,328
Money at call and deposit with financial institutions	8,947	4,279
	425,290	305,719
Amortisation of premium, net	(10,088)	(10,974)
Total finance income and hibah	415,202	294,745
Other operating income		
Net gain from sale of:		
- financial investments designated at FVTPL	20	9
- debt instruments at fair value through other comprehensive income	5,186	480
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	780	(753)
	5,986	(264)
Fees and commission		
Guarantee fees	561	502
Processing fees	1,708	470
Service charges and fees	5,614	3,501
Commission	15,500	12,599
	23,383	17,072
Total	444,571	311,553

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28. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits

	Group and Bank	
	2023	2022
	RM'000	RM'000
Finance income and hibah:		
Income from financing	1,041,465	815,656
Financial investments designated at FVTPL	6,275	6,554
Financial investments at fair value through other comprehensive income	155,584	130,536
Financial investments at amortised cost	4,115	4,214
Money at call and deposit with financial institutions	25,947	13,581
	1,233,386	970,541
Amortisation of premium, net	(29,256)	(34,838)
Total finance income and hibah	1,204,130	935,703
Other operating income		
Net gain from sale of:		
- financial investments designated at FVTPL	57	27
- debt instruments at fair value through other comprehensive income	15,040	1,525
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	2,262	(2,390)
	17,359	(838)
Fees and commission		
Guarantee fees	1,628	1,593
Processing fees	4,954	1,493
Service charges and fees	16,281	11,113
Commission	44,952	39,995
	67,815	54,194
Total	1,289,304	989,059

29. INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNTS FUNDS

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

30. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Finance income and hibah				
Financial investments at fair value through other comprehensive income	7,472	8,262	7,472	8,262
Money at call and deposit with financial institutions	2,499	1,503	2,499	1,503
Amortisation of premium, net	(1,100)	(1,475)	(1,100)	(1,475)
Total finance income and hibah	8,871	8,290	8,871	8,290
Other operating income				
Net gain on revaluation of foreign exchange transaction	9,713	27,447	9,713	27,447
Net gain/(loss) from foreign exchange derivatives	10,164	(20,134)	10,164	(20,134)
Unwinding of financial liabilities (note (a))	(1,664)	(4,690)	(1,664)	(4,690)
Return of a financial investment at fair value through other comprehensive income	-	10,552	-	10,552
Unrealised gain /(loss) on revaluation from financial investments designated at FVTPL	378	(244)	380	(244)
Net gain from sale of debt instruments at fair value through other comprehensive income	4	-	4	-
Gross dividend income				
- unquoted shares in Malaysia	68	39	-	-
- subsidiary	-	-	11,000	4,000
Net dividend paid for				
Islamic profit rate swap	-	(11,819)	-	(11,819)
Unrealised gain on revaluation of Islamic profit rate swap	-	37,532	-	37,532
Unrealised loss on revaluation of hedged items (Note 6(i))	-	(37,940)	-	(37,940)
	18,663	743	29,597	4,704
Fees and commission				
Corporate advisory fees	2,566	2,281	3,142	1,276
Service charges and fees	7,225	10,605	69	77
Commission	1,097	4,049	1,096	4,049
	10,888	16,935	4,307	5,402

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30. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Other income				
Rental income	845	813	965	933
Gain from sale of property, plant and equipment	1	-	1	-
Gain from termination of right-of-use asset	3	47	3	47
Gain from sale of foreclosed properties	-	1,050	-	1,050
Fair value adjustments of investment properties (Note 12)	192	-	192	-
	1,041	1,910	1,161	2,030
Total	39,463	27,878	43,936	20,426

- (a) In 2023, the Group and the Bank received additional tranche of RM15.0 million for Targeted Relief and Recovery Facility ("TRRF") from the Government for the purpose of financing to SMEs at below market/concession rates. The financing by the Group and the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic.

The fair value gain arising from the placement of funds under the SRF, PTF and TRRF since 2020 that were recognised in the profit or loss, totalling to RM31,758,000 (2022: RM19,678,000) for the Group and the Bank, were applied to address the financial and accounting impact incurred by the Group and the Bank for COVID-19 related relief measures. Net unwinding of the fair value gain equivalent to the cost of these funds amounting to RM1,664,000 for the current year (2022:RM4,690,000).

31. ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCING

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

32. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

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

33. ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

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

34. INCOME ATTRIBUTABLE TO DEPOSITORS

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

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35. PERSONNEL EXPENSES

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

36. CEOs, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

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

36. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

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

Group	Remuneration received from the Group					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
2023						
Note 36(a):						
President & Chief Executive Officer:						
Khairul Kamarudin	1,464	-	1,073	432	78	3,047
Chief Executive Officer of the subsidiaries:						
Mohd Faruk Abdul Karim	371	-	-	64	-	435
Total Chief Executive Officers remuneration	1,835	-	1,073	496	78	3,482
Note 36(b):						
Non-Executive Directors:						
Tan Sri Tajuddin Atan, FCB	-	428	-	62	76	566
Tan Sri Che Khalib Mohamad Noh	-	161	-	97	-	258
Dato' Ibrahim Taib	-	161	-	115	-	276
Md. Khairuddin Hj. Arshad	-	161	-	178	-	339
Johari Abdul Muid	-	161	-	216	-	377
Mohd Razlan Mohamed	-	161	-	157	-	318
Roshidah Abdullah	-	161	-	122	-	283
Ainol Roznain Yaacob	-	110	-	63	-	173
Director - subsidiaries:						
Roshidah Abdullah	-	20	-	6	-	26
Md. Khairuddin Hj. Arshad	-	20	-	6	-	26
Fakihah Azahari	-	8	-	3	-	11
Dato' Adnan Alias	-	7	-	3	-	10
Total Directors remuneration	-	1,559	-	1,028	76	2,663
Total Chief Executive Officers and Directors' remuneration	1,835	1,559	1,073	1,524	154	6,145

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36. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

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

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

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

Group	Remuneration received from the Group					Total
	Salary	Fees	Bonus	Other	Benefits-	
2022	RM'000	RM'000	RM'000	emoluments	in-kind	RM'000
				RM'000	RM'000	RM'000
Note 36(a):						
President & Chief Executive Officer						
Khairul Kamarudin	1,334	-	618	333	117	2,402
Chief Executive Officer of the subsidiaries:						
Mohd Faruk Abdul Karim	371	-	27	69	-	467
Total Chief Executive Officers' remuneration	1,705	-	645	402	117	2,869

36. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

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

Group 2022	Remuneration received from the Group					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Note 36(b):						
Non-Executive Directors:						
Tan Sri Tajuddin Atan, FCB	-	240	-	78	72	390
Tan Sri Che Khalib Mohamad Noh	-	120	-	78	-	198
Dato' Ibrahim Taib	-	120	-	96	-	216
Md. Khairuddin Hj. Arshad	-	120	-	164	-	284
Johari Abdul Muid	-	120	-	157	-	277
Mohd Razlan Mohamed	-	120	-	137	-	257
Roshidah Abdullah	-	120	-	111	-	231
Ainol Roznain Yaacob*	-	-	-	-	-	-
Iwan Rashman Gulamoydeen*	-	-	-	-	-	-
Director - subsidiaries:						
Fakihah Azahari	-	20	-	7	-	27
Dato' Adnan Alias	-	20	-	7	-	27
Roshidah Abdullah	-	9	-	1	-	10
Md. Khairuddin Hj. Arshad	-	9	-	1	-	10
Total Directors remuneration	-	1,018	-	837	72	1,927
Total Chief Executive Officers' and Directors' remuneration	1,705	1,018	645	1,239	189	4,796

* In 2022, no remuneration was paid in lieu of Khazanah Nasional Berhad ("Khazanah") waiver of Director's fees and meeting allowances to its Nominee Director, who is a Khazanah employee. The said waiver applies to all Khazanah's investee companies.

Note 36(c):

Shariah Committee:

Azizi Che Seman	-	60	-	22	1	83
Dr. Ahmad Zakirullah Mohamed Shaarani	-	54	-	13	1	68
Dr. Muhamad Azhari Wahid	-	54	-	13	1	68
Dr. Mohd Shahid Mohd Noh	-	54	-	13	1	68
Dr. Yusri Mohamad	-	54	-	13	1	68
Total Shariah Committee remuneration	-	276	-	74	5	355

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36. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

Bank 2023	Remuneration received from the Bank					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Note 36(a):						
President & Chief Executive Officer						
Khairul Kamarudin	1,464	-	1,073	432	78	3,047
Total Chief Executive Officers' remuneration	1,464	-	1,073	432	78	3,047
Note 36(b):						
Non-Executive Directors:						
Tan Sri Tajuddin Atan, FCB	-	428	-	62	76	566
Tan Sri Che Khalib	-	-	-	-	-	-
Mohamad Noh	-	161	-	97	-	258
Dato' Ibrahim Taib	-	161	-	115	-	276
Md. Khairuddin Hj. Arshad	-	161	-	178	-	339
Johari Abdul Muid	-	161	-	216	-	377
Mohd Razlan Mohamed	-	161	-	157	-	318
Roshidah Abdullah	-	161	-	122	-	283
Ainol Roznain Yaacob	-	110	-	63	-	173
Total Directors remuneration	-	1,504	-	1,010	76	2,590
Total Chief Executive Officers' and Directors' remuneration	1,464	1,504	-	1,442	154	5,637
Note 36(c):						
Shariah Committee:						
Azizi Che Seman	-	17	-	9	1	27
Dr. Ahmad Zakirullah	-	-	-	-	-	-
Mohamed Shaarani	-	60	-	16	1	77
Dr. Muhamad Azhari Wahid	-	60	-	16	1	77
Dr. Mohd Shahid Mohd Noh	-	60	-	14	1	75
Dr. Yusri Mohamad	-	62	-	18	1	81
Dr. Badruddin Bin Hj. Ibrahim	-	60	-	15	1	76
Dr. Khairun Najmi Bin Saripudin	-	60	-	14	1	75
Total Shariah Committee remuneration	-	379	-	102	7	488

36. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

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

Bank 2022	Remuneration received from the Bank					Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	
Note 36(a):						
President & Chief Executive Officer						
Khairul Kamarudin	1,334	-	618	333	117	2,402
Total Chief Executive Officers' remuneration	1,334	-	618	333	117	2,402
Note 36(b):						
Non-Executive Directors:						
Tan Sri Tajuddin Atan, FCB	-	240	-	78	72	390
Tan Sri Che Khalib Mohamad Noh	-	120	-	78	-	198
Dato' Ibrahim Taib	-	120	-	96	-	216
Md. Khairuddin Hj. Arshad	-	120	-	164	-	284
Johari Abdul Muid	-	120	-	157	-	277
Mohd Razlan Mohamed	-	120	-	137	-	257
Roshidah Abdullah	-	120	-	111	-	231
Ainol Roznain Yaacob*	-	-	-	-	-	-
Iwan Rashman Gulamoydeen*	-	-	-	-	-	-
Total Directors remuneration	-	960	-	821	72	1,853
Total Chief Executive Officers' and Directors' remuneration	1,334	960	618	1,154	189	4,255
Note 36(c):						
Shariah Committee:						
Azizi Che Seman	-	60	-	22	1	83
Dr. Ahmad Zakirullah Mohamed Shaarani	-	54	-	13	1	68
Dr. Muhamad Azhari Wahid	-	54	-	13	1	68
Dr. Mohd Shahid Mohd Noh	-	54	-	13	1	68
Dr. Yusri Mohamad	-	54	-	13	1	68
Total Shariah Committee remuneration	-	276	-	74	5	355

* In 2022, no remuneration is paid in lieu of Khazanah Nasional Berhad ("Khazanah") waiver of Director's fees and meeting allowances to its Nominee Director, who is a Khazanah employee. The said waiver applies to all Khazanah's investee companies.

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37. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Group	
	2023 RM'000	2022 RM'000
Short-term employees benefits	10,457	9,933
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 36(a))	3,482	2,869

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

38. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Marketing				
Advertisement and publicity	7,725	7,505	7,725	7,505
Donation and sponsorship	284	731	284	731
Others	846	561	844	559
	8,855	8,797	8,853	8,795
Establishment				
Rental	403	224	403	224
Depreciation of right-of-use assets (Note 15)	11,152	10,736	11,152	10,736
Depreciation of property, plant and equipment (Note 14)	10,664	11,201	10,646	11,183
Amortisation of intangible assets (Note 13)	33,563	24,711	33,483	24,678
Information technology expenses	58,990	54,469	58,802	54,333
Repair and maintenance	4,318	5,629	4,314	5,625
Hire of equipment	5,339	5,538	4,976	5,280
Takaful	7,301	11,049	7,301	11,049
Utilities expenses	5,643	5,106	5,610	5,080
Security expenses	8,543	7,729	8,543	7,729
Others	4,944	4,326	4,944	4,326
	150,860	140,718	150,174	140,243

38. OTHER OVERHEADS AND EXPENDITURES (CONT'D.)

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
General expenses				
Auditors' fees				
- statutory audit				
- KPMG PLT	640	-	620	-
- Other auditors	-	600	-	574
- regulatory related services				
- KPMG PLT	20	-	-	-
- others				
- Local affiliates of KPMG PLT	45	-	33	-
Professional fees	2,848	2,918	2,660	2,640
Legal expenses	452	750	452	750
Telephone	1,324	1,333	1,323	1,331
Stationery and printing	1,825	1,803	1,823	1,795
Postage and courier	3,226	3,124	3,226	3,124
Travelling	1,907	826	1,907	823
Property, plant and equipment written-off (Note 14)	6	38	6	38
Intangible assets written-off (Note 13)	64	-	64	-
Others	15,781	15,104	18,321	17,204
	28,138	26,496	30,435	28,279
	187,853	176,011	189,462	177,317

39. FINANCE COSTS

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

40. ZAKAT

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

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41. TAXATION

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

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

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

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

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

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

42. EARNINGS PER SHARE

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

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

43. DIVIDENDS

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

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Bank have related party relationships with substantial shareholders, subsidiaries and key management personnel. The Group's and the Bank's significant transactions and balances with related parties are as follows:

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

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44. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

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

* Related companies are companies within DRB-HICOM Berhad Group and Khazanah Nasional Berhad Group.

- The transactions of the Group and the Bank with related parties were sourced within Malaysia.

45. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

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

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

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

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46. COMMITMENTS AND CONTINGENCIES

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

Risk weighted exposures of the Group and the Bank are as follows:

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The integrated risk management system enables the Group and the Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimisation of the principal risk areas of Market Risk ("MR"), Asset and Liability Management ("ALM"), Credit Risk ("CR"), Operational Risk ("OR") and Shariah Compliance Risk; and building the requisite risk management organisation, infrastructure, process and technology with the objective of advancing the Group and the Bank towards value protection and creation.

Generally, the objectives of the Group's and the Bank's integrated risk management system include the following:

- Identifying all the risks exposures and their impact;
- Establishment of sound policies and procedures in line with the Group's and Bank's strategy, lines of business and nature of operations;
- Set out an enterprise-wide organisation structure and defining the appropriate roles and responsibilities; and
- Instill the risk culture within the Group and the Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and the Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk & Compliance Committee ("BRCC") to carry out its functions. BRCC, which is chaired by an independent director of the Board, oversees the overall management of risks.

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

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

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Risk governance (cont'd.)

There are other risk committees set up at the Management level to oversee specific risk areas and control function of which the following are the details:

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

To carry out the day-to-day risk management functions, a dedicated Risk Management Department ("RMD") that is independent of profit and volume target, exists to support the above committees.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**Categories of financial instruments**

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

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

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

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

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Categories of financial instruments (cont'd.)

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

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**Categories of financial instruments (cont'd.)**

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

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

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Categories of financial instruments (cont'd.)

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

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

(a) Credit risk

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

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

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

To mitigate credit concentration risks, the Group and the Bank set exposure limits to individual/single customer, groups of related customers, connected parties, global counterparty, industry/sector and other various funded and non-funded exposures. This is monitored and enforced throughout the credit delivery process.

The Group and the Bank also introduced the Credit Risk Mitigation Techniques ("CRMT") to ascertain the strength of collaterals and securities pledged for financing. The technique outlines the criteria for the eligibility and valuation as well as the monitoring process of the collaterals and securities pledged.

The Group's and the Bank's credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions.

Included in financing of customers is a financing given to a corporate customer which are hedged by profit rate derivatives. The hedge achieved the criteria for hedge accounting and the financing are carried at fair value.

(i) Maximum credit risk exposures and credit risk concentration

The following tables present the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The presented analysis of credit risk concentration relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2023	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	28,595	33,707
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial assets at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,152	2,282,361	2,060,395	174,721	20,158,899	563,280	28,347,644
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets*	-	-	-	-	-	-	115,359	115,359
	6,152,412	5,932,865	2,995,053	2,121,795	174,721	20,158,899	1,219,121	38,754,866
Commitments and contingencies								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	151,992	1,556,737	1,406,966	725,712	209,549	854,195	745,707	5,650,858
Total credit exposures	6,304,404	7,489,602	4,402,019	2,847,507	384,270	21,013,094	1,964,828	44,405,724

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2022	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,235,454	-	-	-	-	-	1,235,454
Deposits and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	29,491	182,089
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,736	2,070,410	1,581,653	189,534	16,877,576	710,269	24,017,067
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other financial assets*	-	-	-	-	-	-	17,989	17,989
	6,241,568	3,069,028	2,264,573	1,581,653	189,534	16,877,576	996,992	31,220,924
Commitments and contingencies								
Contingent liabilities	87,057	95,176	162,791	526,416	120,451	4,312	78,355	1,074,558
Commitments	64,936	194,475	355,847	115,847	21,004	682,051	427,186	1,861,346
Other Miscellaneous	-	-	-	-	-	-	-	-
Commitment and Contingent Liabilities	-	332	5,769	20,608	150	3,240	29,210	59,309
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,289,090	1,311,730	662,871	141,605	689,603	534,751	4,781,643
Total credit exposures	6,393,561	4,358,118	3,576,303	2,244,524	331,139	17,567,179	1,531,743	36,002,567

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

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2023	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	25,984	31,096
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial assets at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,154	2,282,361	2,060,395	174,721	20,158,899	559,026	28,343,392
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets*	-	-	-	-	-	-	114,754	114,754
	6,152,412	5,932,867	2,995,053	2,121,795	174,721	20,158,899	1,211,651	38,747,398
Commitments and contingencies								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	151,992	1,556,737	1,406,966	725,712	209,549	854,195	745,707	5,650,858
Total credit exposures	6,304,404	7,489,604	4,402,019	2,847,507	384,270	21,013,094	1,957,358	44,398,256

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2022	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport, storage and communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,235,454	-	-	-	-	-	1,235,454
Deposits and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	26,946	179,544
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,735	2,070,410	1,581,653	189,534	16,877,576	699,616	24,006,413
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other financial assets*	-	-	-	-	-	-	17,544	17,544
	6,241,568	3,069,027	2,264,573	1,581,653	189,534	16,877,576	983,349	31,207,280
Commitments and contingencies								
Contingent liabilities	87,057	95,176	162,791	526,416	120,451	4,312	78,355	1,074,558
Commitments	64,936	194,475	355,847	115,847	21,004	682,051	427,186	1,861,346
Other Miscellaneous	-	-	-	-	-	-	-	-
Commitment and Contingent Liabilities	-	332	5,769	20,608	150	3,240	29,210	59,309
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,289,090	1,311,730	662,871	141,605	689,603	534,751	4,781,643
Total credit exposures	6,393,561	4,358,117	3,576,303	2,244,524	331,139	17,567,179	1,518,100	35,988,923

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

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2023				
On Balance Sheet Exposures				
Cash and short-term funds	3,038,783	408	3,038,783	408
Financial investments designated at fair value through profit and loss	28,595	5,112	25,984	5,112
Financial investments at fair value through other comprehensive income	6,402,212	103,254	6,402,212	103,254
Financial investments amortised cost	116,871	-	116,871	-
Islamic derivative financial assets	12,819	-	12,819	-
Financing of customers	28,347,644	-	28,343,392	-
Statutory deposits with Bank Negara Malaysia	583,809	-	583,809	-
Other financial assets*	115,356	3	114,751	3
	38,646,089	108,777	38,638,621	108,777
Commitments and contingencies				
Contingent liabilities	1,001,443	-	1,001,443	-
Commitments	2,302,012	-	2,302,012	-
Other Miscellaneous Commitment and Contingent Liabilities	60,040	-	60,040	-
Islamic derivative financial instruments	2,287,363	-	2,287,363	-
	5,650,858	-	5,650,858	-
Total credit exposures	44,296,947	108,777	44,289,479	108,777

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(a) Credit risk (cont'd.)****(i) Maximum credit risk exposures and credit risk concentration (cont'd.)****By geographical analysis (cont'd.)**

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows: (cont'd.)

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2022				
On Balance Sheet Exposures				
Cash and short-term funds	1,155,843	79,611	1,155,843	79,611
Deposits and placements with financial institutions	21,747	-	21,747	-
Financial investments designated at fair value through profit and loss	182,089	-	179,544	-
Financial investments at fair value through other comprehensive income	5,065,879	145,772	5,065,879	145,772
Financial investments amortised cost	113,589	-	113,589	-
Islamic derivative financial assets	4,247	-	4,247	-
Financing of customers	24,017,067	-	24,006,413	-
Statutory deposits with Bank Negara Malaysia	417,091	-	417,091	-
Other financial assets*	17,986	3	17,541	3
	30,995,538	225,386	30,981,894	225,386
Commitments and contingencies				
Contingent liabilities	1,074,559	-	1,074,559	-
Commitments	1,861,344	-	1,861,344	-
Other Miscellaneous Commitment and Contingent Liabilities	59,310	-	59,310	-
Islamic derivative financial instruments	1,786,430	-	1,786,430	-
	4,781,643	-	4,781,643	-
Total credit exposures	35,777,181	225,386	35,763,537	225,386

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(a) Credit risk (cont'd.)****(ii) Credit quality for financing of customers (cont'd.)**

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

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

Group 2022	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,173,389	114,700	104,998	103,040	11,496,127
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	23,324,785	459,247	285,559	205,957	24,275,548
Less:					
- Stage 1					
- 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
- Stage 2					
- Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	23,199,205	440,544	275,279	102,039	24,017,067

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

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

Bank 2023	Neither past due Good RM'000	nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	8,691,993	273,525	256,585	107,181	9,329,284
- Syndicated financing	546,137	-	-	-	546,137
- Hire purchase receivables	1,523,090	6,555	11,477	1,969	1,543,091
- Other term financing	12,169,840	146,614	164,357	125,271	12,606,082
Other financing	4,495,049	4,757	9,704	31,808	4,541,318
	27,426,109	431,451	442,123	266,229	28,565,912
Less:					
- Stage 1					
- 12 Months ECL	(119,065)	(1,173)	-	-	(120,238)
- Stage 2					
- Lifetime ECL not credit impaired	-	(12,547)	(10,711)	-	(23,258)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(79,024)	(79,024)
Total net financing	27,307,044	417,731	431,412	187,205	28,343,392

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(a) Credit risk (cont'd.)****(ii) Credit quality for financing of customers (cont'd.)**

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

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

Bank 2022	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,162,735	114,700	104,998	103,040	11,485,473
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	23,314,131	459,247	285,559	205,957	24,264,894
Less:					
- Stage 1					
- 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
- Stage 2					
- Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	23,188,551	440,544	275,279	102,039	24,006,413

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

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

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six (6) months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six (6) months or have undergone a rescheduling or restructuring exercise previously.

Past due but not impaired

Past due but not impaired financing of customers refers to instances where the customer has failed to make principal or profit payment or both after the contractual due date for more than one (1) day but less than three (3) months.

Ageing analysis of past due but not impaired is as follows:

Group and Bank	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
2023			
Term financing			
- Home financing	256,314	271	256,585
- Hire purchase receivables	11,318	159	11,477
- Other term financing	161,301	3,056	164,357
Other financing	9,656	48	9,704
Total	438,589	3,534	442,123
2022			
Term financing			
- Home financing	172,040	273	172,313
- Hire purchase receivables	7,009	143	7,152
- Other term financing	103,091	1,907	104,998
Other financing	978	118	1,096
Total	283,118	2,441	285,559

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(a) Credit risk (cont'd.)****(ii) Credit quality for financing of customers (cont'd.)****Past due but not impaired (cont'd.)**

The following table presents an analysis of the past due but not impaired financing by economic purpose.

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

Collateral and other credit enhancements

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (i.e. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 45.47% and 45.48%, respectively, as at 31 December 2023 (the Group and the Bank are at 39.72% and 39.74% as at 31 December 2022). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

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

Repossessed collateral

It is the Group's and the Bank's policy that dictates disposal of repossessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral repossessed are subject to disposal as soon as it is practical to do so. Foreclosed properties are recognised in other assets on the statement of financial position. At present, the Group and the Bank do not occupy repossessed properties for its own business use.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions.

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

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2023.

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(a) Credit risk (cont'd.)****(iii) Analysis of inputs to the ECL model under multiple economic scenarios (cont'd.)****31 December 2022**

Key Variable	ECL Scenario	Assigned Probabilities (%)	2022 (Actual)	2023 (Forecast)	2024 (Forecast)
Consumer Price Index (Y-o-Y%)	Base case	42.54%	2.00%	2.50%	1.80%
	Upside	25.45%	2.00%	1.40%	0.40%
	Downside	32.01%	2.00%	3.10%	2.50%
Unemployment Rate (%)	Base case	42.54%	4.80%	4.40%	3.80%
	Upside	25.45%	4.80%	4.00%	3.20%
	Downside	32.01%	4.80%	4.80%	4.10%
Overnight Policy Rate (%)	Base case	42.54%	1.75%	1.75%	2.00%
	Upside	25.45%	1.75%	1.75%	2.50%
	Downside	32.01%	1.75%	1.75%	1.75%
Private Consumption (YOY %)	Base case	42.54%	11.60%	0.60%	11.00%
	Upside	25.45%	11.60%	2.28%	15.79%
	Downside	32.01%	11.60%	-1.46%	9.92%
Public Consumption (YOY %)	Base case	42.54%	9.00%	5.90%	0.50%
	Upside	25.45%	9.00%	7.20%	7.40%
	Downside	32.01%	9.00%	3.00%	0.20%
Gold Price (USD/oz)	Base case	42.54%	1756.66	1700.00	1570.00
	Upside	25.45%	1756.66	1670.00	1550.00
	Downside	32.01%	1756.66	1950.00	1720.00

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments

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

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(a) Credit risk (cont'd.)****(iv) Credit quality for financial investments (cont'd.)**

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

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

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date and prior year, none of the financial investments mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments at fair value through other comprehensive income with net outstanding amount is RM13,000 (2022: Nil), which have been classified as impaired and provided for to the extent that the Bank expects to recover.

(b) Market risk

Market risk refer to the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Types of market risk**(i) Traded market risk**

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group's and the Bank's trading positions held for the purpose of benefiting from shortterm price movements, which are conducted primarily by the treasury operations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(i) Traded market risk (cont'd.)

Risk measurement approach

The Group's and the Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and the Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Treasury Middle Office ("TMO") on a daily basis against approved market risk limits. In addition, the TMO is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Department. Changes to market risk limits must be approved by the Board of Directors. The trading positions and limits are regularly reported to the ALCO. The Group and the Bank maintain its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

(ii) Non-traded market risk

The Group's and the Bank's core non-traded market risk refers to the rate of return risk in the Group's and the Bank's Islamic banking business, foreign exchange risk, and equity risk.

Rate of return risk

Rate of return risk refers to the potential loss of income arising from changes in market rates in regards to return on assets and on the returns payable on funding. The risk arises from option portfolios embedded in the Group's and the Bank's assets and liabilities.

Rate of return risk emanates from the repricing mismatches of the Group's and the Bank's banking assets and liabilities and also from the Group's and the Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group's and the Bank's net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This shall be achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities, and entering into derivative financial instruments which have the opposite effects.

The Group and the Bank use various tools including repricing gap reports, sensitivity analysis, and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board of Directors.

The following tables indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financing or early withdrawal of deposits.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2023	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	2,825,374	-	-	-	-	-	-	-	213,817	-	3,039,191	3.1%
Financial investment designated at fair value through profit and loss	-	-	5,020	21,800	-	-	-	-	6,887	-	33,707	3.5%
Financial assets at fair value through other comprehensive income	209,867	10,031	1,204,296	816,425	1,430,712	363,747	1,284,217	942,615	243,556	-	6,505,466	3.5%
Financial assets at amortised cost	-	-	-	-	-	-	-	116,853	18	-	116,871	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	12,819	12,819	-
Financing of customers:												
- non-impaired (net)	22,200,028	1,619,202	565,342	348,516	107,124	116,327	1,120,856	1,952,794	130,250	-	28,160,439	5.5%
- impaired*	-	-	-	-	-	-	-	-	187,205	-	187,205	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,004,579	-	1,004,579	-
TOTAL ASSETS	25,235,269	1,629,233	1,774,658	1,186,741	1,537,836	480,074	2,405,073	3,012,262	1,786,312	12,819	39,060,277	

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2023	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	10,876,039	6,133,585	7,690,589	7,093,956	61,127	354	294,705	-	645,381	-	32,795,736	3.0%
Investment accounts of customers	-	-	-	-	-	-	-	-	247,689	-	247,689	0.1%
Deposits and placements of banks and other financial institutions	183,600	-	-	-	-	-	-	-	346,034	-	529,634	5.8%
Bills and acceptances payable	-	-	-	-	-	-	-	-	13,773	-	13,773	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	21,519	21,519	-
Recourse obligation on financing sold to Cagamas	-	-	200,000	855,138	-	-	-	-	3,607	-	1,058,745	4.2%
Subordinated sukuk	-	-	-	500,000	300,000	-	-	-	6,924	-	806,924	4.7%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	149,756	-	149,756	-
Total Liabilities	11,059,639	6,133,585	7,890,589	7,949,094	561,127	300,354	294,705	-	1,413,164	21,519	35,623,776	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	3,436,501	-	3,436,501	-
TOTAL LIABILITIES AND EQUITY	11,059,639	6,133,585	7,890,589	7,949,094	561,127	300,354	294,705	-	4,849,665	21,519	39,060,277	
On-balance sheet profit sensitivity gap	14,175,630	(4,504,352)	(6,115,931)	(6,762,353)	976,709	179,720	2,110,368	3,012,262	(3,063,353)	(8,700)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROFIT SENSITIVITY GAP	14,175,630	(4,504,352)	(6,115,931)	(6,762,353)	976,709	179,720	2,110,368	3,012,262	(3,063,353)	(8,700)	-	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,113,571	-	-	-	-	-	-	-	121,882	-	1,235,453	2.9%
Deposits and placements with financial institutions	-	21,747	-	-	-	-	-	-	-	-	21,747	2.9%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	61,863	120,226	182,089	7.0%
Financial assets at fair value through other comprehensive income	557	754	1,482,007	1,396,138	765,903	384,548	347,137	575,646	258,961	-	5,211,651	3.1%
Financial assets at amortised cost	-	-	-	-	-	-	-	147,744	(34,155)	-	113,589	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,247	4,247	-
Financing of customers: - non-impaired (gross)	17,841,916	1,315,471	1,047,092	511,439	242,281	126,067	126,453	2,708,972	45,982	-	23,965,673	5.2%
- impaired*	-	-	-	-	-	-	-	-	205,957	-	205,957	-
- 12-month ECL and lifetime ECL	-	-	-	-	-	-	-	-	(154,563)	-	(154,563)	-
not credit impaired	-	-	-	-	-	-	-	-	-	-	-	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	748,374	-	748,374	-
TOTAL ASSETS	18,956,044	1,337,972	2,529,099	1,907,577	1,008,184	510,615	473,590	3,432,362	1,254,301	124,473	31,534,217	

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	9,638,556	6,222,666	3,228,459	6,198,007	315,303	50,258	350	-	667,010	-	26,320,609	2.5%
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	-	301,158	0.1%
Deposits and placements of banks and other financial institutions	200	-	1,800	250	-	-	5,000	-	296,138	-	303,388	0.0%
Bills and acceptances payable	-	-	-	-	-	-	-	-	20,218	-	20,218	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	23,111	23,111	-
Recourse obligation on financing sold to Cagamas	-	-	150,000	-	582,501	-	-	-	673	-	733,174	4.2%
Subordinated sukuk	-	-	-	-	-	500,000	300,000	-	6,596	-	806,596	4.8%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	139,359	-	139,359	-
Total Liabilities	9,939,914	6,222,666	3,380,259	6,198,257	897,804	550,258	305,350	-	1,129,994	23,111	28,647,613	-
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,886,604	-	2,886,604	-
TOTAL LIABILITIES AND EQUITY	9,939,914	6,222,666	3,380,259	6,198,257	897,804	550,258	305,350	-	4,016,598	23,111	31,534,217	-
On-balance sheet profit sensitivity gap	9,016,130	(4,884,694)	(851,160)	(4,290,680)	110,380	(39,643)	168,240	3,432,362	(2,762,297)	101,362	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	9,016,130	(4,884,694)	(851,160)	(4,290,680)	110,380	(39,643)	168,240	3,432,362	(2,762,297)	1,301,362	1,200,000	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2023	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	2,825,374	-	-	-	-	-	-	-	213,817	-	3,039,191	3.1%
Financial investments designated at fair value through profit and loss	-	-	5,020	21,800	-	-	-	-	4,276	-	31,096	3.5%
Financial assets at fair value through other comprehensive income	209,867	10,031	1,204,296	816,425	1,430,712	363,747	1,284,217	942,614	243,557	-	6,505,466	3.5%
Financial assets at amortised cost	-	-	-	-	-	-	-	116,853	18	-	116,871	1.3%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	12,819	12,819	-
Financing of customers:												
- non-impaired (net)	22,200,028	1,619,202	565,342	348,516	107,124	116,327	1,120,856	1,952,795	125,997	-	28,156,187	5.5%
- impaired*	-	-	-	-	-	-	-	-	187,205	-	187,205	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,016,037	-	1,016,037	-
TOTAL ASSETS	25,235,269	1,629,233	1,774,658	1,186,741	1,537,836	480,074	2,405,073	3,012,262	1,790,907	12,819	39,064,872	

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31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2023	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	10,876,039	6,133,585	7,690,589	7,093,956	61,127	354	294,705	-	661,447	-	32,811,802	3.0%
Investment accounts of customers	-	-	-	-	-	-	-	-	247,689	-	247,689	0.0%
Deposits and placements of banks and other financial institutions	183,600	-	-	-	-	-	-	-	346,034	-	529,634	5.8%
Bills and acceptances payable	-	-	-	-	-	-	-	-	13,773	-	13,773	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	21,519	21,519	-
Recourse obligation on financing sold to Cagamas	-	200,000	855,138	-	-	-	-	-	3,607	-	1,058,745	4.2%
Subordinated sukuk	-	-	-	500,000	300,000	-	-	-	6,924	-	806,924	4.7%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	149,894	-	149,894	-
Total Liabilities	11,059,639	6,133,585	7,890,589	7,949,094	561,127	300,354	294,705	-	1,429,368	21,519	35,639,980	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	3,424,892	-	3,424,892	-
TOTAL LIABILITIES AND EQUITY	11,059,639	6,133,585	7,890,589	7,949,094	561,127	300,354	294,705	-	4,854,260	21,519	39,064,872	
On-balance sheet profit sensitivity gap	14,175,630	(4,504,352)	(6,115,931)	(6,762,353)	976,709	179,720	2,110,368	3,012,262	(3,063,353)	(8,700)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROFIT SENSITIVITY GAP	14,175,630	(4,504,352)	(6,115,931)	(6,762,353)	976,709	179,720	2,110,368	3,012,262	(3,063,353)	(8,700)	-	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	1,113,571	-	-	-	-	-	-	-	121,882	-	1,235,453	2.9%
Deposits and placements with financial institutions	-	21,747	-	-	-	-	-	-	-	-	21,747	2.9%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	59,318	120,226	179,544	7.0%
Financial assets at fair value through other comprehensive income	557	754	1,482,007	1,396,138	765,903	384,548	347,137	575,646	258,961	-	5,211,651	3.1%
Financial assets at amortised cost	-	-	-	-	-	-	-	147,744	(34,155)	-	113,589	1.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,247	4,247	-
Financing of customers: - non-impaired (gross)	17,841,916	1,315,471	1,047,092	511,439	242,281	126,067	126,453	2,708,972	35,328	-	23,955,019	5.2%
- impaired*	-	-	-	-	-	-	-	-	205,957	-	205,957	-
-12-month ECL and lifetime ECL	-	-	-	-	-	-	-	-	(154,563)	-	(154,563)	-
not credit impaired	-	-	-	-	-	-	-	-	-	-	-	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	760,631	-	760,631	-
TOTAL ASSETS	18,956,044	1,337,972	2,529,099	1,907,577	1,008,184	510,615	473,590	3,432,362	1,253,359	124,473	31,533,275	

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2022	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	9,649,856	6,222,666	3,228,459	6,198,007	315,303	50,258	350	-	675,454	-	26,340,353	2.5%
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	-	301,158	0.1%
Deposits and placements of banks and other financial institutions	200	-	1,800	250	-	-	5,000	-	296,138	-	303,388	0.0%
Bills and acceptances payable	-	-	-	-	-	-	-	-	20,218	-	20,218	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	23,111	23,111	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	150,000	-	582,501	-	-	-	673	-	733,174	4.2%
Subordinated sukuk	-	-	-	-	-	500,000	300,000	-	6,596	-	806,596	4.8%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	136,513	-	136,513	-
Total Liabilities	9,951,214	6,222,666	3,380,259	6,198,257	897,804	550,258	305,350	-	1,135,592	23,111	28,664,511	-
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,868,764	-	2,868,764	-
TOTAL LIABILITIES AND EQUITY	9,951,214	6,222,666	3,380,259	6,198,257	897,804	550,258	305,350	-	4,004,356	23,111	31,533,275	-
On-balance sheet profit sensitivity gap	9,004,830	(4,884,694)	(851,160)	(4,290,680)	110,380	(39,643)	168,240	3,432,362	(2,750,997)	101,362	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	9,004,830	(4,884,694)	(851,160)	(4,290,680)	110,380	(39,643)	168,240	3,432,362	(2,750,997)	1,301,362	1,200,000	-

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings at Risk ("EAR")

The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and the Bank by undermining its capital adequacy and reducing market confidence.

- Economic Value of Equity ("EVE")

Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of the Group and the Bank can be viewed as the present value of the Group's and the Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet position. The sensitivity of the Group's and the Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and Management.

- Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

Rate of return risk measurement

- Gap analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (re-priced) over the residual maturity period or on maturity.

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

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

- Simulation analysis

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

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

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

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The analysis measures the increase or decline in earnings and economic value for upward and downward rate shocks, which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
Impact on Earnings:				
2023				
MYR	(34,610)	34,610	(34,545)	34,545
USD	1,828	(1,828)	1,828	(1,828)
Others*	(1)	1	(1)	1
2022				
MYR	(19,643)	19,643	(18,098)	18,098
USD	174	(174)	174	(174)
Others*	261	(261)	261	(261)
Impact on Equity:				
2023				
MYR	70,741	(70,741)	70,737	(70,737)
USD	(152)	152	(152)	152
Others*	0	(0)	0	(0)
2022				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating in business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three (3) types of foreign exchange risk, namely, translation risk, transactional risk and economic risk, which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk, and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, Japanese Yen and Canadian Dollar. The "others" foreign exchange risk include mainly exposures to United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2022	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	930,712	295,874	285	442	758	599	526	4,022	2,236	1,235,454
Deposits and placements with financial institutions	21,747	-	-	-	-	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	182,089	-	-	-	-	-	-	-	-	182,089
Financial assets at fair value through other comprehensive income	5,065,879	145,772	-	-	-	-	-	-	-	5,211,651
Financial assets at amortised cost	113,589	-	-	-	-	-	-	-	-	113,589
Islamic derivative financial assets	4,247	-	-	-	-	-	-	-	-	4,247
Financing of customers	23,916,254	98,634	-	-	2,179	-	-	-	-	24,017,067
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	-	-	417,091
Other financial assets*	17,986	3	-	-	-	-	-	-	-	17,989
Total financial assets	30,669,594	540,283	285	442	2,937	599	526	4,022	2,236	31,220,924

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2022 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	25,987,727	276,364	99	-	772	55,502	-	-	145	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	308,388	(5,000)	-	-	-	-	-	-	-	303,388
Bills and acceptances payable	20,218	-	-	-	-	-	-	-	-	20,218
Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
Other financial liabilities	95,555	572	-	-	68	(72)	-	-	-	96,123
Lease liabilities	37,281	152	-	-	-	-	-	-	-	37,433
Recourse obligation on financing sold to Cagamas	733,174	-	-	-	-	-	-	-	-	733,174
Subordinated sukuk	806,596	-	-	-	-	-	-	-	-	806,596
Total financial liabilities	28,313,208	272,088	99	-	840	55,430	-	-	145	28,641,810
On-balance sheet open position	2,356,386	268,195	186	442	2,097	(54,831)	526	4,022	2,091	2,579,114
Less: Islamic derivative financial assets	(4,247)	-	-	-	-	-	-	-	-	(4,247)
Add: Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
Net open position	2,375,250	268,195	186	442	2,097	(54,831)	526	4,022	2,091	2,597,978

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2022	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	930,712	295,874	285	442	758	599	526	4,022	2,236	1,235,454
Deposits and placements with financial institutions	21,747	-	-	-	-	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	179,544	-	-	-	-	-	-	-	-	179,544
Financial assets at fair value through other comprehensive income	5,065,879	145,772	-	-	-	-	-	-	-	5,211,651
Financial assets at amortised cost	113,589	-	-	-	-	-	-	-	-	113,589
Islamic derivative financial assets	4,247	-	-	-	-	-	-	-	-	4,247
Financing of customers	23,905,600	98,634	-	-	2,179	-	-	-	-	24,006,413
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	-	-	417,091
Other financial assets*	17,541	3	-	-	-	-	-	-	-	17,544
Total financial assets	30,655,950	540,283	285	442	2,937	599	526	4,022	2,236	31,207,280

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2022 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	26,007,471	276,364	99	-	772	55,502	-	-	145	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	308,388	(5,000)	-	-	-	-	-	-	-	303,388
Bills and acceptances payable	20,218	-	-	-	-	-	-	-	-	20,218
Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
Other financial liabilities	93,857	572	-	-	68	(72)	-	-	-	94,425
Lease liabilities	37,281	152	-	-	-	-	-	-	-	37,433
Recourse obligation on financing sold to Cagamas	733,174	-	-	-	-	-	-	-	-	733,174
Subordinated sukuk	806,596	-	-	-	-	-	-	-	-	806,596
Total financial liabilities	28,331,254	272,088	99	-	840	55,430	-	-	145	28,659,856
On-balance sheet open position	2,324,696	268,195	186	442	2,097	(54,831)	526	4,022	2,091	2,547,424
Less: Islamic derivative financial assets	(4,247)	-	-	-	-	-	-	-	-	(4,247)
Add: Islamic derivative financial liabilities	23,111	-	-	-	-	-	-	-	-	23,111
Net open position	2,343,560	268,195	186	442	2,097	(54,831)	526	4,022	2,091	2,566,288

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(b) Market risk (cont'd.)****Types of market risk (cont'd.)****(ii) Non-traded market risk (cont'd.)****Foreign currency risk**

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group and the Bank foreign currency positions.

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

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and the Bank may be subjected to additional translation (loss)/gain if MYR appreciated/depreciated against other currencies or vice versa.

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and with insufficient volumes, at a reasonable price.

The Group and the Bank monitor the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and the Bank's ability to maintain a stable liquidity profile is primarily due to its success in retaining and growing its customer deposits base.

The marketing strategy of the Group and the Bank has ensured a balanced mix of deposits level. Stability of the deposits base thus minimises the Group's and the Bank's dependency on volatile short-term receiving. Considering the effective maturities of deposits are based largely on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and the Bank are able to ensure that sufficient liquidity is always available whenever necessary.

The Asset Liability Committee ("ALCO") chaired by the PCEO, is being conducted on monthly basis, which purpose is to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and the Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The tables depicted in the following pages are the analysis of assets and liabilities of the Group and the Bank as at 31 December 2023 based on remaining contractual maturities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

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

Group 2023	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	3,011,876	27,315	-	-	-	-	3,039,191
Financial investments designated at fair value through profit and loss	-	-	-	-	5,112	28,595	33,707
Financial assets at fair value through other comprehensive income	13	210,083	10,151	287,832	925,973	5,071,414	6,505,466
Financial assets at amortised cost	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,632	479	458	33	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	21,877,359	28,347,644
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	583,809	583,809
Other financial assets*	-	80,749	-	-	34,610	-	115,359
Total financial assets	3,089,704	1,256,408	1,558,194	1,730,479	3,442,033	27,678,048	38,754,866

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(c) Liquidity and funding risk (cont'd.)**

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 2023 (cont'd.)	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Liabilities							
Deposits from customers	12,839,712	4,970,632	6,165,904	5,080,239	2,662,939	1,076,310	32,795,736
Investment accounts of customers	247,689	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	345,416	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	21,519
Other financial liabilities	-	22,867	-	-	77,773	-	100,640
Lease liabilities	-	893	1,730	2,578	5,189	28,079	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	806,924
Total financial liabilities	13,087,471	5,190,199	6,190,877	5,293,116	2,745,901	3,105,565	35,613,129
Net maturity mismatch	(9,997,767)	(3,933,791)	(4,632,683)	(3,562,637)	696,132	24,572,483	3,141,737
Commitments and contingencies							
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	676,223	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	1,751,205	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	4,594	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	2,287,363
Total commitments and contingencies	298,334	461,891	1,030,587	1,041,636	386,388	2,432,022	5,650,858

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 2022 Restated	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	1,184,486	50,968	-	-	-	-	1,235,454
Deposits and placements with financial institutions	-	-	21,747	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	34,604	182,089
Financial assets at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,711,376	5,211,651
Financial assets at amortised cost	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,118	1,266	465	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	18,269,467	24,017,067
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	417,091	417,091
Other financial assets*	-	-	-	-	17,989	-	17,989
Total assets	1,277,509	863,694	1,397,412	1,848,089	3,288,093	22,546,127	31,220,924

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 2022 (cont'd.) Restated	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Liabilities							
Deposits from customers	10,761,361	5,070,645	6,253,122	2,533,620	712,312	989,549	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	301,388	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	23,111
Other financial liabilities	-	19,778	-	-	76,345	-	96,123
Lease liabilities	-	-	918	1,695	2,509	32,311	37,433
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	806,596
Total liabilities	11,068,075	5,096,605	6,285,527	2,544,339	792,466	2,854,798	28,641,810
Net maturity mismatch	(9,790,566)	(4,232,911)	(4,888,115)	(696,250)	2,495,627	19,691,329	2,579,114
Commitments and contingencies							
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	662,683	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	1,278,008	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	2,877	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	1,786,430
Total commitments and contingencies	461,412	150,817	936,152	1,112,749	176,945	1,943,568	4,781,643

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2023	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	3,011,876	27,315	-	-	-	-	3,039,191
Financial investments designated at fair value through profit and loss	-	-	-	-	5,112	25,984	31,096
Financial assets at fair value through other comprehensive income	13	210,083	10,151	287,833	925,973	5,071,413	6,505,466
Financial assets at amortised cost	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,634	479	457	32	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	21,873,107	28,343,392
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	583,809	583,809
Other financial assets*	-	80,749	-	-	34,005	-	114,754
Total financial assets	3,089,704	1,256,410	1,558,194	1,730,479	3,441,427	27,671,184	38,747,398

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(c) Liquidity and funding risk (cont'd.)**

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2023 (cont'd.)	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Liabilities							
Deposits from customers	12,845,478	4,975,932	6,167,904	5,083,239	2,662,939	1,076,310	32,811,802
Investment accounts of customers	247,689	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	345,416	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	21,519
Other financial liabilities	-	23,374	-	-	77,731	-	101,105
Lease liabilities	-	893	1,730	2,578	5,189	28,079	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	806,924
Total financial liabilities	13,093,237	5,196,006	6,192,877	5,296,116	2,745,859	3,105,565	35,629,660
Net maturity mismatch	(10,003,533)	(3,939,596)	(4,634,683)	(3,565,637)	695,568	24,565,619	3,117,738
Commitments and contingencies							
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	676,223	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	1,751,205	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	4,594	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	2,287,363
Total commitments and contingencies	298,334	461,891	1,030,587	1,041,636	386,388	2,432,022	5,650,858

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

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2022 Restated	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	1,184,486	50,968	-	-	-	-	1,235,454
Deposits and placements with financial institutions	-	-	21,747	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	32,059	179,544
Financial assets at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,711,376	5,211,651
Financial assets at amortised cost	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,120	1,264	465	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	18,258,813	24,006,413
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	417,091	417,091
Other financial assets*	-	-	-	-	17,544	-	17,544
Total financial assets	1,277,509	863,696	1,397,410	1,848,089	3,287,648	22,532,928	31,207,280

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**(c) Liquidity and funding risk (cont'd.)**

- (i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 2022 (cont'd.) Restated	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Liabilities							
Deposits from customers	10,773,324	5,078,482	6,253,097	2,533,605	712,306	989,539	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	301,388	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	23,111
Other financial liabilities	-	18,105	-	-	76,320	-	94,425
Lease liabilities	-	-	918	1,695	2,509	32,311	37,433
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	806,596
Total financial liabilities	11,080,038	5,102,769	6,285,502	2,544,324	792,435	2,854,788	28,659,856
Net maturity mismatch	(9,802,529)	(4,239,073)	(4,888,092)	(696,235)	2,495,213	19,678,140	2,547,424
Commitments and contingencies							
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	662,683	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	1,278,008	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	2,877	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	1,786,430
Total commitments and contingencies	461,412	150,817	936,152	1,112,749	176,945	1,943,568	4,781,643

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

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

(ii) Maturity analysis of financial liabilities on an undiscounted basis

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

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

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

Group 2022	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Non-derivative liabilities							
Deposits from customers	10,761,793	5,080,015	6,291,262	2,565,177	732,733	1,089,403	26,520,383
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	304,163	306,163
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Other financial liabilities	-	19,778	-	-	76,346	-	96,124
Lease liabilities	-	-	2,823	2,598	6,959	37,953	50,333
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	642,213	642,213
Subordinated sukuk	-	7,995	-	8,220	19,245	1,009,785	1,045,245
Derivative liabilities	5,556	5,982	11,269	304	-	-	23,111
Total financial liabilities	11,068,507	5,113,970	6,325,572	2,576,799	836,583	3,083,517	29,004,948

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

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

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

Bank 2022	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Non-derivative liabilities							
Deposits from customers	10,773,756	5,087,840	6,291,237	2,565,162	732,727	1,089,392	26,540,114
Investment accounts of customers	301,158	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	304,163	306,163
Bills and acceptances payable	-	-	20,218	-	-	-	20,218
Other financial liabilities	-	18,103	-	-	76,321	-	94,424
Lease liabilities	-	-	2,823	2,598	6,959	37,953	50,333
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	642,213	642,213
Subordinated sukuk	-	7,995	-	8,220	19,245	1,009,785	1,045,245
Derivative liabilities	5,556	5,982	11,269	304	-	-	23,111
Total financial liabilities	11,080,470	5,120,120	6,325,547	2,576,784	836,552	3,083,506	29,022,979

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, human factors, and/or from various external events. The objective of operational risk management ("ORM") is to effectively manage these risks to minimise possible financial losses arising from operational lapses. In relation to ORM, the key risk organs which play a critical role in the overall integrated risk management framework are the ORM unit, Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, and the business lines.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

48. FAIR VALUE MEASUREMENTS

(a) Financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

Level 1 - Quoted (unadjusted) market prices in active markets for identical;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement either directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

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

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal Management's judgement and estimation, due to the low complexity of the financial instruments held.

The following table shows the financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group 2023	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial assets				
Financial investments designated at fair value through profit or loss	6,585	5,112	22,010	33,707
Financial investments at FVOCI	75,381	6,322,200	107,885	6,505,466
Derivative financial assets	-	12,819	-	12,819
Total financial assets measured at fair value	81,966	6,340,131	129,895	6,551,992
Financial liabilities				
Derivative financial liabilities	-	21,519	-	21,519
Total financial liabilities measured at fair value	-	21,519	-	21,519

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48. FAIR VALUE MEASUREMENTS (CONT'D.)

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

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

The following table shows the financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy: (cont;d.)

Group 2022	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial assets				
Financial investments designated at fair value through profit or loss	6,138	5,114	170,837	182,089
Financial investments at FVOCI	56,783	5,004,465	150,403	5,211,651
Derivative financial assets	-	4,247	-	4,247
Total financial assets measured at fair value	62,921	5,013,826	321,240	5,397,987
Financial liabilities				
Derivative financial liabilities	-	23,111	-	23,111
Total financial liabilities measured at fair value	-	23,111	-	23,111

Bank 2023	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial assets				
Financial investments designated at fair value through profit or loss	3,974	5,112	22,010	31,096
Financial investments at FVOCI	75,381	6,322,200	107,885	6,505,466
Derivative financial assets	-	12,819	-	12,819
Total financial assets measured at fair value	79,355	6,340,131	129,895	6,549,381
Financial liabilities				
Derivative financial liabilities	-	21,519	-	21,519
Total financial liabilities measured at fair value	-	21,519	-	21,519

48. FAIR VALUE MEASUREMENTS (CONT'D.)**(a) Financial instruments measured at fair value (cont'd.)****Determination of fair value and the fair value hierarchy (cont'd.)**

The following table shows the financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy: (cont'd.)

Bank 2022	Valuation technique using:			Total RM'000
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial assets				
Financial investments designated at fair value through profit or loss	3,594	5,113	170,837	179,544
Financial investments at FVOCI	56,783	5,004,465	150,403	5,211,651
Derivative financial assets	-	4,247	-	4,247
Total financial assets measured at fair value	60,377	5,013,825	321,240	5,395,442
Financial liabilities				
Derivative financial liabilities	-	23,111	-	23,111
Total financial liabilities measured at fair value	-	23,111	-	23,111

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

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

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48. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

Group 2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments at amortised cost	-	-	114,920	114,920	116,871
Financing of customers	-	20,124,114	8,181,586	28,305,700	28,347,644
Financial liabilities					
Deposits from customers	-	2,319,921	29,133,568	31,453,489	32,795,736
Investment accounts of customers	-	247,689	-	247,689	247,689
Deposits and placements of banks and other financial institutions	-	-	33,783	33,783	37,235
Bills and acceptances payable	-	-	13,773	13,773	13,773
Subordinated sukuk	-	813,225	-	813,225	806,924
2022					
Financial assets					
Financial investments at amortised cost (restated)	-	-	113,816	113,816	113,589
Financing of customers	-	16,763,788	7,073,957	23,837,745	24,017,067
Financial liabilities					
Deposits from customers	-	2,350,904	23,969,266	26,320,170	26,320,609
Investment accounts of customers	-	301,158	-	301,158	301,158
Deposits and placements of banks and other financial institutions	-	-	6,954	6,954	7,250
Bills and acceptances payable	-	-	20,218	20,218	20,218
Subordinated sukuk	-	804,985	-	804,985	806,596

48. FAIR VALUE MEASUREMENTS (CONT'D.)**(b) Financial instruments not carried at fair value (cont'd.)**

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below. (cont'd.)

Bank 2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
Financial assets					
Financial investments at amortised cost	-	-	114,920	114,920	116,871
Financing of customers	-	20,065,796	8,181,586	28,247,382	28,343,392
Financial liabilities					
Deposits from customers	-	2,319,921	29,147,368	31,467,289	32,811,802
Investment accounts of customers	-	247,689	-	247,689	247,689
Deposits and placements of banks and other financial institutions	-	-	33,783	33,783	37,235
Bills and acceptances payable	-	-	13,773	13,773	13,773
Subordinated sukuk	-	813,225	-	813,225	806,924
2022					
Financial assets					
Financial investments at amortised cost (restated)	-	-	113,816	113,816	113,589
Financing of customers	-	16,752,858	7,073,957	23,826,815	24,006,413
Financial liabilities					
Deposits from customers	-	2,350,904	23,989,010	26,339,914	26,340,353
Investment accounts of customers	-	301,158	-	301,158	301,158
Deposits and placements of banks and other financial institutions	-	-	6,954	6,954	7,250
Bills and acceptances payable	-	-	20,218	20,218	20,218
Subordinated sukuk	-	804,985	-	804,985	806,596

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

48. FAIR VALUE MEASUREMENTS (CONT'D.)

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

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two (2) parties under normal market conditions. However, for certain assets such as financing and deposits, the respective fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions depicted below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Fair value information has been disclosed for the Group's and the Bank's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank do not intend to dispose of this investment in the foreseeable future.

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers with maturities of less than one year are estimated to approximate their carrying values due to the relatively short maturity of these instruments. The fair values of deposits from customers with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits with similar remaining maturities.

Subordinated sukuk

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

49. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank	Gross amount of recognised financial assets/ (financial liabilities) RM'000	Gross amount set-off in the statement of financial position RM'000	Net amount presented in the statement of financial position RM'000	Amount not set-off in the statement of financial position		
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	Net amount RM'000
2023						
Derivative assets	12,819	-	12,819	-	-	12,819
Derivative liabilities	(21,519)	-	(21,519)	-	-	(21,519)
2022						
Derivative assets	4,247	-	4,247	-	-	4,247
Derivative liabilities	(23,111)	-	(23,111)	-	-	(23,111)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set-off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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50. CAPITAL AND OTHER COMMITMENTS

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

	Group	
	2023 RM'000	2022 RM'000
Approved and contracted for	9,299	14,515
Approved but not contracted for	170,225	150,567
	179,524	165,082

	Bank	
	2023 RM'000	2022 RM'000
Approved and contracted for	9,299	14,515
Approved but not contracted for	170,243	150,673
	179,542	165,188

51. CAPITAL ADEQUACY

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

	Group	
	2023 RM'000	2022 (Restated) RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	22,739,787	19,511,734
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(126,607)	(159,800)
Total market RWA	77,388	23,153
Total operational RWA	1,508,264	1,463,122
Total RWA	24,198,832	20,838,209
Computation of capital ratios		
Tier-I capital		
Share capital	1,195,000	1,195,000
Retained profits	1,742,374	1,595,641
Other Reserves		
Regulatory reserve	155,747	94,239
FVOCI reserve	(6,966)	(1,342)
Foreign exchange translation reserve	1,591	3,066

51. CAPITAL ADEQUACY (CONT'D.)

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

	2023 RM'000	Group 2022 (Restated) RM'000
Less: Regulatory Adjustment		
Deferred tax assets	(42,929)	(52,920)
Investment property gain	(8,363)	(8,171)
Regulatory reserve	(155,747)	(94,239)
Cumulative gains of financing measured at FVTPL	(17,084)	(21,455)
Intangible asset (net of deferred tax liabilities)	(104,651)	(94,363)
Total Common Equity Tier-I Capital	2,758,972	2,615,456
Tier-I capital		
Perpetual Sukuk	350,000	-
Total Tier-I Capital	3,108,972	2,615,456
Tier-II capital		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	284,124	243,658
Add: Investment property gain	3,763	3,677
Total Tier-II Capital	1,087,887	1,047,335
Total Capital Base	4,196,859	3,662,791
Ratio (%)		
CET 1 Capital	11.401%	12.551%
Tier 1 Capital	12.848%	12.551%
Total Capital	17.343%	17.577%

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

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51. CAPITAL ADEQUACY (CONT'D.)

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

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

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

51. CAPITAL ADEQUACY (CONT'D.)

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

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

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 9 December 2020 and 3 May 2019, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current year (2022: 4.5%, 6.0% and 8.0% of total RWA).

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

	Group			
	2023			2022
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation (Restated) RM'000	Total risk weighted assets (Restated) RM'000
0%	12,045,012	-	8,377,752	-
20%	2,414,622	482,924	2,186,952	437,390
35%	3,749,471	1,312,315	3,282,515	1,148,880
50%	1,239,287	619,644	895,404	447,702
75%	3,706,671	2,780,003	3,466,540	2,599,905
100%	17,402,222	17,402,222	14,590,029	14,590,029
150%	95,120	142,679	191,885	287,828
Risk weighted assets for credit risk	40,652,405	22,739,787	32,991,077	19,511,734
Less: Credit risk absorbed by PSIA		(126,607)		(159,800)
Risk weighted assets for market risk		77,388		23,153
Risk weighted assets for operational risk		1,508,264		1,463,122
Total risk weighted assets		24,198,832		20,838,209

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51. CAPITAL ADEQUACY (CONT'D.)

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

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

Capital management

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the Management level, capital management strategy review is a periodic exercise that is under the purview of Asset Liability Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much have been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

52. SEGMENT INFORMATION

(a) Business segments

The Bank is organised into three (3) major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit (e.g Muamalat Cashline and trade financing), and fee-based services (e.g cash management).
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, fixed term accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products, where the Bank act as an intermediary to takaful companies.
- (iii) Treasury banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

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

Group 2023	Business banking RM'000	Consumer banking RM'000	Treasury banking RM'000	Others RM'000	Total RM'000
Revenue	387,893	1,114,898	271,235	10,628	1,784,654
Total income	196,275	359,168	34,067	363,096	952,607
Write-back of/(allowance for) impairment on financing	1,316	(35,855)	1,279	-	(33,260)
Allowance for impairment losses on investments	-	-	(526)	-	(526)
Allowance for impairment losses on other financial assets, net	-	-	(105)	-	(105)
Other expenses	-	-	-	(46,149)	(46,149)
Total net income	197,591	323,313	34,715	316,948	872,567
Total overhead expenses					(576,984)
Profit before zakat and taxation					295,583
Zakat					(10,227)
Taxation					(73,541)
Profit for the year					211,815

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52. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Group 2022	Business banking RM'000	Consumer banking RM'000	Treasury banking RM'000	Others RM'000	Total RM'000
Revenue	291,274	865,614	172,121	10,876	1,339,885
Total income	180,514	453,957	17,088	235,095	886,654
Write-back of/(allowance for) impairment on financing	8,049	(49,059)	-	-	(41,010)
Allowance for impairment on investments	-	-	(4,371)	-	(4,371)
Allowance for impairment losses on other financial assets, net	-	-	(38)	-	(38)
Other expenses	-	-	-	(26,602)	(26,602)
Total net income	188,563	404,898	12,679	208,493	814,633
Total overhead expenses					(507,908)
Profit before zakat and taxation					306,725
Zakat					(2,692)
Taxation					(81,255)
Profit for the year					222,778
Bank 2023	Business banking RM'000	Consumer banking RM'000	Treasury banking RM'000	Others RM'000	Total RM'000
Revenue	387,893	1,114,898	271,235	15,101	1,789,127
Total income	196,275	359,168	34,067	367,213	956,723
Write-back of/(allowance for) impairment on financing	1,316	(35,855)	1,279	-	(33,260)
Allowance for impairment losses on investments	-	-	(526)	-	(526)
Allowance for impairment losses on other financial assets, net	-	-	(105)	-	(105)
Other expenses	-	-	-	(46,149)	(46,149)
Total net income	197,591	323,313	34,715	321,064	876,683
Total overhead expenses					(575,927)
Profit before zakat and taxation					300,756
Zakat					(9,929)
Taxation					(72,781)
Profit for the year					218,046

52. SEGMENT INFORMATION (CONT'D.)**(a) Business segments (cont'd.)**

Bank 2022	Business banking RM'000	Consumer banking RM'000	Treasury banking RM'000	Others RM'000	Total RM'000
Revenue	291,274	865,614	172,121	3,424	1,332,433
Total income	180,514	453,957	17,089	227,389	878,949
Write-back of/(allowance for) impairment on financing	8,049	(49,059)	-	-	(41,010)
Allowance for impairment losses on investments	-	-	(4,371)	-	(4,371)
Allowance for impairment losses on other financial assets, net	-	-	(38)	-	(38)
Other expenses	-	-	-	(26,602)	(26,602)
Total net income	188,563	404,898	12,680	200,787	806,928
Total overhead expenses					(506,418)
Profit before zakat and taxation					300,510
Zakat					(2,254)
Taxation					(78,818)
Profit for the year					219,438

53. SHARIAH DISCLOSURES**(a) Shariah governance****Overview**

The Group's and the Bank's shariah governance structure are governed by BNM's guidelines on Shariah Governance Policy Document which comes into effect on 1 April 2020 and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

In this context, Shariah non-compliance risk defined as the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of the Group and the Bank and relevant Shariah Authorities ("SA") committees.

This risk is managed through the Bank Muamalat Malaysia Berhad ("Bank Muamalat") Shariah Governance Policy, which was endorsed by the SC and approved by the Board of Directors. The policy is drawn up in accordance to the BNM Shariah Governance Policy Document.

To ensure the operations and business activities of the Group and the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal SC and internal Shariah organisation, which consists of the Shariah Department, Shariah Audit under the Internal Audit Department, Shariah Review under Regulatory Advisory & Compliance Division, and Shariah Risk under the Risk Management Department.

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53. SHARIAH DISCLOSURES (CONT'D.)

(a) Shariah governance (cont'd.)

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Policy on Management of Shariah Non-Compliance Income was formulated pursuant to the Shariah Governance Policy Document, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transactions that breaches the governing Shariah principles and requirements as determined by the Group's and the Bank's SC and/or other Shariah Authorities ("SA").

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

(i) Shariah non-compliance income and events

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

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

(ii) Unidentified fund/earning prohibited by Shariah

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain, and/or prohibited by Shariah. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and automated teller machines ("ATM"), and unidentified funds, whilst earning prohibited by Shariah were interest income derived from Nostro accounts.

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

* Represent RM150

53. SHARIAH DISCLOSURES (CONT'D.)**(b) Recognition and measurement by main class of Shariah contracts**

The recognition and measurement of each main class of Shariah contract is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

54. COMPARATIVE FIGURES

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

Movements in the gross carrying amount of financing of customers

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
As restated				
At 1 January 2022	20,476,429	201,514	172,073	20,850,016
Total transfer within stages:				
Transfer to Stage 1	80,475	(63,025)	(17,450)	-
Transfer to Stage 2	(440,927)	444,723	(3,796)	-
Transfer to Stage 3	(130,026)	(40,452)	170,478	-
New financial assets originated	9,382,034	-	-	9,382,034
Financial assets derecognised	(5,858,305)	(25,924)	(72,374)	(5,956,603)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	23,535,334	517,179	205,957	24,258,470
As previously stated				
At 1 January 2022	20,476,429	201,514	172,073	20,850,016
Total transfer within stages:				
Transfer to Stage 1	571,588	(527,587)	(44,001)	-
Transfer to Stage 2	(1,000,436)	1,047,063	(46,627)	-
Transfer to Stage 3	(98,766)	(170,624)	269,390	-
New financial assets originated	6,259,695	-	-	6,259,695
Financial assets derecognised	(2,698,830)	(33,530)	(101,904)	(2,834,264)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	23,535,334	517,179	205,957	24,258,470

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54. COMPARATIVE FIGURES (CONT'D.)

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

Movements in the gross carrying amount of financing of customers

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2022				
As restated				
At 1 January 2022	20,466,741	201,514	172,073	20,840,328
Total transfer within stages:				
Transfer to Stage 1	80,475	(63,025)	(17,450)	-
Transfer to Stage 2	(440,927)	444,723	(3,796)	-
Transfer to Stage 3	(130,026)	(40,452)	170,478	-
New financial assets originated	9,381,068	-	-	9,381,068
Financial assets derecognised	(5,858,305)	(25,924)	(72,374)	(5,956,603)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	23,524,680	517,179	205,957	24,247,816
As previously stated				
At 1 January 2022	20,466,741	201,514	172,073	20,840,328
Total transfer within stages:				
Transfer to Stage 1	571,588	(527,587)	(44,001)	-
Transfer to Stage 2	(1,000,436)	1,047,063	(46,627)	-
Transfer to Stage 3	(98,766)	(170,624)	269,390	-
New financial assets originated	6,258,729	-	-	6,258,729
Financial assets derecognised	(2,698,830)	(33,530)	(101,904)	(2,834,264)
Effects of modifications to contractual cash flows of financial assets	25,654	343	957	26,954
Amount written-off	-	-	(43,931)	(43,931)
At 31 December 2022	23,524,680	517,179	205,957	24,247,816

54. COMPARATIVE FIGURES (CONT'D.)

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

Movements in the loss allowance for financing of customers

Group and Bank	12 Month ECL Stage 1 RM'000	Lifetime ECL not credit impaired Stage 2 RM'000	Lifetime ECL credit impaired Stage 3 RM'000	Total ECL RM'000
2022				
As restated				
At 1 January 2022	116,768	34,046	76,134	226,948
Transfer to Stage 1	8,919	(3,063)	(5,856)	-
Transfer to Stage 2	(6,338)	7,549	(1,211)	-
Transfer to Stage 3	(8,526)	(15,712)	24,238	-
Changes in credit risk	(20,132)	3,716	61,412	44,996
New financing originated	61,989	-	-	61,989
Financing derecognised	(23,784)	(869)	(20,848)	(45,501)
Amount written-off	-	-	(29,951)	(29,951)
At 31 December 2022	128,896	25,667	103,918	258,481
As previously stated				
At 1 January 2022	116,768	34,046	76,134	226,948
Transfer to Stage 1	21,595	(16,691)	(4,904)	-
Transfer to Stage 2	(13,744)	30,858	(17,114)	-
Transfer to Stage 3	(299)	(21,230)	21,529	-
Changes in credit risk	(21,430)	(641)	75,476	53,405
New financing originated	127,358	-	-	127,358
Financing derecognised	(101,357)	(675)	(3,285)	(105,317)
Amount written-off	-	-	(43,918)	(43,918)
Exchange difference	5	-	-	5
At 31 December 2022	128,896	25,667	103,918	258,481

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54. COMPARATIVE FIGURES (CONT'D.)

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

Movements in the impaired financing

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

54. COMPARATIVE FIGURES (CONT'D.)

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

(c) Liquidity and funding risk

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

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

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54. COMPARATIVE FIGURES (CONT'D.)

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

Capital adequacy

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

	2022 As restated RM'000	Group 2022 As previously stated RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	19,511,734	19,525,603
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(159,800)	(135,099)
Total market RWA	23,153	23,153
Total operational RWA	1,463,122	1,460,879
Total RWA	20,838,209	20,874,536
Computation of capital ratios		
Tier-I capital		
Share capital	1,195,000	1,195,000
Retained profits	1,595,641	1,595,641
Other Reserves		
Regulatory reserve	94,239	94,239
FVOCI reserve	(1,342)	(1,342)
Foreign exchange translation reserve	3,066	3,066
Less: Regulatory Adjustment		
Deferred tax assets	(52,920)	(52,920)
Investment property gain	(8,171)	(8,171)
Regulatory reserve	(94,239)	(94,239)
Cumulative gains of financing measured at FVTPL	(21,455)	(21,455)
Intangible asset (net of deferred tax liabilities)	(94,363)	(94,363)
Total Common Equity Tier-I Capital	2,615,456	2,615,456
Total Tier-I Capital	2,615,456	2,615,456

54. COMPARATIVE FIGURES (CONT'D.)

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

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

	2022 As restated RM'000	Group 2022 As previously stated RM'000
Computation of capital ratios (cont'd.)		
Tier-II capital		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	243,658	248,955
Add: Investment property gain	3,677	3,677
Total Tier-II Capital	1,047,335	1,052,632
Total Capital Base	3,662,791	3,668,088
Ratio (%)		
CET 1 Capital	12.551%	12.529%
Tier 1 Capital	12.551%	12.529%
Total Capital	17.577%	17.572%

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

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

	2022 As restated RM'000	Bank 2022 As previously stated RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	19,492,654	19,506,523
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	(159,800)	(135,099)
Total market RWA	23,153	23,153
Total operational RWA	1,427,083	1,424,839
Total RWA	20,783,090	20,819,416

NOTES TO THE FINANCIAL STATEMENTS

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54. COMPARATIVE FIGURES (CONT'D.)

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

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

	2022 As restated RM'000	Bank 2022 As previously stated RM'000
Computation of capital ratios		
<u>Tier-I capital</u>		
Share capital	1,195,000	1,195,000
Retained profits	1,577,800	1,577,800
Other Reserves		
Regulatory reserve	94,239	94,239
FVOCI reserve	(1,342)	(1,342)
Foreign exchange translation reserve	3,066	3,067
Regulatory Adjustment		
Deferred tax assets	(52,920)	(52,920)
Investment property gain	(8,171)	(8,171)
Regulatory reserve	(94,239)	(94,239)
Investment in subsidiaries	(13,159)	(13,159)
Cumulative gains of financing measured at FVTPL	(21,455)	(21,455)
Intangible asset (net of deferred tax liabilities)	(94,013)	(94,013)
Total Common Equity Tier- I Capital	2,584,806	2,584,807
Total Tier-I Capital	2,584,806	2,584,807
<u>Tier-II capital</u>		
Subordinated sukuk	800,000	800,000
Loss provision and regulatory reserve*	243,658	248,955
Add: Investment property gain	3,677	3,677
Total Tier-II Capital	1,047,335	1,052,632
Total Capital Base	3,632,141	3,637,439
<u>Ratio (%)</u>		
CET 1 Capital	12.437%	12.415%
Tier 1 Capital	12.437%	12.415%
Total Capital	17.476%	17.471%

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

54. COMPARATIVE FIGURES (CONT'D.)

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

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

	Group			
	2022	2022		2022
	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	As restated RM'000	As restated RM'000	As previously stated RM'000	As previously stated RM'000
0%	8,377,752	-	6,865,619	-
20%	2,186,952	437,390	4,612,135	922,427
35%	3,282,515	1,148,880	2,410,334	843,617
50%	895,404	447,702	1,171,097	585,548
75%	3,466,540	2,599,905	3,329,057	2,496,793
100%	14,590,029	14,590,029	14,388,397	14,388,397
150%	191,885	287,828	192,548	288,821
Risk weighted assets for credit risk	32,991,077	19,511,734	32,969,187	19,525,603
Less: Credit risk absorbed by PSIA		(159,800)		(135,099)
Risk weighted assets for market risk		23,153		23,153
Risk weighted assets for operational risk		1,463,122		1,460,879
Total risk weighted assets		20,838,209		20,874,536

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023 (18 JAMADIL AKHIR 1445H)

54. COMPARATIVE FIGURES (CONT'D.)

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

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

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

BASEL II PILLAR 3 DISCLOSURE

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BASEL II PILLAR 3 DISCLOSURE

STATEMENT BY PRESIDENT & CHIEF EXECUTIVE OFFICER

In the name of Allah, The Most Beneficent, The Most Merciful

In accordance with the requirement of BNM's Policy Document on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 December 2023.

Khairul Kamarudin
President & Chief Executive Officer

BASEL II PILLAR 3 DISCLOSURE

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BASEL II PILLAR 3 DISCLOSURE

ABBREVIATIONS

ALCO	Asset Liability Committee	IFSB	Islamic Financial Services Board
ALM	Asset and Liability Management	IPRS	Islamic Profit Rate Swap
BCM	Business Continuity Management	IRB Approach	Internal Ratings Based Approach
BCP	Business Continuity Plan	MFRS 9	Malaysian Financial Reporting Standards
BIA	Business Impact Analysis	MARC	Malaysian Rating Corporation Berhad
BOD	Board of Director	MDB	Multilateral Development Bank
BNM	Bank Negara Malaysia	MISB	Muamalat Invest Sdn Bhd
BRCC	Board Risk & Compliance Committee	MR	Market Risk
BU	Business Unit	OR	Operational Risk
CAFIB	Capital Adequacy Framework for Islamic Banks	ORM	Operational Risk Management
CBs	Corporate Bonds	ORMC	Operational Risk Management Committee
CC	Credit Committee	PCEO	President & Chief Executive Officer
CCR	Counterparty Credit Risk	PDS	Private Debt Securities
CEO	Chief Executive Officer	PSEs	Non- Federal Government Public Sector Entities
CPs	Commercial Papers	RA	Risk Assessment
CR	Credit Risk	R&I	Rating and Investment Information, Inc
CRP	Credit Risk Policy	RAM	RAM Rating Services Berhad
CRM	Credit Risk Mitigation	RORBB	Rate of Return Risk in Banking Book
CSRD	Credit Supervision and Recovery Department	RMD	Risk Management Department
EAR	Earning At Risk	RWA	Risk Weighted Assets
ECAI	External Credit Assessment Institutions	RWCAF	Risk Weighted Capital Adequacy Framework
ERMC	Executive Risk Management Committee	TBPS	Trading Book Policy Statement
EVE	Economic Value Perspective	S&P	Standard and Poor's
FDI	Foreign Direct Investments	SC	Shariah Committee
GCRP	Guidelines to Credit Risk Policies	SNCI	Shariah Non-Compliance Income
IC	Investment Committee	SRP	Shariah Review Programme
ICAAP	Internal Capital Adequacy Assessment Process	SU	Support Unit
IFIs	Islamic Financial Institutions	VaR	Value at Risk

BASEL II PILLAR 3 DISCLOSURE

OVERVIEW

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's ("BNM's") guidelines "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements ("Pillar 3")" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's ("Bank Muamalat") risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, Bank Muamalat applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 December 2023 and should be read in conjunction with Bank Muamalat's audited financial statement for the year ended 31 December 2023.

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on Bank Muamalat and its subsidiaries (hereinafter referred as "the Group and the Bank"). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group's position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Group's and the Bank's quantitative disclosures in accordance with the disclosure requirements as outlined in the CAFIB – Disclosure Requirements ("Pillar 3") issued by BNM.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

Scope of disclosure

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

BASEL II PILLAR 3 DISCLOSURE

2.0 CAPITAL MANAGEMENT

Bank Muamalat's capital management framework was designed to protect the interests of its key stakeholders and maximise shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilisation while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets while keeping it in line with the Bank's risk appetite as well as asregulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board- approved risk appetite statement, the plans cover a minimum of three-year planning horizon and these are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under foreseeable adverse economic scenarios. The capital plan also addresses any capital issuance requirements, optimal capital instrument composition and maturity profile, and capital contingency planning.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

Bank Muamalat's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Internal Capital Adequacy Assessment Process ("Pillar 2")".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

- i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;
- ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ICAAP;
- iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and
- iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	2023	2022	2023	2022
Core Capital ratio	11.401%	12.551%	11.319%	12.437%
Tier 1 Capital ratio	12.848%	12.551%	12.767%	12.437%
Risk-weighted capital ratio	17.343%	17.577%	17.269%	17.476%

The following table represents the Group's and Bank's capital position as at 31 December 2023. Details on capital instruments, including share capital and reserves are found in Notes 25 and 27 of the financial statements.

BASEL II PILLAR 3 DISCLOSURE

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Table 2: Capital structure

	Group		Bank	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Tier-I capital				
Share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits	1,742,374	1,595,641	1,730,764	1,577,800
Other Reserves				
Regulatory reserve	155,747	94,239	155,747	94,239
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	(6,966)	(1,342)	(6,966)	(1,342)
Foreign exchange translation reserve	1,591	3,066	1,592	3,066
Regulatory Adjustment				
Less: Regulatory reserve	(155,747)	(94,239)	(155,747)	(94,239)
Less: Investment property gain	(8,363)	(8,171)	(8,363)	(8,171)
Less: Deferred tax assets	(42,929)	(52,920)	(42,389)	(52,920)
Less: Investment in subsidiaries	-	-	(13,159)	(13,159)
Less: Cumulative gains of financing measured at FVTPL	(17,084)	(21,455)	(17,084)	(21,455)
Less: Intangible Asset (net of deferred tax liabilities)	(104,651)	(94,363)	(104,365)	(94,013)
Total Tier-I Capital	2,758,972	2,615,456	2,735,030	2,584,806
Tier-1 capital				
Perpetual Sukuk	350,000	-	350,000	-
Total Tier-1	3,108,972	2,615,456	3,085,030	2,584,806
Tier-II capital				
Subordinated sukuk	800,000	800,000	800,000	800,000
Collective assessment allowance for non-impaired financing and regulatory reserve	284,124	243,658	284,124	243,658
Add: Investment property gain	3,763	3,677	3,763	3,677
Total Tier-II Capital	1,087,887	1,047,335	1,087,887	1,047,335
Total Capital	4,196,859	3,662,791	4,172,917	3,632,141

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 9 December 2020 and 3 May 2019, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (December 2022: 4.5%, 6.0% and 8.0% of total RWA).

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 December 2023	31 December 2022		
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	22,739,787	1,819,183	19,511,734	1,560,939
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	126,607	-	159,800	-
Market Risk	77,388	6,191	23,153	1,852
Operational Risk	1,508,264	120,661	1,463,122	117,050
Total	24,198,832	1,946,035	20,838,209	1,679,841

	31 December 2023	31 December 2022		
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Bank				
Credit Risk	22,729,923	1,818,394	19,492,654	1,559,412
Less: Credit risk absorbed by profit-sharing investment account ("PSIA")	126,607	-	159,800	-
Market Risk	77,388	6,191	23,153	1,852
Operational Risk	1,483,198	118,656	1,427,083	114,167
Total	24,163,902	1,943,241	20,783,090	1,675,431

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

BASEL II PILLAR 3 DISCLOSURE

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group 31 December 2023	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	8,147,144	8,147,144	-	-
Public Sector Entities	1,111,507	1,111,507	46,784	3,743
Banks, Development Financial Institution & MDBs	111,200	111,200	22,240	1,779
Takaful Cos, Securities Firms & Fund Managers	78,217	78,217	15,643	1,251
Corporates	8,693,162	8,693,162	6,446,338	515,707
Regulator Retail	12,046,770	12,046,770	10,338,458	827,077
Residential Real Estate	8,280,790	8,280,790	4,154,159	332,333
Higher Risk Assets	55,816	55,816	83,716	6,698
Other Assets	359,102	359,102	243,939	19,515
Defaulted Exposures	159,840	159,840	154,492	12,359
	39,043,548	39,043,548	21,505,769	1,720,462
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,569,924	1,569,924	1,214,663	97,173
Islamic derivative financial instruments	38,933	38,933	19,355	1,548
	1,608,857	1,608,857	1,234,018	98,721
Total Credit Exposures	40,652,405	40,652,405	22,739,787	1,819,183
(c) Credit Risk Absorb by PSIA				
	247,721	247,721	126,607	-
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,018	(1,244)	61,063	4,885
Foreign Currency Risk	13,022	(16,325)	16,325	1,305
			77,388	6,190
(iii) Operational Risk (Basic Indicators Approach)			1,508,264	120,662
(iv) Total RWA and Capital Requirements			24,198,832	1,946,035

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group 31 December 2022	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,300,523	6,300,523	-	-
Public Sector Entities	997,787	997,787	46,289	3,703
Banks, Development Financial Institution & MDBs	115,729	115,729	23,146	1,852
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,514,094	6,514,094	5,725,403	458,032
Regulator Retail	11,130,958	11,130,958	9,115,237	729,219
Residential Real Estate	5,949,810	5,949,810	3,026,177	242,094
Higher Risk Assets	68,931	68,931	103,376	8,270
Other Assets	245,602	245,602	105,460	8,437
Defaulted Exposures	110,507	110,507	89,952	7,196
	31,529,232	31,529,232	18,254,098	1,460,328
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,436,497	1,436,497	1,243,873	99,510
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	1,461,845	1,461,845	1,257,637	100,611
Total Credit Exposures	32,991,077	32,991,077	19,511,735	1,560,939
(c) Credit Risk Absorb by PSIA				
	301,199	301,199	159,800	-
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
			23,152	1,853
(iii) Operational Risk (Basic Indicators Approach)			1,463,122	117,050
(iv) Total RWA and Capital Requirements			20,838,210	1,679,842

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

BASEL II PILLAR 3 DISCLOSURE

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 December 2023	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	8,147,144	8,147,144	-	-
Public Sector Entities	1,111,507	1,111,507	46,784	3,743
Banks, Development Financial Institution & MDBs	111,200	111,200	22,240	1,779
Takaful Cos, Securities Firms & Fund Managers	78,217	78,217	15,643	1,251
Corporates	8,685,423	8,685,423	6,437,349	514,988
Regulator Retail	12,046,770	12,046,770	10,338,458	827,077
Residential Real Estate	8,280,790	8,280,790	4,154,159	332,333
Higher Risk Assets	55,815	55,816	83,716	6,697
Other Assets	359,102	359,102	243,063	19,445
Defaulted Exposures	159,840	159,840	154,493	12,359
	39,035,808	39,035,809	21,495,905	1,719,672
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,569,924	1,569,924	1,214,663	97,173
Islamic derivative financial instruments	38,933	38,933	19,355	1,548
	1,608,857	1,608,857	1,234,018	98,721
Total Credit Exposures	40,644,665	40,644,666	22,729,923	1,818,393
(c) Credit Risk Absorb by PSIA				
	247,721	247,721	126,607	-
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,018	(1,244)	61,063	4,885
Foreign Currency Risk	13,022	(16,325)	16,325	1,305
			77,388	6,190
(iii) Operational Risk (Basic Indicators Approach)			1,483,198	118,658
(iv) Total RWA and Capital Requirements			24,163,902	1,943,241

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 December 2022	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,300,523	6,300,523	-	-
Public Sector Entities	997,787	997,787	46,289	3,703
Banks, Development Financial Institution & MDBs	115,729	115,729	23,146	1,852
Takaful Cos, Securities Firms & Fund Managers	95,291	95,291	19,058	1,525
Corporates	6,500,342	6,500,342	5,706,877	456,550
Regulator Retail	11,130,958	11,130,958	9,115,237	729,219
Residential Real Estate	5,949,810	5,949,810	3,026,177	242,094
Higher Risk Assets	68,931	68,931	103,376	8,270
Other Assets	245,602	245,602	104,906	8,393
Defaulted Exposures	110,507	110,507	89,952	7,196
	31,515,479	31,515,479	18,235,018	1,458,801
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,436,497	1,436,497	1,243,873	99,510
Islamic derivative financial instruments	25,347	25,347	13,764	1,101
	1,461,845	1,461,845	1,257,638	100,611
Total Credit Exposures	32,977,324	32,977,324	19,492,655	1,559,412
(c) Credit Risk Absorb by PSIA				
	301,199	301,199	159,800	-
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
			23,153	1,852
(iii) Operational Risk (Basic Indicators Approach)				
			1,427,083	114,167
(iv) Total RWA and Capital Requirements				
			20,783,091	1,675,431

* After netting and credit risk mitigation

** Credit Risk of off balance sheet items

BASEL II PILLAR 3 DISCLOSURE

3.0 RISK MANAGEMENT

Overview

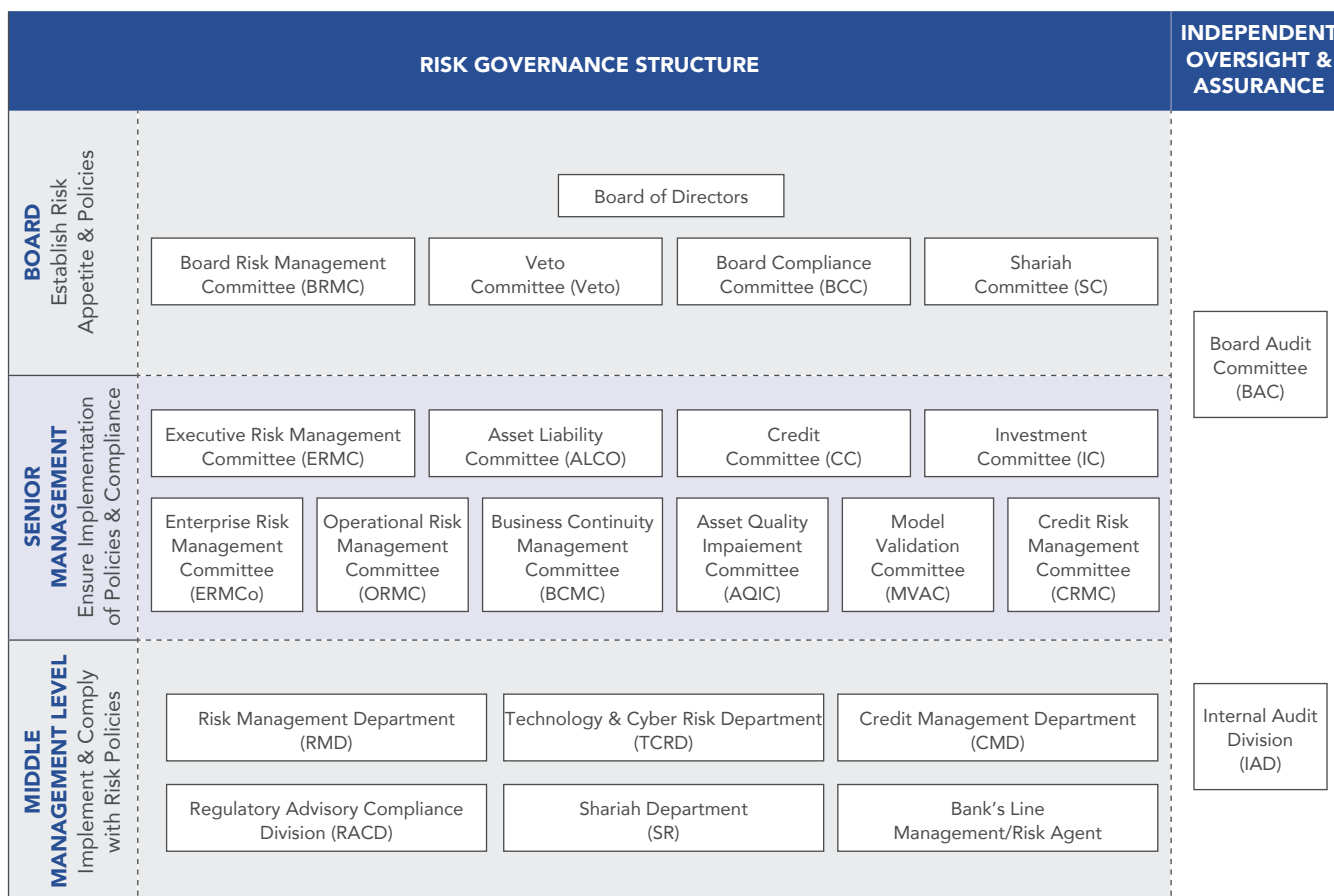
Risk is inherent in every aspect of our business activity and to manage this effectively, Bank Muamalat has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank’s risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank’s business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimise and secure the Bank’s strategic and competitive advantage.

Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank’s risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

Table 5: Risk Governance Structure



3.0 RISK MANAGEMENT (CONT'D)

Risk Governance (cont'd)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk & Compliance Committee ("BRCC") to carry out specific risk management and compliance oversight functions on its behalf.

BRCC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and compliances and deliberates on risk and compliance related issues and resolutions. The BRCC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks and compliances.

In addition, the Board is also supported by the Shariah Committee ("SC"), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

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

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

Committee	Objective
Asset Liability Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRCC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's business exposures. These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
Enterprise Risk Management Committee ("ERMCo")	To manage threats/risk and strategic opportunities that arise from both internal and external factors and have an impact on the Bank's strategic objectives/goals.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.
Business Continuity Management Committee ("BCMC")	To ensure effective implementation of BCM's policy.
Asset Quality Impairment Committee ("AQIC")	To deliberate the conduct of Corporate, Commercial and SME account and to assess the account's financial health, adequacy of provision and accuracy of accounts classification (Early Care, High Risk or Impaired). The outcome will be presented to "CC" for approval.

BASEL II PILLAR 3 DISCLOSURE

3.0 RISK MANAGEMENT (CONT'D)

Risk Governance (cont'd)

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below: (cont'd)

Table 6: Risk Committees & Functions (cont'd)

Committee	Objective
Model Validation Committee (MVAC)	To challenge the model development and model validation in compliance with credit risk models, whether internally or externally developed and validated. The outcome of MVAC will be presented to ERM and BRCC for approval.
Credit Risk Management Committee (CRMC)	To ensure financing activities are in line with the Bank's credit risk appetite and policies and to deliberate on the effectiveness of the credit risk mitigation.

A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.

The risk governance framework is implemented under a "distributed function" approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model

Three (3) Lines of Defence Model	
All units have a specific responsibility for risk management under the above model	
First Line Defense Model Business Units	<ul style="list-style-type: none"> Risks are directly undertaken and assumed in the day-to-day business activities and operations. As front-liners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank's strategic targets.
Second Line Defense Model Risk Management & Control Compliance	<ul style="list-style-type: none"> Ensures independent oversight and management of all material risks undertaken by the Bank. Provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control. Provides the control function, which monitors the risk by using various key indicators and reports, guided by established risk appetite and tolerance limits.
Third Line Defense Model Internal Audit	<ul style="list-style-type: none"> Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two lines of defence in fulfilling their mandates.

3.0 RISK MANAGEMENT (CONT'D)

Risk Appetite

Central to the Bank's risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRCC and senior management is responsible for determining the Bank's risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank's key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank's behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimise the likelihood of 'surprises' when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank's key performance indicators and states its stance towards reputational and Shariah non-compliance.

4.0 CREDIT RISK (GENERAL DISCLOSURE)

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRCC and ERM are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy ("CRP") and Guidelines to Credit Risk Policies ("GCRP"), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee ("CC") is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group 31 December 2023	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	28,595	33,707
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial assets at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,152	2,282,361	2,060,395	174,721	20,158,899	563,280	28,347,644
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets*	-	-	-	-	-	-	115,359	115,359
	6,152,412	5,932,865	2,995,053	2,121,795	174,721	20,158,899	1,219,121	38,754,866
Commitments and contingencies								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	151,992	1,556,737	1,406,966	725,712	209,549	854,195	745,707	5,650,858
Total credit exposures	6,304,404	7,489,602	4,402,019	2,847,507	384,270	21,013,094	1,964,828	44,405,724

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

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 December 2022	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,235,454	-	-	-	-	-	1,235,454
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	29,491	182,089
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,736	2,070,410	1,581,653	189,534	16,877,576	710,269	24,017,067
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other financial assets*	-	-	-	-	-	-	17,989	17,989
	6,241,568	3,069,028	2,264,573	1,581,653	189,534	16,877,576	996,992	31,220,924
Commitments and contingencies								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
Total credit exposures	6,393,561	4,362,117	3,565,120	2,244,525	317,378	17,567,179	1,552,687	36,002,567

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

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2023	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	3,039,191	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	-	-	-	-	25,984	31,096
Financial investments at fair value through other comprehensive income	4,635,767	700,591	595,821	61,400	-	-	511,887	6,505,466
Financial assets at amortised cost	-	-	116,871	-	-	-	-	116,871
Islamic derivative financial assets	-	12,819	-	-	-	-	-	12,819
Financing of customers	932,836	2,175,154	2,282,361	2,060,395	174,721	20,158,899	559,026	28,343,392
Statutory deposits with Bank Negara Malaysia	583,809	-	-	-	-	-	-	583,809
Other financial assets*	-	-	-	-	-	-	114,754	114,754
	6,152,412	5,932,867	2,995,053	2,121,795	174,721	20,158,899	1,211,651	38,747,398
Commitments and contingencies								
Contingent liabilities	86,689	63,660	171,419	424,536	172,983	3,988	78,168	1,001,443
Commitments	65,303	141,698	296,178	278,498	36,416	845,440	638,479	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	-	753	2,632	22,678	150	4,767	29,060	60,040
Islamic derivative financial instruments	-	1,350,626	936,737	-	-	-	-	2,287,363
	151,992	1,556,737	1,406,966	725,712	209,549	854,195	745,707	5,650,858
Total credit exposures	6,304,404	7,489,604	4,402,019	2,847,507	384,270	21,013,094	1,957,358	44,398,256

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

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2022	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Transport Storage and Communication RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,235,454	-	-	-	-	-	1,235,454
Cash and placements with financial institutions	-	21,747	-	-	-	-	-	21,747
Financial investments at fair value through profit and loss	152,598	-	-	-	-	-	26,946	179,544
Financial investments at fair value through other comprehensive income	4,725,990	165,844	80,574	-	-	-	239,243	5,211,651
Financial assets at amortised cost	-	-	113,589	-	-	-	-	113,589
Islamic derivative financial assets	-	4,247	-	-	-	-	-	4,247
Financing of customers	945,889	1,641,735	2,070,410	1,581,653	189,534	16,877,576	699,616	24,006,413
Statutory deposits with Bank Negara Malaysia	417,091	-	-	-	-	-	-	417,091
Other financial assets*	-	-	-	-	-	-	17,544	17,544
	6,241,568	3,069,027	2,264,573	1,581,653	189,534	16,877,576	983,349	31,207,280
Commitments and contingencies								
Contingent liabilities	87,057	98,387	163,217	507,580	109,689	4,312	84,687	1,054,929
Commitments	64,936	194,474	344,235	115,846	18,005	609,323	441,233	1,788,052
Other Miscellaneous Commitment and Contingent Liabilities	-	1,121	5,772	39,446	150	75,968	29,775	152,232
Islamic derivative financial instruments	-	999,107	787,323	-	-	-	-	1,786,430
	151,993	1,293,089	1,300,547	662,872	127,844	689,603	555,695	4,781,643
Total credit exposures	6,393,561	4,362,116	3,565,120	2,244,525	317,378	17,567,179	1,539,044	35,988,923

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

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

31 December 2023	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
On Balance Sheet Exposures				
Cash and short-term funds	3,038,783	408	3,038,783	408
Financial investment at fair value through profit and loss	28,595	5,112	25,984	5,112
Financial investments at fair value through other comprehensive income	6,402,212	103,254	6,402,212	103,254
Financial investments amortised cost	116,871	-	116,871	-
Islamic derivative financial assets	12,819	-	12,819	-
Financing of customers	28,347,644	-	28,343,392	-
Statutory deposits with Bank Negara Malaysia	583,809	-	583,809	-
Other financial assets*	115,356	3	114,751	3
	38,646,089	108,777	38,638,621	108,777
Commitments and contingencies				
Contingent liabilities	1,001,443	-	1,001,443	-
Commitments	2,302,012	-	2,302,012	-
Other Miscellaneous Commitment and Contingent Liabilities	60,040	-	60,040	-
Islamic derivative financial instruments	2,287,363	-	2,287,363	-
	5,650,858	-	5,650,858	-
Total credit exposures	44,296,947	108,777	44,289,479	108,777

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

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

31 December 2022	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
On Balance Sheet Exposures				
Cash and short-term funds	1,155,843	79,611	1,155,843	79,611
Cash and placements with financial institutions	21,747	-	21,747	-
Financial investment at fair value through profit and loss	182,089	-	179,544	-
Financial investments at fair value through other comprehensive income	5,065,879	145,772	5,065,879	145,772
Financial investments amortised cost	113,589	-	113,589	-
Islamic derivative financial assets	4,247	-	4,247	-
Financing of customers	24,017,067	-	24,006,413	-
Statutory deposits with Bank Negara Malaysia	417,091	-	417,091	-
Other financial assets*	17,986	3	17,541	3
	30,995,538	225,386	30,981,894	225,386
Commitments and contingencies				
Contingent liabilities	1,074,559	-	1,074,559	-
Commitments	1,861,344	-	1,861,344	-
Other Miscellaneous Commitment and Contingent Liabilities	59,310	-	59,310	-
Islamic derivative financial instruments	1,786,430	-	1,786,430	-
	4,781,643	-	4,781,643	-
Total credit exposures	35,777,181	225,386	35,763,537	225,386

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

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution

Table 10: Credit risk exposures of financial assets by remaining contractual maturity

Group 31 December 2023	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	3,039,191	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	28,595	-	33,707
Financial investments at fair value through other comprehensive income	508,079	925,973	4,116,255	955,159	6,505,466
Financial investments amortised cost	-	-	-	116,871	116,871
Islamic derivative financial assets	12,786	33	-	-	12,819
Financing of customers	3,993,980	2,476,305	21,877,359	-	28,347,644
Statutory deposits with Bank Negara Malaysia	-	-	-	583,809	583,809
Other financial assets*	80,749	34,610	-	-	115,359
Total On-Balance Sheet Exposures	7,634,785	3,442,033	26,022,209	1,655,839	38,754,866
Group 31 December 2022					
On-Balance Sheet Exposures					
Cash and short-term funds	1,235,454	-	-	-	1,235,454
Cash and placements with financial institutions	21,747	-	-	-	21,747
Financial investments at fair value through profit and loss	147,485	-	34,604	-	182,089
Financial investments at fair value through other comprehensive income	391,996	1,108,279	3,130,310	581,066	5,211,651
Financial investments amortised cost	-	-	-	113,589	113,589
Islamic derivative financial assets	4,247	-	-	-	4,247
Financing of customers	3,585,775	2,161,825	8,060,199	10,209,268	24,017,067
Statutory deposits with Bank Negara Malaysia	-	-	-	417,091	417,091
Other financial assets*	-	17,989	-	-	17,989
Total On-Balance Sheet Exposures	5,386,704	3,288,093	11,225,113	11,321,014	31,220,924

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

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Credit risk exposures of financial assets by remaining contractual maturity (cont'd)

Bank 31 December 2023	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	3,039,191	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	5,112	25,984	-	31,096
Financial investments at fair value through other comprehensive income	508,080	925,973	4,116,255	955,158	6,505,466
Financial investments amortised cost	-	-	-	116,871	116,871
Islamic derivative financial assets	12,787	32	-	-	12,819
Financing of customers	3,993,980	2,476,305	10,194,203	11,678,904	28,343,392
Statutory deposits with Bank Negara Malaysia	-	-	-	583,809	583,809
Other financial assets*	80,749	34,005	-	-	114,754
Total On-Balance Sheet Exposures	7,634,787	3,441,427	14,336,442	13,334,742	38,747,398
Bank 31 December 2022					
On-Balance Sheet Exposures					
Cash and short-term funds	1,235,454	-	-	-	1,235,454
Cash and placements with financial institutions	21,747	-	-	-	21,747
Financial investments at fair value through profit and loss	147,485	-	32,059	-	179,544
Financial investments at fair value through other comprehensive income	391,996	1,108,279	3,130,310	581,066	5,211,651
Financial investments amortised cost	-	-	-	113,589	113,589
Islamic derivative financial assets	4,247	-	-	-	4,247
Financing of customers	3,585,775	2,161,825	8,060,199	10,198,614	24,006,413
Statutory deposits with Bank Negara Malaysia	-	-	-	417,091	417,091
Other financial assets*	-	17,544	-	-	17,544
Total On-Balance Sheet Exposures	5,386,704	3,287,648	11,222,568	11,310,360	31,207,280

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

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyse the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department ("CFSRD") and the Business Financing Supervision and Recovery Department ("BFSRD"). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorisation into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the MFRS 9 and BNM guidelines.

The Bank implemented credit risk rating approaches for its business and consumer financing portfolios i.e. application and behavioral scorecards. The credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and work as a tool to assist in the Bank's credit decision. The credit risk ratings are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as required by regulatory requirements.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

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

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

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

Group 31 December 2022	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,173,389	114,700	104,998	103,040	11,496,127
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	23,324,785	459,247	285,559	205,957	24,275,548
Less:					
-Stage 1 - 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	23,199,205	440,544	275,279	102,039	24,017,067

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Bank	Neither past due nor impaired		Past due	Impaired	Total
31 December 2023	Good	Satisfactory	but not	financing	Total
	RM'000	RM'000	impaired	RM'000	RM'000
			RM'000		
Term financing					
- Home financing	8,691,993	273,525	256,585	107,181	9,329,284
- Syndicated financing	546,137	-	-	-	546,137
- Hire purchase receivables	1,523,090	6,555	11,477	1,969	1,543,091
- Other term financing	12,169,840	146,614	164,357	125,271	12,606,082
Other financing	4,495,049	4,757	9,704	31,808	4,541,318
	27,426,109	431,451	442,123	266,229	28,565,912
Less:					
-Stage 1 - 12 Months ECL	(119,065)	(1,173)	-	-	(120,238)
-Stage 2 - Lifetime ECL not credit impaired	-	(12,547)	(10,711)	-	(23,258)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(79,024)	(79,024)
Total net financing	27,307,044	417,731	431,412	187,205	28,343,392

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Bank 31 December 2022	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	6,826,928	328,592	172,313	60,051	7,387,884
- Syndicated financing	555,291	-	-	-	555,291
- Hire purchase receivables	904,427	6,196	7,152	1,548	919,323
- Other term financing	11,162,735	114,700	104,998	103,040	11,485,473
Other financing	3,864,750	9,759	1,096	41,318	3,916,923
	23,314,131	459,247	285,559	205,957	24,264,894
Less:					
-Stage 1 - 12 Months ECL	(125,580)	(3,316)	-	-	(128,896)
-Stage 2 - Lifetime ECL not credit impaired	-	(15,387)	(10,280)	-	(25,667)
-Stage 3 - Lifetime ECL credit impaired	-	-	-	(103,918)	(103,918)
Total net financing	23,188,551	440,544	275,279	102,039	24,006,413

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

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

(i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired:

- "Good Grade" refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory Grade" refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Table 12: Past due but not impaired

Group and Bank 31 December 2023	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	256,314	271	256,585
- Hire purchase receivables	-	11,318	159	11,477
- Other term financing	-	161,301	3,056	164,357
Other financing	-	9,656	48	9,704
Total	-	438,589	3,534	442,123

Group and Bank 31 December 2022	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	172,040	273	172,313
- Hire purchase receivables	-	7,009	143	7,152
- Other term financing	-	103,091	1,907	104,998
Other financing	-	978	118	1,096
Total	-	283,118	2,441	285,559

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(ii) Past due but not impaired (cont'd)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 December 2023 RM'000	31 December 2022 RM'000
Purchase of transport vehicles	11,477	7,163
Purchase of landed properties of which:		
– residential	238,530	161,851
– non-residential	12,596	10,357
Personal use	151,997	91,564
Construction	649	285
Working capital	23,055	13,047
Other purpose	3,819	1,292
	442,123	285,559

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 December 2023 RM'000	31 December 2022 RM'000
Domestic	442,123	285,559

(iii) Impaired financing

A financing of customer is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

Financing and advances are classified as credit-impaired when they fulfil any of the following criteria:

- (a) principal or profit or both are past due for ninety (90) days or more; or
- (b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or
- (c) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or
- (d) where a financing has been classified as rescheduled and restructured ("R&R"), the financing will be classified as credit-impaired until payments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months; or
- (e) for payments scheduled on intervals of ninety (90) days or more, as soon as default occurs.

In addition, financing that is considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a financing is credit-impaired.

The financial effects of the adoption of MFRS 9 in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.4.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

31 December 2023 Group	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	75	-	-	-	-	137	137
Purchase of transport vehicles	1,969	127	26	150	3	6,637	6,640
Purchase of landed properties of which:							
– residential	98,630	11,338	(1,198)	-	10,140	54,636	64,776
– non-residential	16,775	2,836	(84)	1,047	1,705	1,303	3,008
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	7,823	7,823
Personal use	88,204	1,460	135	-	1,595	104,596	106,191
Construction	-	-	-	-	-	3,100	3,100
Working capital	56,044	31,039	(710)	24,060	6,267	19,885	26,152
Other purpose	4,531	3,948	(3,597)	-	352	4,341	4,693
	266,228	50,748	(5,428)	25,257	20,062	202,458	222,520

31 December 2022 Group	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	49	-	-	-	-	112	112
Purchase of transport vehicles	1,548	23	138	34	127	1,511	1,638
Purchase of landed properties of which:							
– residential	55,675	13,096	5,571	7,329	11,338	42,202	53,540
– non-residential	21,636	1,454	1,382	-	2,836	2,346	5,182
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,106	1,106
Personal use	81,303	402	1,058	-	1,460	118,415	119,875
Construction	-	-	-	-	-	1,539	1,539
Working capital	40,434	18,771	20,900	8,634	31,039	26,513	57,552
Other purpose	5,312	-	7,286	3,336	3,949	13,988	17,937
	205,957	33,746	36,335	19,333	50,749	207,732	258,481

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 13: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose.

31 December 2023 Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	75	-	-	-	-	137	137
Purchase of transport vehicles	1,969	127	26	150	3	6,637	6,640
Purchase of landed properties of which:							
– residential	98,630	11,338	(1,198)	-	10,140	54,636	64,776
– non-residential	16,775	2,836	(84)	1,047	1,705	1,303	3,008
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	7,823	7,823
Personal use	88,204	1,460	135	-	1,595	104,596	106,191
Construction	-	-	-	-	-	3,100	3,100
Working capital	56,044	31,039	(710)	24,060	6,267	19,885	26,152
Other purpose	4,530	3,949	(3,597)	-	352	4,341	4,693
	266,227	50,749	(5,428)	25,257	20,062	202,458	222,520

31 December 2022 Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	49	-	-	-	-	112	112
Purchase of transport vehicles	1,548	23	138	34	127	1,511	1,638
Purchase of landed properties of which:							
– residential	55,675	13,096	5,571	7,329	11,338	42,202	53,540
– non-residential	21,636	1,454	1,382	-	2,836	2,346	5,182
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	1,106	1,106
Personal use	81,303	402	1,058	-	1,460	118,415	119,875
Construction	-	-	-	-	-	1,539	1,539
Working capital	40,434	18,771	20,900	8,634	31,039	26,513	57,552
Other purpose	5,312	-	7,286	3,336	3,949	13,988	17,937
	205,957	33,746	36,335	19,333	50,749	207,732	258,481

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 14: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

31 December 2023 Group	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	266,228	50,748	(5,433)	25,257	20,062	202,458	222,520

31 December 2022 Group	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	205,958	33,746	36,331	19,333	50,748	207,733	258,481

31 December 2023 Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	266,229	50,748	(5,434)	25,257	20,062	202,458	222,520

31 December 2022 Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	205,958	33,746	36,331	19,333	50,748	207,733	258,481

BASEL II PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For vehicle financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 45.47 and 45.48% respectively as at 31 December 2023 (The Group and the Bank are at 39.72% and 39.74% respectively as at 31 December 2022). The financial effect of collateral held for other financial assets is not significant.

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

(v) Repossessed Collateral

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral repossessed by the Bank are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its own business use.

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 15: Rating distribution on credit exposures

Group	31 December 2023	Exposure Class	Rating by Approved ECAIS							Unrated	Others	Grand Total	
			AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-				P1/MARC1
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures													
Credit Exposures													
– Standardised Approach													
		Sovereigns/Central Banks	8,197,133	-	-	-	-	-	-	-	-	8,197,133	
		Public Sector Entities	-	-	-	34,700	-	-	-	1,081,374	-	1,116,074	
		Banks, Development Financial Institutions & MDBs	13,676	-	10,797	-	-	-	-	111,200	-	135,673	
		Takaful Cos, Securities Firms & Fund Managers	-	-	-	5,168	-	-	-	73,049	-	78,217	
		Corporates	667,026	115,539	33,682	15,801	-	-	-	8,988,198	-	9,820,246	
		Regulatory Retail	-	-	-	-	-	-	-	12,531,434	-	12,531,434	
		Residential Mortgages	-	-	-	-	-	-	-	8,356,520	-	8,356,520	
		Higher Risk Assets	-	-	-	-	-	-	-	58,005	-	58,005	
		Other Assets	-	-	-	-	-	-	-	359,102	-	359,102	
		Total	8,877,835	115,539	44,479	55,669	-	-	-	31,558,882	-	40,652,405	
Group 31 December 2022													
		Exposure Class	AAA	AA+	AA	AA-	A	BBB	BB+ TO BB-	P1/MARC1	Unrated	Others	Grand Total
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures													
Credit Exposures													
– Standardised Approach													
		Sovereigns/Central Banks	6,350,402	-	-	-	-	-	-	-	-	-	6,350,402
		Public Sector Entities	-	-	-	-	-	-	-	-	1,004,504	-	1,004,504
		Banks, Development Financial Institutions & MDBs	5,073	-	-	-	-	-	-	14,434	110,655	45	130,207
		Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	95,291	-	95,291
		Corporates	114,216	40,248	26,638	15,414	-	-	-	66,281	6,767,460	331,484	7,566,412
		Regulatory Retail	-	-	-	-	-	-	-	-	11,545,730	-	11,545,730
		Residential Mortgages	-	-	-	-	-	-	-	-	5,981,702	-	5,981,702
		Higher Risk Assets	-	-	-	-	-	-	-	-	71,227	-	71,227
		Other Assets	-	-	-	-	-	-	-	-	245,602	-	245,602
		Total	6,469,691	40,248	26,638	15,414	-	-	204,671	80,715	25,822,171	331,529	32,991,077

BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Bank
31 December 2023

Exposure Class	Rating by Approved ECAIS						Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	BBB RM'000	BB+ TO BB- RM'000			
On and Off Balance-Sheet Exposures									
Credit Exposures									
– Standardised Approach									
Sovereigns/Central Banks	8,197,133	-	-	-	-	-	-	-	8,197,133
Public Sector Entities	-	-	-	34,700	-	-	1,081,374	-	1,116,074
Banks, Development Financial Institutions & MDBs	13,676	-	10,797	-	-	-	111,200	-	135,673
Takaful Cos, Securities Firms & Fund Managers	-	-	-	5,168	-	-	73,049	-	78,217
Corporates	667,026	115,539	33,682	15,801	-	-	8,980,459	-	9,812,507
Regulatory Retail	-	-	-	-	-	-	12,531,434	-	12,531,434
Residential Mortgages	-	-	-	-	-	-	8,356,520	-	8,356,520
Higher Risk Assets	-	-	-	-	-	-	58,005	-	58,005
Other Assets	-	-	-	-	-	-	359,101	-	359,101
Total	8,877,835	115,539	44,479	55,669	-	-	31,551,142	-	40,644,665

Bank
31 December 2022

Exposure Class	Rating by Approved ECAIS						Unrated RM'000	Others RM'000	Grand Total RM'000
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	BBB RM'000	BB+ TO BB- RM'000			
On and Off Balance-Sheet Exposures									
Credit Exposures									
– Standardised Approach									
Sovereigns/Central Banks	6,350,402	-	-	-	-	-	-	-	6,350,402
Public Sector Entities	-	-	-	-	-	-	1,004,504	-	1,004,504
Banks, Development Financial Institutions & MDBs	5,073	-	-	-	-	-	14,434	45	130,207
Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	95,291	-	95,291
Corporates	114,216	40,248	26,638	15,414	-	204,671	6,753,707	331,484	7,552,659
Regulatory Retail	-	-	-	-	-	-	11,545,730	-	11,545,730
Residential Mortgages	-	-	-	-	-	-	5,981,702	-	5,981,702
Higher Risk Assets	-	-	-	-	-	-	71,227	-	71,227
Other Assets	-	-	-	-	-	-	245,602	-	245,602
Total	6,469,691	40,248	26,638	15,414	-	204,671	25,808,418	331,529	32,977,325

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Corporate by Approved ECAIs					Unrated
	Moody's S&P Fitch RAM MARC RII Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D B+ to D	
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Credit Exposures (Using Corporate Risk Weights)						
Group and Bank						
31 December 2023						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	1,081,374
Takaful Companies, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		832,048	-	-	-	8,980,460
Total		832,048	-	-	-	10,061,834
Group and Bank						
31 December 2022						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	1,004,504
Takaful Companies, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		196,516	-	204,671	66,281	7,085,191
Total		196,516	-	204,671	66,281	8,089,695

BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moody's S&P Fitch RAM MARC RII Inc	P-1 A-1 F1+,F1 P-1 MARC-1 a-1+,a-1 RM'000	P-2 A-2 2 P-2 MARC-2 a-2 RM'000	P-3 A-3 3 P-3 MARC-3- a-3 RM'000	Others Others B to D NP MARC-4 b,c RM'000	Unrated Unrated Unrated Unrated Unrated Unrated RM'000
On and Off Balance-Sheet Exposures						
Group and Bank						
31 December 2023						
Banks, MDBs and FDIs	-	-	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates	-	-	-	-	-	-
Total	-	-	-	-	-	-
Group and Bank						
31 December 2022						
Banks, MDBs and FDIs	14,434	-	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates	66,281	-	-	-	-	-
Total	80,715	-	-	-	-	-

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 15: Rating distribution on credit exposures (cont'd)

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's S&P Fitch RII Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B- BB+ to B-	Caa1 to C CCC+ to D CCC+ to D CCC+ to C	Unrated Unrated Unrated Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

**Group and Bank
31 December 2023**

**On and Off Balance-Sheet
Exposures**

Sovereigns and Central Banks	8,197,133	-	-	-	-	-
Total	8,197,133	-	-	-	-	-

**Group and Bank
31 December 2022**

**On and Off Balance-Sheet
Exposures**

Sovereigns and Central Banks	6,350,402	-	-	-	-	-
Total	6,350,402	-	-	-	-	-

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's S&P Fitch RAM MARC RII Inc	Aaa to Aa3 AAA to AA- AAA to AA3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B-	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D	Unrated Unrated Unrated Unrated Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	

**On and Off Balance-Sheet
Exposures**

**Group and Bank
31 December 2023**

Banks, MDBs and FDIs	24,472	-	-	-	-	111,200
Total	24,472	-	-	-	-	111,200

**Group and Bank
31 December 2022**

Banks, MDBs and FDIs	5,073	-	-	-	-	115,774
Total	5,073	-	-	-	-	115,774

BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 16: Credit risk disclosure by risk weights

		Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	
		Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Fund Managers Exposures RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
31 December 2023													
Risk-Weights													
0%	8,197,133	877,585	-	1,366,141	455,910	1,032,198	-	-	-	6	116,039	12,045,011	-
20%	-	238,488	135,672	1,179,136	783,108	-	78,217	-	-	-	-	2,414,621	482,923
35%	-	-	-	-	-	3,749,471	-	-	-	-	-	3,749,471	1,312,315
50%	-	-	-	129,320	22,147	1,087,820	-	-	-	-	-	1,239,287	619,644
75%	-	-	-	-	3,163,650	543,020	-	-	-	-	-	3,706,670	2,780,003
100%	-	-	-	7,140,521	8,073,751	1,944,012	-	-	-	-	243,941	17,402,225	17,402,223
150%	-	-	-	4,252	32,868	-	-	-	-	58,000	-	95,120	142,679
Total	8,197,133	1,116,073	135,672	9,819,370	12,531,434	8,356,521	78,217	-	-	58,006	359,980	40,652,405	22,739,787
31 December 2022													
Risk-Weights													
0%	6,350,402	766,344	-	584,258	233,638	302,400	-	-	-	14	140,696	8,377,752	-
20%	-	238,160	130,208	309,238	1,414,055	-	95,291	-	-	-	-	2,186,952	437,390
35%	-	-	-	-	-	3,282,515	-	-	-	-	-	3,282,515	1,148,880
50%	-	-	-	76,193	15,208	804,003	-	-	-	-	-	895,404	447,702
75%	-	-	-	-	3,060,215	406,324	-	-	-	-	-	3,466,540	2,599,905
100%	-	-	-	6,482,519	6,815,589	1,186,460	-	-	-	-	105,460	14,590,029	14,590,029
150%	-	-	-	113,648	7,024	-	-	-	-	71,213	-	191,885	287,828
Total	6,350,402	1,004,504	130,208	7,565,857	11,545,730	5,981,702	95,291	-	-	71,227	246,156	32,991,077	19,511,735

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 16: Credit risk disclosure by risk weights (cont'd)

		Exposures after Netting and Credit Risk Mitigation										Total Exposures after	
		Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Fund Managers Exposures	Equity Exposures	Higher Risk Assets	Other Assets	Netting and Credit Risk Mitigation	Risk Weighted Assets
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2023													
Bank													
Risk-Weights													
0%	8,197,133	877,585	-	1,366,141	455,910	1,032,198	-	-	-	6	116,039	12,045,011	-
20%	-	238,488	135,672	1,179,136	783,108	-	78,217	-	-	-	-	2,414,621	482,924
35%	-	-	-	-	-	3,749,471	-	-	-	-	-	3,749,471	1,312,315
50%	-	-	-	129,320	22,147	1,087,820	-	-	-	-	-	1,239,287	619,644
75%	-	-	-	-	3,163,650	543,020	-	-	-	-	-	3,706,670	2,780,003
100%	-	-	-	7,137,910	8,073,751	1,944,012	-	-	-	-	243,064	17,398,737	17,398,736
150%	-	-	-	-	32,868	-	-	-	-	58,000	-	90,868	136,301
Total	8,197,133	1,116,073	135,672	9,812,507	12,531,434	8,356,521	78,217	-	58,006	359,103	40,644,666	22,729,923	
31 December 2022													
Bank													
Risk-Weights													
0%	6,350,402	766,344	-	584,258	233,638	302,400	-	-	14	140,696	8,377,752	-	-
20%	-	238,160	130,208	309,238	1,414,055	-	95,291	-	-	-	2,186,952	437,390	
35%	-	-	-	-	-	3,282,515	-	-	-	-	3,282,515	1,148,880	
50%	-	-	-	76,193	15,208	804,003	-	-	-	-	895,404	447,702	
75%	-	-	-	-	3,060,215	406,324	-	-	-	-	3,466,540	2,599,905	
100%	-	-	-	6,479,975	6,815,589	1,186,460	-	-	-	104,906	14,586,930	14,586,930	
150%	-	-	-	102,994	7,024	-	-	-	71,213	-	181,231	271,847	
Total	6,350,402	1,004,504	130,208	7,552,658	11,545,730	5,981,702	95,291	-	71,227	245,602	32,977,324	19,492,655	

BASEL II PILLAR 3 DISCLOSURE

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of payment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank do not have any credit exposure, which is reduced through the application of other eligible collateral.

Table 17: Credit risk mitigation on credit exposures

Group	Gross	Total	*Net
31 December 2023	Exposures	Exposures	Exposures
	RM'000	Covered by	RM'000
		Eligible	
		Financial	
		Collateral	
		RM'000	
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	8,147,144	-	8,147,144
Public sector entities	1,111,507	-	1,111,507
Banks, Development Financial Institution & MDBs	111,200	-	111,200
Takaful Cos, Securities Firms & Fund Managers	78,217	-	78,217
Corporates	8,693,162	-	8,693,162
Regulatory retail	12,046,770	-	12,046,770
Residential real estate	8,280,790	-	8,280,790
Higher risk assets	55,816	-	55,816
Other assets	359,101	-	359,101
Defaulted exposure	159,840	-	159,840
	39,043,547	-	39,043,547
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,569,924	-	1,569,924
Islamic derivative financial instruments	38,934	-	38,934
	1,608,858	-	1,608,858
Total Credit Exposures	652,405	-	40,652,405

* After netting and credit risk mitigation

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Group 31 December 2022	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,300,523	-	6,300,523
Public sector entities	997,787	-	997,787
Banks, Development Financial Institution & MDBs	115,729	-	115,729
Takaful Cos, Securities Firms & Fund Managers	95,291	-	95,291
Corporates	6,514,094	-	6,514,094
Regulatory retail	11,130,958	-	11,130,958
Residential real estate	5,949,810	-	5,949,810
Higher risk assets	68,931	-	68,931
Other assets	245,602	-	245,602
Defaulted exposure	110,507	-	110,507
	31,529,232	-	31,529,232
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,436,497	-	1,436,497
Islamic derivative financial instruments	25,347	-	25,347
	1,461,845	-	1,461,845
Total Credit Exposures	32,991,077	-	32,991,077

* After netting and credit risk mitigation

BASEL II PILLAR 3 DISCLOSURE

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Bank 31 December 2023	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	8,147,144	-	8,147,144
Public Sector Entities	1,111,507	-	1,111,507
Banks, Development Financial Institution & MDBs	78,217	-	78,217
Takaful Cos, Securities Firms & Fund Managers	111,200	-	111,200
Corporates	8,685,423	-	8,685,423
Regulatory Retail	12,046,770	-	12,046,770
Residential Real Estate	8,280,790	-	8,280,790
Higher Risk Assets	55,816	-	55,816
Other Assets	359,101	-	359,101
Defaulted Exposures	159,840	-	159,840
	39,035,808	-	39,035,808
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,569,924	-	1,569,924
Islamic derivative financial instruments	38,934	-	38,934
	1,608,858	-	1,608,858
Total Credit Exposures	40,644,666	-	40,644,666

* After netting and credit risk mitigation

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 17: Credit risk mitigation on credit exposures (cont'd)

Bank 31 December 2022	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	6,300,523	-	6,300,523
Public Sector Entities	997,787	-	997,787
Banks, Development Financial Institution & MDBs	95,291	-	95,291
Takaful Cos, Securities Firms & Fund Managers	115,729	-	115,729
Corporates	6,500,342	-	6,500,342
Regulatory Retail	11,130,958	-	11,130,958
Residential Real Estate	5,949,810	-	5,949,810
Higher Risk Assets	68,931	-	68,931
Other Assets	245,602	-	245,602
Defaulted Exposures	110,507	-	110,507
	31,515,479	-	31,515,479
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,436,497	-	1,436,497
Islamic derivative financial instruments	25,347	-	25,347
	1,461,845	-	1,461,845
Total Credit Exposures	32,977,324	-	32,977,324

* After netting and credit risk mitigation

BASEL II PILLAR 3 DISCLOSURE

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR")

Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilisation trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 18: Commitments and contingencies

The commitments and contingencies constitute the following:	Group and Bank					
	31 December 2023			31 December 2022		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
Contingent liabilities						
Direct credit substitutes	491,244	491,244	480,156	419,708	419,708	410,518
Trade-related contingencies	96,919	19,384	1,527	99,507	19,901	2,351
Transaction related contingencies	413,280	206,640	195,471	555,343	277,672	266,746
Commitments						
Credit extension commitment:						
- Maturity within one year	994,500	198,900	142,547	704,853	140,971	131,252
- Maturity exceeding one year	1,307,511	653,756	394,962	1,156,491	578,246	433,006
Other miscellaneous commitments & contingencies	60,040	-	-	59,310	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	2,287,364	38,933	19,355	1,786,430	25,347	13,764
- Maturity within one year	2,287,364	38,933	19,355	1,786,430	25,347	13,764
Total off-balance sheet exposures	5,650,858	1,608,857	1,234,018	4,781,643	1,461,845	1,257,637

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR") (CONT'D)

Islamic derivative financial assets/(liabilities)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Table 19: Islamic derivative financial assets/(liabilities)

Group and Bank	31 December 2023			31 December 2022		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	931,445	362	(16,555)	787,210	936	(20,833)
- Currency swaps						
Less than one year	1,317,642	12,452	(4,671)	986,752	3,264	(2,251)
- Currency spot						
Less than one year	38,276	6	(293)	12,468	48	(27)
Total	2,287,363	12,820	(21,519)	1,786,430	4,248	(23,111)

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT ("ALM")

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management ("ALM") refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with the Bank's strategic, business plan and risk appetite.

BASEL II PILLAR 3 DISCLOSURE

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT ("ALM") (CONT'D)

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximise earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERM, BRCC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 31 December 2023 were:

- On-going enhancement of Fund Transfer Pricing ("FTP") as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- Concentrate more on sourcing for stable deposits from retail and small businesses segments, longer term deposits, and deposits from transactional and operational accounts; and
- Offering of investment account products as risk absorbent.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk Management Framework ("MRMF") and the Trading Book and Banking Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the TBPS. The policy covers the definition of trading and banking book for financial instruments, classification, performance, limit monitoring, position valuation and hedging requirements.

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT ("ALM") (CONT'D)

Market Risk Measurement

1. Value at Risk

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. Sensitivity Analysis

The Bank uses various methodologies in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

3. Stress Testing and Scenario Analyses

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

Valuation Policy

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and MFRS 9 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarised below:

- **Systems and Controls**

The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

- **Valuation Methodologies**

There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

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

BASEL II PILLAR 3 DISCLOSURE

8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH)

The Group and the Bank use the standardised approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 20: Minimum regulatory requirement for market risk

**Group and Bank
31 December 2023**

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	1,018	(1,244)	61,063	4,885
Foreign Currency Risk	13,022	(16,325)	16,325	1,305
Total	14,040	(17,569)	77,388	6,190

**Group and Bank
31 December 2022**

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	844	(841)	19,346	1,548
Foreign Currency Risk	3,806	(1,253)	3,806	305
Total	4,650	(2,094)	23,152	1,853

8.2 DISCLOSURE FOR EQUITIES

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require BNM's prior approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's ("IC") authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 21: Equity exposures

**Group and Bank
31 December 2023**

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/ (Losses) RM'000
Investment in Quoted Shares	116,853	116,853	153,268
Total	116,853	116,853	153,268
Cumulative realised gains arising from sales and liquidations in the reporting period			(3,574)

**Group and Bank
31 December 2022**

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/ (Losses) RM'000
Investment in Quoted Shares	113,558	113,558	(16,536)
Total	113,558	113,558	(16,536)
Cumulative realised gains arising from sales and liquidations in the reporting period			(46,662)

BASEL II PILLAR 3 DISCLOSURE

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("ROBB")

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 22: Rate of return risks

Risk	Definition
Repricing Risk	Timing differences in the maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 200 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. Earning at Risk ("EaR")

The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. Economic Value of Equity ("EVE")

Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

4. Repricing Gap Analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

5. Other Risk Assessment

Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORB") (CONT'D)

Rate of Return Risk ("RoR") Management (cont'd)

Table 23: Sensitivity analysis of rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Increase/(decrease) in basis points	Group		Bank	
	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
Impact on Earnings:				
31 December 2023				
MYR	(34,610)	34,610	(34,545)	34,545
USD	1,828	(1,828)	1,828	(1,828)
Others*	(1)	1	(1)	1
31 December 2022				
MYR	(19,643)	19,643	(18,098)	18,098
USD	174	(174)	174	(174)
Others*	261	(261)	261	(261)
Impact on Equity:				
31 December 2023				
MYR	70,741	(70,741)	70,737	(70,737)
USD	(152)	152	(152)	152
Others*	0	(0)	0	(0)
31 December 2022				
MYR	66,145	(66,145)	66,067	(66,067)
USD	(126)	126	(126)	126
Others*	(14)	14	(14)	14

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

BASEL II PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK

Liquidity and Funding Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implication on its reputation and continued existence.

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

- **Funding Liquidity Risk**

Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- **Market Liquidity Risk**

Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 24: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank liquidity management is carried out in accordance to the regulatory requirements and internal limits as approved by ALCO, ERM and/or BRRC. The limits are continuously reviewed to incorporate the depth and latest development of liquidity in local market.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence, reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimises the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/ analysis) and availability of high liquid financial assets, the Bank is able to ensure sufficient liquidity.

The ALCO meets on a monthly basis to review the Bank's liquidity profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- **Management under normal condition:**

Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to total available funds ("FTAF") and financing to deposits ratio ("FDR")

- **Management under crisis condition:**

Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into three levels as follows:

Contingency Level	Trigger/Status
Level 1	Abnormal event that interrupts normal business operations at a minimal level.
Level 2	Disruption event tantamount or escalates into a crisis e.g. massive or continuous withdrawal of deposits in a particular branch or area, difficulties in raising funds from interbank market.
Level 3	Critically threatens the operations, staffs, shareholders' value, stakeholders, brand, reputation of which a crisis management is necessary to be put in place.

The Bank's Liquidity Crisis Management is guided by Liquidity Crisis Contingency Plan ("LCCP") Policy.

BASEL II PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	3,011,876	27,315	-	-	-	-	-	3,039,191
Financial investments at fair value through profit and loss	-	-	-	-	5,112	28,595	-	33,707
Financial investments at fair value through other comprehensive income	13	210,083	10,151	287,832	925,973	4,116,255	955,159	6,505,466
Financial investments at amortised cost	-	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,632	479	458	33	-	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	21,877,359	-	28,347,644
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	583,809	583,809
Other financial assets*	-	80,749	-	-	34,610	-	-	115,359
TOTAL ASSETS	3,089,704	1,256,408	1,558,194	1,730,479	3,442,033	26,022,209	1,655,839	38,754,866
LIABILITIES AND EQUITY								
Deposits from customers	12,839,712	4,970,632	6,165,904	5,080,239	2,662,939	956,787	119,523	32,795,736
Investment accounts of customers	247,689	-	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	296,143	49,273	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	-	21,519
Other financial liabilities	-	22,867	-	-	77,773	-	-	100,640
Leases liabilities	-	893	1,730	2,578	5,189	28,079	-	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	-	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	-	806,924
Total Liabilities	13,087,471	5,190,199	6,190,877	5,293,116	2,745,901	2,936,769	168,796	35,613,129
Commitments and contingencies								
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	643,068	33,155	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	722,859	1,028,346	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	1,735	2,859	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	-	2,287,363
Total commitments and contingencies	298,334	461,891	1,030,587	1,041,636	386,388	1,367,662	1,064,360	5,650,858

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

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 December 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	1,184,486	50,968	-	-	-	-	-	1,235,454
Cash and placements with financial institutions	-	-	21,747	-	-	-	-	21,747
Financial investments at fair value through profit and loss	-	-	-	147,485	-	34,604	-	182,089
Financial investments at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,130,310	581,066	5,211,651
Financial investments at amortised cost	-	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,118	1,266	465	-	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	8,060,199	10,209,268	24,017,067
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	417,091	417,091
Other financial assets*	-	-	-	-	17,989	-	-	17,989
TOTAL ASSETS	1,277,509	863,694	1,397,412	1,848,089	3,288,093	11,225,113	11,321,014	31,220,924
LIABILITIES AND EQUITY								
Deposits from customers	10,761,361	5,070,645	6,253,122	2,533,620	712,312	896,137	93,412	26,320,609
Investment accounts of customers	301,158	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	52,602	248,786	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	-	23,111
Other liabilities	-	19,778	-	-	76,345	-	-	96,123
Leases liabilities	-	-	918	1,695	2,509	32,311	-	37,433
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	-	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	-	806,596
Total Liabilities	11,068,075	5,096,605	6,285,527	2,544,339	792,466	2,512,600	342,198	28,641,810
Commitments and contingencies								
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	639,774	22,909	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	281,760	996,248	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	1,357	1,520	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,652	15,138	-	-	1,786,430
Total commitments and contingencies	461,412	150,817	936,152	1,112,749	176,945	922,890	1,020,678	4,781,643

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

BASEL II PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2023	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	3,011,876	27,315	-	-	-	-	-	3,039,191
Financial investments designated at fair value through profit and loss	-	-	-	-	5,112	25,984	-	31,096
Financial investments at fair value through other comprehensive income	13	210,083	10,151	287,833	925,973	4,116,255	955,158	6,505,466
Financial investments at amortised cost	-	-	-	-	-	-	116,871	116,871
Islamic derivative financial assets	2,217	9,634	479	457	32	-	-	12,819
Financing of customers	75,598	928,629	1,547,564	1,442,189	2,476,305	10,194,203	11,678,904	28,343,392
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	583,809	583,809
Other financial assets*	-	80,749	-	-	34,005	-	-	114,754
TOTAL ASSETS	3,089,704	1,256,410	1,558,194	1,730,479	3,441,427	14,336,442	13,334,742	38,747,398
LIABILITIES AND EQUITY								
Deposits from customers	12,845,478	4,975,932	6,167,904	5,083,239	2,662,939	956,787	119,523	32,811,802
Investment accounts of customers	247,689	-	-	-	-	-	-	247,689
Deposits and placements of banks and other financial institutions	-	184,018	-	200	-	296,143	49,273	529,634
Bills and acceptances payable	-	-	13,773	-	-	-	-	13,773
Islamic derivative financial liabilities	70	4,697	9,470	7,282	-	-	-	21,519
Other financial liabilities	-	23,374	-	-	77,731	-	-	101,105
Leases liabilities	-	893	1,730	2,578	5,189	28,079	-	38,469
Recourse obligation on financing sold to Cagamas	-	-	-	201,783	-	856,962	-	1,058,745
Subordinated sukuk	-	7,092	-	1,034	-	798,798	-	806,924
Total Liabilities	13,093,237	5,196,006	6,192,877	5,296,116	2,745,859	2,936,769	168,796	35,629,660
NET MATURITY MISMATCH	(10,003,533)	(3,939,596)	(4,634,683)	(3,565,637)	695,568	11,399,673	13,165,946	3,117,738
Commitments and contingencies								
Contingent liabilities	3,792	16,048	20,572	159,329	125,479	643,068	33,155	1,001,443
Commitments	213,553	112,655	117,712	58,297	48,590	722,859	1,028,346	2,302,012
Other Miscellaneous Commitment and Contingent Liabilities	55,321	-	124	-	1	1,735	2,859	60,040
Islamic derivative financial instruments	25,668	333,188	892,179	824,010	212,318	-	-	2,287,363
Total commitments and contingencies	298,334	461,891	1,030,587	1,041,636	386,388	1,367,662	1,064,360	5,650,858

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

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 25: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2022	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	1,184,486	50,968	-	-	-	-	-	1,235,454
Cash and placements with financial institutions	-	-	21,747	-	-	-	-	21,747
Financial investments designated at fair value through profit and loss	-	-	-	147,485	-	32,059	-	179,544
Financial investments at fair value through other comprehensive income	-	560	4,684	386,752	1,108,279	3,130,310	581,066	5,211,651
Financial investments at amortised cost	-	-	-	-	-	-	113,589	113,589
Islamic derivative financial assets	398	2,120	1,264	465	-	-	-	4,247
Financing of customers	92,625	810,048	1,369,715	1,313,387	2,161,825	8,060,199	10,198,614	24,006,413
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	417,091	417,091
Other financial assets*	-	-	-	-	17,544	-	-	17,544
TOTAL ASSETS	1,277,509	863,696	1,397,410	1,848,089	3,287,648	11,222,568	10,893,269	31,207,280
LIABILITIES AND EQUITY								
Deposits from customers	10,773,324	5,078,482	6,253,097	2,533,605	712,306	896,127	93,412	26,340,353
Investment accounts of customers	301,158	-	-	-	-	-	-	301,158
Deposits and placements of banks and other financial institutions	-	200	-	500	1,300	52,602	248,786	303,388
Bills and acceptances payable	-	-	20,218	-	-	-	-	20,218
Islamic derivative financial liabilities	5,556	5,982	11,269	304	-	-	-	23,111
Other liabilities	-	18,105	-	-	76,320	-	-	94,425
Leases liabilities	-	-	918	1,695	2,509	32,311	-	37,433
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	733,174	-	733,174
Subordinated sukuk	-	-	-	8,220	-	798,376	-	806,596
Total Liabilities	11,080,038	5,102,769	6,285,502	2,544,324	792,435	2,512,590	342,198	28,659,856
Commitments and contingencies								
Contingent liabilities	15,227	43,465	222,914	34,291	95,978	639,774	22,909	1,074,558
Commitments	245,169	104,145	139,389	28,806	65,829	281,760	996,248	1,861,346
Other Miscellaneous Commitment and Contingent Liabilities	56,428	3	-	1	-	1,357	1,520	59,309
Islamic derivative financial instruments	144,588	3,204	573,849	1,049,651	15,138	-	-	1,786,430
Total commitments and contingencies	461,412	150,817	936,152	1,112,749	176,945	922,890	1,020,678	4,781,643

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

BASEL II PILLAR 3 DISCLOSURE

9.0 OPERATIONAL RISK MANAGEMENT (“ORM”) DISCLOSURES

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes wide spectrum of risks such as fraud, physical damage, business disruption, transaction failures, legal, regulatory breaches including fiduciary breaches and Shariah non-compliance as well as employee health and safety hazards.

The objective of operational risk management is to effectively manage these risks in order to avoid or reduce any possible financial or non-financial losses arising from operational lapses.

In relation to operational risk management, the Operational and Shariah Risk Management Section (“OSRMS”), Operational Risk Management Committee (“ORMC”), Internal Audit, Compliance, as well as the business and support units play a significant role in the overall integrated risk management framework.

The management of operational risks is targeted at preventing and managing loss events and potential risks by using operational risk tools, namely, Risk and Control Self Assessment (“RCSA”), Key Risk Indicator (KRI), Incident Management and Data Collection (“IMDC”), Scenario Analysis (“SA”), Control Self Test (“CST”) and Stress Test (“ST”).

The risk management processes and controls are established in line with the Bank’s operational risk management framework, internal policies, regulatory requirements and standard operating procedures as guidance.

The Muamalat Operational Risk Solution (“MORiS”)

The MORiS is a web-based application that is used as a tool in risk identification and assessment. It also acts as a centralised loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators (“KRI”) overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment (“RCSA”), Incident Management Data Collection (“IMDC”), and Key Risk Indicator (“KRI”).

Business Continuity Management (“BCM”)

The Bank adopts the BNM’s Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank develops the Business Continuity Plan (“BCP”) by way of completing the Risk Assessment (“RA”) and Business Impact Analysis (“BIA”). RA is a tool used to identify potential threats for all business functions. A BIA will be carried out to identify critical business functions’ recovery time objective (“RTO”) and maximum tolerable downtime (“MTD”) taking into account the Bank’s resources and infrastructures. The RA and BIA sessions are conducted annually with the business units.

9.0 OPERATIONAL RISK MANAGEMENT (“ORM”) DISCLOSURES (CONT’D)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach (“BIA”) to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (a or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group’s and the Bank’s minimum capital is presented in table below:

Table 26: ORM minimum capital requirement

	31 December 2023	31 December 2022		
	Risk Weighted Assets	Minimum Capital Requirement at 8%	Risk Weighted Assets	Minimum Capital Requirement at 8%
	RM’000	RM’000	RM’000	RM’000
Group	1,508,264	120,661	1,463,122	117,050
Bank	1,483,198	118,656	1,427,083	114,167

10.0 SHARIAH GOVERNANCE DISCLOSURES

Overview

Bank Muamalat’s shariah governance structure is governed by BNM’s Shariah Governance Policy Document (“SGPD”), the Islamic Financial Services Act 2013 (“IFSA”), and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by the Islamic Financial Services Board’s (“IFSB”) Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services (“IFSB-10”) refers to a set of institutional and organisational arrangements to oversee Shariah compliance aspects in Islamic financial institutions (“IFI”).

The SGPD defines “Shariah non-compliance risk” as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which an IFI may suffer arising from failure to comply with the rulings of the Shariah Advisory Council (“SAC”) of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA, or decisions or advice of the Bank’s Shariah Committee (“SC”).

Shariah risk management and governance in Bank Muamalat are in accordance with the Shariah Governance Policy (“Policy”), which was endorsed by the Shariah Committee and approved by the Board. The policy is drawn up in accordance to the SGPD issued by BNM on 20 September 2019.

In ensuring the operations and business activities of the Bank remain consistent with Shariah principles and regulatory requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Department, Shariah Audit, Shariah Review and Shariah Risk Management.

BASEL II PILLAR 3 DISCLOSURE

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Shariah Governance Structure

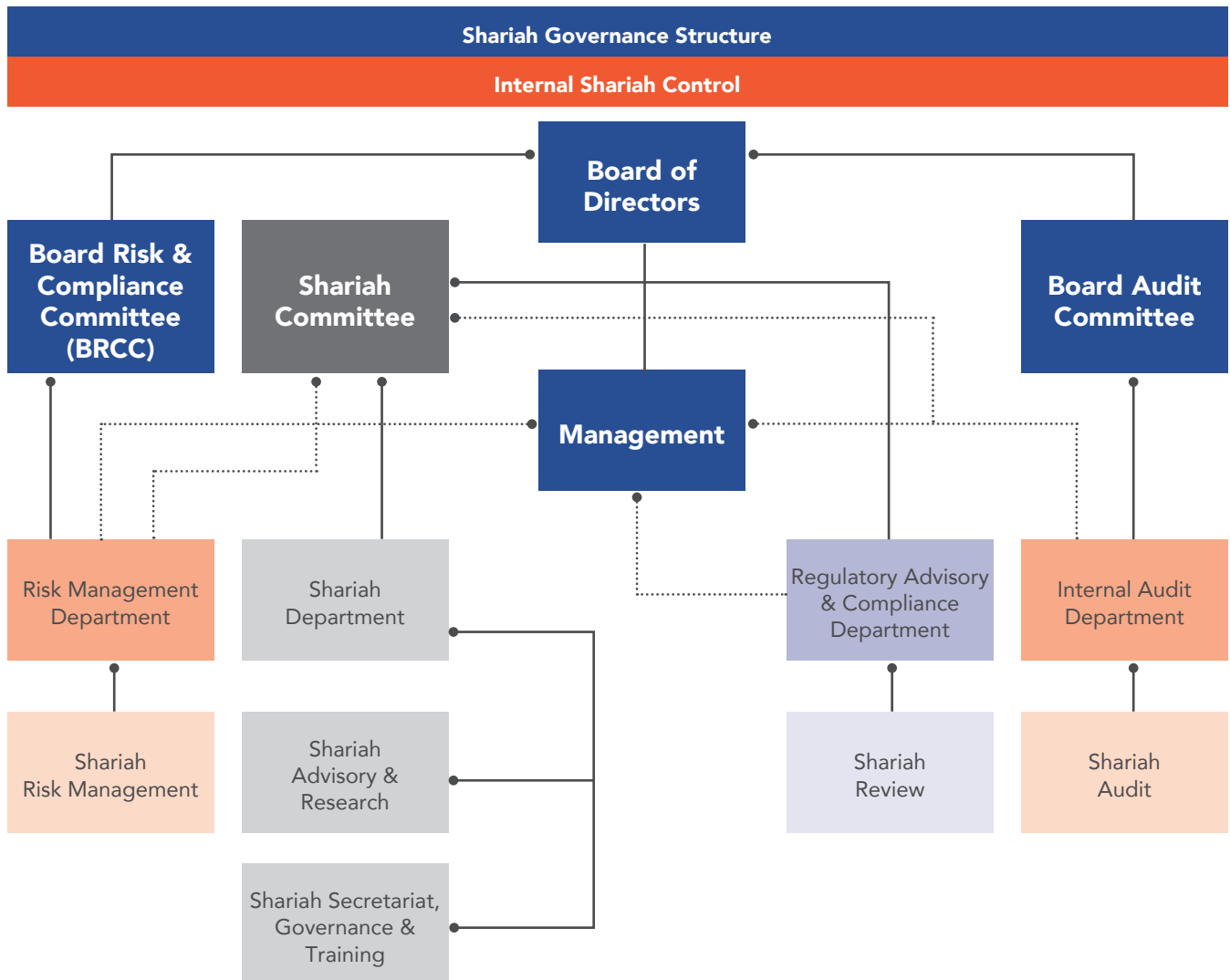
Internal Shariah Control

Shariah compliance management is driven top down from the Board through the Shariah Committee ("SC") who has the responsibility of understanding Shariah-related matters in the activities assumed by the Group and the Bank.

The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

In ensuring that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

Table 27: Shariah governance structure



10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Earning Prohibited by Shariah

The Bank defines the principles for managing Shariah Non-Compliance Income ("SNCI") in its Policy on Shariah Risk Management while the operational practices and procedures to be applied in managing SNCI are outlined in the Guidelines on Shariah Risk Management.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

The amount of SNCI and events decided by SC is as follows:

31 December 2023	31 December 2022
Event - 2 SNCI - RM150	Event - 1 SNCI - nil

The SNC event together with the rectification plans were presented and deliberated at the SC and Board of Directors meetings and reported to BNM in accordance with the SNC reporting requirement prescribed by BNM.

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

Unidentified fund / Shubhah and other earning prohibited by Shariah

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain, and/or prohibited by Shariah. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and automated teller machines ("ATM"), and unidentified credit balances, whilst earning prohibited by Shariah were interest income derived from Nostro accounts.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at RM173 (31 December 2022: RM70,356).

CORPORATE INFORMATION

AS AT 9 MAY 2024

BOARD OF DIRECTORS

Chairman

Tan Sri Tajuddin Atan, FCB
Independent Non-Executive Director

Members

Johari Abdul Muid
Senior Independent Non-Executive Director

Tan Sri Che Khalib Mohamad Noh
Non-Independent Non-Executive Director

Dato' Ibrahim Taib
Non-Independent Non-Executive Director

Ainol Roznain Yaacob
Non-Independent Non-Executive Director

Md Khairuddin Hj Arshad
Independent Non-Executive Director

Mohd Razlan Mohamed
Independent Non-Executive Director

Roshidah Abdullah
Independent Non-Executive Director

BOARD AUDIT COMMITTEE

Chairman

Roshidah Abdullah

Members

Johari Abdul Muid
Ainol Roznain Yaacob
Md Khairuddin Hj Arshad

BOARD RISK & COMPLIANCE COMMITTEE

Chairman

Md Khairuddin Hj Arshad

Members

Johari Abdul Muid
Dato' Ibrahim Taib
Mohd Razlan Mohamed

BOARD NOMINATION & REMUNERATION COMMITTEE

Chairman

Johari Abdul Muid

Members

Tan Sri Che Khalib Mohamad Noh
Ainol Roznain Yaacob
Mohd Razlan Mohamed
Roshidah Abdullah

BOARD VETO COMMITTEE

Chairman

Mohd Razlan Mohamed

Members

Johari Abdul Muid
Tan Sri Che Khalib Mohamad Noh
Md Khairuddin Hj Arshad

BOARD TECHNOLOGY COMMITTEE (ESTABLISHED ON 1 MARCH 2023)

Chairman

Dato' Ibrahim Taib

Members

Johari Abdul Muid
Roshidah Abdullah

SHARIAH COMMITTEE

Chairman

Dr. Yusri Mohamad
(appointed as Chairman of Shariah Committee w.e.f 15 August 2023)

Ustaz Azizi Che Seman
(resigned w.e.f 31 March 2023)

Members

Dr. Ahmad Zakirullah Mohamed Shaarani
Dr. Muhamad Azhari Wahid
Dr. Mohd Shahid Mohd Noh
Dr. Badruddin Hj. Ibrahim
(appointed w.e.f 15 January 2023)
Khairun Najmi Saripudin
(appointed w.e.f 15 January 2023)

COMPANY SECRETARY

Daisy anak Francis (LS0010019)
SSM Practicing Certificate No:
202008002477

REGISTERED OFFICE

30th Floor, Menara Bumiputra
Jalan Melaka
50100 Kuala Lumpur
Wilayah Persekutuan
Tel : 603-2600 5493
Web : www.muamalat.com.my
Fax : 603-2693 3367

AUDITORS

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7721 3388
Fax : +603 7721 3999

BRANCH NETWORK

CENTRAL

Jalan Melaka

Menara Bumiputra,
Jalan Melaka PO Box 10407,
50100 W.P Kuala Lumpur.

Jalan Ipoh

Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur.

Sungai Besi

No. 2 & 2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur.

Jalan TAR

No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur.

Putrajaya

No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya.

Taman Melawati

Lot G-3A, B-1-3 & G-05,
Melawati Corporate Office,
Taman Melawati,
53100 Kuala Lumpur.

Alam Damai

No. 6, Jalan Alam Damai 1,
Alam Damai, Cheras,
56000 Kuala Lumpur.

Bandar Baru Bangi

Ground, 1st & 2nd Floor, 32 & 33,
Jalan Medan Pusat Bandar 4,
Seksyen 9,
43650 Bandar Baru Bangi,
Selangor.

Batu Caves

No. 3A & 3A-1 (Ground & Level 1) &
No. 5 (Ground Floor),
Prima Samudera,
Jalan Samudera Utara 11,
Taman Samudera,
68100 Batu Caves,
Selangor.

Glenmarie

No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor.

Kajang

Ground & 1st Floor,
No. 2-1-G/1,
Jalan Prima Saujana 2/1,
Prima Saujana,
43000 Kajang,
Selangor.

Klang

No. 46 & 48,
Jalan Kelicap 42A/KU1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor.

Petaling Jaya

No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor.

Rawang

No. 9 & 11,
Jalan Bandar Baru Rawang 1,
Bandar Baru Rawang,
48000 Rawang, Selangor.

Laman Seri

Ground & 1st Floor No. G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam, Selangor.

Shah Alam, PKNS

G-1, 2 & 3 Ground Floor,
Kompleks PKNS,
40000 Shah Alam,
Selangor.

Subang Jaya

Ground & 1st Floor,
No. 1, Jalan USJ Sentral 2,
USJ Sentral,
47600 Subang Jaya,
Selangor.

Universiti Islam

Antarabangsa (UIA)

Lot AHC 1-3 & Lot AHC 2-1,
Azman Hashim Complex,
Universiti Islam Antarabangsa
Malaysia, Jalan Gombak,
53100 Kuala Lumpur.

Ampang Point

No. 23 & 23-A,
Jalan Mamanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor.

Puncak Alam

No. 31 Jalan Niaga Bestari 3,
Puncak Bestari,
Bandar Puncak Alam,
42300 Selangor.

BRANCH NETWORK

NORTHERN

Kangar

No. 11 & 13,
Jalan Bukit Lagi,
01000 Kangar, Perlis.

Alor Setar

Ground & Mezzanine Floor,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan
Melayu Kedah,
(DPMK) Lebuhraya Darul Aman,
05100 Alor Setar, Kedah.

Bayan Baru

No. 58 & 60,
Taman Sri Tunas,
Jalan Tengah,
11950 Bayan Baru, Pulau Pinang.

Kulim

No. 6, Bangunan Al-Ikhwān,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim, Kedah.

Parit Buntar

No. 40 & 42,
Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar, Perak.

Seberang Jaya

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway, Seberang Jaya,
13700 Perai, Butterworth, Pulau Pinang.

Sungai Petani

No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000, Sungai Petani, Kedah.

Taiping

98-100, Ground & 1st Floor,
Jalan Kota,
34000 Taiping, Perak.

Souq Al-Bukhary

Ground Floor,
Bazaar Souq Al-Bukhary,
No 3, Jalan Tun Abdul Razak,
05200 Alor Setar, Kedah.

Lebuh Pantai

No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang.

Ipoh

Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh, Perak.

Seri Manjung

Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung,
Perak.

SOUTHERN

Port Dickson

No 3 & 3A, Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Negeri Sembilan.

Seremban

Wisma Great Eastern,
No. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban, Negeri Sembilan.

Batu Pahat

Ground & 1st Floor, No. 24 & 25,
Jalan Kundang, Taman Bukit Pasir,
83000 Batu Pahat, Johor.

Johor Bahru

Ground & 1st Floor,
Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor.

Johor Jaya

149, Jalan Mutiara Emas 10/19,
Taman Mount Austin,
81100 Johor Bahru.

Kluang

No. 1, Jalan Persiaran,
Dato' Haji Ismail Hassan,
86000 Kluang, Johor.

Kulai

No. 32 Jalan Sri Putra 1,
Bandar Putra,
81000 Kulai, Johor.

Melaka

395, Taman Sinn,
Jalan Semabuk,
75050 Melaka.

Segamat

No. 37 & 38,
Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat, Johor.

Taman Universiti

Ground & 1st Floor,
No. 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai, Johor.

Universiti Tun

Hussein Onn Malaysia

Ground Floor,
Bangunan Pusat Khidmat Pelajar,
Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja, Batu Pahat, Johor

Taman Cheng Baru

No.92, Jalan Cheng Baru 1,
Taman Cheng Baru,
75250 Melaka

Kota Tinggi

No. 23, 25 & 27,
Jalan Seri Warisan,
Kota Heritage Mall,
81900 Kota Tinggi, Johor.

Gemas

No. 16, Jalan DS 1/1, Dataran Satria 1,
73400 Gemas, Negeri Sembilan.

Muar

No. 8 & 9, Pusat Dagangan Bakri,
Jalan Bakri, 84000 Muar, Johor.

EAST COAST

Jalan Sultan Yahya Petra

Ground Floor,
Lot PT 265 & PT 266,
Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu,
Kelantan.

Kota Bharu

Ground & First Floor,
Bangunan Perbadanan,
Menteri Besar Kelantan (PMBK),
Jalan Kuala Krai,
15150 Kota Bharu, Kelantan.

Kuala Terengganu

1, Jalan Air Jerneh,
20300 Kuala Terengganu,
Terengganu.

Kok Lanas

Ground & 1st Floor, Lot PT 5080,
Kompleks Perniagaan Saidina Ali,
Jalan Kuala Krai, Kok Lanas,
16450 Kota Bharu, Kelantan.

Gua Musang

Ground Floor,
PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang, Kelantan.

Jeli

Ground & 1st Floor,
No. PT 4646, Lot 2003, PN 3523,
17600 Bandar Jeli, Kelantan.

Kampung Raja

Lot 61194 & 61195,
Taman D'Harah, Kampung Terbak,
Mukim Kampung Raja, 22200 Besut
Terengganu.

Tanah Merah

No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah, Kelantan.

Kuantan

B-114 & B-116,
Lorong Tun Ismail 9,
Sri Dagangan 2,
25000 Kuantan Pahang.

Mentakab

6 & 7, Jalan Tun Abd Razak,
28400 Mentakab, Pahang.

Pekan

G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan),
Jalan Teng Que,
26600 Pekan, Pahang.

Temerloh

Ground & 1st Floor,
C-8, Jalan Tengku Ismail,
28000 Temerloh, Pahang.

Kemaman

C-G-09 & C-01-09,
Block C, Persiaran COAST,
Pusat Perniagaan COAST Kemaman,
24000, Kemaman, Terengganu.

Indera Mahkota

1 Suria, Jalan Sultan Ahmad Shah,
Bandar Indera Mahkota,
25000 Kuantan, Pahang.

EAST MALAYSIA

Bintulu

No. 252, Lot 73,
Parkcity Commercial Centre,
Jalan Tanjung Batu,
97000 Bintulu, Sarawak.

Kota Kinabalu

C-07-01, C-07-02, C-07-03,
Blok C, Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu, Sabah.

Kuching

Ground Floor, Lot 456, 457 & 458,
Al-Idrus Commercial Centre,
Jalan Satok,
93400 Kuching, Sarawak

Labuan

Ground & 1st Floor, Block B,
Lot U0471E, Lazenda Centre,
Jalan OKK Abdullah,
87007, Wilayah Persekutuan Labuan.

Miri

433-434 Ground & First Floor,
Jalan Bendahara,
98000 Miri, Sarawak.

Tawau

Lot 69 & 70,
Ground & 1st Floor,
Kubota Square, Jalan Kubota,
91000 Tawau, Sabah.

Sandakan

Unit No 95 to 97 Ground Floor,
Lot 265 to 267 First Floor,
East Coast, Sejati Walk,
90000 Sandakan, Sabah.

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