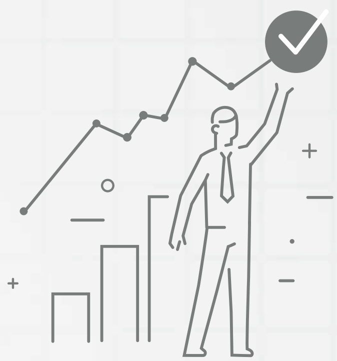
FINANCIAL **STATEMENTS**



DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic financial business to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy.

Information relating to principal activities of the subsidiaries are disclosed in Note 50 to the financial statements.

RESULTS

	Group RM'000	Bank RM'000
Net profit for the year	211,708	145,952
Attributable to:		
Equity holders of the Bank	209,822	145,952
Non-controlling interests	1,886	-
	211,708	145,952

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 8, 11, 41 and 42 to the financial statements and the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were higher compared to last year mainly due to higher recognition of interest and finance income driven by the overnight policy rate ("OPR") hikes in 2022 and lower provision on insurance liability i.e. lower Unrealised Risk Reserve offset by the recognition of higher Expected Credit Loss ("ECL") due to the continuous application of management overlays to reflect the remaining COVID-19 uncertainties and emerging risks.

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2021 were as follows:

Final single tier tax exempt dividend on 3,451,584,988 ordinary shares, amounting to RM75,000,000 (2.17 sen net per ordinary share), in respect of the financial year ended 31 December 2021 was approved on 22 March 2022 and paid on 30 June 2022.

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2022, on 3,451,584,988 ordinary shares, amounting to a dividend payable of RM85,000,000 (2.46 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Ariff bin Rozhan	
Norazilla binti Md Tahir	
Meow Yoke Nean	
Datin Rashidah binti Mohd Sies	
Ts. Othman bin Abdullah	
Tan Sri Rashpal Singh Randhay	(appointed on 28 April 2022)
Rosnah binti Kamarul Zaman	(appointed on 17 May 2022)
Tan Sri Mohamed Nazir bin Abdul Razak	(retired with effect from 21 April 2023)

The names of the directors of the subsidiaries of the Bank since the beginning of the financial year to the date of this report are:

(i) Danajamin Nasional Berhad

Tan Sri Rashpal Singh Randhay	
Choo Yoo Kwan @ Choo Yee Kwan	
Elakumari Kantilal	
Rosnah binti Kamarul Zaman	
Datuk Che Mokhtar bin Che Ali	(resigned on 22 August 2022)
Imri Dolhadi bin Ab Wahab	(resigned on 31 October 2022)

(ii) Global Maritime Ventures Berhad

Ariff bin Rozhan
Norazilla binti Md Tahir

(iii) Pembangunan Leasing Corporation Sdn Bhd

Norazilla binti Md Tahir	
Mohamed Nazri bin Omar	(appointed on 7 April 2022)
Zulkeefli bin Mad Karim	(appointed on 6 September 2022)
Arshad bin Mohamed Ismail	(resigned on 7 April 2022)

(iv) SME Growth Acceleration Fund Sdn Bhd

Nik Nor Aini binti Nik Mohamed
Elioskarma bin Abdul Aziz

(v) Emerald Upline Sdn Bhd

Amreen bin Mohamed	
Nik Nor Aini binti Nik Mohamed	(appointed on 7 December 2022)
Azmahnor binti Siarap @ Abdul Wahab	(resigned on 7 December 2022)

DIRECTORS' REPORT

DIRECTORS (CONT'D)

(vi) Maju Nominees (Tempatan) Sdn Bhd

Elioskarma bin Abdul Aziz	
Amreen bin Mohamed	(appointed on 9 December 2022)
Azmahnor binti Siarap @ Abdul Wahab	(resigned on 9 December 2022)

(vii) BPMB Urus Harta Sdn Bhd (In Liquidation)

Elioskarma bin Abdul Aziz
Azmahnor binti Siarap @ Abdul Wahab

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank and the subsidiaries amounting to RM1,227,135 and RM474,500 respectively) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

INDEMNITIES TO DIRECTORS OR OFFICERS

The Bank maintained on a group basis a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Group and the Bank. The amount of insurance premium paid for any director and officer of the Group and the Bank during the financial year was RM529,235. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' REPORT

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
RAM Rating	12 September 2022	Financial Institution Ratings	AAA/Stable/P1
		RM7.0 billion Conventional Medium-Term Notes Programme and/or Islamic Murabahah Medium-Term Notes Programmes (2006/2036)	AAA/Stable
MARC Rating	15 September 2022	Financial Institution Ratings	AAA/Stable
		RM5.0 billion Islamic Medium-Term Note (IMTN) Programme	AAA_{IS}/Stable

BUSINESS OUTLOOK

Economic growth is set to normalise this year to 4.0% following the strong post-pandemic rebound (2022: 8.7%), as the base effect dissipates and the external operating environment turns less favourable. Some sub-sectors of the economy, particularly the services sector, are expected to continue to expand above pre-pandemic levels, supported by resilient domestic demand and the Budget 2023 measures.

These are also areas where the Group has relatively higher exposure; namely, transportation and storage, utilities, ICT, private healthcare and education. An optimistic outlook is seen in the tourism sector with China's reopening that may see the return of tourists from the country. This influx will help the hotel sector recover further this year. On the other hand, recovery for the construction and real estate sectors are likely to continue to face challenges with input cost prices and interest rates staying elevated.

The Group will continue to drive our Agenda 2025 strategies, focused on impactful and sustainable growth. Overall, the Group expects increased market impact in 2023 driven by further utilisation of our dedicated schemes and crowding-in of commercial banks. With that being said, we are cautiously optimistic that the operating environment for the Group will remain favourable.

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 financing and bad debts and the making of impairment and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment and allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values 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) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad financing and bad debts or the amount of the impairment provision and 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 the current assets in the financial statements of the Group and of the Bank misleading.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

(c) 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) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the 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 or 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 or 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 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 as and when they fall due other than those incurred in the normal course of business; 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 or of the Bank for the financial year which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 56 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 57 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remunerations are disclosed in Note 38 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 5 May 2023.

Ariff bin Rozhan **Norazilla binti Md Tahir**

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT, 2016

We, Ariff bin Rozhan and Norazilla binti Md Tahir, being two of the directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 140 to 315 are drawn up in accordance with Malaysian Financial Reporting Standards as modified by the specification provided by Bank Negara Malaysia as discussed in Note 2.1 to the financial statements 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 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 5 May 2023.

Ariff bin Rozhan **Norazilla binti Md Tahir**

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251 (1) (b) OF THE COMPANIES ACT, 2016 AND SECTION 73 (1) (e) OF THE DEVELOPMENT FINANCIAL INSTITUTION ACT, 2002

We, Norazilla binti Md Tahir and Roni Lihawa bin Abdul Wahab, a Director and the Group Chief Executive Officer, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 140 to 315 are to the best of our knowledge and belief, correct and we 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 at Kuala Lumpur in the Federal Territory on 5 May 2023.

Norazilla binti Md Tahir

PESURUHJAYA SUMPAH
W741
NAILAH
BINTI RAMLI
BC/N/1144
01.01.2021-31.12.2023
MALAYSIA

Before me,

Roni Lihawa bin Abdul Wahab

NAILAH RAMLI & PARTNERS
Peguambela Peguamcara & Peguam Syarie
No. 25-2, Tingkat 2 Jalan Setiawangsa 3,
Taman Setiawangsa, 54200 Kuala Lumpur
No. Tel : +6010-659 7780
Email : nrpartners@yahoo.com

SHARIAH COMMITTEE'S REPORT

In the Name of Allah, The Compassionate, The Most Merciful
Praise be to Allah and peace be upon His messenger, his family and his companions.

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholders, depositors and customers of Bank Pembangunan Malaysia Berhad ("the Bank" or "BPMB"):

INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee ("SC") of the Bank as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year ended 31 December 2022.

Management's Responsibility

The Management of the Bank shall at all times be responsible for ensuring that the Bank's aims and operations, business affairs and activities in relation to its Islamic financial business are conducted in accordance with Shariah.

Shariah Committee's Responsibility

The Shariah Committee of the Bank shall be responsible to form an independent opinion, based on our review of the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and to produce this report.

The Shariah Committee of the Bank is assisted by the Secretariat to the Shariah Committee and internal Control Functions which are established to carry out the specified roles under the Shariah governance requirements. The Secretariat to the Shariah Committee is undertaken by Group Shariah Management ("GSM") and this function includes conducting research and studies on Shariah issues, providing Shariah advisory to the Bank based on the rulings of the Shariah Advisory Council of Bank Negara Malaysia and Securities Commission as well the decisions or advice of the Shariah Committee and handling zakat related matters. Meanwhile, the roles of the internal Control Functions are taken out by Group Risk and Compliance and Group Internal Audit which include managing Shariah non-compliance risks, conducting Shariah review and Shariah audit in relation to Islamic financial business of the Bank.

During the financial year, there were fourteen (14) meetings held by the Shariah Committee of the Bank in which we reviewed and deliberated on, amongst others; the products and services, transactions, processes and documents which were presented to us by the Bank. In performing our roles and responsibilities, we had obtained the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance on whether the Bank has complied with Shariah. Accordingly, we have also assessed the work carried out by Shariah review and Shariah audit for this purpose.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

Among the key developments and activities during the financial year are the approvals given for the enhancement of the Bank existing base templates for legal documentation and security document, Leasing-i product and documentation, selling price for Restructuring and Rescheduling ("R&R") to be in line with Shariah Committee and Shariah Advisory Council ("SAC"), Bank Negara Malaysia ("BNM") as well as policy enhancement in relation to zakat distribution.

The Board and the Shariah Committee have also been engaged through their participation in a training on Climate Change Risk. The training serves as an update on sustainability and climate change with regards to trends, challenges, regulatory requirement and risk management that are relevant to the banking industry.

Apart from Islamic finance, in ensuring the Shariah Committee is equipped with continuous development of skills and expertise, a training plan has been developed to provide the Shariah Committee exposure and latest updates on the areas such as risk management, cyber security, accounting, economics and beyond banking matters.

SHARIAH COMMITTEE'S REPORT

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D)

The following are the other major developments and initiatives in relation to Shariah governance that took place during the financial year:

a. Secretariat to the Shariah Committee

Group Shariah Management undertakes the secretariat function to serve the Shariah Committee and has the responsibility to provide operational support for effective functioning of the Shariah Committee, which includes coordinating communications and disseminating information among the Shariah Committee, the Board and Senior Management; performing research and studies on Shariah issues; providing day-to-day Shariah advisory to relevant parties within the Bank on Shariah matters based on the rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia and Securities Commission Malaysia as well as the decisions or advice of the Shariah Committee.

This includes providing the preliminary review of Shariah issues that arise from the proposals and documents provided by internal business and support functions prior to submitting for Shariah Committee's approval, deliberation and information. The proposals and documents include, amongst others; the financing proposals, letter of offers, legal documentation, policies and procedures, internal guidelines, the Bank's annual report and other operational support activities.

For efficiency purposes, Group Shariah Management has also been authorised by the Shariah Committee to provide Shariah endorsement based on the delegated matters specified under the Shariah Committee Authority Matrix.

Group Shariah Management is also responsible for the management of business zakat distribution to ensure the business zakat. is properly distributed in timely manner.

b. Shariah Risk Management

During the financial year, we note that the designated Operational Risk Liaison Officers ("ORLOs") at each business and support Functions have been executing the relevant tools including reporting of the Shariah Key Risk Indicators ("KRI") on monthly basis and had completed the 2022 Risk & Control Self-Assessment ("RCSA") exercise which includes Shariah non-compliance risks. Both exercises had facilitated the management of Shariah Risk via the identification and assessment of potential Shariah non-compliance risks exposures together with the appropriate risk mitigation measures. Subsequently, the Shariah non-compliance risk exposures were monitored and action plans were tracked periodically.

As part of the continuous awareness efforts on Shariah non-compliance risk exposures in line with BNM's expectation for a strong Shariah-compliant culture, specific E-Learning had been initiated to all staff throughout the year which include of the following:

i) Published module under Shariah Risk Learning Program via infographic email.

ii) E-Learning module on Operational Risk which also cover Shariah Risk Management.

For the financial year under reporting, there was no Shariah non-compliance event detected. There was one (1) internal Shariah Non-Compliance KRI triggered during the financial year i.e. Number of Shariah related compliance and audit findings, issues as highlighted arising from Shariah Compliance Review and Shariah Audit.

c. Shariah Review

Group Compliance (via the Compliance Review team) continued to play a vital role in performing regular Shariah compliance reviews, in the financial year, on BPMB Group's compliance with regulatory requirements including Shariah principles and guidelines issued by Bank Negara Malaysia.

The reviews were performed in relation to the Group's operations, products, business affairs and activities, as part of the Islamic financial business carried out by the Group and to ensure the Group does not contravene with any Shariah and regulatory requirements and improves the overall Shariah compliance to Shariah principles and regulations.

SHARIAH COMMITTEE'S REPORT

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D)

c. Shariah Review (cont'd)

During financial year 2022, there were four (4) Shariah compliance reviews conducted by Group Compliance in accordance with the approved Shariah Compliance Review Plan as follow:

1. Management of Zakat and Shariah Non-Compliance ("SNC") Funds;
2. Rescheduling and Restructuring ("R&R") of Islamic Financing Facility;
3. BPMB's Tawarruq Financing; and
4. Tawarruq Deposit.

Areas of concerns and enhancements identified including corrective and preventive measures proposed to the Management and status updates to resolve the exceptions, were presented to and deliberated by the Shariah Committee ("SC"), Management Risk Committee ("MRC") and Board Risk Management Committee ("BRMC") respectively throughout the financial year.

In addition, quarterly compliance self-assessments to the regulatory requirements including Shariah principles and guidelines, were also performed by the appointed Designated Compliance Officers ("DCO") of each function within the Group, via a Self-Testing Matrix ("STM") submitted to Group Compliance. Any exceptions noted from the self-assessments are raised and action plan(s) derived by the respective function to close the gaps and monitoring of the closure reported to SC, MRC and BRMC respectively.

The reviews conducted by the Compliance Review Unit covering the following subjects:

1. Pembangunan Leasing Corporation's Factoring-i;
2. Implementation of Actual Cost or Loss due to Late Payment and Breach of *Wa'd*;
3. Pembangunan Leasing Corporation's Leasing-i;
4. Staff Benefit; and
5. Implementation of Moratorium Due to COVID-19 Crisis.

Apart from the regular assessment, an extensive focus was given to identify gaps in BPMB Group's operation which could hinder its adherence to the Shariah requirements and other applicable regulatory requirements. The appropriate internal controls were then implemented by the respective functions within the Bank and monitored accordingly by the Compliance Review Unit.

d. Shariah Audit

The performance of audit to ensure a sound and effective internal control system for Shariah compliance in the Bank is within the responsibility of Shariah Audit Section which resides in BPMB's Group Internal Audit ("GIA") Function, as required under BNM Shariah Governance policy document. In this regard, Shariah Audit Section is responsible to support Shariah Committee in providing objective and independent assessment on the adequacy and effectiveness of the BPMB's internal control, risk management systems and governance processes as well as to improve the degree of the overall compliance of the BPMB's operations, business, affairs and activities with Shariah requirements.

SHARIAH COMMITTEE'S REPORT

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D)

d. Shariah Audit (cont'd)

All Shariah audit reports had been presented to the Shariah Committee for deliberation. GIA through Shariah Audit Section had conducted the following Shariah Audits as part of the approved Shariah Audit Plan for the year 2022:

1. Shariah Audit on Group Human Resource (GHR). The audit covered the following areas:
    - The adequacy and effectiveness of human resource policies and recruitment processes for onboarding of new staff and talent management that are related to Islamic Banking operations;
    - The adequacy and effectiveness of the training and development structure of human capital and the required expertise within BPMB Group, specifically on Islamic banking and finance; and
    - The adequacy and effectiveness of the policies and guidelines related to staff benefits and rewards.
2. Shariah Audit on Disbursement and Account Management Functions. The audit covered the following areas:
    - The adequacy and effectiveness of Disbursement and Account Management Guidelines/Policies/Procedures to ensure the administration of accounts under Islamic Financing is carried out systematically and orderly;
    - The documentation and disbursement processes, including appropriate Aqad execution to ensure consistent with Shariah principles as well as regulatory requirements; and
    - The imposition of fees and charges to ensure accuracy of the amount charged in accordance with the relevant guidelines.
3. Shariah Audit on Treasury Back Office Activities. The audit covered the following areas:
    - The adequacy of policy, guidelines, and standard operating procedures governing Treasury Operation and Settlement & Payment;
    - The deal verification and deal confirmation/approval processes in the Treasury system to ensure the execution is performed accordingly; and
    - The documentation of payment and settlement for the interbank transactions to ensure consistency with Shariah principles as well as regulatory requirements.
4. Shariah Audit on Treasury Front Office Activities. The audit covered the following areas:
    - The adequacy of policy, guidelines, and standard operating procedures governing Islamic Treasury products and operations;
    - The operations and processes involving the Islamic Treasury products including evaluating the adequacy and effectiveness of Shariah governance and internal controls implemented by the relevant Treasury Front Office functions;
    - The control activities of segregation of funds between Conventional and Islamic, the utilisation of the Islamic Funds and the acceptances or placements of funds; and
    - The execution of commodity trading sequence performed by the Treasury dealers to ensure proper transfer of ownership as required by Shariah.

SHARIAH COMMITTEE'S REPORT

INITIATIVES ON TRAINING AND AWARENESS

In year 2022, a total of 357 staffs had attended various Islamic finance, Shariah-related training programs and internal/external seminars includes among others as follows:

1. Late Payment Charges for Islamic Banking Institutions
2. Knowledge Sharing On Tawarruq Deposit and Financing
3. Financing Product (Tawarruq)
4. Bengkel Kesempurnaan Solat Siri 2
5. Bengkel Kesempurnaan Solat
6. Kuliah Fiqh Muamalat
7. Kuliah Hadith Hukum: Pengenalan Kitab Bulughul Marm
8. Tafsiran Al Quran
9. Recovery for Islamic Financing
10. Islamic Treasury Products
11. Structuring Islamic Repo & Hedging Instruments
12. Legal Documentation for Islamic Financing
13. The basic acknowledge needed to concur on Islamic Treasury
14. Shariah Compliance Risk - Islamic Finance's Unique Risk
15. Muzakarah Penasihat Syariah Kewangan Islam Kali Ke 15
16. 17th Kuala Lumpur Islamic Finance Forum 2022
17. Shariah Audit For Islamic Financial Institutions
18. Islamic Treasury and Derivatives Products
19. Global Shariah Majlis
20. Practical Workshop on Shariah Non-Compliance Risk
21. Identification of Shariah Non-Compliance Risk and Reporting Process
22. Shariah Secretaries Functions in Shariah Compliance and Governance

SHARIAH NON-COMPLIANT EVENTS AND DERECOGNISED INCOME

During the financial year 2022, we confirmed that there was no occurrence of Shariah non-compliance event and income.

ZAKAT ON BUSINESS

The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775%. Throughout the year, the zakat amount paid by the Bank to the states' zakat agencies and other eligible beneficiaries *(asnaf)* in Malaysia were approved by the Shariah Committee.

SHARIAH COMMITTEE'S REPORT

SHARIAH COMMITTEE OPINION

We had also reviewed the audited financial statements of the Bank's Islamic financial business for the financial year and confirmed that the financial statements are in compliance with Shariah.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2022 that were reviewed by us, are in compliance with Shariah; and
2. The computation and distribution of zakat fund are in compliance with Shariah.

We, being two (2) of the members of the Shariah Committee of Bank Pembangunan Malaysia Berhad, do hereby confirm that on behalf of the Shariah Committee, to the best of our knowledge and belief, the aims and operations, business, affairs and activities of the Bank in relation to its Islamic financial business for the financial year ended 31 December 2022 have been conducted in conformity with Shariah.

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

We beg Allah the Almighty to grant us all the Success and Straight-Forwardness and Allah Knows Best.

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 5 May 2023.

Prof. Dr. Aznan bin Hasan
Chairman

Assoc. Prof. Dr. Yasmin Hanani binti Mohd Safian
Member of the Committee

Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK PEMBANGUNAN MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of profit or loss, statements of 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 significant accounting policies, as set out on pages 140 to 315.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of Bank as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards as modified by the specification provided by Bank Negara Malaysia ("BNM Specification") as disclosed in Note 2.1 to the financial statements 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 report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 the Annual Report but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK PEMBANGUNAN MALAYSIA BERHAD
(Incorporated in Malaysia)

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 as modified by the BNM Specification and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

- 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 Group's and the Bank's internal control.

- 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 Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BANK PEMBANGUNAN MALAYSIA BERHAD
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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 (cont'd):

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

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

Ernst & Young PLT
202006000003 (LLP0026760-LCA) & AF 0039
Chartered Accountants

Ahmad Hammami Bin Muhyidin
No. 03313/07/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
5 May 2023

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Cash and short term deposits	4	**2,329,329**	966,678	**2,144,414**	825,847
Deposits and placements with financial institutions	5	**1,578,985**	2,124,567	**131,652**	258,154
Financial investments at fair value through profit or loss ("FVTPL")	6	**33,886**	14,863	**33,886**	14,863
Financial investments at fair value through other comprehensive income ("FVOCI")	7	**7,377,899**	5,949,928	**6,594,838**	5,215,576
Loans, financing and advances	8	**14,680,343**	16,074,609	**14,533,849**	15,864,963
Insurance receivables	9	**187,411**	196,759	**-**	-
Reinsurance assets	10	**393**	642	**-**	-
Other assets	11	**314,080**	409,563	**290,611**	337,850
Investments in subsidiaries	12	**-**	-	**2,194,710**	2,168,939
Interest in associates	13	**638**	541	**-**	-
Interest in joint ventures	14	**-**	-	**-**	-
Property, plant and equipment	15	**83,573**	84,395	**82,765**	83,807
Investment properties	16	**314**	322	**314**	322
Intangible assets	17	**13,255**	8,022	**12,796**	7,478
Right-of-use assets	18(a)	**180**	846	**141**	236
Deferred tax assets	19	**417,587**	296,638	**417,371**	294,762
Total assets		**27,017,873**	26,128,373	**26,437,347**	25,072,797
Liabilities					
Deposits from customers	20	**7,156,123**	5,974,752	**7,156,123**	5,974,752
Deposits and placements from financial institutions	21	**1,852,552**	1,031,496	**1,852,552**	1,031,496
Premium liabilities	22	**222,668**	261,598	**-**	-
Insurance payables	23	**-**	427	**-**	-
Other liabilities	24	**127,217**	138,774	**68,714**	87,101
Redeemable notes	25	**8,235,159**	9,297,853	**8,235,159**	8,792,132
Borrowings	26	**162,534**	152,540	**152,500**	152,540
Infrastructure support fund	27	**218,613**	303,974	**218,613**	303,974
Deferred income	28	**179,423**	190,262	**179,423**	190,262
Lease liabilities	18(b)	**192**	867	**150**	245
Deferred tax liabilities	19	**3,131**	5,186	**-**	-
Total liabilities		**18,157,612**	17,357,729	**17,863,234**	16,532,502

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Equity attributable to equity holders of the Bank					
Share capital	29	**4,018,781**	4,018,781	**4,018,781**	4,018,781
Reserves	30	**4,826,451**	4,738,797	**4,555,332**	4,521,514
		8,845,232	8,757,578	**8,574,113**	8,540,295
Non-controlling interests		**15,029**	13,066	**-**	-
Total equity		**8,860,261**	8,770,644	**8,574,113**	8,540,295
Total equity and liabilities		**27,017,873**	26,128,373	**26,437,347**	25,072,797
Commitments and contingencies	46(a)	**8,196,107**	10,068,149	**5,050,788**	7,122,245

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

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Interest income	32	**274,094**	315,299	**190,734**	294,654
Interest expense	33	**(70,267)**	(81,197)	**(51,969)**	(77,178)
Net interest income		**203,827**	234,102	**138,765**	217,476
Net income from Islamic financial business	54	**691,303**	548,551	**677,324**	535,304
Net earned premiums	34	**77,195**	10,009	**-**	-
Non-interest income	35	**11,025**	26,309	**6,514**	9,668
Refund of government compensation	36	**-**	(1,370)	**-**	(1,370)
Net income		**983,350**	817,601	**822,603**	761,078
Net claim recovered	37	**11,053**	27,303	**-**	-
Overhead expenses	38	**(153,307)**	(147,950)	**(113,040)**	(132,015)
Gain on deconsolidation of dissolved company	12(b)	**68**	-	**-**	-
Allowance for impairment losses of loans, financing and advances	41	**(419,703)**	(384,912)	**(421,676)**	(373,014)
Allowance for impairment losses on other assets	42	**(42,226)**	(57,686)	**(16,398)**	(44,758)
Operating profit		**379,235**	254,356	**271,489**	211,291
Share of profit/(loss) of associates and joint ventures		**97**	(2)	**-**	-
Profit before taxation and zakat		**379,332**	254,354	**271,489**	211,291
Taxation	43	**(152,758)**	(68,356)	**(112,351)**	(57,354)
Zakat		**(14,866)**	(9,561)	**(13,186)**	(8,275)
Net profit for the year		**211,708**	176,437	**145,952**	145,662
Attributable to:					
Equity holders of the Bank					
Profit for the year attributable to equity holders of the Bank		**209,822**	175,662	**145,952**	145,662
Non-controlling interests					
Income for the year attributable to non-controlling interests of the Bank		**1,886**	775	**-**	-
		211,708	176,437	**145,952**	145,662
Earnings per share attributable to the equity holders of the Bank:					
Basic/diluted earnings per share (sen)					
- from operations	45	**6.08**	5.62		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Net profit for the year	**211,708**	176,437	**145,952**	145,662
Other comprehensive loss				
Items that will not be reclassified to profit or loss:				
Net change in revaluation of equity instruments at fair value through other comprehensive income	**(979)**	15,973	**(979)**	15,973
Items that may be reclassified to profit or loss:				
Translation differences in respect of foreign operations	**261**	345	**-**	-
Debt instruments at fair value through other comprehensive income:				
- Net change in fair value during the year	**(112,297)**	(372,659)	**(102,607)**	(374,406)
- Net gain transferred to profit or loss upon disposal	**(1,306)**	-	**-**	-
- Changes in allowance for expected credit losses	**41,808**	51,601	**41,826**	51,598
	(72,513)	(304,740)	**(61,760)**	(306,835)
Income tax effect (Note 19)	**27,269**	90,274	**24,626**	89,857
	27,269	90,274	**24,626**	89,857
Other comprehensive loss for the year, net of tax	**(45,244)**	(214,466)	**(37,134)**	(216,978)
Total comprehensive income/(loss) for the year	**166,464**	(38,029)	**108,818**	(71,316)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Bank	**164,501**	(38,880)	**108,818**	(71,316)
Non-controlling interests	**1,963**	851	**-**	-
	166,464	(38,029)	**108,818**	(71,316)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Attributable to equity holders of the Bank									
		Non-distributable									
Group	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Merger deficit RM'000	Unrealised FVOCI reserve RM'000	Exchange translation deficit RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2022		**4,018,781**	**1,000**	**2,134,987**	**(18,341)**	**66,102**	**(6,853)**	**2,561,902**	**8,757,578**	**13,066**	**8,770,644**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**209,822**	**209,822**	**1,886**	**211,708**
Other comprehensive (loss)/ income for the year		**-**	**-**	**-**	**-**	**(45,505)**	**184**	**-**	**(45,321)**	**77**	**(45,244)**
Total comprehensive (loss)/ income for the year		**-**	**-**	**-**	**-**	**(45,505)**	**184**	**209,822**	**164,501**	**1,963**	**166,464**
Arising from acquisition of a subsidiary		**-**	**-**	**-**	**(1,847)**	**-**	**-**	**-**	**(1,847)**	**-**	**(1,847)**
Transfer to statutory reserve		**-**	**-**	**36,488**	**-**	**-**	**-**	**(36,488)**	**-**	**-**	**-**
Dividend paid	44	**-**	**-**	**-**	**-**	**-**	**-**	**(75,000)**	**(75,000)**	**-**	**(75,000)**
At 31 December 2022		**4,018,781**	**1,000**	**2,171,475**	**(20,188)**	**20,597**	**(6,669)**	**2,660,236**	**8,845,232**	**15,029**	**8,860,261**
At 1 January 2021		3,078,724	1,000	2,098,571	-	271,830	(7,122)	2,506,739	7,949,742	12,215	7,961,957
Profit for the year		-	-	-	-	-	-	175,662	175,662	775	176,437
Other comprehensive (loss)/ income for the year		-	-	-	-	(214,811)	269	-	(214,542)	76	(214,466)
Total comprehensive (loss)/ income for the year		-	-	-	-	(214,811)	269	175,662	(38,880)	851	(38,029)
Issuance of shares		940,057	-	-	-	-	-	-	940,057	-	940,057
Arising from acquisition of a subsidiary	51(iii)	-	-	-	(18,341)	-	-	-	(18,341)	-	(18,341)
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	-	-	9,083	-	(9,083)	-	-	-
Transfer to statutory reserve		-	-	36,416	-	-	-	(36,416)	-	-	-
Dividend paid	44	-	-	-	-	-	-	(75,000)	(75,000)	-	(75,000)
At 31 December 2021		4,018,781	1,000	2,134,987	(18,341)	66,102	(6,853)	2,561,902	8,757,578	13,066	8,770,644

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		← Non-distributable		→		
Bank	**Note**	**Share capital RM'000**	**Statutory reserve RM'000**	**Unrealised FVOCI reserve RM'000**	**Distributable retained profits RM'000**	**Total RM'000**
At 1 January 2022		**4,018,781**	**2,134,987**	**63,935**	**2,322,592**	**8,540,295**
Profit for the year		**-**	**-**	**-**	**145,952**	**145,952**
Other comprehensive loss for the year		**-**	**-**	**(37,134)**	**-**	**(37,134)**
Total comprehensive (loss)/ income for the year		**-**	**-**	**(37,134)**	**145,952**	**108,818**
Transfer to statutory reserve		**-**	**36,488**	**-**	**(36,488)**	**-**
Dividend paid	44	**-**	**-**	**-**	**(75,000)**	**(75,000)**
At 31 December 2022		**4,018,781**	**2,171,475**	**26,801**	**2,357,056**	**8,574,113**
At 1 January 2021		3,078,724	2,098,571	271,830	2,297,429	7,746,554
Profit for the year		-	-	-	145,662	145,662
Other comprehensive loss for the year		-	-	(216,978)	-	(216,978)
Total comprehensive (loss)/income for the year		-	-	(216,978)	145,662	(71,316)
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	9,083	(9,083)	-
Transfer to statutory reserve		-	36,416	-	(36,416)	-
Issuance of shares		940,057	-	-	-	940,057
Dividend paid	44	-	-	-	(75,000)	(75,000)
At 31 December 2021		4,018,781	2,134,987	63,935	2,322,592	8,540,295

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**379,332**	254,354	**271,489**	211,291
Adjustments for:				
Share of (profit)/loss of associates and joint ventures	**(97)**	2	**-**	-
Refund of government compensation (Note 36 and 54(m))	**-**	32,111	**-**	32,111
Depreciation of property, plant and equipment (Note 38(ii))	**5,454**	4,686	**5,108**	4,537
Depreciation of investment properties (Note 38(ii))	**8**	8	**8**	8
Amortisation of intangible assets (Note 38(ii))	**2,943**	2,642	**2,550**	2,530
Depreciation of right-of-use assets (Note 38(ii))	**885**	381	**95**	152
Fixed asset written off (Note 38(iv))	**21**	84	**-**	84
Loss on disposal of property, plant and equipment (Note 54(m))	**5**	8	**5**	-
Net gain on disposal of financial investments at FVOCI (Note 35(a) and 54(m))	**(2,479)**	(42,446)	**(1,173)**	(42,446)
Dividend income:				
Subsidiaries (Note 35(a))	**-**	-	**(6,200)**	-
Accretion of discount less amortisation of premium of financial investments (Note 32 and 54(m))	**27,652**	25,459	**28,281**	25,467
Impairment allowance for:				
Financial investments at FVOCI (Note 42)	**41,808**	51,601	**41,826**	51,598
Loss on corporate guarantees (Note 42)	**362**	6,200	**-**	-
Investment in subsidiaries (Note 42)	**-**	-	**(25,524)**	(6,755)
Allowances for impairment losses on loans, financing and advances, net (Note 41)	**454,344**	444,063	**453,385**	430,802
Impaired loans/financing and other assets written off (Note 41)	**11,468**	9,247	**11,280**	8,807
Allowance for/(write back of) ex-staff loan/financing (Note 42)	**96**	(85)	**96**	(85)
Loss due to debt/financing modification (Note 32, 54(l) and 54(m))	**2,738**	9,961	**2,738**	9,961
Unrealised (gain)/loss on financial investments at FVTPL (Note 54(m))	**(19,023)**	30,703	**(19,023)**	30,703
Allowance for impairment losses on financing and advances made during the year against Infra Support Fund ("ISF") (Note 27)	**-**	(32,640)	**-**	(32,640)
Compensation from the Government (Note 32 and 54(m))	**(113,227)**	(105,555)	**(113,227)**	(105,555)
Finance cost/interest expense on lease liabilities (Note 18(c))	**31**	25	**12**	17
Gain on deconsolidation of dissolved subsidiary (Note 12(b))	**(68)**	-	**-**	-
Operating cash flows before working capital changes	**792,253**	690,809	**651,726**	620,587

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (cont'd)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash flows from operating activities (cont'd)				
Decrease/(increase) in operating assets:				
Deposits and placements with financial institutions	**545,582**	(242,526)	**126,502**	(207,017)
Loans, financing and advances	**925,620**	(953,810)	**863,615**	(920,116)
Insurance receivables	**9,348**	16,664	**-**	-
Reinsurance assets	**249**	141	**-**	-
Other assets	**51,654**	(29,003)	**50,135**	(3,133)
	1,532,453	(1,208,534)	**1,040,252**	(1,130,266)
Increase in operating liabilities:				
Deposits from customers	**1,181,371**	627,916	**1,181,371**	627,916
Deposit and placements from financial institutions	**821,056**	230,404	**821,056**	230,404
Premium liabilities	**(38,930)**	(3,420)	**-**	-
Insurance payables	**(427)**	(710)	**-**	-
Other liabilities	**(67,805)**	(7,012)	**(72,955)**	4,828
	1,895,265	847,178	**1,929,472**	863,148
Cash generated from operating activities	**4,219,971**	329,453	**3,621,450**	353,469
Finance cost/interest expense on lease liabilities (Note 18(c))	**(31)**	(25)	**(12)**	(17)
Income taxes paid	**(188,340)**	(177,162)	**(196,208)**	(173,194)
Zakat paid	**(8,904)**	(9,568)	**(8,904)**	(9,568)
Net cash generated from operating activities	**4,022,696**	142,698	**3,416,326**	170,690
Cash flows from investing activities				
Acquisition of a subsidiary, net cash paid (Note 12 and 51(iv))	**(1,847)**	(934,199)	**-**	(940,057)
Deferred consideration of a subsidiary (Note 12)	**-**	-	**(1,847)**	-
Capital reduction (Note 12)	**-**	-	**1,600**	-
Dividend income from:				
Subsidiaries (Note 35(a))	**-**	-	**6,200**	-
Purchase of financial investments at FVOCI	**(1,761,087)**	(1,418,871)	**(1,608,327)**	(1,388,870)
Purchase of property, plant and equipment (Note 15)	**(7,256)**	(4,883)	**(6,662)**	(4,784)
Purchase of intangible assets (Note 17)	**(5,599)**	(3,705)	**(5,291)**	(3,427)
Proceeds from disposal of financial investments at FVOCI	**119,667**	1,904,911	**98,376**	1,884,911
Proceeds from maturity of financial investments at FVOCI	**75,000**	82,393	**-**	82,393
Proceeds from disposal of property, plant and equipment	**21**	127	**14**	-
Net cash outflow on dissolution of subsidiary (Note 12(b))	**(636)**	-	**-**	-
Net cash used in investing activities	**(1,581,737)**	(374,227)	**(1,515,937)**	(369,834)

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities				
Net repayments of borrowings (Note 26)	**-**	(350,000)	**-**	(350,000)
Net payment/repayment of Sukuk/ redeemable notes (Note 25)	**(1,062,694)**	(1,153,173)	**(556,973)**	(1,153,173)
Payment of borrowings - interest	**(40)**	-	**(40)**	-
Proceeds from Government compensation	**50,286**	41,532	**50,286**	41,532
Proceeds from Sukuk issuance (Note 25)	**-**	1,700,000	**-**	1,700,000
Revolving credit-i from financial institution (Note 26)	**10,034**	-	**-**	-
Payment of principal portion of lease liabilities	**(894)**	(390)	**(95)**	(155)
Dividend paid (Note 44)	**(75,000)**	(75,000)	**(75,000)**	(75,000)
Net cash (used in)/generated from financing activities	**(1,078,308)**	162,969	**(581,822)**	163,204
Net increase/(decrease) in cash and cash equivalents	**1,362,651**	(68,560)	**1,318,567**	(35,940)
Cash and cash equivalents at beginning of the year	**966,678**	1,035,238	**825,847**	861,787
Cash and cash equivalents at end of the year	**2,329,329**	966,678	**2,144,414**	825,847
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 4)	**2,329,329**	966,678	**2,144,414**	825,847

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

1. CORPORATE INFORMATION

Bank Pembangunan Malaysia Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is located at Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The holding company of the Bank is the Minister of Finance (Incorporated) ("MOF (Inc.)") a corporate body established under the Minister of Finance (Incorporation) Act 1957 in Malaysia.

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic Financial Business principles to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy. The principal activities of the subsidiary companies are as disclosed in Note 50.

There have been no significant changes in the nature of the principal activities of the Bank and the subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 5 May 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as modified by the specification provided by Bank Negara Malaysia ("BNM") as disclosed below and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements incorporate those activities relating to Islamic Financial Business, which have been undertaken by the Group. Islamic Financial Business refers generally to the business activities in accordance with Shariah principles.

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52(c).

The financial statements of the Group and of the Bank have been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies below. The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

Modified accounting treatment specified by BNM

Pursuant to Section 75 of the Development Financial Institutions Act 2002 and in accordance with Section 26D of the Financial Reporting Act 1997 in Malaysia, BNM has issued a guideline on 28 July 2020 for Development Financial Institutions ("DFI") specifying the accounting treatment with respect to loans/financing for which the contractual cash flows are modified, including payments deferred under moratoriums provided by the DFI during the two financial years beginning on or after 1 January 2020. Subsequently, BNM on 17 December 2021 has issued a letter on the Extension of the acccounting treatment for modification losses for prescribed DFI for the financial year beginning on or after 1 January 2022. The details as follows:

(i) Duration of modified accounting treatment

The modified accounting treatment permitted by BNM is in place for two financial years beginning on or after 1 January 2020 and shall continue to apply for financial year beginning on 1 January 2022 to 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Statement of Compliance and Basis of Preparation (cont'd)

Modified accounting treatment specified by BNM (cont'd)

(ii) *Comparison of accounting treatment in accordance with MFRS and modified accounting treatment*

Accounting treatment in accordance with MFRS

Under paragraph 5.4.3 of MFRS 9 Financial Instruments, the modification gain or loss that arises as at the commencement date of restructuring or rescheduling of loans and financing is recognised in the profit or loss immediately by recalculating the gross carrying amount of the loan and financing based on the present value of the modified cash flows discounted at the loan or financing's original effective interest/profit rate.

Modified accounting treatment

No modification gain or loss is recorded against the gross carrying amount of the loan and financing as at the commencement date of restructuring or rescheduling of loans and financing. Instead, a new and modified effective interest/profit rate is calculated that exactly discounts the revised remaining cash flows to the gross carrying amount of the loan and financing as at the commencement date.

(iii) *Disclosure*

The DFI shall disclose the application of the modified accounting treatment in the basis of preparation of the interim financial reports and annual financial statements. The disclosure shall also include the duration of the application and a comparison of the financial impact of applying the accounting treatment in accordance with the MFRS and the modified accounting treatment.

The Group and the Bank have adopted the modified accounting treatment specified by BNM as detailed above. MFRS will be adopted again with the expiry of BNM specified treatment from 1 January 2023 retrospectively, with the financial impacts as disclosed in the financial statements during the 3 year period under the modified accounting treatment.

Impact of adopting the modified accounting treatment

The financial impact of the affected items in the statements of profit or loss and statements of financial position of the Group and the Bank is as summarised below:

	Group		Bank	
	Modified accounting treatment RM'000	**MFRS 9 RM'000**	**Modified accounting treatment RM'000**	**MFRS 9 RM'000**
Statements of profit or loss:				
Interest/profit income				
- Effect of lower income with adjusted effective interest/profit rate	**28,439**	**-**	**27,744**	**-**
- Modification gain (net of reversal)	**-**	**(1,215)**	**-**	**(2,335)**
Statements of financial position:				
Loans, financing and advances	**14,680,343**	**14,419,143**	**14,533,849**	**14,273,362**
Retained profits	**2,660,236**	**2,399,036**	**2,357,056**	**2,096,569**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2022, the Group and the Bank adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022.

Description	Effective for annual period beginning on or after
Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)	1 January 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022

The adoption of the MFRSs and amendment to MFRSs above did not have any material impact on the financial statements of the Group and Bank in the current financial year.

2.3 Standards Issued but not yet Effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group and the Bank financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
MFRS 17 Insurance Contract and amendments to MFRS 17 Insurance Contract	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2023
Lease Liabilities in a Sale and Leaseback (Amendments to MFRS 16 Leases)	1 January 2024
Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2024
Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures (Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures)	Deferred

These standards are not expected to have a significant impact on the Group and the Bank financial statements.

In line with the Business Transfer Scheme ("BTS") plan as disclosed in the Notes 56 and 57, from 1 January 2023, all the existing insurance contracts will be accounted for as financial guarantee contracts under MFRS 9 Financial Instruments. At the subsidiary, Danajamin and at the Group level, this will be treated as change in the accounting policy. Hence, in accordance with MFRS 108, a retrospective restatement is required.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee i.e. existing rights that give the current ability to direct the relevant activities of the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether Group has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. In the Bank separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(c). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the statements of profit or loss. Dividends received from subsidiaries are recorded as a component of revenue in the Bank separate statement of profit or loss.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated statement of profit or loss and statement of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total profit or loss and other comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

(iii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent considerations to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9") is measured at fair value with changes in fair value recognised either in the statements of profit or loss or statements of comprehensive income in accordance with MFRS 9. Other contingent considerations that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the statements of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(iii) Business combinations and goodwill (cont'd)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(iv) Merger Accounting for Common Control Business Combinations

Acquisitions which result in a business combination involving common control entities, are outside the scope of MFRS 3. Accordingly, merger accounting has been used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. The results of the subsidiaries are accounted and presented from the acquisition date onwards.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the acquiree at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the carrying value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the interests of the controlling party or parties.

When the merger method is used, the cost of investment in the subsidiary is recorded at the nominal value of shares issued, cash and deferred consideration. The difference between the cost of investment in the subsidiary and the carrying value of the net tangible assets of the subsidiary at acquisition date is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included from the acquisition date onwards.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has interests in JV that is disclosed in Note 14.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and JV are accounted for using the equity method.

Under the equity method, the investment in an associate or a JV is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or JV since the acquisition date. Goodwill relating to the associate or JV is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or JV. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or JV, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or JV are eliminated to the extent of the interest in the associate or JV.

The aggregate of the Group's share of profit or loss of an associate and a JV is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or JV.

The financial statements of the associate or JV are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or JV. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or JV and its carrying value, then recognises the loss as share of loss of an associate or JV.

Upon loss of significant influence over the associate or joint control over the JV, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Bank separate financial statements, investments in associates and JV are accounted for at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(c) Foreign currency transactions

(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

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Bank 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 dates 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 translation of monetary items at the reporting date are recognised in the statements 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 foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of profit or loss of the Group and on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the 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 assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification) when the gain or loss on disposal is recognised.

(d) Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 3(d), below. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(d) Property, plant and equipment (cont'd)

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful life, as follows:

Leasehold land and buildings	19 - 50 years
Vessels	5 - 30 years
Furniture and equipment	3 - 10 years
Partitioning, installation and renovations	3 - 20 years
Motor vehicles	5 - 8 years

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively if appropriate.

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 the statements of profit or loss.

(e) Investment properties

Investment properties principally comprise properties held for long term rental yields or capital appreciation or both and which are not occupied by the Group and the Bank. Investment property is carried at cost less accumulated depreciation and any impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 3(d), below.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day-to-day servicing of that property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(f) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible asset with finite lives is recognised in statements of profit or loss in the expense category consistent with the function of the intangible asset.

Computer softwares were acquired separately and are amortised on a straight line basis over the useful lives of 3 - 5 years.

(g) Leases

The Group and the Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use assets

The Group and the Bank recognises right-of-use ("ROU") 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 lives of the assets, as follows:

Properties	3 years
Other equipment	5 years

If ownership of the leased asset transfers 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.

(ii) 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 payments of penalties for terminating the lease, if the lease term reflects the Group 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(g) Leases (cont'd)

(ii) Lease liabilities (cont'd)

In calculating the present value of lease payments, the Group and the Bank uses its incremental borrowing rate at the lease commencement date because the interest 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 interest 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.

(iii) 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 machinery and equipment (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 equipment 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.

(iv) Operating lease - the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(h) Financial assets

Financial assets and liabilities are recognised in the statements of financial position when the Group and the Bank has become a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the trade date.

When financial assets or financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

Immediately after initial recognition, expected credit loss ("ECL") is recognised for financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income ("FVOCI"), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Classification and subsequent measurement

Financial assets

The Group and the Bank determines the classification of their financial assets at initial recognition based on the following measurement categories:

- FVTPL;
- FVOCI; or
- Amortised cost.

To determine their classification and measurement category, the financial assets, except equity instruments and derivatives, is assessed based on a combination of the Bank business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group and the Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

(a) Business model 1 - Hold to Collect (Amortised cost)

Business objective is to collect contractual cash flows over the life of the financial assets. Sales should be insignificant in value or infrequent.

(b) Business model 2 - Hold to Collect and Sell (FVOCI)

Business objective is both to collect contractual cash flows and sell financial assets. Debt instruments under this business model are mainly those with the objectives to:

(i) Manage everyday liquidity needs e.g. frequent sales activity of significant value to demonstrate liquidity or to cover everyday liquidity needs, without the intention of short-term profit taking;
(ii) Maintain a particular interest/profit yield profile e.g. active management of the portfolio on an opportunistic basis to increase return by reinvesting in higher yielding financial assets; and
(iii) Match the duration of the financial assets to the duration of the liabilities which funds those assets.

(c) Business Model 3 - FVTPL

Business objective is neither Business Model 1 nor Business Model 2. Debt instruments are mainly held for trading and managed on a fair value basis.

Solely Payments of Principal and Interest/Profit ("SPPI/SPPP") test

As a second step, SPPI/SPPP test must be carried out for all financial assets to identify if contractual cash flows are 'solely payment of principal and interest/profit on the principal amount outstanding' which is consistent with a 'basic lending/financing arrangement'.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Classification and subsequent measurement (cont'd)

Financial assets (cont'd)

The most significant elements of interest/profit within a lending/financing arrangement are typically the consideration for the time value of money, credit risk, other basic lending/financing risks and a profit margin that is consistent with a basic lending/financing arrangement. To perform the SPPI/SPPP assessment, the Group and the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/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 lending/financing arrangement do not give rise to contractual cash flows that are solely payments of principal and interest/profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

The Group and the Bank reclassified debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occured during the period.

Financial assets - Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit allowance recognised and measured. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Financing and advances

Financing and advances consist of *Murabahah*, *Tawarruq*, *Ijarah (includes Ijarah Muntahiyah bi Tamlik)*, *Istisna'*, *Kafalah* and *Bai' Bithaman Ajil*. These contracts, except for *Kafalah*, are recognised at amortised cost, including direct and incremental transaction costs using effective profit method. These contracts are stated at net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

(a) *Murabahah:* It refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. The sale price is payable by the purchaser usually on deferred terms.

(b) *Tawarruq:* It basically consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

(c) *Istisna':* It refers to a contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined sale price.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Classification and subsequent measurement (cont'd)

Financial assets - Amortised cost (cont'd)

Financing and advances (cont'd)

Definition of Shariah concept: (cont'd)

(d) *Ijarah:* It refers to a contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. It includes variations of this contract i.e. *Ijarah Muntahiyah bi Tamlik*, where it is accompanied with an option to transfer the ownership of the leased asset to the lessee at the end of the lease period via acceptable means of ownership transfer. For financial reporting purpose the Ijarah contract meets the definition of finance lease.

(e) *Kafalah:* It refers to a contract where the guarantor conjoins the guaranteed party in assuming the latter's specified liability for a specified period.

(f) *Bai' Bithaman Ajil:* It refers to a sale contract based on deferred payment at certain price.

Debt instruments at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest/profit, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/finance revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain on disposal". Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a financial investment that is substantially measured at FVTPL and is not part of hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Net investment income" in the period in which it arises. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Bank measures all equity investments at FVTPL, except where the Group and the Bank has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI (with no recycling) provided that is neither held for trading nor a contingent consideration recognised by acquirer in a business combination.

For equity instruments elected on FVOCI (with no recycling), gain or loss on disposal is recognised in equity and dividends are recognised in profit or loss.

Impairment

The Group and the Bank assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and FVOCI. Equity instruments are not subject to impairment assessment.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 16 Leases. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL

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

- Stage 2: Lifetime ECL – non-credit impaired

  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

- Stage 3: Lifetime ECL – credit impaired

  Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Both 12-months ECL and life time ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Impairment (cont'd)

The calculation of ECL

The Group and the Bank calculates ECL to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD")

  The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- Exposure at Default ("EAD")

  The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, expected draw downs on committed facilities.

- Loss Given Default ("LGD")

  The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender/financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL methods are summarised below:

- Stage 1

  The 12 months ECL is calculated as the portion of life time ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. This expected 12-month default probability is applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2

  When a financial asset has shown a significant increase in credit risk since origination, the Group and the Bank records an allowance for the life time ECL. The mechanics are similar to those explained above, but PD and LGD are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Impairment (cont'd)

The calculation of ECL (cont'd)

The mechanics of the ECL methods are summarised below (cont'd):

- Stage 3

  If the financial asset is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans/financing or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Interest/finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/finance income is recorded as part of 'interest/finance income' in the statements of profit or loss.

- Loan, financing and advances commitments and letters of credit

  When estimating life time ECL for undrawn loan, financing and advances commitments, the Group and the Bank estimates the expected portion of the loan, financing and advances commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan, financing and advances is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the instrument.

- Financial guarantee contracts

  The Group and the Bank liability under each guarantee is measured at the higher of the amount initially recognised less the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest/profit rate relevant to the exposure. The ECL related to financial guarantee contracts are recognised within provisions.

- Other financial assets

  The Group and the Bank apply a simplified approach to assess the ECL for other financial assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance should be measured at initial recognition and throughout the life of the other financial assets at an amount equal to lifetime ECL. The simplified approach adopted for the Group and the Bank is based on weighted average of the historical loss experience.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Financial assets (cont'd)

Impairment (cont'd)

Debt instruments measured at FVOCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statements 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 reserve as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI reserve is recycled to the profit or loss upon derecognition of the assets.

Fair value determination

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair value of financial instruments traded in active markets are based on quoted market price or dealer price quotation.

For all other financial assets, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models, based on observable data in respect of similar financial instruments and using inputs (such as yield curve) existing at the reporting date.

Derecognition

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. Upon derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the statements of profit or loss.

(i) Guarantee fee and security

The Group provides financial guarantee insurance over private debt securities and financing facilities for companies incorporated in Malaysia.

Bond issuers and/or obligors will pay a guarantee fee to Danajamin Nasional Berhad ("Danajamin"), a subsidiary of the Bank in return for the Group guarantee to cover the oustanding amounts upon a default. The guarantee fee is calculated based on a percentage of the nominal value of the oustanding issue guaranteed amounts and is paid annually in advance.

The Group mitigates the risks associated with its provision of financial guarantee insurance by:

- Securing its exposures against tangible security to be provided by the obligor where possible;
- Establishing designated accounts with specific disbursement conditions which are controlled by Facility/Security Agents; and/or
- Imposing various financial and non-financial covenants on the obligor in ensuring financial discipline.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Guarantee fee and security (cont'd)

The Group is also able to impose additional conditions as it deems fit upon the occurrence of a breach in covenant or a material adverse event.

(j) Annual service fees for Danajamin PRIHATIN Guarantee Scheme ("DPGS")

The Group has been appointed by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") to manage the DPGS on behalf of the Government of Malaysia. In managing the DPGS, the Group charges one time processing fee and annual monitoring fee. The one time processing fee is fully recognised upfront upon the financial institution's acceptance of the letter of approval issued by the Group for the relevant financing facility to be admitted into the DPGS and the issuance of the guarantee certificate by SJPP. The processing fee is charged for the various work performed for deal assessments prior to issuance of the letter of approval. The Group also charges annual monitoring fee for each approved and accepted offer. The monitoring fee is charged annually up to the maturity of the guarantee issued pursuant to the DPGS and is recognised as deferred income. This annual monitoring fee is recognised upon the guarantee commencement date in certificate issued by SJPP and up to the maturity of the guarantee.

(k) Financial guarantee insurance results

The financial guarantee insurance results are determined after taking into account commissions, unearned premiums and claims incurred.

Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during the financial period. No insurers licensed under the Financial Services Act ("FSA") effective since 30 June 2013 (previously under the Insurance Act, 1996) are allowed to accept reinsurance of the Group Financial Guarantee Insurance ("FGI") risks. However, the Group cedes insurance risk in the normal course of business for some of its financial guarantees to entities other than insurers licensed under the FSA.

Unearned premium reserve

Unearned premium reserve ("UPR") in respect of FGI policy is determined as an amount calculated on the basis that the premiums written are earned in proportion with the expiration of the exposure. This method is applied consistently to premiums, reduced by the percentage of accounted gross direct commission expenses to corresponding premiums.

Unexpired risk reserve

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation is based on the present value of expected loss arising from the Group's guarantee obligations and an allowance for a provision of risk margin for adverse deviation. If these estimates show that the carrying amount of the unearned premiums are inadequate, the deficiency is recognised in profit or loss by setting up a provision for premium deficiency.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(k) Financial guarantee insurance results (cont'd)

Claim liabilities

Claims liabilities relate to the FGI's obligation, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the valuation date, with appropriate allowance for direct and indirect claims-related expenses that the FGI expects to incur when settling these claims. Upon receipt of a notice of claim, the FGI is obligated to make relevant payments of interest and principal, to investors, in respect of a guaranteed debt obligation. The amount of this obligation, including allowance for appropriate related expenses the FGI expects to incur when paying the interest and principal, determines the claim liabilities.

(l) Reinsurance

The Group through its subsidiary cedes insurance risk in the normal course of business for some of its financial guarantees. Reinsurance assets represent balances due from companies where the insurance risks are ceded. Amounts recoverable from reinsurers are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangement does not relieve the Group from its obligation to bondholders. Premiums are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due to the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

(m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, debt securities/sukuk issued and other borrowed funds. Financial liabilities are derecognised when they are redeemed or extinguished.

(n) Financial guarantee insurance liabilities

FGI liabilities are recognised when contracts are entered into and premiums are charged. The FGI liabilities refer to the claims and premium liabilities of the Group through its insurance subsidiary's business, associated with the uncertainty of claims and unexpired risks (with respect to unexpired FGI policies), resulting from the risks of increased claims losses and under-estimation of premiums.

The value of the FGI liabilities is the aggregate of the values of the premium liabilities and the claim liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(n) Financial guarantee insurance liabilities (cont'd)

Premium liabilites

Premium liabilities refer to the greater of:

- The aggregate of the unearned premium reserve ("UPR"); and
- The best estimate value of the unexpired risk reserve ("URR") at the valuation date and a provision of risk margin for adverse deviation ("PRAD"). The URR is the reserve required to cover for future claims and associated expenses that are expected to emerge during the unexpired period of the FGI guarantee. It is an estimate of the future obligations of the FGI taking into account the likelihood and amount of the interest and principal that the FGI expects to pay in the event of a default of an obligation with allowance for expenses, including overheads and any cost of reinsurance expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and the timing of the payments.

Valuation of financial guarantee insurance liabilities shall provide for reserves at a specified level of adequacy with explicit prudential margins. In particular, the liability valuation should aim to secure an overall level of sufficiency of reserves at the 75% confidence level. To secure this level of adequacy, the Group calculates the best estimate value of its FGI liabilities and apply a PRAD.

Claims liabilities

Claims liabilities relate to expired periods of exposure and earned premiums. Claim liabilities are obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the valuation date, with appropriate allowance for expected claims-related expenses.

The claims liability consists of two reserves. These being:

- A reported but not admitted ("RBNA") claims reserve, which is the reserve held in respect of claims notified to the Group which the Group has not accepted; and
- An incurred but not reported ("IBNR") claims reserve, which is the reserve held in respect of defaults that have occurred, but where the Group has not been notified of the default.

The financial positions of the companies insured are monitored on an ongoing basis and any default would be highlighted immediately.

(o) Bills and acceptance payable

Bills and acceptance payable represents the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

(p) Equity instruments

An equity instrument is any contract that evidences a residual interest/profit in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(q) Employee benefits

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

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

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

(r) Government grants

Government grants are recognised at their fair value in the statements of financial position where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the statements of financial position as "Infrastructure Support Fund" ("ISF") and "deferred income".

ISF relates to fund received from the Government to cover the potential risk of loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise. It is also to cover the contingent liabilities of the Bank i.e. guarantees, standby credits and performance bonds.

Deferred income comprises claims received in relation to profit rate differentials on financing of Government infrastructure project.

Grants that compensate the Group and the Bank for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

(s) Provisions

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.

(t) Contingent liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers/customers and litigation cases against the Group and the Bank. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(u) Disposal groups and assets held for sale

Non-financial assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-financial assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operations; that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the statements of profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resell.

(v) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Interest/finance income and similar income

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as FVOCI and financial instruments designated at FVTPL, interest/finance income is recorded using the effective interest/profit rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/finance income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Islamic Financial Business income recognition

Income from financing and receivables is recognised in the statements of profit or loss using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instruments and includes any fees incremental costs that are directly attributable to the instruments and are an integral part of the effective profit rate.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(v) Revenue (cont'd)

(ii) Islamic Financial Business income recognition (cont'd)

Sale-based Financing (*Murabahah, Tawarruq, Istisna'* and *Bai' Bithaman Ajil*)

Income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

Lease-based Financing (*Ijarah* and *Ijarah Muntahiyah bi Tamlik*)

Finance income is recognised on the effective profit rate of the cost of the leased asset over the lease period.

Fee income

Fee-based income from charging administrative fees such as processing fee, arrangement fee and facility fee is recognised upon satisfaction of performance obligation. Fee-based income is also derived from provision of guarantee based on kafalah contract.

(iii) Income recognition for leasing, hire purchase financing, pre-factoring and factoring

Income earned on leasing, hire purchase, pre-factoring and factoring financing is recognised based on the effective interest/profit method.

(iv) Other revenue recognition

The Group charges other guarantee related fees such as upfront fees and processing fees arising from Financial Guarantee Insurance ("FGI") contracts separately from the guarantee premium.

Upfront fee is charged by the Group on various work performed for deal assessments prior to new issuance of FGI contract. Upfront fee is recognised upon the Group committing to provide financial guarantee contract and obligors accepting the Group offer to provide such commitment. The upfront fee is recognised over the period which the Group is committed to provide the FGI contract, and is based on the earlier of validity period of the Group commitment or expected drawdown/issuance of debt facilities. The upfront fee is non-refundable. There is no element of significant financing as the period of commitment is wholly upon the discretion of the obligors.

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(w) Income Taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (cont'd)

(x) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements involved making certain judgements and estimates, that affect the accounting policies applied 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 on-going basis. Revisions to accounting estimates are recognised in the financial statements in the period of which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on amount recognised in the financial statements include the following:

Judgements

In the process of applying the Group and the Bank accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of financial investments portfolio (Note 7 and Note 42)

The Group and the Bank review the debt instruments at FVOCI and financial investments at amortised cost under MFRS 9 which requires the recognition of ECL at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the review, the following management's judgment are required:

(i) Determination whether the investment is impaired or has significant increase in credit risk based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Judgements (cont'd)

(b) Impairment of loans, financing and advances (Note 8 and Note 41)

The Group and the Bank make certain judgement in determining the ECL to be recognised on loans, financing and advances. The Group and the Bank ECL calculations under MFRS 9 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) Internal credit grading model, which assigns PD to the individual grades;

(ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment;

(iii) The segmentation of financial assets when their ECL is assessed on a collective basis;

(iv) Development of ECL models, including the various formulas and the choice of inputs;

(v) Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price forecast, USD exchange rate and the effect on PD, EAD and LGD, including assessing for potential impact from the deterioration in oil price and the COVID-19 pandemic in 2021;

(vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models; and

(vii) The net realisable value of collateral.

ECL overlay and adjustments due to remaining COVID-19 uncertainties and emerging risks

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability yet in view of remaining COVID-19 uncertainties and emerging risks, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2022.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2022.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

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

The adjusted downside scenarios assume continuous restrictive economic environment due to remaining COVID-19 uncertainties and emerging risks. The impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount of RM816.1 million (2021: RM322.0 million) representing 21.7% (2021: 9.3%) of total ECL of the Bank as at 31 December 2022. Management overlays made amounting to RM817.5 million (2021: RM323.5 million) representing 21.5% (2021: 9.3%) of total ECL of the Group as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Judgements (cont'd)

(c) Impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JV (Note 14)

The Group and the Bank assess whether there is any indication that an investment in subsidiaries, interest in associates and JV may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review which comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries, interest in an associates and JV are as follows:

(i) The Group and the Bank determine whether the investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

(d) Impairment of non-financial assets (Note 15, Note 17 and Note 18(a))

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group and the Bank bases its VIU calculation on detailed budgets and forecast calculations. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an apropriate valuation model is used.

Estimates

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future period affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(a) Allowance for impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JV (Note 14)

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates (cont'd)

(b) Income taxes (Note 43)

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

(c) Leases (Note 18) - Estimating the incremental borrowing rate

The Group and the Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group and the Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(d) Valuation of financial guarantee insurance liabilities

The Group is subject to BNM's Guidelines in valuing its FGI liabilities that is further described in Note 2.4(n).

The FGI liabilities comprise:

- The best estimate value of the claim liabilities;
- The best estimate value of the premium liabilities; and
- The PRAD for each of the above best estimate values.

The best estimate value should reflect the statistical central estimate of the underlying distribution of the FGI liabilities. The statistical central estimate is equal to the mean of reasonable expected outcomes.

The calculation of the best estimate claims liabilities and premium liabilities are subject to considerations of materiality.

(i) Best estimates of claim liabilities

The claims liability consists of two reserves; reported but not admitted ("RBNA") claims reserve and an incurred but not reported ("IBNR") claims reserve as described in Note 2.4(n).

The RBNA reserve is calculated by determining the reserve for each reported claim and then aggregating the individual reserves. The reserve in respect of each reported claim is determined by calculating the best estimate of future payments net of expected future recoveries, allowing for claims-related expenses.

The IBNR is, in general, determined similarly to the RBNA where the best estimate of future payments net of expected future recoveries is estimated while allowing for claim-related expenses. However, adjustments may be made on a case-by-case basis as the status of the default develops.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates (cont'd)

(d) Valuation of financial guarantee insurance liabilities (cont'd)

(i) Best estimates of claim liabilities (cont'd)

Incurred But Not Reported

(i) Methodology

- In general, the IBNR shall be the amount of outstanding principal due to the bondholders plus the value of one coupon for the claim in question.
- This amount may be reduced by the value of any cash collateral that has been deposited in the designated accounts.
- The IBNR may be adjusted on a case-by-case basis as and when necessary to reflect the latest development of the default.

(ii) Assumptions

- Other tangible collateral pledged to the Group will require time to realise, hence no value is ascribed to those collateral when the IBNR is established.

(ii) Best estimates of premium liabilities

Premium liabilities relate to unexpired periods of exposure and unearned premiums. The best estimate premium liabilities amount is the higher of:

- the unearned premium reserve ("UPR"); and
- the best estimate value of the unexpired risk reserve ("URR") at the valuation date plus the PRAD for unexpired risks.

Unearned premium reserve

(i) Methodology

- The UPR established reflect unearned portion of premiums received to date, plus future premiums receivable under the FGI policies issued at the valuation date.
- The UPR reserve is amortised over the term of the FGI policies.
- A premium receivable is established in respect of future premiums receivable under the FGI policies issued at the valuation date.

(ii) Assumptions

- The claims profile of the portfolio is approximately uniform over the contract term.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates (cont'd)

(d) Valuation of financial guarantee insurance liabilities (cont'd)

(ii) Best estimates of premium liabilities (cont'd)

Unexpired risk reserve

(i) Methodology

- The URR is calculated using a stochastic credit reserving model.
- For each FGI policy, a transition matrix is used to randomly simulate changes in the credit ratings of the issuer on a yearly basis.
- The probability of the issuer defaulting over a one year period is assigned based on the risk rating of the issuer.
- The model then randomly simulates on the issuer defaulting in the remaining term of the issuance using the risk ratings and the corresponding probabilities of default.
- The loss incurred is randomly simulated should the issuer default and the present value is determined.
- The steps are repeated for each FGI policy and the present value of future defaults for each FGI policy is accumulated to determine the portfolio losses.
- The simulation is repeated 100,000 times to construct a distribution of portfolio losses and the average outcome is calculated to determine the URR.

The best estimate URR reflects the aggregate value of expected claim on each FGI policy over the period from the valuation date until the expiry of that policy.

The URR calculation for the current financial year has taken into account the COVID-19 pandemic impact assessments which included adjustments to obligor's credit rating and valuation of its collaterals/securities.

(ii) Assumptions

The following assumptions have been adopted:

- Multiple FGI policies can be issued under the one FGI facility agreement.
- The calculation of URR does not allow for FGI policies that are expected to be issued in the future.
- Correlation between the bond issuer ratings is allowed for using an Asset Value Model approach.
- The recovery rate is assumed to be described by the Beta distribution.
- Correlation between the recovery rates on the different FGI facilities is not allowed.
- The model assumes the average recovery rate is partially sensitive to the level of security provided.
- The allowance for policy administration expenses is made outside the model. The policy administration allowance is determined by multiplying the policy administration expense assumption by the UPR.
- Claim handling expenses are implicitly allowed via the recovery rate assumption adopted.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates (cont'd)

(d) Valuation of financial guarantee insurance liabilities (cont'd)

(iii) Best estimate of the provision of risk margin for adverse deviation ("PRAD")

(i) Methodology

- PRAD is determined for claims liability and the URR separately.
- The claims liability PRAD depends on nature of claims notified. In the event where full provision has been made against a particular claim, the corresponding PRAD will be set to zero as there is no potential for future claims escalation.
- The URR PRAD is determined using the distribution of portfolio losses calculated by the credit risk reserving model and has been set at the 75% confidence level.
- The approach for determining the URR PRAD will be reviewed as the size of the FGI portfolio grows. Volatility in the PRAD as a percentage of the best estimate is expected at this stage in operations.

(ii) Assumptions

- The PRAD calculation does not allow for future FGI policies signed at the valuation date.

(iv) Reinsurance

The FGI liabilities is determined gross of reinsurance, with a reinsurance asset held on the statement of financial position of the Group.

(i) Methodology

- The methodology for determining is consistent with that adopted for the FGI liabilities.

(ii) Assumptions

- No adjustment is made to the reinsurance asset to reflect the risk of the reinsurer defaulting as it is not considered material to the Group operations.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

4. CASH AND SHORT TERM DEPOSITS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with other financial institutions	**29,248**	16,220	**1,309**	3,501
Money at call and deposit placements maturing within one month	**2,300,081**	950,458	**2,143,105**	822,346
	2,329,329	966,678	**2,144,414**	825,847

5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	**1,578,985**	2,124,567	**131,652**	258,154

The weighted average effective interest rates ("WAEIR") of deposits and the average maturity of deposits of the Group and the Bank at the reporting date were as follows:

	Group		Bank	
	2022	2021	2022	2021
WAEIR (%)	**3.23**	2.01	**3.03**	1.78
Average maturity (Days)	**98**	142	**18**	22

6. FINANCIAL INVESTMENTS AT FVTPL

	Group and Bank	
	2022 RM'000	2021 RM'000
At fair value		
Equity Securities:		
Unquoted shares	**33,886**	14,863
Total financial investments at FVTPL	**33,886**	14,863

Included in the financial investments at FVTPL for the current and prior financial years is a private debt securities with a cost of RM405,364,712 and a fair value of RM Nil.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

7. FINANCIAL INVESTMENTS AT FVOCI

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At fair value				
Debt Instruments:				
Money market instruments:				
Malaysia government securities	**20,226**	20,514	**-**	-
Government investment issues	**3,130,358**	2,394,647	**2,894,707**	2,298,841
Cagamas	**4,963**	15,082	**4,963**	10,008
	3,155,547	2,430,243	**2,899,670**	2,308,849
Unquoted securities:				
Corporate bonds and sukuk	**4,213,051**	3,509,405	**3,685,867**	2,896,447
	4,213,051	3,509,405	**3,685,867**	2,896,447
Equity Securities:				
Quoted shares	**9,301**	10,280	**9,301**	10,280
	9,301	10,280	**9,301**	10,280
Total financial investments at FVOCI	**7,377,899**	5,949,928	**6,594,838**	5,215,576

Movements in allowances for impairment which reflect the ECL allowance are as follows:

Group		Lifetime ECL		
	12-Month ECL Stage 1 RM'000	**Not Credit Impaired Stage 2 RM'000**	**Credit Impaired Stage 3 RM'000**	**Total RM'000**
2022				
At 1 January	**1,367**	**117,020**	**-**	**118,387**
Net allowance made	**120**	**41,688**	**-**	**41,808**
New financial investments purchased	**197**	**42,533**	**-**	**42,730**
Net write back	**(77)**	**(845)**	**-**	**(922)**
At 31 December	**1,487**	**158,708**	**-**	**160,195**
2021				
At 1 January	541	65,108	-	65,649
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	-	-
Acquisition of a subsidiary	1,137	-	-	1,137
Net allowance made	193	51,408	-	51,601
New financial investments purchased	93	-	-	93
Net allowance made	100	51,408	-	51,508
At 31 December	1,367	117,020	-	118,387

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

7. FINANCIAL INVESTMENTS AT FVOCI (CONT'D)

Movements in allowances for impairment which reflect the ECL allowance are as follows (cont'd.):

Bank		Lifetime ECL		
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	Total RM'000
2022				
At 1 January	**227**	**117,020**	**-**	**117,247**
Net allowance made	**138**	**41,688**	**-**	**41,826**
New financial investments purchased	**197**	**42,533**	**-**	**42,730**
Net write back	**(59)**	**(845)**	**-**	**(904)**
At 31 December	**365**	**158,708**	**-**	**159,073**
2021				
At 1 January	541	65,108	-	65,649
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	-	-
Net allowance made	190	51,408	-	51,598
New financial investments purchased	85	-	-	85
Net allowance made	105	51,408	-	51,513
At 31 December	227	117,020	-	117,247

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
At amortised cost				
Loans, financing and advances to industries	**18,475,279**	19,558,786	**18,288,132**	19,306,997
Loans, financing and advances to others:				
Staff loan/financing	**2,764**	3,745	**2,764**	3,745
	2,764	3,745	**2,764**	3,745
Gross loans, financing and advances	**18,478,043**	19,562,531	**18,290,896**	19,310,742
Allowance for impairment on loans, financing and advances				
- Stage 1: 12-Month ECL	**(1,149,596)**	(1,479,435)	**(1,144,796)**	(1,473,173)
- Stage 2: Lifetime ECL not credit impaired	**(1,454,468)**	(686,144)	**(1,452,855)**	(683,915)
- Stage 3: Lifetime ECL credit impaired	**(1,193,636)**	(1,322,343)	**(1,159,396)**	(1,288,691)
	(3,797,700)	(3,487,922)	**(3,757,047)**	(3,445,779)
Net loans, financing and advances	**14,680,343**	16,074,609	**14,533,849**	15,864,963

(i) Loans, financing and advances analysed by type are as follows:

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Bai' Bithaman Ajil	**718**	8,517	**449**	7,387
Istisna'	**1,087,645**	1,320,648	**1,087,645**	1,320,648
Ijarah Muntahiyah bi Tamlik	**75,135**	95,584	**1,226**	1,226
Tawarruq financing asset	**14,591,037**	13,873,670	**14,577,560**	13,860,378
Tawarruq financing working capital	**381,635**	393,400	**381,635**	393,400
Tawarruq revolving working capital	**115,109**	130,341	**115,109**	130,341
Factoring-i	**30,650**	36,359	**-**	-
Hire purchase-i	**23,715**	10,942	**-**	-
Term loan	**2,124,156**	3,593,088	**2,122,256**	3,591,490
Revolving working capital	**2,252**	2,127	**2,252**	2,127
Factoring	**11,427**	45,090	**-**	-
Hire purchase	**31,757**	49,007	**-**	-
Leasing	**43**	13	**-**	-
Staff loan/financing	**2,764**	3,745	**2,764**	3,745
Gross loans, financing and advances	**18,478,043**	19,562,531	**18,290,896**	19,310,742
Allowance for impairment on loans, financing and advances:				
- Stage 1: 12-Month ECL	**(1,149,596)**	(1,479,435)	**(1,144,796)**	(1,473,173)
- Stage 2: Lifetime ECL not credit impaired	**(1,454,468)**	(686,144)	**(1,452,855)**	(683,915)
- Stage 3: Lifetime ECL credit impaired	**(1,193,636)**	(1,322,343)	**(1,159,396)**	(1,288,691)
	(3,797,700)	(3,487,922)	**(3,757,047)**	(3,445,779)
Net loans, financing and advances	**14,680,343**	16,074,609	**14,533,849**	15,864,963

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES (CONT'D)

(ii) Loans, financing and advances analysed by type of borrowers/customers are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Domestic business enterprises	**18,475,009**	19,557,657	**18,288,132**	19,306,997
Individuals	**3,034**	4,874	**2,764**	3,745
	18,478,043	19,562,531	**18,290,896**	19,310,742

(iii) Loans, financing and advances analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fixed rate:				
Housing loans/financing	**3,034**	4,874	**2,764**	3,745
Hire purchase receivables	**55,472**	59,949	**-**	-
Other fixed rate loans/financing	**8,897,573**	10,473,480	**8,766,168**	10,282,769
Variable rate:				
Cost plus	**3,165,908**	3,501,328	**3,165,908**	3,501,328
Other variable rates	**6,356,056**	5,522,900	**6,356,056**	5,522,900
	18,478,043	19,562,531	**18,290,896**	19,310,742

(iv) Loans, financing and advances analysed by industry are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Construction	**8,416,344**	9,308,535	**8,416,344**	9,308,535
Education	**1,438,370**	1,599,556	**1,438,370**	1,599,556
Electricity, gas and water supply	**850,734**	558,409	**843,115**	551,774
Finance, insurance/takaful and business	**70,794**	72,559	**-**	-
Hotel and restaurants	**1,412,926**	1,478,724	**1,358,171**	1,410,111
Housing	**2,764**	4,874	**2,764**	3,745
Manufacturing	**321,399**	310,110	**321,257**	310,110
Marine related	**440,548**	483,143	**440,548**	483,143
Medical and pharmaceuticals	**-**	2,269	**-**	2,269
Other community, social and personal service activities	**370,613**	473,690	**350,884**	416,756
Public administration and defence	**11,310**	20,964	**11,310**	20,964
Real estate, renting and business activities	**1,435,720**	1,407,301	**1,435,720**	1,407,301
Shipping	**856,467**	1,035,218	**856,467**	1,035,218
Shipyard	**115,109**	130,341	**115,109**	130,341
Transport, storage and communication	**2,734,945**	2,676,838	**2,700,837**	2,630,919
	18,478,043	19,562,531	**18,290,896**	19,310,742

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES (CONT'D)

(v) The maturity structure of loans, financing and advances is as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Maturity within one year	**2,437,400**	2,241,853	**2,359,761**	2,134,485
One year to three years	**2,231,851**	2,678,030	**2,196,281**	2,607,382
Three years to five years	**3,221,928**	3,277,967	**3,147,990**	3,204,194
Over five years	**10,586,864**	11,364,681	**10,586,864**	11,364,681
	18,478,043	19,562,531	**18,290,896**	19,310,742

(vi) Loans, financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Within Malaysia	**18,478,043**	19,562,531	**18,290,896**	19,310,742

(vii) Movements in gross loans, financing and advances are as follows:

Group	**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 RM'000**
2022				
At 1 January	**15,299,317**	**2,203,617**	**2,059,597**	**19,562,531**
- Transfer to 12-month ECL (Stage 1)	**17,941**	**(17,941)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,805,756)**	**2,856,566**	**(50,810)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(345,580)**	**(127)**	**345,707**	**-**
Remeasurement, net	**608,776**	**19,903**	**(53,892)**	**574,787**
New accounts	**295,557**	**15,084**	**-**	**310,641**
Matured accounts	**(1,758,085)**	**(4,582)**	**(51,404)**	**(1,814,071)**
Written-off	**-**	**-**	**(155,845)**	**(155,845)**
At 31 December	**11,312,170**	**5,072,520**	**2,093,353**	**18,478,043**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES (CONT'D)

(vii) Movements in gross loans, financing and advances are as follows: (cont'd)

Group	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 RM'000
2021				
At 1 January	14,898,353	1,723,153	2,116,328	18,737,834
- Transfer to 12-month ECL (Stage 1)	50,861	(31,852)	(19,009)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(286,249)	365,675	(79,426)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(92,026)	(128,554)	220,580	-
Remeasurement, net	1,647,263	272,573	(48,026)	1,871,810
New accounts	1,067,208	3,415	-	1,070,623
Matured accounts	(1,986,093)	(793)	(12,136)	(1,999,022)
Written-off	-	-	(118,714)	(118,714)
At 31 December	15,299,317	2,203,617	2,059,597	19,562,531

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 RM'000
2022				
At 1 January	**15,091,198**	**2,193,597**	**2,025,947**	**19,310,742**
- Transfer to 12-month ECL (Stage 1)	**11,310**	**(11,310)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,805,756)**	**2,856,566**	**(50,810)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(340,373)**	**-**	**340,373**	**-**
Remeasurement, net	**457,690**	**11,217**	**(55,679)**	**413,228**
New accounts	**75,649**	**15,084**	**-**	**90,733**
Matured accounts	**(1,323,089)**	**-**	**(47,320)**	**(1,370,409)**
Written-off	**-**	**-**	**(153,398)**	**(153,398)**
At 31 December	**11,166,629**	**5,065,154**	**2,059,113**	**18,290,896**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES (CONT'D)

(vii) Movements in gross loans, financing and advances are as follows: (cont'd)

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 RM'000
2021				
At 1 January	14,739,219	1,686,162	2,093,919	18,519,300
- Transfer to 12-month ECL (Stage 1)	32,571	(13,907)	(18,664)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(273,988)	353,414	(79,426)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(82,684)	(124,429)	207,113	-
Remeasurement, net	1,398,492	292,357	(47,546)	1,643,303
New accounts	834,204	-	-	834,204
Matured accounts	(1,556,616)	-	(10,735)	(1,567,351)
Written-off	-	-	(118,714)	(118,714)
At 31 December	15,091,198	2,193,597	2,025,947	19,310,742

(viii) Impaired loans, financing and advances analysed by industry are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Construction	**707,345**	378,337	**707,345**	378,337
Education	**23,855**	23,829	**23,855**	23,829
Electricity, gas and water supply	**159,227**	154,589	**154,525**	154,589
Hotel and restaurants	**609,452**	681,863	**600,209**	663,094
Manufacturing	**55,585**	49,561	**55,585**	49,561
Medical and pharmaceuticals	**-**	2,268	**-**	2,268
Other community, social and personal service activities	**65,282**	123,401	**55,152**	120,205
Shipping	**334,190**	501,999	**334,190**	501,999
Transport, storage and communication	**138,417**	143,750	**128,252**	132,065
	2,093,353	2,059,597	**2,059,113**	2,025,947
Gross impaired loans, financing and advances as a % of gross loans, financing and advances	**11.33%**	10.53%	**11.26%**	10.49%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES (CONT'D)

(ix) Movements in the allowance for impairment of loans, financing and advances are as follows:

Group

	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 RM'000
2022				
At 1 January	**1,479,435**	**686,144**	**1,322,343**	**3,487,922**
- Transfer to 12-month ECL (Stage 1)	**459,941**	**(432,329)**	**(27,612)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(887,987)**	**925,696**	**(37,709)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(59,729)**	**(7,666)**	**67,395**	**-**
Allowance made, net	**157,936**	**282,623**	**13,785**	**454,344**
Amount written off	**-**	**-**	**(144,566)**	**(144,566)**
At 31 December	**1,149,596**	**1,454,468**	**1,193,636**	**3,797,700**
2021				
At 1 January	1,135,555	675,650	1,342,560	3,153,765
- Transfer to 12-month ECL (Stage 1)	18,354	(5,525)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,664)	91,695	(59,031)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(100,876)	114,947	-
Allowance made, net	372,261	25,200	46,602	444,063
Amount written off	-	-	(109,906)	(109,906)
At 31 December	1,479,435	686,144	1,322,343	3,487,922

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 RM'000
2022				
At 1 January	**1,473,173**	**683,915**	**1,288,691**	**3,445,779**
- Transfer to 12-month ECL (Stage 1)	**459,266**	**(431,654)**	**(27,612)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(887,987)**	**925,696**	**(37,709)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(54,522)**	**(7,539)**	**62,061**	**-**
Allowance made, net	**154,866**	**282,437**	**16,082**	**453,385**
Amount written off	**-**	**-**	**(142,117)**	**(142,117)**
At 31 December	**1,144,796**	**1,452,855**	**1,159,396**	**3,757,047**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

8. LOANS, FINANCING AND ADVANCES (CONT'D)

(ix) Movements in the allowance for impairment of loans, financing and advances are as follows: (cont'd)

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 RM'000**
2021				
At 1 January	1,129,228	673,057	1,322,598	3,124,883
- Transfer to 12-month ECL (Stage 1)	18,147	(5,318)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	91,853	(59,031)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance made, net	372,691	18,245	39,866	430,802
Amount written off	-	-	(109,906)	(109,906)
At 31 December	1,473,173	683,915	1,288,691	3,445,779

9. INSURANCE RECEIVABLES

	Group 2022 RM'000	**2021 RM'000**
Premium receivables	**187,411**	196,759
Guarantee fee related receivables	**-**	400
Less: Allowance for doubtful debts	**-**	(400)
	-	-
Total insurance receivables	**187,411**	196,759
Receivable within 12 months	**36,704**	40,946
Receivable after 12 months	**150,707**	155,813
	187,411	196,759
Gross/net amount of recognised financial assets presented in the statement of financial position	**187,411**	196,759

There are no financial liabilities subject to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral as at 31 December 2022 (2021: Nil)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

10. REINSURANCE ASSETS

	Group	
	2022 RM'000	**2021 RM'000**
Reinsurance assets	**393**	642
Receivable within 12 months	**393**	407
Receivable after 12 months	**-**	235
	393	642

11. OTHER ASSETS

		Group		Bank	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Sundry receivables, deposits and prepayments	(i)	**302,046**	308,157	**7,058**	8,145
Less: Allowance for doubtful debts	(ii)	**(283,483)**	(283,427)	**(658)**	(562)
		18,563	24,730	**6,400**	7,583
Amount due from subsidiaries		**-**	-	**5,494**	252
Amount receivable from Government in respect of compensation for:					
Infrastructure projects		**244,395**	196,207	**244,395**	196,207
Foreign exchange differences		**-**	85,361	**-**	85,361
Claim recoverable		**-**	27,303	**-**	-
Tax recoverable		**51,122**	75,962	**34,322**	48,447
		314,080	409,563	**290,611**	337,850

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from Syarikat Borcos Shipping Sdn Bhd ("Borcos"), a former subsidiary of Global Maritime Ventures Berhad ("GMVB") amounting to RM280,185,000 (2021: RM280,185,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

11. OTHER ASSETS (CONT'D)

(ii) Allowance for doubtful debts

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	**283,427**	292,976	**562**	647
Allowance for ex-staff loan/financing:				
Stage 1 - 12-month ECL, net	**(1)**	(1)	**(1)**	(1)
Stage 3 - Lifetime ECL credit impaired, net	**97**	(84)	**97**	(84)
Recovered during the financial year:				
- Factoring	**(40)**	(30)	**-**	-
Reversal of impairment loss	**-**	(9,277)	**-**	-
Amount written off	**-**	(157)	**-**	-
At 31 December	**283,483**	283,427	**658**	562

12. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2022 RM'000	**2021 RM'000**
Unquoted shares, at cost	**2,830,356**	922,939
Additional capital contribution due to waiver of debt	**68,750**	68,750
Acquisition of a subsidiary (Note 51)	**-**	1,907,417
Additional deferred consideration of a subsidiary	**1,847**	-
Capital reduction	**(1,600)**	-
	2,899,353	2,899,106
Less: Allowance for impairment on investments in subsidiaries	**(704,643)**	(730,167)
	2,194,710	2,168,939
Movement of allowance for impairment:		
As at 1 January	**730,167**	736,922
Amount written back during the year	**(25,524)**	(6,755)
At 31 December	**704,643**	730,167

* Refer to Note 50 for the list of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the year, the Bank made a final settlement for deferred consideration amounting to RM29,149,961 for the purchase of Danajamin.

	2022 RM'000
Final consideration paid	**(29,150)**
Deferred consideration (Note 51(ii))	**27,303**
Additional purchase consideration	**(1,847)**

	2022 RM'000
Impact to merger deficit:	
Balance brought forward	**(18,341)**
Additional purchase consideration	**(1,847)**
Merger deficit as at 31 December	**(20,188)**

(a) Subsidiary with significant non-controlling interest

The summarised financial information of Global Maritime Ventures Berhad ("GMVB") which have significant non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination:

(i) Summarised statement of financial position

	GMVB	
	2022 **RM'000**	**2021** **RM'000**
Non current assets	**5,549**	5,456
Current assets	**111,997**	108,563
Total assets	**117,546**	114,019
Current liabilities	**8,278**	8,986
Total liabilities	**8,278**	8,986
Net assets	**109,268**	105,033
Equity attributable to the owners of the company	**106,344**	102,186
Carrying value of non-controlling interests	**2,924**	2,847

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Subsidiary with significant non-controlling interest (cont'd)

(ii) Summarised statement of comprehensive income

	GMVB	
	2022 RM'000	**2021 RM'000**
Other income	**5,993**	14,726
Administrative expenses	**(1,647)**	(6,975)
Share of profit/(loss) of joint ventures and associates	**97**	(2)
Gain on deconsolidation of dissolve companies	**68**	-
Profit before taxation	**4,511**	7,749
Taxation	**(538)**	(497)
Zakat	**-**	(11)
Profit for the year	**3,973**	7,241
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	**262**	384
	262	384
Total comprehensive income for the year	**4,235**	7,625
Profit for the year attributable to:		
Equity holders of the parent	**3,974**	7,258
Non-controlling interest	**(1)**	(17)
	3,973	7,241
Total comprehensive income attributable to:		
Equity holders of the parent	**4,158**	7,527
Non-controlling interest	**77**	98
	4,235	7,625

(iii) Summarised statement of cash flows

	GMVB	
	2022 RM'000	**2021 RM'000**
Net cash generated from operating activities	**2,767**	7,502
Net cash used in investing activities	**(18,294)**	(15,820)
Net decrease in cash and cash equivalents	**(15,527)**	(8,318)
Cash and cash equivalents at beginning of the year	**16,593**	24,911
Cash and cash equivalents at the end of the year	**1,066**	16,593

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

12. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Dissolution of subsidiary

During the financial year ended 2022, Bahtera Berlian Sdn Bhd was dissolved and deconsolidated on 14 December 2022.

Details of the deconsolidation of the subsidiary as at the date of dissolution were as follows:

	Total RM'000
Assets	
Tax recoverable	**5**
Cash and bank balances	**636**
	641
Liabilities	
Payable and accruals	**51**
	51
Net assets	**590**

	At the date of dissolution RM'000
Capital distribution received	**658**
Net identifiable assets disposed @ 100%	**(590)**
Gain on deconsolidation	**68**

The effect of the disposal on cash flows is as follows:

Cash and bank balances of dissolved subsidiary	**(636)**
Cash outflow to the Group on dissolution	**(636)**

13. INTEREST IN ASSOCIATES

	Group 2022 RM'000	Group 2021 RM'000
At cost:		
Unquoted ordinary shares	**300**	300
Group's share of post acquisition reserve	**338**	241
	638	541

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

13. INTEREST IN ASSOCIATES (CONT'D)

Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group 2022 %	2021 %	Principal Activities
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd	**27.0**	27.0	Ship management
Held through SME Growth Acceleration Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Ambang Wibawa Sdn Bhd*	**26.0**	26.0	Dormant
Cantuman Wawasan Sdn Bhd*	**26.0**	26.0	Dormant
Internexia Sdn Bhd*^	**26.0**	26.0	Dormant
MS Time Ventures Sdn Bhd*	**26.0**	26.0	Dormant
Profound Kestrel Laboratories Sdn Bhd*	**49.0**	49.0	Dormant

* Audited by firms of auditors other than Ernst & Young PLT, Malaysia.
^ Represent companies dissolved during the year.

The summarised financial statements of the associates not adjusted for the proportion of ownership interest held by the Group are as follows:

(a) Summarised statement of financial position

	Group 2022 RM'000	2021 RM'000
Total assets	**2,141**	2,060
Total liabilities	**16**	256

(b) Summarised statement of profit or loss

	Group 2022 RM'000	2021 RM'000
Revenue	**-**	-
Profit/(loss) for the year	**96**	(11)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

13. INTEREST IN ASSOCIATES (CONT'D)

The summarised financial statements of the associates not adjusted for the proportion of ownership interest held by the Group are as follows: (cont'd)

(c) Reconciliation of the summarised financial information

	Group	
	2022 RM'000	**2021 RM'000**
Net assets at 1 January	**1,804**	1,810
Loss for the financial year	**96**	(11)
Other comprehensive income	**225**	5
Net assets at 31 December	**2,125**	1,804
Interest in associates	**30%**	30%
Carrying value of Group's interest in associates	**638**	541

14. INTEREST IN JOINT VENTURES

	Group	
	2022 RM'000	**2021 RM'000**
At cost:		
Unquoted ordinary shares	**11,274**	11,274
Group's share of post acquisition deficit	**(11,274)**	(11,274)
	-	-
Advances to JV:		
Within 1 year	**8,412**	8,412
Less: Allowance for doubtful debts	**(8,412)**	(8,412)
	-	-

The advances to JV bear an interest of 5% (2021: 5%) per annum and are repayable on a quarterly basis over a period of 1 year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

14. INTEREST IN JOINT VENTURES (CONT'D)

Details of the JV are as follows:

Name of JV (incorporated in Malaysia)	Effective interest held by the Group 2022 %	2021 %	Principal Activities
Held through GMVB, a subsidiary:			
Alam Eksplorasi (M) Sdn Bhd^	**36.00**	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc^	**36.00**	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc^	**36.00**	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc^	**36.00**	36.00	Ship-owning, ship operator and charter hire of vessel

^ Collectively known as Alam Group

The aggregate current assets, current liabilities and result of the JV are as follows:

(a) Summarised statement of financial position

	2022 RM'000	2021 RM'000
Assets:		
Current assets	**5,683**	15,516
Total assets	**5,683**	15,516
Liabilities:		
Current liabilities	**49,909**	58,255
Total liabilities	**49,909**	58,255
Net liabilities	**(44,226)**	(42,739)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

14. INTEREST IN JOINT VENTURES (CONT'D)

The aggregate current assets, current liabilities and result of the JV are as follows (cont'd):

(b) Summarised statement of profit or loss

	2022 RM'000	2021 RM'000
Revenue	**-**	-
Cost of sales	**(136)**	(7,466)
Gross loss	**(136)**	(7,466)
Other income	**716**	1,135
Operating expenses	**(1,858)**	(1,519)
Loss from operations	**(1,278)**	(7,850)
Finance costs	**(209)**	(1,932)
Loss before taxation	**(1,487)**	(9,782)
Taxation	**-**	-
Loss for the year	**(1,487)**	(9,782)

(c) Reconciliation of the summarised financial information

	2022 RM'000	2021 RM'000
Net liabilities at 1 January	**(42,739)**	(32,957)
Loss for the year	**(1,487)**	(9,782)
Net liabilities at 31 December	**(44,226)**	(42,739)
Interests in joint ventures	**26,535**	25,643
Carrying value of Group's interest in joint ventures	**(17,691)**	(17,096)
Less: Cumulative unrecognised losses b/f	**17,096**	29,518
Share of unrecognised losses for the year	**595**	(12,422)
Net carrying value of Group's interest in joint ventures	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
2022								
Cost								
At 1 January	**17,973**	**71,617**	**36,927**	**2,121**	**5,438**	**50,694**	**282**	**185,052**
Additions	**-**	**-**	**3,593**	**233**	**3**	**370**	**3,057**	**7,256**
Transfer to furniture and equipment	**-**	**-**	**500**	**-**	**-**	**-**	**(500)**	**-**
Disposals/write-off	**-**	**-**	**(2,994)**	**(5)**	**(2,460)**	**-**	**-**	**(5,459)**
Transfer to intangible assets (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**(2,577)**	**(2,577)**
At 31 December	**17,973**	**71,617**	**38,026**	**2,349**	**2,981**	**51,064**	**262**	**184,272**
Accumulated depreciation								
At 1 January	**-**	**19,582**	**28,674**	**1,531**	**5,431**	**45,439**	**-**	**100,657**
Charge for the year	**-**	**1,433**	**2,478**	**348**	**2**	**1,193**	**-**	**5,454**
Disposals/write-off	**-**	**-**	**(2,952)**	**(5)**	**(2,455)**	**-**	**-**	**(5,412)**
At 31 December	**-**	**21,015**	**28,200**	**1,874**	**2,978**	**46,632**	**-**	**100,699**
Net carrying amount	**17,973**	**50,602**	**9,826**	**475**	**3**	**4,432**	**262**	**83,573**
2021								
Cost								
At 1 January	17,973	71,617	30,300	2,116	2,978	46,217	1,114	172,315
Additions	-	-	4,514	-	-	43	326	4,883
Reclassification	-	-	129	-	-	493	(622)	-
Disposals/write-off	-	-	(205)	-	-	(5)	-	(210)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(536)	(536)
Acquisition of a subsidiary	-	-	2,189	5	2,460	3,946	-	8,600
At 31 December	17,973	71,617	36,927	2,121	5,438	50,694	282	185,052
Accumulated depreciation								
At 1 January	-	18,151	25,119	1,177	2,863	40,583	-	87,893
Charge for the year	-	1,431	1,589	356	116	1,194	-	4,686
Charge borne by a related party	-	-	-	-	-	1	-	1
Disposals/write-off	-	-	(121)	-	-	(5)	-	(126)
Acquisition of a subsidiary	-	-	2,087	(2)	2,452	3,666	-	8,203
At 31 December	-	19,582	28,674	1,531	5,431	45,439	-	100,657
Net carrying amount	17,973	52,035	8,253	590	7	5,255	282	84,395

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Bank	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
2022								
Cost								
At 1 January	**17,973**	**71,617**	**31,256**	**1,749**	**2,949**	**46,753**	**282**	**172,579**
Additions	**-**	**-**	**3,232**	**-**	**3**	**370**	**3,057**	**6,662**
Transfer to furniture and equipment	**-**	**-**	**500**	**-**	**-**	**-**	**(500)**	**-**
Disposals/write off	**-**	**-**	**(139)**	**-**	**-**	**-**	**-**	**(139)**
Transfer to intangible assets (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**(2,577)**	**(2,577)**
At 31 December	**17,973**	**71,617**	**34,849**	**1,749**	**2,952**	**47,123**	**262**	**176,525**
Accumulated depreciation								
At 1 January	**-**	**19,582**	**23,349**	**1,162**	**2,949**	**41,730**	**-**	**88,772**
Charge for the year	**-**	**1,433**	**2,135**	**347**	**-**	**1,193**	**-**	**5,108**
Disposals/write off	**-**	**-**	**(120)**	**-**	**-**	**-**	**-**	**(120)**
At 31 December	**-**	**21,015**	**25,364**	**1,509**	**2,949**	**42,923**	**-**	**93,760**
Net carrying amount	**17,973**	**50,602**	**9,485**	**240**	**3**	**4,200**	**262**	**82,765**
2021								
Cost								
At 1 January	17,973	71,617	26,834	1,749	2,949	46,217	1,114	168,453
Additions	-	-	4,415	-	-	43	326	4,784
Reclassification	-	-	129	-	-	493	(622)	-
Disposals/write off	-	-	(122)	-	-	-	-	(122)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(536)	(536)
At 31 December	17,973	71,617	31,256	1,749	2,949	46,753	282	172,579
Accumulated depreciation								
At 1 January	-	18,151	21,893	812	2,834	40,583	-	84,273
Charge for the year	-	1,431	1,494	350	115	1,147	-	4,537
Disposals/write off	-	-	(38)	-	-	-	-	(38)
At 31 December	-	19,582	23,349	1,162	2,949	41,730	-	88,772
Net carrying amount	17,973	52,035	7,907	587	-	5,023	282	83,807

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16. INVESTMENT PROPERTIES

	Group and Bank 2022 RM'000	2021 RM'000
Cost		
At 1 January	**382**	382
At 31 December	**382**	382
Depreciation		
At 1 January	**60**	52
Charge for the year	**8**	8
At 31 December	**68**	60
Carrying amount	**314**	322

	Group and Bank 2022 RM'000	2021 RM'000
Included in the above are:		
Buildings	**314**	322
	314	322

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank to be RM560,000 (2021: RM560,000) and RM560,000 (2021: RM560,000) respectively which have been determined by an accredited independent valuer.

17. INTANGIBLE ASSETS

	Computer software			
	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cost				
At 1 January	**47,517**	35,838	**35,708**	31,745
Addition	**5,599**	3,705	**5,291**	3,427
Disposals/write-off	**(1,670)**	-	**-**	-
Transfer from property, plant and equipment (Note 15)	**2,577**	536	**2,577**	536
Acquisition of a subsidiary	**-**	7,438	**-**	-
At 31 December	**54,023**	47,517	**43,576**	35,708
Amortisation				
At 1 January	**39,495**	29,728	**28,230**	25,700
Amortisation charged	**2,943**	2,642	**2,550**	2,530
Disposals/write-off	**(1,670)**	-	**-**	-
Amortisation borne by a related party	**-**	2	**-**	-
Acquisition of a subsidiary	**-**	7,123	**-**	-
At 31 December	**40,768**	39,495	**30,780**	28,230
Carrying amount	**13,255**	8,022	**12,796**	7,478

NOTES TO THE FINANCIAL STATEMENTS
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18. LEASES

(a) The carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2022			
Cost			
At 1 January	**4,367**	**509**	**4,876**
Addition	**219**	**-**	**219**
Matured	**-**	**(131)**	**(131)**
At 31 December	**4,586**	**378**	**4,964**
Depreciation			
At 1 January	**3,774**	**256**	**4,030**
Charge for the year	**776**	**109**	**885**
Matured for the year	**-**	**(131)**	**(131)**
Acquisition of a subsidiary	**-**	**-**	**-**
At 31 December	**4,550**	**234**	**4,784**
Carrying amount	**36**	**144**	**180**
2021			
Cost			
At 1 January	-	669	669
Addition	-	87	87
Matured	-	(247)	(247)
Acquisition of a subsidiary	4,367	-	4,367
At 31 December	4,367	509	4,876
Depreciation			
At 1 January	-	338	338
Charge for the year	216	165	381
Charge borne by related party	6	-	6
Matured for the year	-	(247)	(247)
Acquisition of a subsidiary	3,552	-	3,552
At 31 December	3,774	256	4,030
Carrying amount	593	253	846

NOTES TO THE FINANCIAL STATEMENTS
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18. LEASES (CONT'D)

(a) The carrying amounts of right-of-use assets recognised and the movements during the year: (cont'd)

Bank	Other equipment 2022 RM'000	Other equipment 2021 RM'000
Cost		
At 1 January	**453**	613
Addition	**-**	87
Matured	**(131)**	(247)
At 31 December	**322**	453
Depreciation		
At 1 January	**217**	312
Charge for the year	**95**	152
Matured for the year	**(131)**	(247)
At 31 December	**181**	217
Carrying amount	**141**	236

(b) The carrying amounts of lease liabilities and the movements during the year:

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2022			
At 1 January	**604**	**263**	**867**
Addition during the year	**219**	**-**	**219**
Accretion of interest	**17**	**14**	**31**
Payments	**(803)**	**(122)**	**(925)**
At 31 December	**37**	**155**	**192**
Current	**37**	**86**	**123**
Non-current	**-**	**69**	**69**
	37	**155**	**192**
2021			
At 1 January	-	344	344
Addition during the year	-	87	87
Accretion of interest	6	19	25
Payments	(228)	(187)	(415)
Acquisition of a subsidiary	826	-	826
At 31 December	604	263	867
Current	604	96	700
Non-current	-	167	167
	604	263	867

NOTES TO THE FINANCIAL STATEMENTS
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18. LEASES (CONT'D)

(b) The carrying amounts of lease liabilities and the movements during the year: (cont'd)

Bank	Other equipment 2022 RM'000	Other equipment 2021 RM'000
At 1 January	**245**	313
Addition during the year	**-**	87
Accretion of interest	**12**	17
Payments	**(107)**	(172)
At 31 December	**150**	245
Current	**86**	95
Non-current	**64**	150
	150	245

The maturity analysis of lease liabilities are disclosed in Note 52 c(i).

(c) The following are the amounts recognised in profit or loss:

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2022			
Depreciation expense of right-of-use assets	**776**	**109**	**885**
Interest expense on lease liabilities (Note 33)	**17**	**2**	**19**
Finance cost on lease liabilities (Note 54(r))	**-**	**12**	**12**
Expense relating to leases of low-value assets (included in overhead expenses)	**-**	**208**	**208**
Total amount recognised in profit or loss	**793**	**331**	**1,124**
2021			
Depreciation expense of right-of-use assets	216	165	381
Interest expense on lease liabilities (Note 33)	6	2	8
Finance cost on lease liabilities (Note 54(r))	-	17	17
Expense relating to leases of low-value assets (included in overhead expenses)	-	168	168
Total amount recognised in profit or loss	222	352	574

Bank	Other equipment 2022 RM'000	Other equipment 2021 RM'000
Depreciation expense of right-of-use assets	**95**	152
Finance cost on lease liabilities (Note 54(r))	**12**	17
Expense relating to leases of low-value assets (included in overhead expenses)	**208**	168
Total amount recognised in profit or loss	**315**	337

NOTES TO THE FINANCIAL STATEMENTS
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19. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	**291,452**	116,343	**294,762**	114,787
Recognised in statement of profit or loss	**95,735**	90,645	**97,983**	90,118
Recognised in other comprehensive income	**27,269**	90,274	**24,626**	89,857
Acquisition of a subsidiary	**-**	(5,810)	**-**	-
At 31 December	**414,456**	291,452	**417,371**	294,762

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 net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsettings are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Deferred tax assets	**417,587**	296,638	**417,371**	294,762
Deferred tax liabilities	**(3,131)**	(5,186)	**-**	-
	414,456	291,452	**417,371**	294,762

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Deferred tax assets	**418,631**	297,912	**417,801**	295,302
Deferred tax liabilities	**(4,175)**	(6,460)	**(430)**	(540)
	414,456	291,452	**417,371**	294,762

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

Deferred tax assets

Group	**Loan/ financing loss and allowances RM'000**	**Unrealised FVOCI reserve RM'000**	**Provisions and other temporary differences RM'000**	**Property, plant and equipment RM'000**	**Total RM'000**
At 1 January 2022	**260,557**	**30,878**	**4,377**	**2,100**	**297,912**
Recognised in statement of profit or loss	**91,971**	**5,094**	**531**	**(1,870)**	**95,726**
Recognised in other comprehensive income	**-**	**24,626**	**-**	**-**	**24,626**
Reclassification to liabilities	**284**	**-**	**-**	**83**	**367**
At 31 December 2022	**352,812**	**60,598**	**4,908**	**313**	**418,631**

NOTES TO THE FINANCIAL STATEMENTS
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19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd)

Deferred tax assets (cont'd)

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Provisions and other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	176,634	-	3,313	2,034	181,981
Recognised in statement of profit or loss	83,923	14,043	586	80	98,632
Recognised in other comprehensive income	-	16,835	-	-	16,835
Acquisition of a subsidiary	-	-	478	(14)	464
At 31 December 2021	260,557	30,878	4,377	2,100	297,912

Deferred tax liabilities

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2022	**128**	**(5,858)**	**(730)**	**(6,460)**
Recognised in statement of profit or loss	**(101)**	**-**	**110**	**9**
Recognised in other comprehensive income	**-**	**2,643**	**-**	**2,643**
Reclassification from assets	**(284)**	**-**	**(83)**	**(367)**
At 31 December 2022	**(257)**	**(3,215)**	**(703)**	**(4,175)**
At 1 January 2021	(239)	(65,210)	(189)	(65,638)
Recognised in statement of profit or loss	367	(7,813)	(541)	(7,987)
Recognised in other comprehensive income	-	73,439	-	73,439
Acquisition of a subsidiary	-	(6,274)	-	(6,274)
At 31 December 2021	128	(5,858)	(730)	(6,460)

NOTES TO THE FINANCIAL STATEMENTS
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19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd)

Deferred tax assets

Bank	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2022	**261,009**	**30,878**	**3,415**	**295,302**
Recognised in statement of profit or loss	**92,279**	**5,094**	**500**	**97,873**
Recognised in other comprehensive income	**-**	**24,626**	**-**	**24,626**
At 31 December 2022	**353,288**	**60,598**	**3,915**	**417,801**
At 1 January 2021	177,110	-	2,886	179,996
Recognised in statement of profit or loss	83,899	14,043	529	98,471
Recognised in other comprehensive income	-	16,835	-	16,835
At 31 December 2021	261,009	30,878	3,415	295,302

Deferred tax liabilities

Bank	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2022	**-**	**(540)**	**(540)**
Recognised in statement of profit or loss	**-**	**110**	**110**
At 31 December 2022	**-**	**(430)**	**(430)**
At 1 January 2021	(65,210)	1	(65,209)
Recognised in statement of profit or loss	(7,812)	(541)	(8,353)
Recognised in other comprehensive income	73,022	-	73,022
At 31 December 2021	-	(540)	(540)

NOTES TO THE FINANCIAL STATEMENTS
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20. DEPOSITS FROM CUSTOMERS

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	**7,156,123**	5,974,752

(a) The deposits are sourced from the following types of deposit:

	2022 RM'000	2021 RM'000
Tawarruq	**7,156,123**	5,974,752

(b) The deposits are sourced from the following types of customers:

	2022 RM'000	2021 RM'000
Business enterprises	**3,760,974**	2,880,530
Government and statutory bodies	**3,395,149**	3,094,222
	7,156,123	5,974,752

(c) The deposits maturity structure are as follows:

	2022 RM'000	2021 RM'000
Less than six months	**6,201,706**	5,039,201
Six months to one year	**672,163**	584,378
One year to three years	**282,254**	280,362
Three years to five years	**-**	70,811
	7,156,123	5,974,752

21. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
At amortised cost		
Licensed banks	**1,852,552**	1,031,496

(a) The deposits maturity structure are as follows:

	2022 RM'000	2021 RM'000
Less than six months	**1,852,552**	1,031,496

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

22. PREMIUM LIABILITIES

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2022				
Unexpired risk reserve				
At 1 January		**261,598**	**(642)**	**260,956**
Premiums written during the year	34	**38,514**	**-**	**38,514**
Premiums earned during the year	34	**(77,444)**	**249**	**(77,195)**
At 31 December		**222,668**	**(393)**	**222,275**
Payable within 12 months		**47,337**	**(393)**	**46,944**
Payable after 12 months		**175,331**	**-**	**175,331**
		222,668	**(393)**	**222,275**
2021				
Unexpired risk reserve				
At 1 January		-	-	-
Acquisition of a subsidiary		265,018	(784)	264,234
Premiums written during the year	34	6,731	-	6,731
Premiums earned during the year	34	(10,151)	142	(10,009)
At 31 December		261,598	(642)	260,956
Payable within 12 months		66,243	(407)	65,836
Payable after 12 months		195,355	(235)	195,120
		261,598	(642)	260,956

The URR calculation for the financial period ended 31 December 2021 has taken into account the COVID-19 pandemic impact assessments which included adjustments to obligors' credit rating and valuation of their collaterals/securities.

23. INSURANCE PAYABLES

	Group 2022 RM'000	Group 2021 RM'000
Reinsurance premiums payable	**-**	427
Payable within 12 months	**-**	427
Payable after 12 months	**-**	-
	-	427
Gross/net amount of recognised financial liabilities presented in the statements of financial position	**-**	427

There are no financial assets subject to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral as at 31 December 2022 (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS
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24. OTHER LIABILITIES

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Provision for taxation	**12,697**	-	**-**	-
Zakat payables	**15,673**	12,277	**13,992**	10,991
Bank guarantee/Kafalah fees received in advance	**10,924**	16,822	**10,032**	15,677
Trade creditors	**389**	1,171	**-**	-
Security deposits	**20,201**	18,058	**-**	-
Sundry creditors and accruals	**67,333**	63,143	**44,690**	33,130
Deferred consideration for acquisition of a subsidiary (Note 12 and 51(ii))	**-**	27,303	**-**	27,303
	127,217	138,774	**68,714**	87,101

25. REDEEMABLE NOTES

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Redeemable non-guaranteed notes					
Sukuk Murabahah	(i)	**2,527,507**	3,034,467	**2,527,507**	3,034,467
Sukuk Wakalah	(ii)	**2,259,654**	2,259,654	**2,259,654**	2,259,654
Sustainable Development Sukuk Wakalah	(iii)	**453,311**	453,311	**453,311**	453,311
		5,240,472	5,747,432	**5,240,472**	5,747,432
Redeemable guaranteed notes					
Medium term notes	(iv)	**510,718**	510,718	**510,718**	510,718
Sukuk Murabahah	(v)	**2,333,208**	2,838,630	**2,333,208**	2,332,909
		2,843,926	3,349,348	**2,843,926**	2,843,627
Infrastructure notes - nominal value	(vi)	**151,911**	202,630	**151,911**	202,630
Less: Unaccreted discount		**(1,150)**	(1,557)	**(1,150)**	(1,557)
		150,761	201,073	**150,761**	201,073
		8,235,159	9,297,853	**8,235,159**	8,792,132

(i) These sukuk carry profit rates ranging between 4.62% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2027, 2032 and November 2026, 2031 and 2035 respectively.

(ii) These sukuk carry profit rates ranging between 2.80% to 4.05% per annum and for tenures of 5 years to 10 years. These sukuk will mature in June 2026, 2028, 2031 and October 2025, 2027 and 2030 respectively.

(iii) This sukuk carries a profit rate of 3.95% with a tenure of 7 years. This sukuk will mature in October 2028.

(iv) These notes carry coupon rates ranging between 4.52% to 5.08% per annum and for tenures of 7 to 15 years. These notes will mature in January 2023 and 2031.

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25. REDEEMABLE NOTES (CONT'D)

(v) These sukuk carry profit rates ranging between 4.38% to 4.85% per annum and for tenures of 10 to 20 years. These sukuk will mature in September 2024, 2029, 2034 and October 2027 respectively. Included in these sukuk is a subordinated sukuk amounting to RM500,000,000 and the subsidiary has decided to exercise its call option to redeem the issuance in October 2022 considering the impending business transfer from Danajamin to BPMB. The payment to redeem the subordinate sukuk was made on 6 October 2022.

(vi) This note has a maturity of 25 years with nominal value of RM150,000,000 (2021: RM200,000,000), which carries a coupon rate of 7.50% (2021: 7.50%) per annum. The note will mature in October 2025.

The movements in the redeemable notes are as follows:

	Non-Murabahah		Murabahah	
Group and Bank	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Redeemable non-guaranteed notes				
Principal				
At 1 January	**-**	400,000	**3,000,000**	3,000,000
Repayment/payment during the year	**-**	(400,000)	**(500,000)**	-
At 31 December	**-**	-	**2,500,000**	3,000,000
Accrued interest/profit payable				
At 1 January	**-**	4,626	**34,467**	34,661
Charge for the year	**-**	7,733	**122,505**	139,971
Repayment/payment during the year	**-**	(12,359)	**(129,465)**	(140,165)
At 31 December	**-**	-	**27,507**	34,467
	-	-	**2,527,507**	3,034,467

	Sustainable Development Wakalah		Wakalah	
Group and Bank	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Redeemable non-guaranteed notes				
Principal				
At 1 January	**450,000**	-	**2,250,000**	1,000,000
Issued during the year	**-**	450,000	**-**	1,250,000
At 31 December	**450,000**	450,000	**2,250,000**	2,250,000
Redeemable non-guaranteed notes				
Accrued profit payable				
At 1 January	**3,311**	-	**9,654**	6,598
Charge for the year	**17,775**	3,311	**76,204**	56,088
Payment during the year	**(17,775)**	-	**(76,204)**	(53,032)
At 31 December	**3,311**	3,311	**9,654**	9,654
	453,311	453,311	**2,259,654**	2,259,654

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

25. REDEEMABLE NOTES (CONT'D)

	Non-Murabahah		Murabahah	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Redeemable guaranteed notes				
Principal				
At 1 January	**500,000**	500,000	**2,800,000**	3,000,000
Payment during the year	**-**	-	**(500,000)**	(700,000)
Acquisition of a subsidiary	**-**	-	**-**	500,000
At 31 December	**500,000**	500,000	**2,300,000**	2,800,000
Accrued interest/profit payable				
At 1 January	**10,718**	10,718	**38,630**	41,441
Charge for the year	**24,000**	24,000	**126,878**	133,109
Repayment/payment during the year	**(24,000)**	(24,000)	**(132,300)**	(137,630)
Acquisition of a subsidiary	**-**	-	**-**	1,710
At 31 December	**10,718**	10,718	**33,208**	38,630
	510,718	510,718	**2,333,208**	2,838,630

	Non-Murabahah		Murabahah	
Bank	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Redeemable guaranteed notes				
Principal				
At 1 January	**500,000**	500,000	**2,300,000**	3,000,000
Payment during the year	**-**	-	**-**	(700,000)
At 31 December	**500,000**	500,000	**2,300,000**	2,300,000
Accrued interest/profit payable				
At 1 January	**10,718**	10,718	**32,909**	41,441
Charge for the year	**24,000**	24,000	**108,599**	129,098
Repayment/payment during the year	**(24,000)**	(24,000)	**(108,300)**	(137,630)
At 31 December	**10,718**	10,718	**33,208**	32,909
	510,718	510,718	**2,333,208**	2,332,909

NOTES TO THE FINANCIAL STATEMENTS
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25. REDEEMABLE NOTES (CONT'D)

Group and Bank	2022 RM'000	2021 RM'000
Infrastructure notes		
Principal		
At 1 January	**200,000**	250,000
Repayment during the year	**(50,000)**	(50,000)
At 31 December	**150,000**	200,000
Unaccreted discount		
At 1 January	**(1,557)**	(1,964)
Accreted discount during the year	**407**	407
At 31 December	**(1,150)**	(1,557)
Accrued interest payable		
At 1 January	**2,630**	3,236
Charge for the year	**14,363**	18,093
Repayment during the year	**(15,082)**	(18,699)
At 31 December	**1,911**	2,630
	150,761	201,073

26. BORROWINGS

Group		31 December 2022 Due after twelve months RM'000	31 December 2022 Due within twelve months RM'000	31 December 2021 Due after twelve months RM'000	31 December 2021 Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	26 (a)				
Principal		**150,000**	**-**	150,000	-
Interest		**-**	**2,500**	-	2,540
		150,000	**2,500**	150,000	2,540
Other financing					
Unsecured:	26 (b)				
Principal		**-**	**10,000**	-	-
Profit		**-**	**34**	-	-
		-	**10,034**	-	-
Total borrowings			**162,534**		152,540

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

26. BORROWINGS (CONT'D)

Bank		31 December 2022 Due after twelve months RM'000	31 December 2022 Due within twelve months RM'000	31 December 2021 Due after twelve months RM'000	31 December 2021 Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	26 (a)				
Principal		**150,000**	**-**	150,000	-
Interest		**-**	**2,500**	-	2,540
		150,000	**2,500**	150,000	2,540
Total borrowings			**152,500**		152,540

The movements in borrowings are as follows:

Group	Other financing - unsecured 2022 RM'000	Other financing - unsecured 2021 RM'000	Loans from EPF 2022 RM'000	Loans from EPF 2021 RM'000
Unsecured:				
Principal				
At 1 January	**-**	-	**150,000**	500,000
Issued during the year	**10,000**	-	**-**	-
Repayment during the year	**-**	-	**-**	(350,000)
At 31 December	**10,000**	-	**150,000**	150,000
Accrued profit/interest payable				
At 1 January	**-**	-	**2,540**	8,466
Charge for the year	**34**	-	**7,299**	9,912
Repayment during the year	**-**	-	**(7,339)**	(15,838)
At 31 December	**34**	-	**2,500**	2,540
Total borrowings	**10,034**	-	**152,500**	152,540

(a) Loan from EPF

	Group and Bank Principal 2022 RM'000	Group and Bank Principal 2021 RM'000
Loan	**150,000**	150,000
	150,000	150,000

The above loan which is guaranteed by the Government of Malaysia was drawn in different tranches and bear different interest rates ranging from 4.60% to 5.23% (2021: 4.60% to 5.23%) per annum. The loan is repayable in 3 instalments over a period of 2 years, commencing 2028.

NOTES TO THE FINANCIAL STATEMENTS
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26. BORROWINGS (CONT'D)

(b) Other financing - unsecured

	Group and Bank Principal 2022 RM'000	2021 RM'000
Bank Islam Malaysia Berhad ("BIMB")	**10,000**	-
	10,000	-

The revolving credit-i facility from BIMB with profit rate of 4.19% per annum.

27. INFRASTRUCTURE SUPPORT FUND ("ISF")

	Note	Group and Bank 2022 RM'000	2021 RM'000
ISF - Novated loans			
At 1 January	(i)	**303,974**	303,974
Amount receivable from Government in respect of compensation for foreign exchange differences utilised against ISF - Novated loans (Note 11)		**(85,361)**	-
At 31 December		**218,613**	303,974
Infrastructure Support Fund	(ii)		
At 1 January		**-**	529
Stage 1 ECL made during the year against ISF (Note 35 and Note 54(m))		**-**	(32,640)
Refund of government compensation (Note 36)		**-**	1,370
Refund of government compensation (Note 54(m))		**-**	30,741
At 31 December		**-**	-
		218,613	303,974

(i) The amount relates to financial assistance given by the Government of Malaysia upon novation of loans and the related borrowing to finance the loans to the Bank. The Fund will be utilised to cover any future losses, costs and expenses incurred by the Bank upon the final settlement of the loans.

(ii) The amount relates to funds received from the Government to cover losses arising from loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise from loans/financing given for government infrastructure projects.

NOTES TO THE FINANCIAL STATEMENTS
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28. DEFERRED INCOME

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
At 1 January	**190,262**	201,800
Received from Government during the year	**3,914**	3,215
Utilised during the year	**(14,753)**	(14,753)
At 31 December	**179,423**	190,262

Deferred income relates to amount received from the government for profit rate differentials on a financing given for a government infrastructure project.

29. SHARE CAPITAL

Group and Bank	Number of ordinary shares 2022 '000	Number of ordinary shares 2021 '000	Amount 2022 RM'000	Amount 2021 RM'000
Issued and fully paid:				
At 1 January	**3,451,585**	3,078,724	**4,018,781**	3,078,724
Issued during the year (Note 51)	**-**	372,861	**-**	940,057
At 31 December	**3,451,585**	3,451,585	**4,018,781**	4,018,781

30. RESERVES

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Non-distributable:					
Capital reserve	30 (i)	**1,000**	1,000	**-**	-
Statutory reserve	30 (ii)	**2,171,475**	2,134,987	**2,171,475**	2,134,987
Merger deficit	30 (iii)	**(20,188)**	(18,341)	**-**	-
Unrealised FVOCI reserve	30 (iv)	**20,597**	66,102	**26,801**	63,935
Exchange translation deficit	30 (v)	**(6,669)**	(6,853)	**-**	-
		2,166,215	2,176,895	**2,198,276**	2,198,922
Distributable:					
Retained profits	31	**2,660,236**	2,561,902	**2,357,056**	2,322,592
		4,826,451	4,738,797	**4,555,332**	4,521,514

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

30. RESERVES (CONT'D)

(i) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous financial years.

(ii) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 (""the Act"") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

(iii) Merger deficit represents the difference between the consideration given and the carrying value of net asset value of a subsidiary acquired during the year under the merger accounting principle (Note 51(iii)).

(iv) Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	**66,102**	271,830	**63,935**	271,830
Unrealised loss on fair value changes	**(113,276)**	(356,686)	**(103,586)**	(358,433)
Net gain transferred to profit or loss upon disposal	**(1,306)**	-	**-**	-
Changes in allowance for expected credit losses	**41,808**	51,601	**41,826**	51,598
Transfer to retained profits on the disposal of equity instruments at FVOCI	**-**	9,083	**-**	9,083
Transfer to deferred tax	**27,269**	90,274	**24,626**	89,857
At 31 December	**20,597**	66,102	**26,801**	63,935

(v) The exchange translation deficit represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

31. RETAINED PROFITS

The retained profits of the Bank can be distributed as dividends under the single-tier system.

NOTES TO THE FINANCIAL STATEMENTS
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32. INTEREST INCOME

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans and advances	**167,057**	257,261	**162,317**	251,999
Loss on loans modification#	**(441)**	(5,602)	**(441)**	(5,602)
Money at call and deposit placements with financial institutions@	**48,307**	15,810	**5,165**	5,987
Financial investments at FVOCI@	**69,119**	64,245	**34,270**	58,693
	284,042	331,714	**201,311**	311,077
Accretion of discount less amortisation of premium	**(9,948)**	(16,415)	**(10,577)**	(16,423)
	274,094	315,299	**190,734**	294,654
Of which:				
Interest income earned on impaired loans and advances	**(3,956)**	6,703	**(3,955)**	6,658

This relates to Rescheduled and Restructured ("R&R") loans provided prior to 1 January 2020.
@ These include islamic deposit placements and financial investments at FVOCI purchased using conventional funds.

33. INTEREST EXPENSE

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits and placements from financial institutions	**5,900**	17,034	**5,900**	17,034
Borrowings	**7,299**	9,912	**7,299**	9,912
Redeemable notes	**57,049**	54,243	**38,770**	50,232
Lease	**19**	8	**-**	-
	70,267	81,197	**51,969**	77,178

34. NET EARNED PREMIUMS

	Note	Group	
		2022 RM'000	2021 RM'000
(a) Gross earned premiums			
Gross written premium	22	**38,514**	6,731
Change in gross premium liabilities		**38,930**	3,420
		77,444	10,151
(b) Premiums ceded to reinsurance			
Gross written premium ceded	22	**-**	-
Change in ceded premium liabilities		**(249)**	(142)
		(249)	(142)
Net earned premiums		**77,195**	10,009

NOTES TO THE FINANCIAL STATEMENTS
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34. NET EARNED PREMIUMS (CONT'D)

	Group	
	2022 RM'000	**2021 RM'000**
(i) Gross written premium		
Gross written premium during the year	**40,450**	6,732
Reversal of premium due to early redemption	**(1,936)**	(1)
	38,514	6,731

35. NON-INTEREST INCOME

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(a) Investment income:				
Net gain arising on financial investment at FVOCI:				
- net gain on disposal	**1,306**	7,252	**-**	7,252
Gross dividend income from subsidiaries	**-**	-	**6,200**	-
	1,306	7,252	**6,200**	7,252
(b) Other income:				
Fee income	**5,847**	3,579	**430**	517
Rental income:				
- Others	**(116)**	-	**(116)**	-
Loss on disposal of property, plant and equipment	**-**	(8)	**-**	-
Stage 1 allowance made during the year against ISF	**-**	1,899	**-**	1,899
Capital distribution	**3,195**	609	**-**	-
Reversal of impairment loss on other receivables	**-**	9,277	**-**	-
Reversal of provision for liquidation	**530**	3,115	**-**	-
Gain on foreign exchange realised	**-**	12	**-**	-
Others	**263**	574	**-**	-
	9,719	19,057	**314**	2,416
Total non-interest income	**11,025**	26,309	**6,514**	9,668

36. REFUND OF GOVERNMENT COMPENSATION

In a prior year, a loan provided to a borrower funded by the ISF has been repaid. As a result of the repayment, an amount of RM1,369,912 relating to the ISF recognised as income in prior years to compensate for impairment allowance made on the borrower was refunded to the ISF and recognised as an expense in the prior year.

NOTES TO THE FINANCIAL STATEMENTS
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37. NET CLAIM RECOVERED

	Group 2022 RM'000	Group 2021 RM'000
Gross/net claim recovered during the year	**11,053**	27,303
Gross/net claim recovered	**11,053**	27,303

Danajamin, a subsidiary of the Bank recognised claim recoverable/recovery amounting to RM11,052,616 during the year representing recovery from the sale of the collaterals pledge by the obligor againts the claim which the Danajamin fully settled the claim on 6 March 2020.

38. OVERHEAD EXPENSES

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Personnel costs	(i)	**108,071**	79,705	**78,659**	68,690
Establishment related expenses	(ii)	**21,342**	15,799	**16,931**	14,479
Promotion and marketing expenses	(iii)	**2,225**	1,981	**2,217**	1,971
General administrative expenses	(iv)	**21,669**	50,465	**16,724**	47,295
		153,307	147,950	**114,531**	132,435
Overhead expenses charged to subsidiaries via Service Level Agreements ("SLA")		**-**	-	**(1,491)**	(420)
		153,307	147,950	**113,040**	132,015

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	**82,738**	63,336	**60,832**	54,920
Non-executive Directors' fees and remuneration	**1,702**	1,021	**1,227**	932
Shariah Committees' fees and remuneration	**387**	350	**387**	350
Social security cost	**521**	433	**396**	368
Pension costs - Defined contribution plan	**11,771**	8,937	**8,076**	7,493
Other staff related expenses	**10,952**	5,628	**7,741**	4,627
	108,071	79,705	**78,659**	68,690

NOTES TO THE FINANCIAL STATEMENTS
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38. OVERHEAD EXPENSES (CONT'D)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	**5,454**	4,686	**5,108**	4,537
Investment properties	**8**	8	**8**	8
Right-of-use assets	**885**	381	**95**	152
Amortisation of intangible assets	**2,943**	2,642	**2,550**	2,530
Repairs and maintenance of property, plant and equipment	**4,177**	2,038	**2,362**	1,768
Information technology expenses	**7,875**	6,044	**6,808**	5,484
	21,342	15,799	**16,931**	14,479
(iii) Promotion and marketing expenses				
Advertisement and publicity	**2,225**	1,981	**2,217**	1,971
(iv) General administrative expenses				
General administrative expenses	**20,160**	31,683	**15,923**	28,917
Payment to EPF for early settlement of loan	**-**	17,510	**-**	17,510
Auditors' remuneration:				
- Statutory audit				
- Current year	**1,415**	1,115	**775**	758
- Non-audit services				
- Regulatory related services	**73**	73	**26**	26
Property, plant and equipment written off	**21**	84	**-**	84
	21,669	50,465	**16,724**	47,295

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

39. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER, DIRECTORS' AND SHARIAH COMMITTEES' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer, Directors and Shariah Committees of the Bank are as follows:

2022	Remuneration received and receivable from the Bank							Remuneration received and receivable from Subsidiary Companies			
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Group total RM'000
President/Group Chief Executive Officer											
Arshad bin Mohamed Ismail	245	-	-	77	265	-	587	-	-	-	587
Roni Lihawa bin Abdul Wahab	833	-	-	133	-	7	973	-	-	-	973
	1,078	-	-	210	265	7	1,560	-	-	-	1,560
Non-Executive Directors:											
Tan Sri Mohamed Nazir bin Abdul Razak	-	244	-	-	60	-	304	-	-	-	304
Ariff bin Rozhan	-	48	-	-	117	-	165	-	20	-	185
Norazilla binti Md Tahir	-	48	-	-	134	-	182	-	40	-	222
Meow Yoke Nean	-	48	-	-	126	-	174	-	-	-	174
Datin Rashidah binti Mohd Sies	-	48	-	-	34	-	82	-	-	-	82
Othman bin Abdullah	-	48	-	-	84	-	132	-	-	-	132
Tan Sri Rashpal Singh Randhay	-	32	-	-	71	-	103	72	101	-	276
Rosnah binti Kamarul Zaman	-	30	-	-	55	-	85	72	170	-	327
	-	546	-	-	681	-	1,227	144	331	-	1,702
Shariah Committees:											
Prof. Dr. Aznan bin Hasan	-	60	-	-	48	-	108	-	-	-	108
Dr. Ahmad Basri bin Ibrahim	-	36	-	-	24	-	60	-	-	-	60
Ustaz Mohd Fadhly bin Md Yusoff	-	36	-	-	24	-	60	-	-	-	60
Prof. Dr. Zurina binti Shafii	-	36	-	-	24	-	60	-	-	-	60
Dr. Syahnaz binti Sulaiman	-	9	-	-	6	-	15	-	-	-	15
Prof. Dr. Salina binti Kassim	-	16	-	-	12	-	28	-	-	-	28
Assoc. Prof. Dr. Yasmin Hanani binti Mohd Safian	-	16	-	-	12	-	28	-	-	-	28
Ustaz Lokmanulhakim bin Hussain	-	16	-	-	12	-	28	-	-	-	28
	-	225	-	-	162	-	387	-	-	-	387
Total	1,078	771	-	210	1,108	7	3,174	144	331	-	3,649

NOTES TO THE FINANCIAL STATEMENTS
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39. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER, DIRECTORS' AND SHARIAH COMMITTEES' FEES AND REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer, Directors and Shariah Committees of the Bank are as follows: (cont'd)

2021	Remuneration received and receivable from the Bank							Remuneration received and receivable from Subsidiary Companies			
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Group total RM'000
President/Group Chief Executive Officer											
Arshad bin Mohamed Ismail	510	-	-	101	163	-	774	-	-	-	774
	510	-	-	101	163	-	774	-	-	-	774
Non-Executive Directors:											
Tan Sri Mohamed Nazir bin Abdul Razak	-	141	-	-	44	-	185	-	-	-	185
Datuk Zaiton binti Mohd Hassan	-	24	-	-	19	-	43	-	-	-	43
Dato' Othman bin Semail	-	12	-	-	20	-	32	-	-	-	32
Dr. Mohamed Ashraf bin Mohamed Iqbal	-	8	-	-	27	-	35	-	12	-	47
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	-	16	-	-	47	-	63	-	11	-	74
Ariff bin Rozhan	-	48	-	-	154	-	202	-	20	-	222
Norazilla binti Md Tahir	-	48	-	-	170	-	218	-	46	-	264
Meow Yoke Nean	-	28	-	-	83	-	111	-	-	-	111
Datin Rashidah binti Mohd Sies	-	13	-	-	10	-	23	-	-	-	23
Othman bin Abdullah	-	9	-	-	11	-	20	-	-	-	20
	-	347	-	-	585	-	932	-	89	-	1,021
Shariah Committees:											
Prof. Dr. Aznan bin Hasan	-	60	-	-	52	-	112	-	-	-	112
Dr. Ahmad Basri bin Ibrahim	-	36	-	-	26	-	62	-	-	-	62
Ustaz Mohd Fadhly bin Md Yusoff	-	36	-	-	24	-	60	-	-	-	60
Prof. Dr. Zurina binti Shafii	-	24	-	-	16	-	40	-	-	-	40
Dr. Syahnaz binti Sulaiman	-	24	-	-	18	-	42	-	-	-	42
Assoc. Prof. Dr. Miszairi bin Sitiris	-	9	-	-	8	-	17	-	-	-	17
Prof. Dr. Noraini binti Mohd Ariffin	-	9	-	-	8	-	17	-	-	-	17
	-	198	-	-	152	-	350	-	-	-	350
Total	510	545	-	101	900	-	2,056	-	89	-	2,145

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40. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as President/Group Chief Executive Officer and Directors of the Bank, executive and non-executive having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The remuneration and compensation of the President/Group Chief Executive Officer and Directors of the Bank during the financial year are as follows:

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short term employee benefits' (excluding benefits-in-kind)	39	**3,642**	2,145	**3,167**	2,056
Included in the above are:					
President/Group Chief Executive Officer and Executive Director's remuneration (excluding benefits-in-kind)	39	**1,560**	774	**1,560**	774

41. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS, FINANCING AND ADVANCES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Stage 1 - 12-month ECL, net	**(329,833)**	343,882	**(328,371)**	343,947
Stage 2 - Lifetime ECL not credit impaired, net	**768,324**	10,494	**768,940**	10,858
Stage 3 - Lifetime ECL credit impaired, net	**15,859**	89,689	**12,822**	75,999
Staff loans/financing:				
Stage 1 - 12-month ECL, net	**(6)**	(2)	**(6)**	(2)
Impaired loans/financing:				
Written-off	**11,468**	9,247	**11,280**	8,807
Recovered	**(46,109)**	(68,398)	**(42,989)**	(66,595)
	419,703	384,912	**421,676**	373,014

42. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial investments at FVOCI	**41,808**	51,601	**41,826**	51,598
Investments in subsidiaries	**-**	-	**(25,524)**	(6,755)
Loss on corporate guarantees	**362**	6,200	**-**	-
Write back for factoring	**(40)**	(30)	**-**	-
(Write back)/allowance for ex-staff loan/financing:				
Stage 1 - 12-month ECL, net	**(1)**	(1)	**(1)**	(1)
Stage 3 - Lifetime ECL credit impaired, net	**97**	(84)	**97**	(84)
	42,226	57,686	**16,398**	44,758

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31 DECEMBER 2022

43. TAXATION

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Income tax expense:				
Current income tax	**242,709**	158,374	**203,128**	147,531
Under/(over) provision in prior years	**5,784**	627	**7,206**	(59)
	248,493	159,001	**210,334**	147,472
Deferred tax expense:				
Reversal of temporary differences	**(97,901)**	(89,026)	**(98,427)**	(90,118)
Under/(over) provision in prior years	**2,166**	(1,619)	**444**	-
	(95,735)	(90,645)	**(97,983)**	(90,118)
	152,758	68,356	**112,351**	57,354

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

In accordance with the Finance Act 2021 which was gazetted on 31 December 2021, companies with chargeable income exceeding RM100 million in Year of Assessment 2022 will be subject to a one off Cukai Makmur of 33%.

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

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit before taxation and zakat	**379,332**	254,354	**271,489**	211,291
Tax using Malaysian tax rate of 24% (2021: 24%)	**91,040**	61,045	**65,157**	50,710
Income not subject to tax	**(14,503)**	(2,708)	**(11,636)**	(329)
Non-deductible expenses	**18,329**	10,769	**2,327**	7,032
Impact on Cukai Makmur	**50,459**	-	**48,853**	-
Utilisation of previously unrecognised tax losses	**(517)**	242	**-**	-
Under/(over) provision of deferred tax in prior years	**2,166**	(1,619)	**444**	-
Under/(over) provision of income tax in prior years	**5,784**	627	**7,206**	(59)
Taxation	**152,758**	68,356	**112,351**	57,354

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44. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2022		2021	
	Sen per share	**Total amount RM'000**	**Sen per share**	**Total amount RM'000**
Final 2021 ordinary, net of tax	**2.17**	**75,000**	-	-
Final 2020 ordinary, net of tax	**-**	**-**	2.44	75,000
	2.17	**75,000**	2.44	75,000

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2022, on 3,451,584,988 ordinary shares, amounting to a dividend payable of RM85,000,000 (2.46 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

45. EARNINGS PER SHARE ("EPS")

The basic/diluted EPS of the Group are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2022	**2021**
Profit attributable to equity holders of the Bank (RM'000)		
- operations	**209,822**	175,662
Weighted average number of ordinary shares in issue ('000)	**3,451,585**	3,126,736
Basic/diluted EPS (sen) for:		
- operations	**6.08**	5.62

46. COMMITMENTS AND CONTINGENCIES

(a) Loan and financing related commitments and contingencies of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Disbursement of loans/financing to industries	**3,475,598**	5,305,175	**3,100,433**	4,924,126
Secured guarantees on behalf of borrowers/ customers given to third parties	**4,720,509**	4,762,974	**1,950,355**	2,198,119
	8,196,107	10,068,149	**5,050,788**	7,122,245

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46. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Capital commitments of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Capital expenditure:				
Approved but not contracted for	**12,805**	6,721	**12,566**	6,563
Contribution to Non-Profit Organization	**800**	800	**800**	800

47. CAPITAL ADEQUACY

Capital management

Capital policy

The overall objective of capital management is to maintain adequate and strong capital position in ensuring sustainability and to undertake business activities in supporting its mandated roles.

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In line with this objective, Bank Negara Malaysia ("BNM") has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times as per BNM's Capital Framework for Development Financial Institutions. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank	
	2022 RM'000	**2021 RM'000**
Tier 1 capital		
Paid-up share capital	**4,018,781**	4,018,781
Other reserves	**4,555,332**	4,521,514
Less: Deferred tax asset	**(417,371)**	(294,762)
Total Tier 1 capital	**8,156,742**	8,245,533
Tier 2 capital		
Government support funds	**398,036**	494,236
Stage 1 and Stage 2 ECL	**2,597,651**	2,157,088
Total Tier 2 capital	**2,995,687**	2,651,324
Total capital	**11,152,429**	10,896,857
Less: Investment in subsidiaries	**(2,194,710)**	(2,168,939)
Total capital base	**8,957,719**	8,727,918

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47. CAPITAL ADEQUACY (CONT'D)

Capital management (cont'd)

Regulatory capital (cont'd)

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Bank	
	2022 RM'000	**2021 RM'000**
20%	**517,332**	246,444
50%	**894,745**	1,356,751
100%	**22,426,863**	22,550,663
	23,838,940	24,153,858

Without deducting proposed dividend:

	Bank	
	2022 %	**2021 %**
Core capital ratio	**34.216**	34.138
RWCR	**37.576**	36.135

After deducting proposed dividend:

	Bank	
	2022 %	**2021 %**
Core capital ratio	**33.859**	33.827
RWCR	**37.219**	35.824

After deducting net modification loss for customer under COVID-19 assistance for year 2020 to 2022:

	Bank	
	2022 RM'000	**2021 RM'000**
Net modification loss as at 31 December	**323,258**	311,325

	Bank	
	2022 %	**2021 %**
Core capital ratio	**33.312**	33.278
RWCR	**36.718**	35.301

Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.

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47. CAPITAL ADEQUACY (CONT'D)

BNM Policy Document on Transitional Arrangement for Regulatory Capital Treatments of Accounting Provisions for DFI

On 11 December 2020, the Bank elected to apply the BNM Policy Document on Transitional Arrangement for Regulatory Capital Treatments of Accounting Provisions for DFI issued on 9 December 2020. The Policy Document was applied by the Bank in its financial statements for the financial year ended 31 December 2020 and will be applied for the next three financial years up to 31 December 2023.

Financial impact analysis based on the Policy Document is tabulated below:

	Bank Exposures Amount RM'000
Add-back	1,096,931
Total Stage 1 and Stage 2 ECL as at reporting date	2,597,651
Total Stage 1 and Stage 2 ECL as at beginning of the year on the year of election	1,135,077
Add-back factor as at reporting date during the year	75%

	Bank	
	Before Transitional Arrangement RM'000	**After Transitional Arrangement RM'000**
Total Tier 1 Capital	**8,156,742**	**9,253,673**
of which: Total Add-back	-	1,096,931
Total Additional Tier 1 Capital	**-**	**1,096,931**
Total Tier 2 Capital	**2,995,687**	**1,898,756**
of which: Loss provisions	2,597,651	1,135,077
Total RWA	**23,838,940**	**23,838,940**

	Bank	
	Before Transitional Arrangement Ratio (%)	**After Transitional Arrangement Ratio (%)**
Tier 1 Capital	**34.216**	**38.817**
Total Capital	**37.576**	**37.576**

48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group 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 Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2021: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel includes all the Directors of the Bank as disclosed in Note 40.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The Group established credit policies, pricing strategy and approval process for loans/financing, which are independent of whether the counter parties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

48.1 Significant balances and transactions with a significant shareholder

(a) Significant balances with a significant shareholder

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Other assets		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	-	85,361
Infrastructure projects	**244,395**	196,207

(b) Significant transactions with a significant shareholder

	Group and Bank	
	2022	**2021**
	RM'000	**RM'000**
Conventional		
Stage 1 ECL made during the year against ISF	-	1,899
Refund of government compensation	-	1,370
Islamic		
Profit compensation from Government of Malaysia	**113,227**	105,555
Stage 1 ECL made during the year against ISF	-	30,741
Refund of government compensation	-	30,741
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	**186**	556

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

48.2 Significant balances and transactions with a significant shareholder's linked companies and bodies

(a) Significant balances with a significant shareholder's linked companies and bodies

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Assets				
Short term deposits	**2,114,872**	880,444	**1,953,009**	752,333
Deposits and placements with financial institution	**1,580,220**	2,124,567	**131,652**	258,154
Financial investments at FVOCI	**7,376,902**	5,949,317	**6,593,841**	5,214,965
Liabilities				
Deposits from customers	**7,133,101**	5,932,135	**7,133,101**	5,932,135
Deposits and placements from financial institutions	**1,551,760**	780,523	**1,551,760**	780,523
Redeemable notes	**8,235,159**	9,297,853	**8,235,159**	8,792,132
Borrowings	**162,534**	152,540	**152,500**	152,540
ISF	**218,613**	303,974	**218,613**	303,974
Deferred income	**179,423**	190,262	**179,423**	190,262

(b) Significant transactions with a significant shareholder's linked companies and bodies

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Conventional				
Income				
Money at call and deposit placements with financial institutions	**48,018**	15,722	**4,876**	5,897
Financial investments at FVOCI	**69,119**	62,795	**34,270**	57,243
Amortisation of premium less accretion of discount	**(9,948)**	(16,415)	**(10,577)**	(16,423)
Dividend from subsidiaries	**-**	-	**6,200**	-
Rental income	**(116)**	-	**(116)**	-
Expenses				
Interest expense on:				
Deposits from customers and financial institutions	**(5,882)**	(13,849)	**(5,882)**	(13,849)
Borrowings	**(7,299)**	(9,912)	**(7,299)**	(9,912)
Redeemable notes	**(57,049)**	(54,243)	**(38,770)**	(50,232)

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

48.2 Significant balances and transactions with a significant shareholder's linked companies and bodies (cont'd)

(b) Significant transactions with a significant shareholder's linked companies and bodies (cont'd)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Islamic				
Income				
Finance income from deposits and placements with financial institutions	**21,552**	24,087	**19,496**	22,576
Financial investments at FVOCI	**189,475**	140,218	**189,475**	140,218
Accretion of discount less amortisation of premium	**(17,704)**	(9,044)	**(17,704)**	(9,044)
Rental income	**1,452**	797	**1,830**	1,160
Expenses				
Income attributable to the depositors:				
Deposits from customers and financial institutions	**(204,482)**	(148,897)	**(204,482)**	(148,897)
Sukuk	**(325,084)**	(328,469)	**(325,084)**	(328,469)

48.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

	Bank	
	2022 RM'000	**2021 RM'000**
Conventional		
Loans to subsidiaries	**65**	58
Payment on behalf of subsidiary	**329**	195

(b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2022 RM'000	**2021 RM'000**
Conventional		
Income		
Rental income from subsidiaries	**378**	384
Fee Income from subsidiaries	**1,558**	480
Expenses		
Management fee expense from subsidiaries	**(12)**	(12)

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

48.3 Significant balances and transactions with subsidiaries, associates and JVs (cont'd)

(b) Significant transactions with subsidiaries, associates and JVs (cont'd)

	Group	
	2022 RM'000	**2021 RM'000**
Key management personnel's remunerations		
Salaries and benefits	**5,688**	8,535
Employer's EPF contributions	**910**	1,391
Director remuneration	**2,457**	2,783

48.4 Significant balances and transactions with Group's related parties

(a) Significant balances with the Group's related parties

	Group	
	2022 RM'000	**2021 RM'000**
Other assets		
Trade receivables due from related parties	**9,812**	9,553
Other liabilities		
Trade payables due to related parties	**-**	85

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related parties as follows:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder of the Bank and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(iv) Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan/financing commitments.

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49. LOANS/FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank			
	2022		2021	
	Total Exposure RM'000	Impaired RM'000	Total Exposure RM'000	Impaired RM'000
Credit facility and leasing (except guarantee)	**2,324,829**	**274,341**	1,672,186	-
Equities and private debt securities ("PDS") held	**555,859**	**-**	170,000	-
Total	**2,880,688**	**274,341**	1,842,186	-
Total exposure to connected parties as % of total capital	**33%**	**3%**	19%	0%
Total exposure to connected parties as % of total outstanding financial exposure	**8%**	**1%**	6%	0%

The above disclosure on loans/financing facilities with connected parties is presented in accordance with para 14.1 as per BNM's policy on loans/financing facilities with connected parties, which became effective on 13 July 2016.

50. COMPANIES IN THE GROUP

(a) The subsidiaries, all incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2022 %	2021 %	Principal activities
BPMB Urus Harta Sdn Bhd@	**100.00**	100.00	Dormant
Emerald Upline Sdn Bhd	**100.00**	100.00	Dormant
Global Maritime Ventures Berhad	**90.00**	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	**100.00**	100.00	Nominee for the holding company
Pembangunan Leasing Corporation Sdn Bhd	**100.00**	100.00	Leasing and investment holding
SME Growth Acceleration Fund Sdn Bhd	**100.00**	100.00	Dormant
Danajamin Nasional Berhad (Note 51)	**100.00**	100.00	Financial guarantee insurance

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50. COMPANIES IN THE GROUP (CONT'D)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2022 %	2021 %	Principal activities
Nilam Navigation Sdn Bhd#	**63.00**	63.00	Dormant
Sari Navigation Sdn Bhd#	**63.00**	63.00	Dormant
Glory Incentive Sdn Bhd	**90.00**	90.00	Investment holding
GMV-Alam Sdn Bhd	**90.00**	90.00	Investment holding
GMV-Bahtera Sdn Bhd	**90.00**	90.00	Investment holding
GMV-Borcos Sdn Bhd#	**90.00**	90.00	Investment holding
GMV-Gagasan Sdn Bhd#	**90.00**	90.00	Investment holding
GMV-Global Sdn Bhd#	**90.00**	90.00	Investment holding
GMV-Efogen Sdn Bhd#	**90.00**	90.00	Investment holding
GMV-Regional Sdn Bhd	**90.00**	90.00	Dormant
GMV-Offshore Sdn Bhd	**90.00**	90.00	Investment holding

(c) Details of subsidiary companies of Glory Incentive Sdn Bhd ("GISB"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2022 %	2021 %	Principal activities
Ayu Navigation Sdn Bhd	**63.00**	63.00	Dormant

(d) Details of a subsidiary company of GMV-Global Sdn Bhd, which is incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2022 %	2021 %	Principal activities
Bahtera Berlian Sdn Bhd^	**-**	90.00	Ship-management

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50. COMPANIES IN THE GROUP (CONT'D)

(e) Details of subsidiary companies of Pembangunan Leasing Corporation Sdn Bhd ("PLC"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2022 %	2021 %	Principal activities
PLC Credit & Factoring Sdn Bhd	**100.00**	100.00	Hire purchase financing, confirming factoring, insurance agency and letting out properties
BI Credit & Leasing Berhad	**100.00**	100.00	Credit and leasing

@ Placed under members' voluntary liquidation.
# Placed under creditors voluntary liquidation.
^ Represent companies dissolved during the year.

51. ACQUISITION OF A SUBSIDIARY

On 12 November 2021, the Group acquired 100% equity interest in Danajamin from MOF Inc. and Credit Guarantee Corporation Malaysia Berhad ("CGC"), via a combination of cash and share swap comprising 372,860,939 ordinary shares at an issue price of RM2.52, a cash consideration of RM940,057,000 and a deferred consideration of RM27,302,597. The acquisition was accounted for using the carrying value method of accounting under the merger accounting principle.

Assets acquired and liabilities

The carrying values of the identifiable assets and liabilities of Danajamin as at the date of acquisition were:

(i) Net Tangible Assets ("NTA")

The computation of carrying values of NTA is as follows:

		2021 RM'000
Assets		
Property, plant and equipment		650
Intangible assets		261
Right-of-use assets		813
Financial Investments at FVOCI		725,318
Deposits and placements with financial institutions		1,696,269
Insurance receivables		213,423
Reinsurance assets		783
Tax recoverable		22,238
Other assets		6,585
Cash and cash equivalents		5,858
Total assets	(a)	2,672,198

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51. ACQUISITION OF A SUBSIDIARY (CONT'D)

Assets acquired and liabilities (cont'd)

(i) Net Tangible Assets ("NTA") (cont'd)

		2021 RM'000
Liabilities		
Premium liabilities		265,018
Lease liabilities		826
Insurance payables		1,137
Deferred income		1,071
Other liabilities		7,550
Deferred tax liabilities		5,810
Subordinated Sukuk		501,710
Total liabilities	(b)	783,122
NTA	(c) = (a)-(b)	1,889,076

(ii) Purchase Considerations

The purchase considerations of RM1,907,416,597 for the acquisition of Danajamin are as follows:

		2021 RM'000
Cash and short term deposits		940,057
Share swap		940,057
Deferred consideration (Note 24)		27,303
	(d)	1,907,417

Deferred consideration relates to a claim recoverable from an obligor of Danajamin as disclosed in Note 12.

(iii) Merger deficit

The computation of merger deficit from the acquisition of Danajamin is as follows:

		2021 RM'000
Carrying values of NTA	(c)	1,889,076
Purchase considerations	(d)	1,907,417
Merger deficit	(e) = (c)-(d)	(18,341)

(iv) Net cash outflow arising from acquisition of a subsidiary

	2021 RM'000
Purchase consideration settled in cash and cash equivalents	(940,057)
Cash and cash equivalents acquired	5,858
	(934,199)

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52. FINANCIAL INSTRUMENTS RISK

Financial risk management objectives and policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operational risk and seek to minimise potential adverse effects on the financial performance of the Group and the Bank. As part of the Group's and the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management had been established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group financial risk management policies, which are reported to and approved by the Board of Directors ("BOD"). The BOD also approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

(a) Credit risk

Credit risk is the potential loss of revenue, either principal or profit or both, arising from customers or counterparties' failure or unwillingness to honour their contractual financial obligations in accordance with the agreed terms. It arises primarily from financing activities through financing as well as commitments to support customers' obligations to third parties i.e. guarantee. Trading and investing the surplus funds of the Group and the Bank, such as trading or holding of debt securities and deposit placements also expose the Group and the Bank to credit risk.

Credit risk management activities conducted by the Bank are within Credit Risk Management policy approved by the Board of Directors, which entails the entire credit value chain starting from credit risk assessment, credit approval, credit risk measurement, credit risk monitoring, credit concentration, problem credits, credit risk reporting and independent review.

Credit risk is principally managed through the establishment of financing directions, internal controls, risk appetite, policies and guidelines to enhance financing asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in financing origination, approval, documentation, disbursement and settlement. The Bank has been proactively managing its credit risk exposures within acceptable parameters to enable the Bank to pursue its business directions sustainably.

All credit proposals are rated using an internal two dimensional credit rating system, which include the estimate of PD, LGD and EAD for all credit exposures to measure each customer's risk of default and facility risk. The Bank's internal credit rating scorecards have been periodically updated, with the latest review concluded in 2020, so as to ensure that the credit rating model remained robust and relevant with the changing business environment. The Bank embraces prudent credit decision making and only viable financing proposals with well-mitigated risk are considered for financing.

Credit reviews on existing customers are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment and/or provisions. The staging of accounts are assessed according to the established triggers for MFRS 9 accounting standard in identifying significant increase in customer's credit risk.

In addition, the Bank has in place the Early Warning Signal ("EWS") guidelines which serve as an overarching document/ process for assessing and monitoring credit risk to safeguard the Bank's assets.

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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Prudential limits are established according to various categories such as customer and industry sector to minimise concentration risk. Single Customer Limit ("SCL") captures Group exposure to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level.

Sector limit for commercial financing is being observed to monitor undesirable concentration which could expose the Bank to higher risk of financing. Meanwhile, counterparty limits are in place to control over exposure to a single financial institution.

Collateral is taken whenever possible to reduce exposure at default. The value of collateral is monitored periodically through updated valuation. Policies and processes are in place to monitor collateral value.

The overall credit risk management is subject to an ongoing process for reviewing and enhancement from time to time so as to be in line with regulatory requirements. Audit is periodically performed by the Group Internal Audit to ensure that credit policies and procedures are complied with.

Credit oversight is provided by the Board Credit Committee ("BCC") while credit risk oversight is provided by the Board Risk Management Committee ("BRMC"). For application of financing for connected parties, such application is subject to the approval from the BOD.

(i) Credit exposure

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
On balance sheet:					
Cash and short term deposits	4	**2,329,329**	966,678	**2,144,414**	825,847
Deposits and placements with financial institutions	5	**1,578,985**	2,124,567	**131,652**	258,154
Financial investments at FVTPL	6	**33,886**	14,863	**33,886**	14,863
Financial investments at FVOCI - debt	7	**7,368,598**	5,939,648	**6,585,537**	5,205,296
Loans, financing and advances	8	**14,680,343**	16,074,609	**14,533,849**	15,864,963
Insurance receivables	9	**187,411**	196,759	**-**	-
Reinsurance assets	10	**393**	642	**-**	-
Other assets	11	**262,958**	333,601	**256,289**	289,403
		26,441,903	25,651,367	**23,685,627**	22,458,526
Other assets not subject to credit risk		**575,970**	477,006	**2,751,720**	2,614,271
		27,017,873	26,128,373	**26,437,347**	25,072,797
Off balance sheet:					
Commitments and Contingencies	46(a)	**8,196,107**	10,068,149	**5,050,788**	7,122,245
		35,213,980	36,196,522	**31,488,135**	32,195,042

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(ii) The following table sets out the credit risk concentration by economic sectors:

Group 2022	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	423,700	7,086,568	107,084	-	7,617,352	3,840,374
Education	-	-	-	1,265,773	13,911	-	1,279,684	642,884
Electrical, gas and water supply	-	-	388,657	498,862	16,109	-	903,628	931,377
Finance, insurance/takaful and business	3,908,314	-	5,609,649	64,394	-	-	9,582,357	-
Hotel and restaurants	-	-	-	846,732	-	-	846,732	538,885
Housing	-	-	-	2,745	3,362	-	6,107	380,509
Manufacturing	-	-	9,893	193,239	-	-	203,132	181,999
Marine related	-	-	-	390,875	-	-	390,875	46,837
Other community, social and personal service activities	-	-	89,396	303,463	-	-	392,859	197,054
Public administration and defence	-	-	-	10,401	-	-	10,401	144
Real estate, renting and business activities	-	-	722,082	1,328,461	45,909	-	2,096,452	555,000
Shipping	-	33,886	60,950	544,238	-	-	639,074	26,767
Shipyard	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	64,271	2,144,592	-	-	2,208,863	704,277
Others	-	-	-	-	1,036	262,958	263,994	150,000
	3,908,314	33,886	7,368,598	14,680,343	187,411	262,958	26,441,510	8,196,107
Other assets not subject to credit risk	-	-	-	-	-	576,363	576,363	-
	3,908,314	33,886	7,368,598	14,680,343	187,411	839,321	27,017,873	8,196,107

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(ii) The following table sets out the credit risk concentration by economic sectors: (cont'd)

Group 2021	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	6,635	-	-	6,635	-
Construction	-	-	207,631	8,129,544	124,316	-	8,461,491	4,833,795
Education	-	-	-	1,469,528	18,742	-	1,488,270	711,017
Electrical, gas and water supply	-	-	339,431	355,495	21,621	-	716,547	1,225,192
Finance, insurance/takaful and business	3,091,245	-	4,726,992	64,141	-	-	7,882,378	-
Hotel and restaurants	-	-	-	967,889	-	-	967,889	511,544
Housing	-	-	-	3,720	8,339	-	12,059	370,000
Manufacturing	-	-	20,489	212,324	-	-	232,813	335,007
Marine related	-	-	-	444,467	-	-	444,467	69,692
Other community, social and personal service activities	-	-	60,575	288,780	-	-	349,355	430,172
Public administration and defence	-	-	-	16,783	-	-	16,783	3,615
Real estate, renting and business activities	-	-	522,079	1,303,821	20,642	-	1,846,542	227,000
Shipping	-	14,863	36,533	601,227	-	-	652,623	46,059
Transport, storage and communications	-	-	25,918	2,210,255	-	-	2,236,173	1,080,056
Others	-	-	-	-	3,099	333,601	336,700	225,000
	3,091,245	14,863	5,939,648	16,074,609	196,759	333,601	25,650,725	10,068,149
Other assets not subject to credit risk	-	-	-	-	-	477,648	477,648	-
	3,091,245	14,863	5,939,648	16,074,609	196,759	811,249	26,128,373	10,068,149

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(ii) The following table sets out the credit risk concentration by economic sectors: (cont'd)

Bank 2022	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	423,700	7,086,568	-	-	7,510,268	2,856,621
Education	-	-	-	1,265,773	-	-	1,265,773	387,884
Electrical, gas and water supply	-	-	359,451	495,945	-	-	855,396	433,712
Finance, insurance/takaful and business	2,276,066	-	4,886,339	-	-	-	7,162,405	-
Hotel and restaurants	-	-	-	801,325	-	-	801,325	392,582
Housing	-	-	-	2,745	-	-	2,745	-
Manufacturing	-	-	9,893	193,097	-	-	202,990	120,472
Marine related	-	-	-	390,875	-	-	390,875	46,837
Other community, social and personal service activities	-	-	89,396	294,006	-	-	383,402	190,299
Public administration and defence	-	-	-	10,401	-	-	10,401	144
Real estate, renting and business activities	-	-	722,082	1,328,461	-	-	2,050,543	-
Shipping	-	33,886	60,950	544,238	-	-	639,074	26,767
Transport, storage and communications	-	-	33,726	2,120,415	-	-	2,154,141	595,470
Others	-	-	-	-	-	256,289	256,289	-
	2,276,066	33,886	6,585,537	14,533,849	-	256,289	23,685,627	5,050,788
Other assets not subject to credit risk	-	-	-	-	-	2,751,720	2,751,720	-
	2,276,066	33,886	6,585,537	14,533,849	-	3,008,009	26,437,347	5,050,788

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(ii) The following table sets out the credit risk concentration by economic sectors: (cont'd)

Bank 2021	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	207,631	8,129,544	-	-	8,337,175	3,851,856
Education	-	-	-	1,469,528	-	-	1,469,528	431,017
Electrical, gas and water supply	-	-	309,184	355,495	-	-	664,679	712,792
Finance, insurance/takaful and business	1,084,001	-	4,033,907	-	-	-	5,117,908	-
Hotel and restaurants	-	-	-	908,985	-	-	908,985	361,266
Housing	-	-	-	3,720	-	-	3,720	-
Manufacturing	-	-	20,489	212,324	-	-	232,813	271,793
Marine related	-	-	-	444,467	-	-	444,467	69,692
Medical and pharmaceuticals	-	-	-	-	-	-	-	-
Other community, social and personal service activities	-	-	60,575	242,539	-	-	303,114	415,671
Public administration and defence	-	-	-	16,783	-	-	16,783	3,615
Real estate, renting and business activities	-	-	522,079	1,303,821	-	-	1,825,900	-
Shipping	-	14,863	36,533	601,227	-	-	652,623	46,059
Shipyard	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	14,898	2,176,530	-	-	2,191,428	958,484
Others	-	-	-	-	-	289,403	289,403	-
	1,084,001	14,863	5,205,296	15,864,963	-	289,403	22,458,526	7,122,245
Other assets not subject to credit risk	-	-	-	-	-	2,614,271	2,614,271	-
	1,084,001	14,863	5,205,296	15,864,963	-	2,903,674	25,072,797	7,122,245

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(iii) Gross loans, financing and advances are rated based on internal rating by the Bank:

	2022				2021			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Group								
Upper-medium grade	**136,707**	**-**	**-**	**136,707**	45,298	-	-	45,298
Medium grade	**4,273,547**	**11,258**	**-**	**4,284,805**	4,489,312	19,869	-	4,509,181
Speculative	**6,105,931**	**2,138**	**-**	**6,108,069**	6,526,828	12,415	-	6,539,243
Considered speculative	**5,723,203**	**-**	**-**	**5,723,203**	3,227,814	84,912	-	3,312,726
Poor standing	**131,906**	**-**	**-**	**131,906**	3,096,486	-	-	3,096,486
Impaired	**-**	**-**	**2,093,353**	**2,093,353**	-	-	2,059,597	2,059,597
	16,371,294	**13,396**	**2,093,353**	**18,478,043**	17,385,738	117,196	2,059,597	19,562,531
Bank								
Upper-medium grade	**2,764**	**-**	**-**	**2,764**	3,745	-	-	3,745
Medium grade	**4,262,241**	**10,576**	**-**	**4,272,817**	4,408,621	-	-	4,408,621
Speculative	**6,101,093**	**-**	**-**	**6,101,093**	6,463,217	-	-	6,463,217
Considered speculative	**5,723,203**	**-**	**-**	**5,723,203**	3,227,814	84,912	-	3,312,726
Poor standing	**131,906**	**-**	**-**	**131,906**	3,096,486	-	-	3,096,486
Impaired	**-**	**-**	**2,059,113**	**2,059,113**	-	-	2,025,947	2,025,947
	16,221,207	**10,576**	**2,059,113**	**18,290,896**	17,199,883	84,912	2,025,947	19,310,742

(iv) Aging analysis of impaired and past due but not impaired loans, financing and advances

Analysis of loans, financing and advances that are impaired and past due but not impaired based on the Group's and the Bank's internal credit rating system are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Impaired:				
0 month overdue	**368,733**	120,644	**368,733**	120,644
1 month overdue	**190,067**	88,456	**190,067**	88,456
2 months overdue	**-**	148,240	**-**	148,240
3 months overdue	**-**	12,543	**-**	12,543
> 3 months overdue	**1,534,553**	1,689,714	**1,500,313**	1,656,064
	2,093,353	2,059,597	**2,059,113**	2,025,947
Past due but not impaired:				
1 month overdue	**12,432**	106,506	**10,576**	84,912
2 months overdue	**964**	8,840	**-**	-
3 months overdue	**-**	1,850	**-**	-
	13,396	117,196	**10,576**	84,912

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(v) The table below provides information regarding the credit risk exposure of Danajamin by classifying assets according to Danajamin's credit ratings of counterparties.

2022	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000
Financial investments at FVOCI			
Malaysian Government Securities	**20,226**	**-**	**20,226**
Government investment issues	**235,651**	**-**	**235,651**
Corporate debt securities	**527,184**	**-**	**527,184**
Deposits and placements with licensed banks	**1,252,197**	**-**	**1,252,197**
Insurance receivables	**187,411**	**-**	**187,411**
Other assets*	**1,164**	**-**	**1,164**
Cash and cash equivalents	**6,337**	**-**	**6,337**
	2,230,170	**-**	**2,230,170**

* Exclude prepayments

2021	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000
Financial investments at FVOCI			
Malaysian Government Securities	20,514	-	20,514
Government investment issues	95,806	-	95,806
Corporate debt securities	618,032	-	618,032
Deposits and placements with licensed banks	1,677,255	-	1,677,255
Insurance receivables	197,159	(400)	196,759
Other assets*	4,763	-	4,763
Cash and cash equivalents	47,669	-	47,669
	2,661,198	(400)	2,660,798

* Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(vi) Collateral and credit enhancement for loans, financing and advances

Collateral represents the asset pledged by a borrower/customer and/or a third party on behalf of the borrower/customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Group and the Bank, and subject to seizure in the event of default. Collateral provides the Bank with a secondary repayment/payment source, i.e. a source of fund to help recover its investment if the borrower/customer is unable to repay/pay the facility obtained from the Group and the Bank.

The Group and the Bank would consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral amounts and types held by the Group and the Bank are as in the next page:

Collateral by amount

	2022				2021			
	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000
Group								
Past due but not impaired	-	13,396	13,396	-	-	117,196	117,196	-
Impaired	1,062,627	1,030,726	2,093,353	2,681,925	1,179,167	880,430	2,059,597	2,938,252
	1,062,627	1,044,122	2,106,749	2,681,925	1,179,167	997,626	2,176,793	2,938,252
Bank								
Past due but not impaired	-	10,576	10,576	-	-	84,912	84,912	-
Impaired	1,062,627	996,486	2,059,113	2,681,925	1,179,167	846,780	2,025,947	2,938,252
	1,062,627	1,007,062	2,069,689	2,681,925	1,179,167	931,692	2,110,859	2,938,252

Collateral by type

	2022				2021			
	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000
Group								
Impaired	5,166	2,221,780	454,979	2,681,925	5,166	2,435,308	497,778	2,938,252
	5,166	2,221,780	454,979	2,681,925	5,166	2,435,308	497,778	2,938,252
Bank								
Impaired	5,166	2,221,780	454,979	2,681,925	5,166	2,435,308	497,778	2,938,252
	5,166	2,221,780	454,979	2,681,925	5,166	2,435,308	497,778	2,938,252

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(a) Credit risk (cont'd)

(vii) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there are fundamental revision in the principal terms and conditions of the facilities. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans/financing held by the Group and the Bank stood at RM7,983.1 million (2021: RM8,972.5 million).

(viii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Financial investments at FVOCI				
Sovereign	**5,105,677**	4,350,296	**4,725,706**	4,104,700
AAA	**1,001,723**	464,555	**972,517**	429,234
AA	**433,945**	471,035	**227,379**	188,321
A	**167,318**	170,721	**-**	-
BB	**-**	42,322	**-**	42,322
Non-rated	**659,935**	440,719	**659,935**	440,719
	7,368,598	5,939,648	**6,585,537**	5,205,296

(b) Market risk

(i) Interest/profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Interest/profit rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/ profit rate risk management process which is conducted in accordance with the Group's policies as approved by the BOD.

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(i) Interest/profit rate risk (cont'd)

The table below shows the Group's and the Bank's net interest/finance income sensitivity based on possible parallel shift in interest/profit rate.

	Group			
	Impact on interest/ profit 2022 RM'000	**Impact on interest/ profit 2021 RM'000**	**Impact on equity 2022 RM'000**	**Impact on equity 2021 RM'000**
Interest/profit rate				
- parallel shift				
+ 50 basis points	**9,175**	11,021	**(177,085)**	(144,916)
- 50 basis points	**(9,175)**	(11,021)	**177,303**	145,507

	Bank			
	Impact on interest/ profit 2022 RM'000	**Impact on interest/ profit 2021 RM'000**	**Impact on equity 2022 RM'000**	**Impact on equity 2021 RM'000**
Interest/profit rate				
- parallel shift				
+ 50 basis points	**9,175**	11,021	**(162,358)**	(133,685)
- 50 basis points	**(9,175)**	(11,021)	**162,358**	133,685

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(i) Interest/profit rate risk (cont'd)

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

	Non-trading book							
Group 2022	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	2,300,081	-	-	-	-	29,248	2,329,329	3.23
Deposits and placements with financial institutions	-	755,535	823,450	-	-	-	1,578,985	-
Financial investments at FVTPL	-	-	-	-	-	33,886	33,886	-
Financial investments at FVOCI	66,033	45,033	783,625	3,357,089	3,116,818	9,301	7,377,899	4.28
Loans, financing and advances								
- non-impaired	338,339	104,035	787,922	5,024,083	10,131,141	(830)	16,384,690	6.28
- impaired*	-	-	-	-	-	(1,704,347)	(1,704,347)	-
Insurance receivables	-	-	-	-	-	187,411	187,411	-
Reinsurance assets	-	-	-	-	-	393	393	-
Other assets	-	-	-	-	-	262,958	262,958	-
Total assets	2,704,453	904,603	2,394,997	8,381,172	13,247,959	(1,181,980)	26,451,204	
Equity and liabilities								
Deposits from customers	2,573,719	2,657,970	1,623,449	300,985	-	-	7,156,123	3.71
Deposits and placements from financial institutions	1,650,926	201,626	-	-	-	-	1,852,552	3.27
Premium liabilities	-	-	-	-	-	222,668	222,668	-
Other liabilities	-	-	-	-	-	127,217	127,217	-
Redeemable notes/Sukuk	336,310	-	-	3,518,849	4,380,000	-	8,235,159	4.37
Borrowings	12,534	-	-	-	150,000	-	162,534	4.88
Infrastructure support fund	-	-	-	-	-	218,613	218,613	-
Deferred income	-	-	-	-	-	179,423	179,423	-
Lease liabilities	-	-	-	-	-	192	192	-
Total liabilities	4,573,489	2,859,596	1,623,449	3,819,834	4,530,000	748,113	18,154,481	
Total interest/profit sensitivity gap	(1,869,036)	(1,954,993)	771,548	4,561,338	8,717,959	(1,930,093)	8,296,723	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Group 2021	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	← Non-trading book					→		
Assets								
Cash and short term deposits	950,458	-	-	-	-	16,220	966,678	1.79
Deposits and placements with financial institutions	6,029	1,014,771	1,103,767	-	-	-	2,124,567	-
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863	-
Financial investments at FVOCI	50,945	10,050	131,774	2,792,205	2,954,674	10,280	5,949,928	4.33
Loans, financing and advances								
- non-impaired	319,927	124,054	758,671	5,591,700	10,706,883	1,699	17,502,934	5.96
- impaired*	-	-	-	-	-	(1,428,325)	(1,428,325)	-
Insurance receivables	-	-	-	-	-	196,759	196,759	-
Reinsurance assets	-	-	-	-	-	642	642	-
Other assets	-	-	-	-	-	333,601	333,601	-
Total assets	1,327,359	1,148,875	1,994,212	8,383,905	13,661,557	(854,261)	25,661,647	
Equity and liabilities								
Deposits from customers	1,548,963	1,975,323	2,062,598	387,868	-	-	5,974,752	2.41
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496	1.88
Premium liabilities	-	-	-	-	-	261,598	261,598	-
Insurance payables	-	-	-	-	-	427	427	-
Other liabilities	-	-	-	-	-	138,774	138,774	-
Redeemable notes/Sukuk	93,689	500,000	505,721	2,883,443	5,315,000	-	9,297,853	4.38
Borrowings	-	2,540	-	-	150,000	-	152,540	4.88
Infrastructure support fund	-	-	-	-	-	303,974	303,974	-
Deferred income	-	-	-	-	-	190,262	190,262	-
Lease liabilities	-	-	-	-	-	867	867	-
Total liabilities	2,674,148	2,477,863	2,568,319	3,271,311	5,465,000	895,902	17,352,543	
Total interest/profit sensitivity gap	(1,346,789)	(1,328,988)	(574,107)	5,112,594	8,196,557	(1,750,163)	8,309,104	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Bank 2022	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	2,143,105	-	-	-	-	1,309	2,144,414	3.03
Deposits and placements with financial institutions	-	131,652	-	-	-	-	131,652	-
Financial investments at FVTPL	-	-	-	-	-	33,886	33,886	-
Financial investments at FVOCI	66,033	45,033	566,848	3,119,475	2,788,148	9,301	6,594,838	4.28
Loans, financing and advances								
- non-impaired	318,163	97,857	766,634	4,924,511	10,125,448	(830)	16,231,783	6.28
- impaired*	-	-	-	-	-	(1,697,934)	(1,697,934)	-
Other assets	-	-	-	-	-	256,289	256,289	-
Total assets	2,527,301	274,542	1,333,482	8,043,986	12,913,596	(1,397,979)	23,694,928	
Equity and liabilities								
Deposits from customers	2,573,719	2,657,970	1,623,449	300,985	-	-	7,156,123	3.71
Deposits and placements from financial institutions	1,650,926	201,626	-	-	-	-	1,852,552	3.27
Other liabilities	-	-	-	-	-	68,714	68,714	
Redeemable notes/Sukuk	336,310	-	-	3,518,849	4,380,000	-	8,235,159	4.37
Borrowings	2,500	-	-	-	150,000	-	152,500	4.88
Infrastructure support fund	-	-	-	-	-	218,613	218,613	-
Deferred income	-	-	-	-	-	179,423	179,423	-
Lease liabilities	-	-	-	-	-	150	150	-
Total liabilities	4,563,455	2,859,596	1,623,449	3,819,834	4,530,000	466,900	17,863,234	
Total interest/profit sensitivity gap	(2,036,154)	(2,585,054)	(289,967)	4,224,152	8,383,596	(1,864,879)	5,831,694	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(b) Market risk (cont'd)

(i) Interest/profit rate risk (cont'd)

Bank 2021	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	← Non-trading book					→		
Assets								
Cash and short term deposits	822,346	-	-	-	-	3,501	825,847	1.78
Deposits and placements with financial institutions	-	258,154	-	-	-	-	258,154	-
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863	-
Financial investments at FVOCI	50,945	10,050	55,528	2,347,568	2,741,205	10,280	5,215,576	4.27
Loans, financing and advances								
- non-impaired	274,319	111,661	735,476	5,463,248	10,698,392	1,699	17,284,795	5.92
- impaired*	-	-	-	-	-	(1,419,832)	(1,419,832)	-
Other assets	-	-	-	-	-	289,403	289,403	-
Total assets	1,147,610	379,865	791,004	7,810,816	13,439,597	(1,100,086)	22,468,806	
Equity and liabilities								
Deposits from customers	1,548,963	1,975,323	2,062,598	387,868	-	-	5,974,752	2.41
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496	1.88
Other liabilities	-	-	-	-	-	87,101	87,101	-
Redeemable notes/Sukuk	93,689	500,000	-	2,883,443	5,315,000	-	8,792,132	4.36
Borrowings	-	2,540	-	-	150,000	-	152,540	4.88
Infrastructure support fund	-	-	-	-	-	303,974	303,974	-
Deferred income	-	-	-	-	-	190,262	190,262	-
Lease liabilities	-	-	-	-	-	245	245	-
Total liabilities	2,674,148	2,477,863	2,062,598	3,271,311	5,465,000	581,582	16,532,502	
Total interest/profit sensitivity gap	(1,526,538)	(2,097,998)	(1,271,594)	4,539,505	7,974,597	(1,681,668)	5,936,304	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Bank will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments/financing payment over a range of maturities.

The Group and the Bank manage their liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments/payments to fund providers. The Group and the Bank may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

(i) Contractual maturity of total assets and liabilities

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

	Non-trading book						
Group 2022	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short term deposits	2,298,475	-	-	-	-	30,854	2,329,329
Deposits and placements with financial institutions	28,395	1,505,065	-	45,525	-	-	1,578,985
Financial investments at FVTPL	-	-	-	-	-	33,886	33,886
Financial investments at FVOCI	1,276	50,112	789,847	3,386,046	3,141,317	9,301	7,377,899
Loans, financing and advances							
- non-impaired	338,339	104,035	787,922	5,023,363	10,131,861	(830)	16,384,690
- impaired*	-	-	-	-	-	(1,704,347)	(1,704,347)
Insurance receivables	3,793	238	32,672	104,577	46,131	-	187,411
Reinsurance assets	-	-	-	-	-	393	393
Other assets	-	-	-	-	-	262,958	262,958
Total assets	2,670,278	1,659,450	1,610,441	8,559,511	13,319,309	(1,367,785)	26,451,204
Equity and liabilities							
Deposits from customers	2,637,084	2,640,850	1,595,935	282,254	-	-	7,156,123
Deposits and placements from financial institutions	1,652,225	200,327	-	-	-	-	1,852,552
Premium liabilities	-	-	-	-	-	222,668	222,668
Other liabilities	-	-	-	-	-	127,217	127,217
Redeemable notes/Sukuk	255,046	-	-	3,547,362	4,432,751	-	8,235,159
Borrowings	12,534	-	-	-	150,000	-	162,534
Infrastructure support fund	-	-	-	-	-	218,613	218,613
Deferred income	-	-	-	-	-	179,423	179,423
Lease liabilities	44	14	65	69	-	-	192
Total liabilities	4,556,933	2,841,191	1,596,000	3,829,685	4,582,751	747,921	18,154,481
Net maturity mismatches	(1,886,655)	(1,181,741)	14,441	4,729,826	8,736,558	(2,115,706)	8,296,723

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

(i) Contractual maturity of total assets and liabilities (cont'd)

Group 2021	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	966,678	-	-	-	-	-	966,678
Deposits and placements with financial institutions	6,029	1,014,771	1,103,767	-	-	-	2,124,567
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863
Financial investments at FVOCI	-	13,905	132,978	2,813,149	2,979,616	10,280	5,949,928
Loans, financing and advances							
- non-impaired	1,264,227	124,053	757,903	5,588,952	9,766,100	1,699	17,502,934
- impaired*	-	-	-	-	-	(1,428,325)	(1,428,325)
Insurance receivables	-	2,838	38,109	103,398	52,414	-	196,759
Reinsurance assets	-	-	-	-	-	642	642
Other assets	-	-	-	-	-	333,601	333,601
Total assets	2,236,934	1,155,567	2,032,757	8,505,499	12,798,130	(1,067,240)	25,661,647
Equity and liabilities							
Deposits from customers	1,612,801	1,967,846	2,042,933	351,172	-	-	5,974,752
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496
Premium liabilities	-	-	-	-	-	261,598	261,598
Insurance payables	-	-	427	-	-	-	427
Other liabilities	55	156	649	286	-	137,628	138,774
Redeemable notes/Sukuk	-	507,153	505,721	2,908,053	5,376,926	-	9,297,853
Borrowings	-	2,540	-	-	150,000	-	152,540
Infrastructure support fund	-	-	-	-	-	303,974	303,974
Deferred income	-	-	-	-	-	190,262	190,262
Lease liabilities	115	213	372	167	-	-	867
Total liabilities	2,644,467	2,477,908	2,550,102	3,259,678	5,526,926	893,462	17,352,543
Net maturity mismatches	(407,533)	(1,322,341)	(517,345)	5,245,821	7,271,204	(1,960,702)	8,309,104

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

(i) Contractual maturity of total assets and liabilities (cont'd)

Bank 2022	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
	← Non-trading book →						
Assets							
Cash and short term deposits	2,144,414	-	-	-	-	-	2,144,414
Deposits and placements with financial institutions	-	131,652	-	-	-	-	131,652
Financial investments at FVTPL	-	-	-	-	-	33,886	33,886
Financial investments at FVOCI	-	45,849	572,953	3,150,427	2,816,308	9,301	6,594,838
Loans, financing and advances							
- non-impaired	318,163	97,857	766,634	4,924,511	10,125,448	(830)	16,231,783
- impaired*	-	-	-	-	-	(1,697,934)	(1,697,934)
Other assets	-	-	-	-	-	256,289	256,289
Total assets	2,462,577	275,358	1,339,587	8,074,938	12,941,756	(1,399,288)	23,694,928
Equity and liabilities							
Deposits from customers	2,637,084	2,640,850	1,595,935	282,254	-	-	7,156,123
Deposits and placements from financial institutions	1,652,225	200,327	-	-	-	-	1,852,552
Other liabilities	-	-	-	-	-	68,714	68,714
Redeemable notes/Sukuk	255,046	-	-	3,547,362	4,432,751	-	8,235,159
Borrowings	2,500	-	-	-	150,000	-	152,500
Infrastructure support fund	-	-	-	-	-	218,613	218,613
Deferred income	-	-	-	-	-	179,423	179,423
Lease liabilities	7	14	65	64	-	-	150
Total liabilities	4,546,862	2,841,191	1,596,000	3,829,680	4,582,751	466,750	17,863,234
Net maturity mismatches	(2,084,285)	(2,565,833)	(256,413)	4,245,258	8,359,005	(1,866,038)	5,831,694

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

NOTES TO THE FINANCIAL STATEMENTS
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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

(i) Contractual maturity of total assets and liabilities (cont'd)

	Non-trading book						
Bank 2021	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short term deposits	825,847	-	-	-	-	-	825,847
Deposits and placements with financial institutions	-	258,154	-	-	-	-	258,154
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863
Financial investments at FVOCI	-	10,173	55,735	2,371,398	2,767,989	10,281	5,215,576
Loans, financing and advances							
- non-impaired	1,218,619	111,661	734,709	5,460,501	9,757,606	1,699	17,284,795
- impaired*	-	-	-	-	-	(1,419,832)	(1,419,832)
Other assets	-	-	-	-	-	289,403	289,403
Total assets	2,044,466	379,988	790,444	7,831,899	12,525,595	(1,103,586)	22,468,806
Equity and liabilities							
Deposits from customers	1,612,801	1,967,846	2,042,933	351,172	-	-	5,974,752
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496
Other liabilities	-	-	-	-	-	87,101	87,101
Redeemable notes/Sukuk	-	507,153	-	2,908,053	5,376,926	-	8,792,132
Borrowings	-	2,540	-	-	150,000	-	152,540
Infrastructure support fund	-	-	-	-	-	303,974	303,974
Deferred income	-	-	-	-	-	190,262	190,262
Lease liabilities	2	4	89	150	-	-	245
Total liabilities	2,644,299	2,477,543	2,043,022	3,259,375	5,526,926	581,337	16,532,502
Net maturity mismatches	(599,833)	(2,097,555)	(1,252,578)	4,572,524	6,998,669	(1,684,923)	5,936,304

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

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

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2022 and 31 December 2021. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage interest liquidity risk based on discounted expected cash flows.

	Non-trading book						
Group 2022	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Liabilities							
Deposits from customers	**2,641,545**	**2,657,970**	**1,619,817**	**288,684**	**-**	**-**	**7,208,016**
Deposits and placements from financial institutions	**1,654,749**	**201,626**	**-**	**-**	**-**	**-**	**1,856,375**
Premium liabilities	**-**	**-**	**-**	**-**	**-**	**222,668**	**222,668**
Other liabilities	**85**	**164**	**386**	**231**	**114**	**124,198**	**125,178**
Redeemable notes/Sukuk	**255,046**	**-**	**-**	**3,547,362**	**4,432,751**	**-**	**8,235,159**
Borrowings	**-**	**3,679**	**3,620**	**29,216**	**157,228**	**-**	**193,743**
Lease liabilities	**44**	**14**	**65**	**69**	**-**	**-**	**192**
Total liabilities	**4,551,469**	**2,863,453**	**1,623,888**	**3,865,562**	**4,590,093**	**346,866**	**17,841,331**

	Non-trading book						
Group 2021	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Liabilities							
Deposits from customers	1,614,295	1,975,323	2,062,598	359,745	-	-	6,011,961
Deposits and placements from financial institutions	1,032,182	-	-	-	-	-	1,032,182
Premium liabilities	-	-	-	-	-	261,598	261,598
Insurance payables	-	-	427	-	-	-	427
Other liabilities	55	156	649	286	-	137,628	138,774
Redeemable notes/Sukuk	-	521,400	523,934	3,379,863	7,704,001	-	12,129,198
Borrowings	-	3,679	3,620	29,216	164,527	-	201,042
Lease liabilities	130	241	428	272	-	-	1,071
Total liabilities	2,646,662	2,500,799	2,591,656	3,769,382	7,868,528	399,226	19,776,253

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52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

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

Bank 2022	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	**2,641,545**	**2,657,970**	**1,619,817**	**288,684**	**-**	**-**	**7,208,016**
Deposits and placements from financial institutions	**1,654,749**	**201,626**	**-**	**-**	**-**	**-**	**1,856,375**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**68,714**	**68,714**
Redeemable notes/Sukuk	**255,046**	**-**	**-**	**3,547,362**	**4,432,751**	**-**	**8,235,159**
Borrowings	**-**	**3,679**	**3,620**	**29,216**	**157,228**	**-**	**193,743**
Lease liabilities	**7**	**14**	**65**	**64**	**-**	**-**	**150**
Total liabilities	**4,551,347**	**2,863,289**	**1,623,502**	**3,865,326**	**4,589,979**	**68,714**	**17,562,157**

Bank 2021	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	1,614,295	1,975,323	2,062,598	359,745	-	-	6,011,961
Deposits and placements from financial institutions	1,032,182	-	-	-	-	-	1,032,182
Other liabilities	-	-	-	-	-	87,101	87,101
Redeemable notes/Sukuk	-	521,400	-	3,379,863	7,704,001	-	11,605,264
Borrowings	-	3,679	3,620	29,216	164,527	-	201,042
Lease liabilities	14	29	128	268	-	-	439
Total liabilities	2,646,491	2,500,431	2,066,346	3,769,092	7,868,528	87,101	18,937,989

53. FAIR VALUES MEASUREMENTS

(a) Financial assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their financial assets and financial liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;

Level 2 - Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

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53. FAIR VALUES MEASUREMENTS (CONT'D)

(a) Financial assets and liabilities measured at fair value (cont'd)

Determination of fair value and the fair value hierarchy (cont'd)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities.

Group	2022 Level 1 RM'000	2022 Level 2 RM'000	2022 Level 3 RM'000	2022 Total RM'000	2021 Level 1 RM'000	2021 Level 2 RM'000	2021 Level 3 RM'000	2021 Total RM'000
Assets measured at fair value:								
Financial investments at FVTPL	-	33,886	-	33,886	-	14,863	-	14,863
Financial investments at FVOCI	9,301	7,368,598	-	7,377,899	10,280	5,939,648	-	5,949,928
Total financial assets carried at fair value				7,411,785				5,964,791
Assets for which fair values are disclosed (Note 53(b)):								
Loans, financing and advances	-	-	15,135,871	15,135,871	-	-	16,628,539	16,628,539
Liabilities for which fair values are disclosed (Note 53(b)):								
Redeemable notes/Sukuk	-	-	8,408,966	8,408,966	-	-	9,507,093	9,507,093
Borrowings	-	-	208,346	208,346	-	-	222,591	222,591

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

53. FAIR VALUES MEASUREMENTS (CONT'D)

(a) Financial assets and liabilities measured at fair value (cont'd)

Determination of fair value and the fair value hierarchy (cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities. (cont'd)

	2022				2021			
Bank	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Assets measured at fair value:								
Financial investments at FVTPL	-	33,886	-	33,886	-	14,863	-	14,863
Financial investments at FVOCI	9,301	6,585,537	-	6,594,838	10,280	5,205,296	-	5,215,576
Total financial assets carried at fair value				6,628,724				5,230,439
Assets for which fair values are disclosed (Note 53(b)):								
Loans, financing and advances	-	-	14,943,511	14,943,511	-	-	16,368,467	16,368,467
Liabilities for which fair values are disclosed (Note 53(b)):								
Redeemable notes/Sukuk	-	-	8,408,966	8,408,966	-	-	8,999,153	8,999,153
Borrowings	-	-	208,346	208,346	-	-	222,591	222,591

There have been no transfer between Level 1 and Level 2 during the financial year. The fair value of loans, financing and advances that are valued at Level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.37% to 5.92% (2021: 2.37% to 5.92%) whilst the fair value of redeemable notes/sukuk and term loans that are valued at Level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.80% to 6.30% (2021: 2.80% to 6.30%).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

53. FAIR VALUES MEASUREMENTS (CONT'D)

(b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Group's statements of financial position at their fair value.

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2022				
Financial assets				
Loans, financing and advances	**14,680,343**	**15,135,871**	**14,533,849**	**14,943,511**
Financial liabilities				
Redeemable notes/Sukuk	**8,235,159**	**8,408,966**	**8,235,159**	**8,408,966**
Borrowings	**162,534**	**208,346**	**152,500**	**208,346**
2021				
Financial assets				
Loans, financing and advances	16,074,609	16,628,539	15,864,963	16,368,467
Financial liabilities				
Redeemable notes/Sukuk	9,297,853	9,507,093	8,792,132	8,999,153
Borrowings	152,540	222,591	152,540	222,591

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Financial investments - Amortised Cost

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

53. FAIR VALUES MEASUREMENTS (CONT'D)

(b) Financial assets and liabilities not carried at fair value (cont'd)

(ii) Loans, financing and advances

Loans, financing and advances to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans/financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect of impaired loans/financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements from financial institutions, and bills and acceptance payable

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(iv) Subordinated obligations and borrowings

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest/profit rates for securities as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS

The state of affairs as at 31 December 2022 and results for the financial year ended on this date under the Islamic financial business of the Group and the Bank included in the Group financial statements are summarised as follows:

Statements of Financial Position
As at 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Assets					
Cash and short term deposits	(a)	**1,907,151**	788,780	**1,793,449**	706,342
Deposits and placements with financial institutions	(b)	**171,030**	238,130	**131,652**	238,130
Financial investments at FVTPL	(c)	**33,886**	14,863	**33,886**	14,863
Financial investments at FVOCI	(d)	**5,746,960**	4,344,354	**5,746,960**	4,344,354
Financing and advances	(e)	**13,437,412**	13,479,456	**13,313,092**	13,341,520
Other assets	(f)	**1,009,914**	1,157,854	**1,009,765**	1,157,676
Property, plant and equipment		**82,765**	83,807	**82,765**	83,807
Investment properties		**314**	322	**314**	322
Intangible asset		**12,796**	7,478	**12,796**	7,478
Right-of-use asset		**141**	236	**141**	236
Deferred tax asset		**404,438**	284,271	**404,438**	284,114
Total assets		**22,806,807**	20,399,551	**22,529,258**	20,178,842
Liabilities					
Deposits from customers	(g)	**7,156,123**	5,974,752	**7,156,123**	5,974,752
Deposits from financial institutions	(h)	**1,622,106**	731,346	**1,622,106**	731,346
Other liabilities	(i)	**210,987**	165,054	**63,189**	56,745
Sukuk	(j)	**7,573,680**	8,080,341	**7,573,680**	8,080,341
Infrastructure support fund		**218,613**	303,974	**218,613**	303,974
Revolving credit-i		**10,034**	-	**-**	-
Deferred income		**179,423**	190,262	**179,423**	190,262
Lease liabilities		**150**	245	**150**	245
Deferred tax liabilities		**-**	246	**-**	-
Total liabilities		**16,971,116**	15,446,220	**16,813,284**	15,337,665
Equity					
Capital funds		**3,718,724**	3,078,724	**3,718,724**	3,078,724
Reserves	(k)	**2,116,967**	1,874,607	**1,997,250**	1,762,453
Total equity		**5,835,691**	4,953,331	**5,715,974**	4,841,177
Total liabilities and equity		**22,806,807**	20,399,551	**22,529,258**	20,178,842
Commitments and contingencies	(t)	**4,908,684**	6,970,213	**4,908,684**	6,970,213

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Profit or Loss
For the Financial Year Ended 31 December 2022

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds	(l)	**267,565**	219,951	**267,565**	219,951
Income derived from investment of shareholders' funds	(m)	**945,028**	801,258	**931,015**	788,011
Allowance for impairment losses on financing and advances	(n)	**(489,134)**	(575,362)	**(488,983)**	(570,297)
Allowance for impairment losses on other assets	(o)	**(41,922)**	(51,522)	**(41,922)**	(51,522)
Total distributable income		**681,537**	394,325	**667,675**	386,143
Income attributable to the depositors	(p)	**(196,160)**	(144,172)	**(196,160)**	(144,172)
Total net income		**485,377**	250,153	**471,515**	241,971
Overhead expenses	(q)	**(117,602)**	(117,308)	**(113,017)**	(114,568)
Finance cost	(r)	**(325,130)**	(328,486)	**(325,096)**	(328,486)
Profit/(loss) before taxation and zakat		**42,645**	(195,641)	**33,402**	(201,083)
(Taxation)/tax credit		**(36,838)**	41,549	**(36,838)**	41,738
Zakat	(s)	**(14,866)**	(9,546)	**(13,186)**	(8,275)
Loss for the year		**(9,059)**	(163,638)	**(16,622)**	(167,620)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2022

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Loss for the year	**(9,059)**	(163,638)	**(16,622)**	(167,620)
Other comprehensive loss				
Items that will not be reclassified to profit or loss:				
Net change in revaluation of equity instruments at fair value through other comprehensive income	**(979)**	15,973	**(979)**	15,973
Items that may be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income:				
- Net change in fair value during the year	**(89,835)**	(251,336)	**(89,835)**	(251,336)
- Changes in allowance for expected credit losses	**41,826**	51,615	**41,826**	51,615
	(48,988)	(183,748)	**(48,988)**	(183,748)
Income tax effect (Note 54(k)(ii))	**21,560**	60,321	**21,560**	60,321
	21,560	60,321	**21,560**	60,321
Other comprehensive loss for the year, net of tax	**(27,428)**	(123,427)	**(27,428)**	(123,427)
Total comprehensive loss for the year	**(36,487)**	(287,065)	**(44,050)**	(291,047)
Total comprehensive loss attributable to:				
Shareholders of the Bank	**(36,487)**	(287,065)	**(44,050)**	(291,047)
	(36,487)	(287,065)	**(44,050)**	(291,047)
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	**267,565**	219,951	**267,565**	219,951
Income derived from investment of shareholders' funds	**945,028**	801,258	**931,015**	788,011
Income attributable to the depositors	**(196,160)**	(144,172)	**(196,160)**	(144,172)
Finance cost	**(325,130)**	(328,486)	**(325,096)**	(328,486)
Net income from Islamic financial business reported in the statements of profit or loss	**691,303**	548,551	**677,324**	535,304

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2022

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Group					
At 1 January 2022	**3,078,724**	**443,483**	**81,131**	**1,349,993**	**4,953,331**
Loss for the year	**-**	**-**	**-**	**(9,059)**	**(9,059)**
Other comprehensive loss for the year	**-**	**-**	**(27,428)**	**-**	**(27,428)**
Total comprehensive loss for the year	**-**	**-**	**(27,428)**	**(9,059)**	**(36,487)**
Capital re-allocation	**640,000**	**-**	**-**	**353,847**	**993,847**
Dividend paid	**-**	**-**	**-**	**(75,000)**	**(75,000)**
At 31 December 2022	**3,718,724**	**443,483**	**53,703**	**1,619,781**	**5,835,691**
At 1 January 2021	2,722,657	443,483	195,475	391,532	3,753,147
Loss for the year	-	-	-	(163,638)	(163,638)
Other comprehensive loss for the year	-	-	(123,427)	-	(123,427)
Total comprehensive loss for the year	-	-	(123,427)	(163,638)	(287,065)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	9,083	(9,083)	-
Capital re-allocation	356,067	-	-	1,206,182	1,562,249
Dividend paid	-	-	-	(75,000)	(75,000)
At 31 December 2021	3,078,724	443,483	81,131	1,349,993	4,953,331

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statement of Changes in Equity
For the Financial Year Ended 31 December 2022

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Bank					
At 1 January 2022	**3,078,724**	**443,483**	**81,131**	**1,237,839**	**4,841,177**
Loss for the year	**-**	**-**	**-**	**(16,622)**	**(16,622)**
Other comprehensive loss for the year	**-**	**-**	**(27,428)**	**-**	**(27,428)**
Total comprehensive loss for the year	**-**	**-**	**(27,428)**	**(16,622)**	**(44,050)**
Capital re-allocation	**640,000**	**-**	**-**	**353,847**	**993,847**
Dividend paid	**-**	**-**	**-**	**(75,000)**	**(75,000)**
At 31 December 2022	**3,718,724**	**443,483**	**53,703**	**1,500,064**	**5,715,974**
At 1 January 2021	2,722,657	443,483	195,475	283,360	3,644,975
Loss for the year	-	-	-	(167,620)	(167,620)
Other comprehensive loss for the year	-	-	(123,427)	-	(123,427)
Total comprehensive loss for the year	-	-	(123,427)	(167,620)	(291,047)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	9,083	(9,083)	-
Capital re-allocation	356,067	-	-	1,206,182	1,562,249
Dividend paid	-	-	-	(75,000)	(75,000)
At 31 December 2021	3,078,724	443,483	81,131	1,237,839	4,841,177

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Cash Flows
For the Financial Year Ended 31 December 2022

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash flows from operating activities				
Profit/(loss) before taxation and zakat	**42,645**	(195,641)	**33,402**	(201,083)
Adjustments for:				
Net gain on sale of financial investments at FVOCI (Note 54(m))	**(1,173)**	(35,194)	**(1,173)**	(35,194)
Depreciation of property, plant and equipment (Note 54(q)(ii))	**5,108**	4,537	**5,108**	4,537
Depreciation of investment properties (Note 54(q)(ii))	**8**	8	**8**	8
Amortisation of intangible assets (Note 54(q)(ii))	**2,550**	2,530	**2,550**	2,530
Depreciation of right-of-use assets (Note 54(q)(ii))	**95**	152	**95**	152
Loss on disposal property, plant and equipment (Note 54(m))	**5**	-	**5**	-
Accretion of discount less amortisation of premium of financial investments (Note 54(m))	**17,704**	9,044	**17,704**	9,044
Allowance for impairment losses on financing and advances, net (Note 54(n))	**491,576**	599,182	**491,159**	593,713
Loss due to financing modification (Note 54(l) and Note 54(m))	**2,297**	4,359	**2,297**	4,359
Impairment allowance for:				
Financial investments at FVOCI (Note 54(o))	**41,826**	51,615	**41,826**	51,615
Impaired financing written off (Note 54(n))	**55**	2,419	**40**	2,309
Fixed asset written off (Note 54(q)(iv))	**-**	84	**-**	84
Allowance made/(write back of) for ex-staff financing (Note 54(o))	**96**	(93)	**96**	(93)
Unrealised (gain)/loss on FVTPL (Note 54(m))	**(19,023)**	30,703	**(19,023)**	30,703
Compensation from the Government (Note 54(m))	**(113,227)**	(105,555)	**(113,227)**	(105,555)
Finance cost on lease liabilities	**12**	17	**12**	17
Operating cash flows before working capital changes	**470,554**	368,167	**460,879**	357,146
Increase in operating assets:				
Deposits and placements with financial institutions	**67,100**	(238,130)	**106,478**	(238,130)
Financing and advances	**(451,980)**	(2,630,835)	**(465,164)**	(2,599,073)
Other assets	**29,365**	88,213	**16,223**	89,616
	(355,515)	(2,780,752)	**(342,463)**	(2,747,587)
Increase in operating liabilities:				
Deposits from customers	**1,181,371**	627,916	**1,181,371**	627,916
Deposits and placements from financial institutions	**890,760**	651,254	**890,760**	651,254
Other liabilities	**26,769**	37,113	**2,162**	12,764
	2,098,900	1,316,283	**2,074,293**	1,291,934
Cash generated from/(used in) operating activities	**2,213,939**	(1,096,302)	**2,192,709**	(1,098,507)
Finance cost on lease liabilities (Note 54(r))	**(12)**	(17)	**(12)**	(17)
Zakat paid	**(8,904)**	(9,568)	**(8,904)**	(9,568)
Net cash generated from/(used in) operating activities	**2,205,023**	(1,105,887)	**2,183,793**	(1,108,092)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Cash Flows
For the Financial Year Ended 31 December 2022 (cont'd)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 15)	**(6,662)**	(4,784)	**(6,662)**	(4,784)
Purchase of intangible assets (Note 17)	**(5,291)**	(3,427)	**(5,291)**	(3,427)
Purchase of financial investments at FVOCI	**(1,608,327)**	(1,117,293)	**(1,608,327)**	(1,117,293)
Proceeds from disposal of financial investments at FVOCI	**98,376**	1,290,986	**98,376**	1,290,986
Proceeds from disposal of property, plant and equipments	**14**	-	**14**	-
Proceeds from maturity of financial investments at FVOCI	**-**	82,393	**-**	82,393
Conversion from Conventional to Islamic	**-**	(1,700,000)	**-**	(1,700,000)
Net cash used in investing activities	**(1,521,890)**	(1,452,125)	**(1,521,890)**	(1,452,125)
Cash flows from financing activities				
Net payment of Sukuk	**(506,661)**	(702,359)	**(506,661)**	(702,359)
Proceeds from government compensation	**13,113**	41,532	**13,113**	41,532
Proceeds from Sukuk issuance	**-**	1,700,000	**-**	1,700,000
Capital re-allocation	**993,847**	1,562,249	**993,847**	1,562,249
Revolving credit-i from financial institution	**10,034**	-	**-**	-
Payment of principal portion of lease	**(95)**	(155)	**(95)**	(155)
Dividends paid	**(75,000)**	(75,000)	**(75,000)**	(75,000)
Net cash generated from financing activities	**435,238**	2,526,267	**425,204**	2,526,267
Net increase/(decrease) in cash and equivalents	**1,118,371**	(31,745)	**1,087,107**	(33,950)
Cash and cash equivalents at beginning of the year	**788,780**	820,525	**706,342**	740,292
Cash and cash equivalents at end of the year	**1,907,151**	788,780	**1,793,449**	706,342

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

Statements of Cash Flows
For the Financial Year Ended 31 December 2022 (cont'd)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and cash equivalents comprise:				
Cash and short term deposits (Note (a))	**1,907,151**	788,780	**1,793,449**	706,342

(a) Cash and Short Term Deposits

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances with financial institutions	**17,785**	4,644	**1,255**	3,047
Money at call and deposit placements maturing within one month	**1,889,366**	784,136	**1,792,194**	703,295
	1,907,151	788,780	**1,793,449**	706,342

(b) Deposits and placements with financial institutions

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Licensed banks	**171,030**	238,130	**131,652**	238,130

(c) Financial Investments at FVTPL

	Group and Bank	
	2022 RM'000	2021 RM'000
At fair value		
Equity Securities:		
Unquoted shares	**33,886**	14,863
Total financial investments at FVTPL	**33,886**	14,863

Included in the financial investments at FVTPL for the current and prior financial years is a private debt securities with a cost of RM405,364,712 and a fair value of RM Nil.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(d) Financial Investments at FVOCI

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
At fair value				
Debt Instruments:				
Money market instruments:				
Government investment issues	**2,046,829**	1,427,619	**2,046,829**	1,427,619
Cagamas	**4,962**	10,008	**4,962**	10,008
	2,051,791	1,437,627	**2,051,791**	1,437,627
Unquoted securities:				
Sukuk	**3,685,868**	2,896,447	**3,685,868**	2,896,447
	3,685,868	2,896,447	**3,685,868**	2,896,447
Equity Securities:				
Quoted shares	**9,301**	10,280	**9,301**	10,280
	9,301	10,280	**9,301**	10,280
Total financial investments at FVOCI	**5,746,960**	4,344,354	**5,746,960**	4,344,354

Movements in allowances for impairment which reflect the ECL allowance are as follows:

2022 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 RM'000**
At 1 January	**227**	**117,020**	**-**	**117,247**
Net allowance made	**138**	**41,688**	**-**	**41,826**
New financial investments purchased	**197**	**42,533**	**-**	**42,730**
Net writeback	**(59)**	**(845)**	**-**	**(904)**
At 31 December	**365**	**158,708**	**-**	**159,073**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(d) Financial Investments at FVOCI (cont'd)

Movements in allowances for impairment which reflect the ECL allowance are as follows: (cont'd)

2021 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 RM'000
At 1 January	524	65,108	-	65,632
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	-	-
Net allowance made	207	51,408	-	51,615
New financial investments purchased	85	-	-	85
Net allowance made	122	51,408	-	51,530
At 31 December	227	117,020	-	117,247

(e) Financing and Advances

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Bai' Bithaman Ajil	**718**	8,517	**449**	7,387
Istisna'	**1,087,645**	1,320,648	**1,087,645**	1,320,648
Ijarah Muntahiyah bi Tamlik	**75,135**	96,063	**1,226**	1,226
Tawarruq financing asset	**14,591,037**	13,873,669	**14,577,560**	13,860,378
Tawarruq financing working capital	**381,635**	393,400	**381,635**	393,400
Tawarruq revolving working capital	**115,109**	130,341	**115,109**	130,341
Factoring-i	**30,650**	36,359	**-**	-
Hire purchase-i	**23,715**	10,942	**-**	-
Staff financing	**2,618**	3,393	**2,618**	3,393
Gross financing and advances	**16,308,262**	15,873,332	**16,166,242**	15,716,773
Allowance for impairment on financing and advances:				
- Stage 1: 12-Month ECL	**(972,559)**	(1,280,819)	**(971,805)**	(1,279,667)
- Stage 2: Lifetime ECL not credit impaired	**(1,364,105)**	(592,372)	**(1,364,105)**	(592,354)
- Stage 3: Lifetime ECL credit impaired	**(534,186)**	(520,685)	**(517,240)**	(503,232)
	(2,870,850)	(2,393,876)	**(2,853,150)**	(2,375,253)
Net financing and advances	**13,437,412**	13,479,456	**13,313,092**	13,341,520

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(i) Financing and advances analysed by type and Shariah contract are as follows:

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Factoring-i RM'000	Hire purchase-i RM'000	Total RM'000
2022								
At amortised cost								
Term facility								
Sale-based financing	**718**	**-**	**1,087,645**	**-**	**14,591,037**	**30,650**	**23,715**	**15,733,765**
Lease-based financing	**-**	**-**		**75,135**	**-**	**-**	**-**	**75,135**
Working capital facility								
Sale-based financing	**-**	**-**	**-**	**-**	**381,635**	**-**	**-**	**381,635**
Revolving facility								
Sale-based financing	**-**	**-**	**-**	**-**	**115,109**	**-**	**-**	**115,109**
Staff financing	**2,618**	**-**	**-**	**-**	**-**	**-**	**-**	**2,618**
Gross financing and advances	**3,336**	**-**	**1,087,645**	**75,135**	**15,087,781**	**30,650**	**23,715**	**16,308,262**
Allowance for impairment on financing and advances:								
Stage 1: 12-Month ECL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(972,559)**
Stage 2: Lifetime ECL not credit impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,364,105)**
Stage 3: Lifetime ECL credit impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(534,186)**
Net financing and advances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,437,412**
2021								
At amortised cost								
Term facility								
Sale-based financing	8,517	-	1,320,648	-	13,873,669	36,359	10,942	15,250,135
Lease-based financing	-	-	-	96,063	-	-	-	96,063
Working capital facility								
Sale-based financing	-	-	-	-	393,400	-	-	393,400
Revolving facility								
Sale-based financing	-	-	-	-	130,341	-	-	130,341
Staff financing	3,393	-	-	-	-	-	-	3,393
Gross financing and advances	11,910	-	1,320,648	96,063	14,397,410	36,359	10,942	15,873,332
Allowance for impairment on financing and advances:								
Stage 1: 12-Month ECL	-	-	-	-	-	-	-	(1,280,819)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	-	-	(592,372)
Stage 3: Lifetime ECL credit impaired	-	-	-	-	-	-	-	(520,685)
Net financing and advances	-	-	-	-	-	-	-	13,479,456

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(i) Financing and advances analysed by type and Shariah contract are as follows: (cont'd)

Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2022						
At amortised cost						
Term facility						
Sale-based financing	449	-	1,087,645	-	14,577,560	15,665,654
Lease-based financing	-	-	-	1,226	-	1,226
Working capital facility						
Sale-based financing	-	-	-	-	381,635	381,635
Revolving facility						
Sale-based financing	-	-	-	-	115,109	115,109
Staff financing	2,618	-	-	-	-	2,618
Gross financing and advances	3,067	-	1,087,645	1,226	15,074,304	16,166,242
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(971,805)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(1,364,105)
Stage 3: Lifetime ECL credit Impaired	-	-	-	-	-	(517,240)
Net financing and advances	-	-	-	-	-	13,313,092

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(i) Financing and advances analysed by type and Shariah contract are as follows: (cont'd)

Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2021						
At amortised cost						
Term facility						
Sale-based financing	7,387	-	1,320,648	-	13,860,378	15,188,413
Lease-based financing	-	-	-	1,226	-	1,226
Working capital facility						
Sale-based financing	-	-	-	-	393,400	393,400
Revolving facility						
Sale-based financing	-	-	-	-	130,341	130,341
Staff financing	3,393	-	-	-	-	3,393
Gross financing and advances	10,780	-	1,320,648	1,226	14,384,119	15,716,773
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(1,279,667)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(592,354)
Stage 3: Lifetime ECL credit Impaired	-	-	-	-	-	(503,232)
Net financing and advances	-	-	-	-	-	13,341,520

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(ii) Financing and advances analysed by type of customers are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic business enterprises	**16,305,375**	15,868,809	**16,163,624**	15,713,380
Individual	**2,887**	4,523	**2,618**	3,393
	16,308,262	15,873,332	**16,166,242**	15,716,773

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed rate:				
Housing financing	**2,887**	4,523	**2,618**	3,393
Other fixed rate financing	**7,670,216**	7,873,040	**7,552,180**	7,728,553
Hire purchase receivable	**23,715**	10,942	**-**	-
Variable rate:				
Cost plus	**2,255,388**	2,472,051	**2,255,388**	2,472,051
Other variable rates	**6,356,056**	5,512,776	**6,356,056**	5,512,776
	16,308,262	15,873,332	**16,166,242**	15,716,773

(iv) Financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Within Malaysia	**16,308,262**	15,873,332	**16,166,242**	15,716,773

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(v) Financing and advances analysed by industry are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Construction	**7,811,197**	7,562,327	**7,811,197**	7,562,327
Education	**1,351,830**	1,505,900	**1,351,830**	1,505,900
Electricity, gas and water supply	**844,902**	551,718	**841,985**	550,827
Finance, takaful and business	**70,787**	71,774	**-**	-
Hotel and restaurants	**586,613**	532,229	**541,099**	496,754
Housing	**2,618**	4,523	**2,618**	3,393
Manufacturing	**275,836**	260,549	**275,836**	260,549
Marine related	**440,548**	483,143	**440,548**	483,143
Other community, social and personal service activities	**110,624**	86,067	**103,325**	57,797
Public administration and defence	**11,310**	20,964	**11,310**	20,964
Real estate, renting and business activity	**1,435,720**	1,407,301	**1,435,720**	1,407,301
Shipping	**534,828**	606,558	**534,828**	606,558
Shipyard	**115,109**	130,341	**115,109**	130,341
Transport, storage and communication	**2,716,340**	2,649,938	**2,700,837**	2,630,919
	16,308,262	15,873,332	**16,166,242**	15,716,773

(vi) The maturity structure of financing and advances are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Maturity within one year	**1,374,529**	1,065,061	**1,331,634**	1,018,077
One year to three years	**1,892,041**	1,903,362	**1,863,345**	1,859,592
Three years to five years	**2,981,042**	2,375,108	**2,910,613**	2,309,303
Over five years	**10,060,650**	10,529,801	**10,060,650**	10,529,801
	16,308,262	15,873,332	**16,166,242**	15,716,773

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(vii) Movements in gross financing and advances are as follows:

Group	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 RM'000
2022				
At 1 January	**13,126,052**	**1,921,283**	**825,997**	**15,873,332**
- Transfer to 12-month ECL (Stage 1)	**11,310**	**(11,310)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,793,979)**	**2,844,789**	**(50,810)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(340,373)**	**(127)**	**340,500**	**-**
Remeasurement, net	**496,207**	**26,942**	**(31,667)**	**491,482**
New accounts	**99,254**	**15,084**	**-**	**114,338**
Matured accounts	**(157,004)**	**-**	**(303)**	**(157,307)**
Written-off	**-**	**-**	**(13,583)**	**(13,583)**
At 31 December	**10,441,467**	**4,796,661**	**1,070,134**	**16,308,262**
2021				
At 1 January	11,118,596	1,459,805	759,560	13,337,961
- Transfer to 12-month ECL (Stage 1)	20,126	(1,117)	(19,009)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(275,034)	299,066	(24,032)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(90,644)	(124,429)	215,073	-
Remeasurement, net	1,922,064	287,025	(13,824)	2,195,265
New accounts	900,671	1,726	-	902,397
Matured accounts	(469,727)	(793)	(776)	(471,296)
Written-off	-	-	(90,995)	(90,995)
At 31 December	13,126,052	1,921,283	825,997	15,873,332

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(vii) Movements in gross financing and advances are as follows: (cont'd)

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 RM'000
2022				
At 1 January	**12,988,073**	**1,920,155**	**808,545**	**15,716,773**
- Transfer to 12-month ECL (Stage 1)	**11,310**	**(11,310)**	**-**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(2,793,979)**	**2,844,789**	**(50,810)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(340,373)**	**-**	**340,373**	**-**
Remeasurement, net	**531,412**	**27,861**	**(31,618)**	**527,655**
New accounts	**75,649**	**15,084**	**-**	**90,733**
Matured accounts	**(155,617)**	**-**	**-**	**(155,617)**
Written-off	**-**	**-**	**(13,302)**	**(13,302)**
At 31 December	**10,316,475**	**4,796,579**	**1,053,188**	**16,166,242**
2021				
At 1 January	11,010,635	1,453,454	748,964	13,213,053
- Transfer to 12-month ECL (Stage 1)	18,664	-	(18,664)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(273,988)	298,020	(24,032)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(82,684)	(124,429)	207,113	-
Remeasurement, net	1,907,319	293,110	(13,841)	2,186,588
New accounts	741,852	-	-	741,852
Matured accounts	(333,725)	-	-	(333,725)
Written-off	-	-	(90,995)	(90,995)
At 31 December	12,988,073	1,920,155	808,545	15,716,773

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(viii) Impaired financing and advances analysed by industry are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Construction	**440,239**	109,621	**440,239**	109,621
Electricity, gas and water supply	**153,395**	153,642	**153,395**	153,642
Hotel and restaurants	**113,620**	113,606	**105,102**	105,782
Manufacturing	**10,164**	-	**10,164**	-
Shipping	**216,036**	307,436	**216,036**	307,436
Other community, social and personal service activities	**8,229**	9,545	**-**	-
Transport, storage and communication	**128,451**	132,147	**128,252**	132,064
	1,070,134	825,997	**1,053,188**	808,545
Gross impaired financing and advances as a % of gross financing and advances	**6.56%**	5.20%	**6.51%**	5.14%

(ix) Movements in the allowance for impairment of financing and advances are as follows:

Group	**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 RM'000**
2022				
At 1 January	**1,280,819**	**592,372**	**520,685**	**2,393,876**
- Transfer to 12-Month ECL (Stage 1)	**459,266**	**(431,654)**	**(27,612)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(884,166)**	**921,875**	**(37,709)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(54,522)**	**(7,666)**	**62,188**	**-**
Allowance made, net	**171,162**	**289,178**	**31,236**	**491,576**
Written-off	**-**	**-**	**(14,602)**	**(14,602)**
At 31 December	**972,559**	**1,364,105**	**534,186**	**2,870,850**
2021				
At 1 January	833,229	596,943	453,207	1,883,379
- Transfer to 12-Month ECL (Stage 1)	12,987	(158)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	47,767	(14,945)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance made, net	481,496	41,742	75,944	599,182
Written-off	-	-	(88,685)	(88,685)
At 31 December	1,280,819	592,372	520,685	2,393,876

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(e) Financing and Advances (cont'd)

(ix) Movements in the allowance for impairment of financing and advances are as follows:

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 RM'000
2022				
At 1 January	**1,279,667**	**592,354**	**503,232**	**2,375,253**
- Transfer to 12-Month ECL (Stage 1)	**459,266**	**(431,654)**	**(27,612)**	**-**
- Transfer to Lifetime ECL not credit impaired (Stage 2)	**(884,166)**	**921,875**	**(37,709)**	**-**
- Transfer to Lifetime ECL credit impaired (Stage 3)	**(54,522)**	**(7,539)**	**62,061**	**-**
Allowance made, net	**171,560**	**289,069**	**30,530**	**491,159**
Amount written off	**-**	**-**	**(13,262)**	**(13,262)**
At 31 December	**971,805**	**1,364,105**	**517,240**	**2,853,150**
2021				
At 1 January	831,445	596,186	442,594	1,870,225
- Transfer to 12-Month ECL (Stage 1)	12,829	-	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	47,767	(14,945)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance made, net	482,286	42,323	69,104	593,713
Written-off	-	-	(88,685)	(88,685)
At 31 December	1,279,667	592,354	503,232	2,375,253

(f) Other Assets

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Sundry receivables, deposits and prepayments	**12,621**	8,322	**12,472**	8,144
Amount receivable from Government in respect of compensation for:				
Infrastructure projects	**244,395**	196,207	**244,395**	196,207
Foreign exchange differences	**-**	85,361	**-**	85,361
Interfund receivables	**753,493**	868,463	**753,493**	868,463
	1,010,509	1,158,353	**1,010,360**	1,158,175
Allowance for impairment on ex-staff financing:				
- Stage 1: 12-Month ECL	**-**	(1)	**-**	(1)
- Stage 3: Lifetime ECL credit impaired	**(595)**	(498)	**(595)**	(498)
	1,009,914	1,157,854	**1,009,765**	1,157,676

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(g) Deposits from Customers

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	**7,156,123**	5,974,752

(a) The deposits are sourced from the following types of deposit:

	2022 RM'000	2021 RM'000
Tawarruq	**7,156,123**	5,974,752

(b) The deposits are sourced from the following types of customers:

	2022 RM'000	2021 RM'000
Business enterprises	**3,760,974**	2,880,530
Government and statutory bodies	**3,395,149**	3,094,222
	7,156,123	5,974,752

(c) The deposits maturity structure are as follows:

	2022 RM'000	2021 RM'000
Less than six months	**6,201,706**	5,039,201
Six months to one year	**672,163**	584,378
One year to three years	**282,254**	280,362
Three years to five years	**-**	70,811
	7,156,123	5,974,752

(h) Deposits and Placements from Financial Institutions

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
At amortised cost		
Licensed banks	**1,622,106**	731,346

(a) The deposits maturity structure are as follows:

	2022 RM'000	2021 RM'000
Less than six months	**1,622,106**	731,346

(i) Other Liabilities

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Other payables		**50,185**	36,897	**39,438**	30,750
Zakat payables		**15,672**	12,262	**13,992**	10,991
Kafalah fees received in advance		**9,759**	15,004	**9,759**	15,004
Interfund payables	(i)	**135,371**	100,891	**-**	-
		210,987	165,054	**63,189**	56,745

(i) Interfund payables are unsecured, profit free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(j) Sukuk

	Note	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
Non-guaranteed			
Sukuk Murabahah	(i)	**2,527,507**	3,034,467
Sukuk Wakalah	(ii)	**2,259,654**	2,259,654
Sustainable Development Sukuk Wakalah	(iii)	**453,311**	453,311
		5,240,472	5,747,432
Guaranteed			
Sukuk Murabahah	(iv)	**2,333,208**	2,332,909
		2,333,208	2,332,909
		7,573,680	8,080,341

(i) These sukuk carry profit rates ranging between 4.62% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2027, 2032 and November 2026, 2031 and 2035 respectively.

(ii) These sukuk carry profit rates ranging between 2.80% to 4.05% per annum and for tenures of 5 years to 10 years. These sukuk will mature in June 2026, 2028, 2031 and October 2025, 2027 and 2030 respectively.

(iii) This sukuk carries a profit rate of 3.95% with a tenure of 7 years. This sukuk will mature in October 2028.

(iv) These sukuk carry profit rates ranging between 4.38% to 4.85% per annum and for tenures of 10 to 20 years. These sukuk will mature in September 2024, 2029 and 2034.

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31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(j) Sukuk (cont'd)

The movements in the sukuk are as follows:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
Non-guaranteed		
Sukuk Murabahah		
Principal		
At 1 January	**3,000,000**	3,000,000
Payment during the year	**(500,000)**	-
At 31 December	**2,500,000**	3,000,000
Accrued profit payable		
At 1 January	**34,467**	34,661
Charge for the year	**122,505**	139,971
Payment during the year	**(129,465)**	(140,165)
At 31 December	**27,507**	34,467
	2,527,507	3,034,467
Sukuk Wakalah		
Principal		
At 1 January	**2,250,000**	1,000,000
Issued during the year	**-**	1,250,000
At 31 December	**2,250,000**	2,250,000
Accrued profit payable		
At 1 January	**9,654**	6,598
Charge for the year	**76,204**	56,088
Payment during the year	**(76,204)**	(53,032)
At 31 December	**9,654**	9,654
	2,259,654	2,259,654
Sustainable Development Sukuk Wakalah		
Principal		
At 1 January	**450,000**	-
Issued during the year	**-**	450,000
At 31 December	**450,000**	450,000
Accrued profit payable		
At 1 January	**3,311**	-
Charge for the year	**17,775**	3,311
Payment during the year	**(17,775)**	-
At 31 December	**3,311**	3,311
	453,311	453,311

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(j) Sukuk (cont'd)

The movements in the sukuk are as follows: (cont'd)

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
Guaranteed		
Sukuk Murabahah		
Principal		
At 1 January	**2,300,000**	3,000,000
Payment during the year	**-**	(700,000)
At 31 December	**2,300,000**	2,300,000
Accrued profit payable		
At 1 January	**32,909**	41,441
Charge for the year	**108,599**	129,098
Payment during the year	**(108,300)**	(137,630)
At 31 December	**33,208**	32,909
	2,333,208	2,332,909

(k) Reserves

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Non-distributable:					
Statutory reserve	(i)	**443,483**	443,483	**443,483**	443,483
Unrealised FVOCI reserve	(ii)	**53,703**	81,131	**53,703**	81,131
		497,186	524,614	**497,186**	524,614
Distributable:					
Retained profits		**1,619,781**	1,349,993	**1,500,064**	1,237,839
		2,116,967	1,874,607	**1,997,250**	1,762,453

(i) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

(ii) Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(k) Reserves (cont'd)

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At 1 January	**81,131**	195,475	**81,131**	195,475
Unrealised (loss) on fair value changes	**(90,814)**	(235,363)	**(90,814)**	(235,363)
Changes in allowance for expected credit loss	**41,826**	51,615	**41,826**	51,615
Transfer from retained profits on the disposal of equity instruments at FVOCI	**-**	9,083	**-**	9,083
Transfer to deferred tax	**21,560**	60,321	**21,560**	60,321
At 31 December	**53,703**	81,131	**53,703**	81,131

(l) Income Derived from Investment of Depositors' Funds

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Finance Income				
Financing and advances	**258,708**	207,411	**258,708**	207,411
Loss on financing modification[#]	**(710)**	(1,383)	**(710)**	(1,383)
Other income:				
Fee income	**9,498**	14,372	**9,498**	14,372
Ta'widh	**69**	(449)	**69**	(449)
	267,565	219,951	**267,565**	219,951
Of which:				
Finance income earned on impaired financing and advances	**10,146**	6,319	**10,146**	6,530

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(m) Income Derived from Investment of Shareholders' Funds

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Finance Income				
Financing and advances	**583,144**	481,861	**573,050**	472,084
Loss on financing modification[#]	**(1,587)**	(2,976)	**(1,587)**	(2,976)
Compensation from the Government	**113,227**	105,555	**113,227**	105,555
Deposits and placements with financial institution	**21,886**	24,399	**19,830**	22,888
Financial investments at FVOCI	**200,732**	162,009	**200,732**	162,009
	917,402	770,848	**905,252**	759,560
Accretion of discount less amortisation of premium	**(17,704)**	(9,044)	**(17,704)**	(9,044)
	899,698	761,804	**887,548**	750,516
Other income:				
Net gain arising on financial investment at FVTPL:				
- unrealised revaluation gain/(loss)	**19,023**	(30,703)	**19,023**	(30,703)
Net gain arising on financial investment at FVOCI:				
- net gain on disposal	**1,173**	35,194	**1,173**	35,194
Stage 1 allowance made during the year against ISF	**-**	30,741	**-**	30,741
Refund of government compensation	**-**	(30,741)	**-**	(30,741)
Loss on disposal property, plant and equipment	**(5)**	-	**(5)**	-
Rental income				
- Subsidiaries	**-**	-	**378**	363
- Others	**1,452**	797	**1,452**	797
Fee income	**23,431**	34,911	**21,229**	32,589
Ta'widh	**153**	(841)	**153**	(841)
Others	**103**	96	**64**	96
	945,028	801,258	**931,015**	788,011
Of which:				
Finance income earned on impaired financing and advances	**22,583**	14,744	**22,583**	14,535

[#] This relates to Rescheduled and Restructured ("R&R") financing provided prior to 1 January 2020.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(n) Allowances for Impairment Losses of Financing and Advances

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Stage 1 - 12-month ECL, net	**(308,255)**	447,591	**(307,857)**	448,223
Stage 2 - Lifetime ECL not credit impaired, net	**771,733**	(4,571)	**771,751**	(3,832)
Stage 3 - Lifetime ECL credit impaired, net	**28,103**	156,163	**27,270**	149,323
Staff financing:				
Stage 1 - 12-month ECL, net	**(5)**	(1)	**(5)**	(1)
Impaired financing:				
Written-off	**55**	2,419	**40**	2,309
Recovered	**(2,497)**	(26,239)	**(2,216)**	(25,725)
	489,134	575,362	**488,983**	570,297

(o) Allowance for Impairment Losses on Other Assets

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Financial investments at FVOCI	**41,826**	51,615
(Write back)/allowance made for ex-staff financing:		
Stage 1 - 12-month ECL, net	**(1)**	(1)
Stage 3 - Lifetime ECL credit impaired, net	**97**	(92)
	41,922	51,522

(p) Income Attributable to the Depositors

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Deposits from customers	**168,800**	135,207
Deposits and placements from financial institutions	**27,360**	8,965
	196,160	144,172

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(q) Overhead Expenses

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Personnel costs	(i)	**81,995**	70,688	**78,272**	68,340
Establishment related expenses	(ii)	**17,349**	14,711	**16,931**	14,479
Promotion and marketing expenses	(iii)	**2,221**	1,971	**2,217**	1,971
General administrative expenses	(iv)	**16,037**	29,938	**17,088**	30,107
		117,602	117,308	**114,508**	114,897
Overhead expenses charged to subsidiaries via SLA		**-**	-	**(1,491)**	(329)
		117,602	117,308	**113,017**	114,568

(i) Personnel costs

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Salaries, allowances and bonuses	**63,820**	56,803	**60,832**	54,920
Non-executive Directors' fees and remuneration	**1,227**	932	**1,227**	932
Social security cost	**431**	390	**396**	368
Pension costs - Defined contribution plan	**8,597**	7,817	**8,076**	7,493
Other staff related expenses	**7,920**	4,746	**7,741**	4,627
	81,995	70,688	**78,272**	68,340

(ii) Establishment related expenses

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Depreciation:				
Property, plant and equipment	**5,108**	4,537	**5,108**	4,537
Investment properties	**8**	8	**8**	8
Right-of-use assets	**95**	152	**95**	152
Intagible asset	**2,550**	2,530	**2,550**	2,530
Repairs and maintenance of property, plant and equipment	**2,366**	1,775	**2,362**	1,768
Information technology expenses	**7,222**	5,709	**6,808**	5,484
	17,349	14,711	**16,931**	14,479

(iii) Promotion and marketing expenses

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 RM'000
Advertisement and publicity	**2,221**	1,971	**2,217**	1,971

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(q) Overhead Expenses (cont'd)

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(iv) General administrative expenses				
General administrative expenses	**14,912**	28,746	**16,287**	29,239
Auditors' remuneration:				
- Statutory audit				
- Current year	**1,025**	1,008	**775**	758
- Non-audit services				
- regulatory related services	**100**	100	**26**	26
Property, plant and equipment written off	**-**	84	**-**	84
	16,037	29,938	**17,088**	30,107

The above overhead expenses have been determined after charging amongst other items the following:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Shariah Committee's remuneration	**387**	350	**387**	350

(r) Finance Cost

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Sukuk	**325,084**	328,469	**325,084**	328,469
Lease	**12**	17	**12**	17
Profit on revolving credit-i BIMB	**34**	-	**-**	-
	325,130	328,486	**325,096**	328,486

(s) Zakat

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Zakat	**14,866**	9,546	**13,186**	8,275

Zakat represents business zakat payable by the Bank to comply with the principles of Shariah and as endorsed by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775% (2021: 2.5775%).

The zakat amount is paid to the states' zakat management agencies and eligible beneficiaries (asnaf) in Malaysia. The proposals of distribution of zakat fund by the Bank to eligible beneficiaries (asnaf) were approved by the Shariah Committee.

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(t) Commitments and Contingencies

	Group and Bank 2022 RM'000	2021 RM'000
Contingencies as at the financial year end constitute the following:		
Disbursement of financing and advances to industries	**2,988,028**	4,801,794
Secured guarantees on behalf of customers given to third parties	**1,920,656**	2,168,419
	4,908,684	6,970,213

(u) Capital Adequacy

Capital management

Regulatory capital

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank 2022 RM'000	2021 RM'000
Tier 1 capital		
Capital funds	**3,718,724**	3,078,724
Other reserves	**1,997,250**	1,762,453
Less: Deferred tax asset	**(404,438)**	(284,114)
Total Tier 1 capital	**5,311,536**	4,557,063
Tier 2 capital		
Government support funds	**398,036**	494,236
Stage 1 and Stage 2 expected credit loss allowances	**2,335,910**	1,872,021
Total Tier 2 capital	**2,733,946**	2,366,257
Total capital base	**8,045,482**	6,923,320

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Bank 2022 RM'000	2021 RM'000
20%	**446,268**	217,752
50%	**861,896**	1,321,318
100%	**18,755,431**	17,565,227
	20,063,595	19,104,297

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(u) Capital Adequacy (cont'd)

Without deducting proposed dividend:

	Bank	
	2022	**2021**
	%	**%**
Core capital ratio	**26.474**	23.854
RWCR	**40.100**	36.240

After deducting net modification loss for customer under COVID-19 assistance for year 2020 to 2022:

	Bank	
	2022	**2021**
	RM'000	**RM'000**
Net modification loss as at 31 December	**315,006**	302,156

	Bank	
	2022	**2021**
	%	**%**
Core capital ratio	**25.301**	22.630
RWCR	**39.144**	35.215

55. GOVERNMENT FUNDS AND SCHEMES

As a development financial institutution, the Bank perform its mandated roles to promote strategic sectors identified by the Government of Malaysia as follows:

(a) Tourism Infrastructure Fund

The objective of the tourism infrastructure fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(b) Tourism Infrastructure Development Fund

The objective of the tourism infrastructure development fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(c) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(d) Maritime Development Fund

The objective of the maritime development fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(e) Public Transport Fund

The objective of the public transport fund is to increase the utilisation of public transport by funding the improvements and growth of public transport coverage and services.

NOTES TO THE FINANCIAL STATEMENTS
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55. GOVERNMENT FUNDS AND SCHEMES (CONT'D)

(f) Industry Digitalisation Transformation Scheme

The objective of the industry digitalisation transformation scheme is to support business activities in adopting digital and advanced technologies.

(g) Sustainable Development Financing Scheme

The objective of the sustainable development financing scheme is to support the development of relevant United Nation 17 Sustainable Development Goals ("SDGs") in the country.

(h) Tourism Infrastructure Scheme

The objective of the tourism infrastructure scheme is to support the development of tourism sector.

(i) Maritime and Logistics Scheme

The objective of the maritime and logistics scheme is to support the development of maritime, aerospace and oil & gas industry.

(j) Public Transport Scheme

The objective of the public transport scheme is to increase the utilisation of public transport by funding the improvements and growth of public transport coverage and services.

(k) National Development Scheme

The objective of the national development scheme is to provide financing to entities which involve in activities as outlined in the 12th Malaysia Plan.

For all the above funds, the Group and the Bank act as a financier that bear the credit risk and recognise its credit losses in the financial statements. All these funds are internally sourced by the Bank and not from Government.

55.1 Performance of the schemes

				2022			
Group	**Tourism Infrastructure Scheme RM'000**	**Maritime and Logistics Scheme RM'000**	**Public Transport Scheme RM'000**	**Industry Digitalisation Transformation Scheme RM'000**	**Sustainable Development Financing Scheme RM'000**	**National Development Scheme RM'000**	**Subtotal 1 RM'000**
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(706,500)	(343,982)	(9,954)	(309,132)	(790,300)	(18,000)	(2,177,868)
Fund available	293,500	1,156,018	90,046	690,868	1,209,700	1,382,000	4,822,132
Loans, financing and advances:							
Disbursement	252,577	280,015	6,594	277,422	344,042	-	1,160,650
Payment/repayment	-	(119,389)	(995)	-	(7,346)	-	(127,730)
Outstanding	252,577	160,626	5,599	277,422	336,696	-	1,032,920
Number of beneficiaries	7	7	4	2	6	-	26
Expiry	Dec 25	Dec 25	Dec 23	Dec 25	Dec 25	Dec 25	

Notes: All schemes were created on 1 January 2019 except for National Development Scheme which was created on 1 September 2021 and the expiry dates for all schemes (except for Public Transport Scheme) were extended to December 2025.

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55. GOVERNMENT FUNDS AND SCHEMES (CONT'D)

55.1 Performance of the schemes (cont'd)

	2022					
Group	**Tourism Infrastructure fund RM'000**	**Tourism Infrastructure Development fund RM'000**	**Maritime fund RM'000**	**Maritime Development fund RM'000**	**Public Transport fund RM'000**	**Subtotal 2 RM'000**
Allocated funds	**2,400,000**	**2,000,000**	**4,494,258**	**3,000,000**	**1,000,000**	**12,894,258**
Net approved	**(1,849,114)**	**(1,135,024)**	**(2,983,696)**	**(741,272)**	**(326,043)**	**(7,035,149)**
Fund available	**550,886**	**864,976**	**1,510,562**	**2,258,728**	**673,957**	**5,859,109**
Loans, financing and advances:						
Disbursement	**1,847,359**	**1,073,820**	**2,983,696**	**739,402**	**325,962**	**6,970,239**
Payment/repayment	**(1,147,813)**	**(204,982)**	**(2,345,809)**	**(202,471)**	**(314,877)**	**(4,215,952)**
Outstanding	**699,546**	**868,838**	**637,887**	**536,931**	**11,085**	**2,754,287**
Number of beneficiaries	**57**	**15**	**41**	**7**	**107**	**227**
Expiry	**Dec 18**	**Dec 18**	**Dec 18**	**Dec 18**	**Dec 18**	

	2021						
Group	**Tourism Infrastructure Scheme RM'000**	**Maritime and Logistics Scheme RM'000**	**Public Transport Scheme RM'000**	**Industry Digitalisation Transformation Scheme RM'000**	**Sustainable Development Financing Scheme RM'000**	**National Development Scheme RM'000**	**Subtotal 1 RM'000**
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(527,000)	(656,636)	(59,954)	(456,348)	(808,272)	-	(2,508,210)
Fund available	473,000	843,364	40,046	543,652	1,191,728	1,400,000	4,491,790
Loans, financing and advances:							
Disbursement	188,670	253,689	4,909	268,408	254,903	-	970,579
Payment/repayment	-	(64,556)	-	-	-	-	(64,556)
Outstanding	188,670	189,133	4,909	268,408	254,903	-	906,023
Number of beneficiaries	6	7	4	2	4	-	23
Expiry	Dec 25	Dec 25	Dec 23	Dec 25	Dec 25	Dec 25	

* All schemes were created on 1 January 2019 except for National Development Scheme which was created on 1 September 2021 and the expiry dates for all schemes (except for Public Transport Scheme) were extended to December 2025.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

55. GOVERNMENT FUNDS AND SCHEMES (CONT'D)

55.1 Performance of the schemes (cont'd)

	2021					
Group	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,135,024)	(2,983,696)	(741,272)	(326,043)	(7,035,149)
Fund available	550,886	864,976	1,510,562	2,258,728	673,957	5,859,109
Loans, financing and advances:						
Disbursement	1,847,359	1,024,364	2,983,696	745,902	325,962	6,927,283
Payment/repayment	(1,042,595)	(165,886)	(2,188,118)	(148,996)	(307,814)	(3,853,409)
Outstanding	596,906	596,906	596,906	596,906	18,148	3,073,874
Number of beneficiaries	57	15	41	7	107	227
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

	2022			2021		
Group	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000
Allocated funds	**7,000,000**	**12,894,258**	**19,894,258**	7,000,000	12,894,258	19,894,258
Net approved	**(2,177,868)**	**(7,035,149)**	**(9,213,017)**	(2,508,210)	(7,035,149)	(9,543,359)
Fund available	**4,822,132**	**5,859,109**	**10,681,241**	4,491,790	5,859,109	10,350,899
Loans, financing and advances:						
Disbursement	**1,160,650**	**6,970,239**	**8,130,889**	970,579	6,927,283	7,897,862
Payment/repayment	**(127,730)**	**(4,215,952)**	**(4,343,682)**	(64,556)	(3,853,409)	(3,917,965)
Outstanding	**1,032,920**	**2,754,287**	**3,787,207**	906,023	3,073,874	3,979,897
Number of beneficiaries	**26**	**227**	**253**	23	227	250

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55. GOVERNMENT FUNDS AND SCHEMES (CONT'D)

55.1 Performance of the schemes (cont'd)

	2022						
Bank	**Tourism Infrastructure Scheme RM'000**	**Maritime and Logistics Scheme RM'000**	**Public Transport Scheme RM'000**	**Industry Digitalisation Transformation Scheme RM'000**	**Sustainable Development Financing Scheme RM'000**	**National Development Scheme RM'000**	**Subtotal 1 RM'000**
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(706,500)	(343,982)	-	(309,132)	(790,300)	(18,000)	(2,167,914)
Fund available	293,500	1,156,018	100,000	690,868	1,209,700	1,382,000	4,832,086
Loans, financing and advances:							
Disbursement	252,577	280,015	-	277,422	344,042	-	1,154,056
Payment/repayment	-	(119,389)	-	-	-	-	(119,389)
Outstanding	252,577	160,626	-	277,422	344,042	-	1,034,667
Number of beneficiaries	7	7	-	2	6	-	22
Expiry	Dec 25	Dec 25	Dec 23	Dec 25	Dec 25	Dec 25	

Notes: All schemes were created on 1 January 2019 except for National Development Scheme which was created on 1 September 2021 and the expiry dates for all schemes (except for Public Transport Scheme) were extended to December 2025.

	2022					
Bank	**Tourism Infrastructure fund RM'000**	**Tourism Infrastructure Development fund RM'000**	**Maritime fund RM'000**	**Maritime Development fund RM'000**	**Public Transport fund RM'000**	**Subtotal 2 RM'000**
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,135,024)	(2,983,696)	(741,272)	-	(6,709,106)
Fund available	550,886	864,976	1,510,562	2,258,728	5,742	5,190,894
Loans, financing and advances:						
Disbursement	1,847,359	1,073,820	2,983,696	739,402	5,661	6,649,938
Payment/repayment	(1,147,813)	(204,982)	(2,345,809)	(202,471)	(5,661)	(3,906,736)
Outstanding	699,546	868,838	637,887	536,931	-	2,743,202
Number of beneficiaries	57	15	41	7	1	121
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

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55. GOVERNMENT FUNDS AND SCHEMES (CONT'D)

55.1 Performance of the schemes (cont'd)

Bank	Tourism Infrastructure Scheme RM'000	Maritime and Logistics Scheme RM'000	Public Transport Scheme RM'000	2021 Industry Digitalisation Transformation Scheme RM'000	Sustainable Development Financing Scheme RM'000	National Development Scheme RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(527,000)	(656,636)	(50,000)	(456,348)	(808,272)	-	(2,498,256)
Fund available	473,000	843,364	50,000	543,652	1,191,728	1,400,000	4,501,744
Loans, financing and advances:							
Disbursement	188,670	253,689	-	268,408	254,903	-	965,670
Payment/repayment	-	(64,556)	-	-	-	-	(64,556)
Outstanding	188,670	189,133	-	268,408	254,903	-	901,114
Number of beneficiaries	6	7	-	2	4	-	19
Expiry	Dec 25	Dec 25	Dec 23	Dec 25	Dec 25	Dec 25	

* All schemes were created on 1 January 2019 except for National Development Scheme which was created on 1 September 2021 and the expiry dates for all schemes (except for Public Transport Scheme) were extended to December 2025.

Bank	2021 Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,135,024)	(2,983,696)	(741,272)	-	(6,709,106)
Fund available	550,886	864,976	1,510,562	2,258,728	5,742	5,190,894
Loans, financing and advances:						
Disbursement	1,847,359	1,024,364	2,983,696	745,902	5,661	6,606,982
Payment/repayment	(1,042,595)	(165,886)	(2,188,118)	(148,996)	(5,661)	(3,551,256)
Outstanding	804,764	858,478	795,578	596,906	-	3,055,726
Number of beneficiaries	57	15	41	7	1	121
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

55. GOVERNMENT FUNDS AND SCHEMES (CONT'D)

55.1 Performance of the schemes (cont'd)

Bank	2022 Subtotal 1 RM'000	2022 Subtotal 2 RM'000	2022 Total RM'000	2021 Subtotal 1 RM'000	2021 Subtotal 2 RM'000	2021 Total RM'000
Allocated funds	**7,000,000**	**11,900,000**	**18,900,000**	7,000,000	11,900,000	18,900,000
Net approved	**(2,167,914)**	**(6,709,106)**	**(8,877,020)**	(2,498,256)	(6,709,106)	(9,207,362)
Fund available	**4 ,832,086**	**5,190,894**	**10,022,980**	4,501,744	5,190,894	9,692,638
Loans, financing and advances:						
Disbursement	**1 ,154,056**	**6,649,938**	**7,803,994**	965,670	6,606,982	7,572,652
Payment/repayment	**(119,389)**	**(3,906,736)**	**(4,026,125)**	(64,556)	(3,551,256)	(3,615,812)
Outstanding	**1 ,034,667**	**2,743,202**	**3,777,869**	901,114	3,055,726	3,956,840
Number of beneficiaries	**22**	**121**	**143**	19	121	140

56. SIGNIFICANT EVENTS

1. Business Transfer Scheme ("BTS") between Bank Pembangunan Malaysia Berhad ("BPMB") and Danajamin Nasional Berhad ("Danajamin")

Pursuant to the acquisition approved by the Minister of Finance ("MOF") and completed on 22 December 2021, Danajamin became a wholly-owned subsidiary of BPMB. Following this, BPMB and Danajamin submitted a joint application to Bank Negara Malaysia ("BNM") on 22 June 2022 to undertake a business transfer scheme pursuant to the Financial Services Act 2013 ("FSA"), whereby Danajamin will transfer its business and undertakings to BPMB.

As part of the BTS exercise, BPMB and Danajamin have obtained the requisite approvals and consents from third parties which consist of beneficiaries and other counterparties under Danajamin's guaranteed bonds and sukuk, BPMB's shareholder and financiers, stakeholders under the Government scheme(s) and contractual counterparties.

Furthermore, measures have been undertaken to achieve BPMB Group's integration objectives, which include:

a. Appointing a unified leadership with functional-based organisational structure at BPMB Group level to affect and deliver the Group's strategies and ambitions,
b. Relocation of Danajamin's registered office to Menara BPMB, and
c. Integration and harmonisation efforts across all staff group-wide.

Both BNM and MOF have granted their approvals for the BPMB Group to undertake the BTS in a letter dated 20 December 2022.

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56. SIGNIFICANT EVENTS (CONT'D)

2. Exposure to COVID-19 Impacted Sectors

The table below presents the loans, financing and advances (net of impairment) by industry sectors identified as directly vulnerable affected by COVID-19 pandemic for the Group and the Bank:

	Group		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Construction	**1,611,385**	1,555,131	**1,611,385**	1,555,131
Finance, insurance/takaful and business	**64,394**	64,141	**-**	-
Hotel and restaurants	**846,732**	967,889	**801,325**	908,985
Transport, storage and communications	**2,144,592**	2,210,255	**2,120,415**	2,176,530

3. COVID-19 Customer Relief and Support Measures

Loans, advances and financing

Group	**2022 RM'000**	**2021 RM'000**
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	**6,604,569**	6,128,379
Matured and repaying as per revised schedules	**478,710**	855,640
Extended and repaying as per revised schedules	**6,125,859**	5,272,739
As a percentage of total:		
Matured and repaying as per revised schedules	**7.25%**	13.96%
Extended and repaying as per revised schedules	**92.75%**	86.04%

Bank	**2022 RM'000**	**2021 RM'000**
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	**6,586,443**	6,107,625
Matured and repaying as per revised schedules	**460,584**	834,886
Extended and repaying as per revised schedules	**6,125,859**	5,272,739
As a percentage of total:		
Matured and repaying as per revised schedules	**6.99%**	13.67%
Extended and repaying as per revised schedules	**93.01%**	86.33%

57. SUBSEQUENT EVENTS

On 17 January 2023, BPMB and Danajamin submitted an application for a Vesting Order to the Kuala Lumpur High Court as part of the BTS.

Subsequently, on 9 February 2023, the Kuala Lumpur High Court granted a Vesting Order, effective on 1 March 2023. The Vesting Order has resulted in the transfer of Danajamin's assets, liabilities, business undertakings and contracts to BPMB.

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