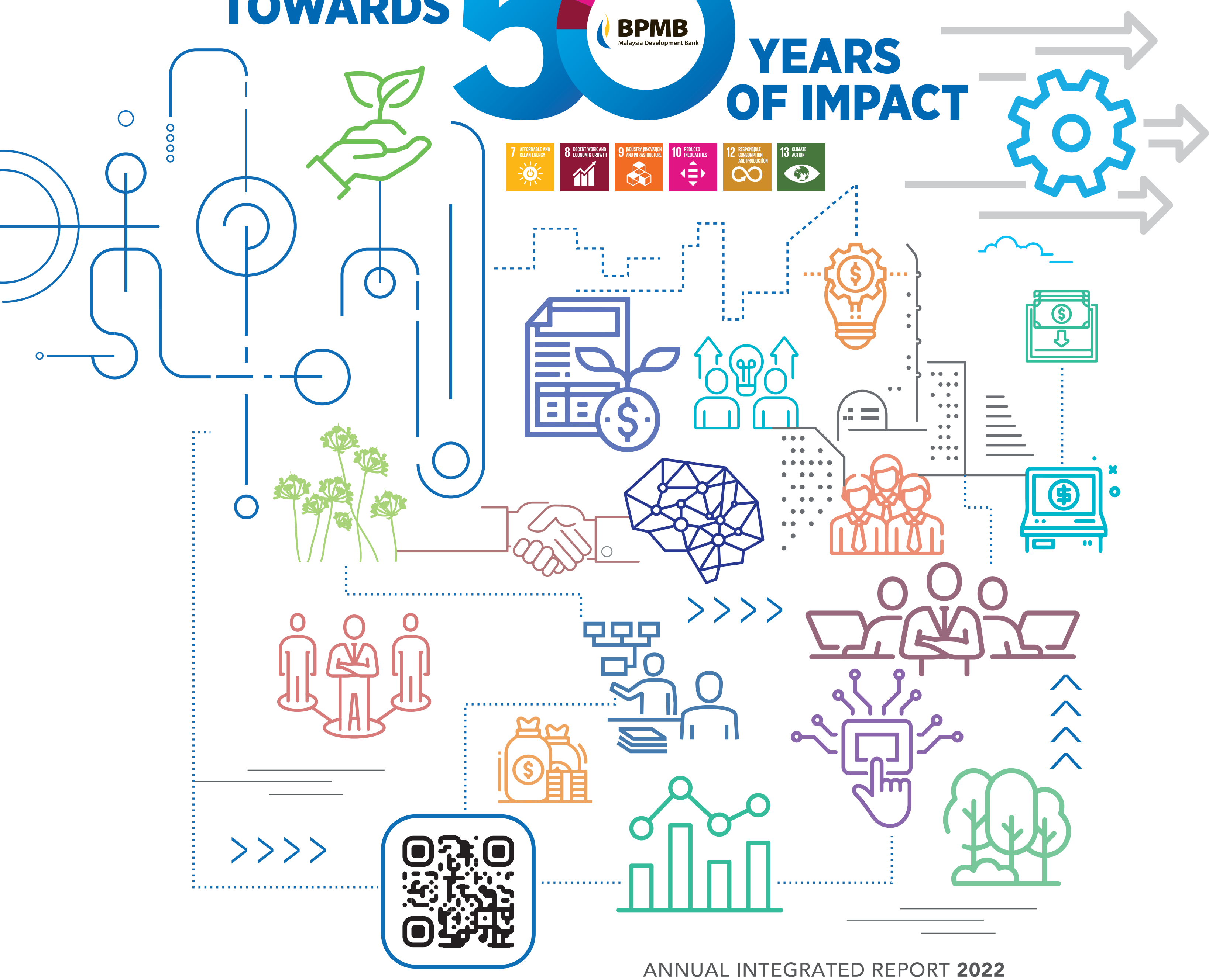
BPMB
Malaysia Development Bank

PERBANKAN ISLAM

GEARING TOWARDS 50 YEARS OF IMPACT



ANNUAL INTEGRATED REPORT **2022**

GEARING TOWARDS 50 YEARS OF IMPACT

BPMB
Malaysia Development Bank

Throughout the past 50 years of operations, BPMB has made our mark as one of Malaysia's first and leading Development Financial Institutions (DFIs), steadfastly fulfilling our mandate to catalyse positive and progressive sustainable impacts across the nation and stakeholders that we serve.

This year's cover design encapsulates BPMB's sustainability-led impacts throughout all facets of our operations. This is reflected in the interlinking of ESG-related motifs as a vibrant tapestry of connected gears and parts, all working in tandem to realise a better Malaysia. The theme is underscored by the icons of six United Nations Sustainable Development Goals (UNSDGs) that guide the Bank's sustainable initiatives to date.


BPMB
Malaysia Development Bank

WHAT'S INSIDE

INTRODUCTION

PERFORMANCE

LEADERSHIP

GOVERNANCE

ABOUT THIS REPORT

This report is prepared using the Integrated Reporting Framework to demonstrate how the Bank creates and sustains value over time.
The report illustrates the Bank's management of, and the interaction between our financial and non-financial capitals, against stakeholder and external environment considerations.
The report adheres to Bank Negara Malaysia's policies for DFIs, including but not limited to, Financial Reporting for DFIs, Corporate Strategic Plan, Shariah Governance and Corporate Governance. The financial reporting is aligned with the Malaysian and international guidelines and recommendations.

PURPOSE

Developing a sustainable and inclusive Malaysia

VISION

Malaysia's leading development partner

MISSION

Impactful delivery with strategic outcomes

01

MAXIMISING IMPACT
THROUGH NATIONAL-LEVEL URBAN REGENERATION

IMPACTS ACHIEVED:

CASE STUDY: Spurring national-level development in 2019-2022, Bank Pembangunan financed infrastructural works to uplift Bukit Bintang City Centre as a transit and tourist hub under the Sustainable Development Financing Schemes (SDFS) and Tourism Infrastructure Schemes (TIS).

Responsible urban regeneration

- The development of Malaysia Grand Bazaar (MGB) at a historic prison site is an innovative regeneration of a brownfield site, which provides a dedicated space for artisans, micro-brands, start-ups and art entrepreneurs in the heart of the city.

Sustainable economic generation

- Spurs the economy and boosts tourism by providing a physical and online marketplace for the Malaysian tourism industry to reach out to their local and foreign customers.

Increasing public mobility

- The development of the BBCC dedicated transit hub benefits thousands of public commuters every day, increasing their mobility and access to the workplace.
- Inclusive design with disability-friendly amenities such as dedicated pathways.

Creating job opportunities

- The project is expected to create up to 300 direct jobs and more than 5,000 indirect job opportunities.

Environmental benefits

- The project has received LEED (Leadership in Energy and Environmental Design) certification as a green building that costs less to maintain and produces less waste.
- Design features that improve indoor air quality and natural lighting.

Supporting the following UNSDGs:

Industry, Innovation and Infrastructure

Reduced Inequalities

Climate Action

Project financed by BPMB: Development of Malaysia Grand Bazaar (MGB) and the BBCC dedicated transit hub at Bukit Bintang.

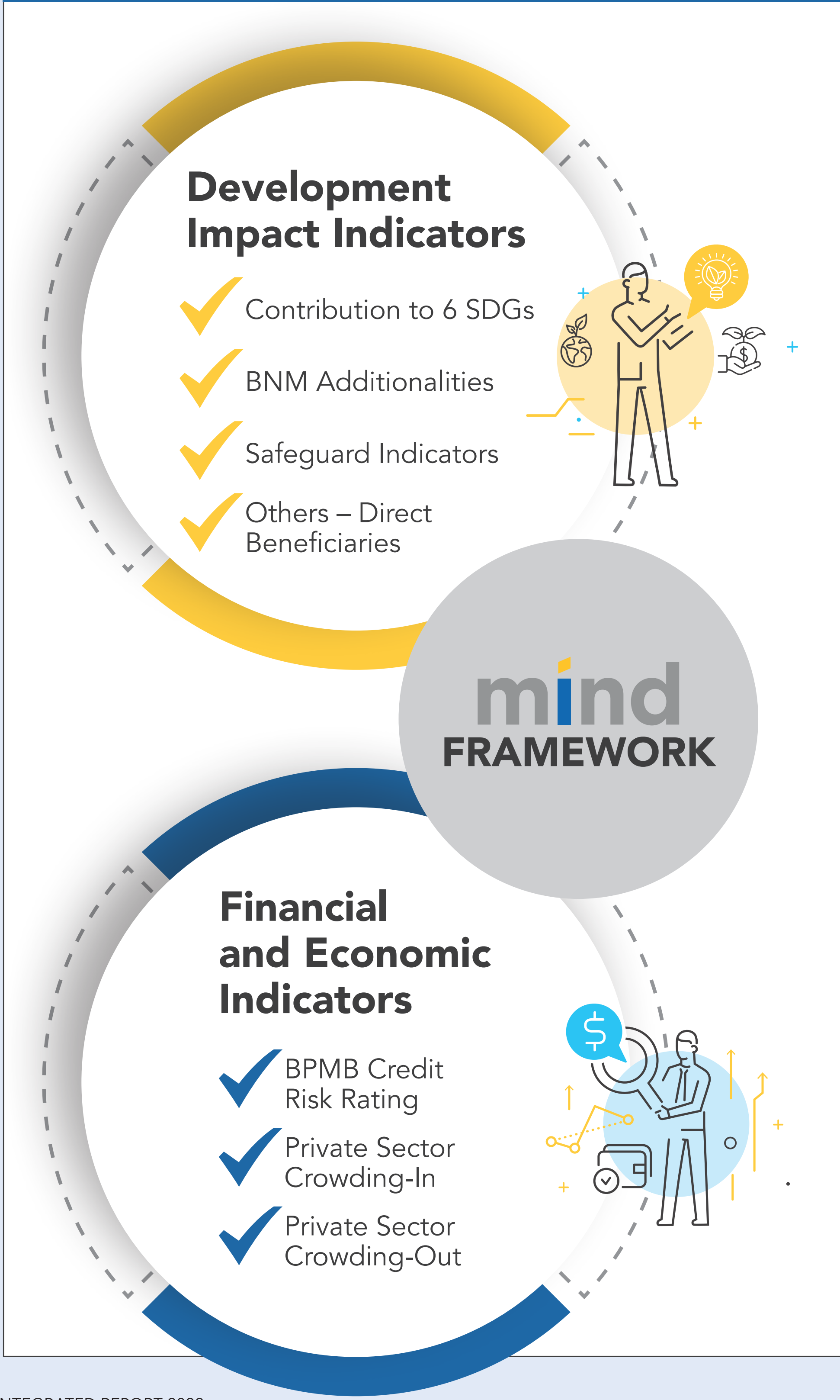
WITH THE NATION IN MIND

INTRODUCTION TO MIND

BPMB's Impact Assessment Framework, which was jointly developed with the World Bank Group, under Measuring Impact on National Development (MIND), aims to enhance project evaluation from a credit-centric assessment, to a holistic end-to-end assessment. The concept includes reviewing the environmental, economic and social (EES) impacts of each transaction to be aligned with the 12th Malaysia Plan (12MP) and Sustainable Development Goals (SDGs).

Since the last update on MIND in BPMB's 2021 Annual Integrated Report, MIND has continually evolved by enhancing internal processes to help our frontliners identify sustainable financing prospects. The enhanced process enables the Bank to embody the MIND Framework and harness these concepts to BPMB's internal operations.

MIND (Measuring Impact on National Development)



MIND: A PARADIGM SHIFT FOR BPMB

Cumulative impact of BPMB financing since MIND inception:

mind

What is MIND?
MIND is a framework that we use to assess our transactions and measure how funding these transactions impacts national development.

Our MIND journey so far...
The 100 projects assessed with the MIND Framework since January 2020, are targeted to create the positive impacts below, across businesses and communities:

- **208.4 MWh** of transition energy generated
- **9,493 jobs** created
- **220 kilometres** of roads built and fixed
- **2,790 units** of affordable homes and worker quarters built
- **19,000 students** served
- **19,632 patients** served

MIND MODEL

DEVELOPMENT IMPACT INDICATORS

United Nations Sustainable Development Goals (UNSDGs)

SDG	Description	SDG	Description
7 AFFORDABLE AND CLEAN ENERGY	Reducing energy consumption and increasing renewable energy generation	10 REDUCED INEQUALITIES	Supporting underprivileged communities
8 DECENT WORK AND ECONOMIC GROWTH	Creating new employment opportunities	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Improving water treatment and consumption
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Promoting industrialisation and foster innovation	13 CLIMATE ACTION	Reducing impact to climate change

Bank Negara Malaysia
Ensuring transactions lead to economic growth through new businesses, SMEs, strategic sectors

Safeguards
Preventing risks and challenges that may deter social and environmental progress

Other Indicators
Number of beneficiaries and costs

WITH THE NATION IN MIND

FINANCIAL-ECONOMIC INDICATORS

BPMB Credit Risk Rating

Credit risk assessment based on the probability of default and potential financial loss

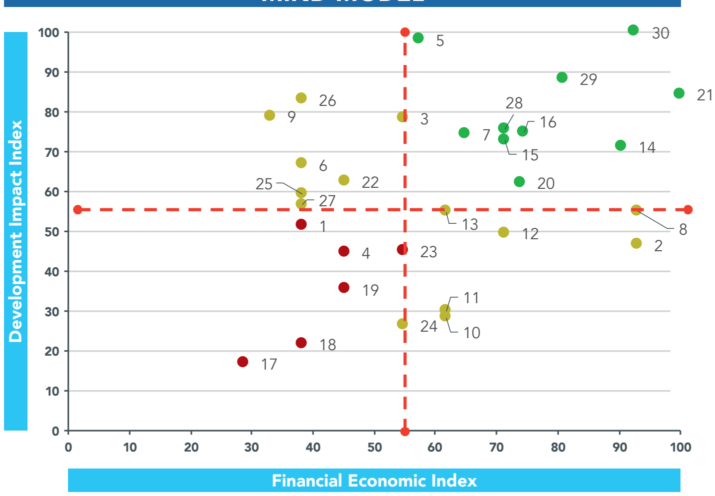
Private Sector Crowding-In

Identifying transactions that are saturated by the private sector

Private Sector Crowding-Out

Identifying transactions that are not saturated by the private sector

MIND MODEL



1. Applicants will complete a development impact questionnaire
2. A Development Impact Index (DII) and Financial Economic Indicators (FEI) scores will be awarded based on the transaction's contribution to the indicators
3. The results are plotted on the MIND Model to produce a visual overview of the potential development impact of all transactions

A HOLISTIC IMPACT ASSESSMENT FRAMEWORK

Launched in 2021, MIND guided the Bank's financing in providing impact capital to the nation. It has since shown how the bank's financing creates substantive impact to the environment, economy and society. The figures below show the scale of impact through BPMB's financing in 2022 and cumulatively since the inception of MIND in 2019.

Projected Impact Through BPMB'S Financing in 2022

The Economy

10 REDUCED INEQUALITIES

Approved
11 projects
Using MIND Framework in 2022

Supported
11 projects
Identified as national priorities

Covered
5 projects
Located in underserved and unserved areas

The Environment

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Expected to Generate
133,913.6 MWh
Total Renewable Energy per year upon completion

The Social

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

Expected to create
3,359 jobs
Pre- and post-project completion

Expected to benefit
205,718
Direct beneficiaries per day

Expected to build
1,013 units
Affordable homes and worker quarters

Expected to provide
89 hospital beds

Expected to provide
4,000 people
With enhanced access to better road conditions

In BPMB, we believe that any positive impact delivered by our financing should be:

Measurable

In order to evaluate whether any project financing is sustainable, the impact it generates must be tangible and more importantly, quantifiable. This allows us to prioritise sustainable projects that BPMB can, and should, undertake.

Meaningful

A sustainable project must deliver impact that is useful, relevant and important to our beneficiaries. A facility is only meaningful when it truly addresses the needs of the intended users, and not only 'ticks the box'.

Continuous

The impact from a sustainable project should be long-lasting, which ensures that the benefits can be enjoyed for generations.

While the scale of impact shows the projects' measurability, through the MIND Framework, BPMB assesses the meaningfulness and continuity of project's impact. These elements are shown in the qualitative assessments of the MIND Framework, which includes:

1. **National Challenges and Objectives:** Outlines the national challenges each project application aims to address and the objectives of their proposed solutions.
2. **Potential Safeguard Issues:** Lists down all the Economic, Social and Governance (ESG) safeguard issues that may arise from each project financing. It gives a picture of the potential negative outcomes of all financing.
3. **The Project's Theory of Change:** Illustrates the change processes for every financing applied in BPMB. We imagine the journeys in which these projects would contribute to the national development and sustainability as a whole.

Leading the Bank's Sustainability Agenda through MIND

MIND is not just a tool to quantify BPMB's impact to national development, it is also the catalyst to the conversation and progress around the Bank's sustainability journey. Since the COVID-19 recovery, Group MIND & Research, together with Group Human Resources' Learning & Development team conducted physical MIND 101 sessions with the Bank's revenue drivers and operations team that reached out to over 200 BPMB staff members. The figure represents almost half of the Bank's current headcount.

From the sessions, a majority of the participants expressed interest in learning more about ESG, sustainability and how they can contribute to the Bank's sustainability journey. Among the ideas pitched during one of the sessions were proposals to obtain Green Building Index (GBI) certifications and for a balanced work-from-home policy. These are among initiatives that were considered to be in line with the Bank's sustainability journey.

WITH THE NATION IN MIND

Awards & Recognitions

In 2021, MIND was at the forefront of multiple awards and recognitions from peer institutions and credible institutions. Among the notable honours received by the Bank were:

1. **Awarded the Best Development Bank in Southeast Asia 2022 by Capital Finance International**

https://cfi.co/awards/asia-pacific/2022/bank-pembangunan-malaysia-berhad-best-development-bank-south-east-asia-2022/

Bank Pembangunan Malaysia Berhad: Best Development Bank South East Asia 2022

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BPMB
Malaysia Development Bank

Bank Pembangunan Malaysia Berhad (BPMB) has been fuelling socio-economic development in Malaysia since 1973. As one of the country's first development financial institutions, the government-owned bank was a preferred financing partner for the burgeoning infrastructure, maritime, oil and gas and technology sectors. BPMB has shifted focus to align operations with government initiatives centred around sustainability, digitalisation and technology. In 2019, it announced a three-year transformation plan to meet evolving development needs through impact finance. The bank adheres to Islamic finance principles and supports the national development agenda while embracing the paradigm shift. BPMB brought in experts from the

2. **Awarded Power/Utilities Deal of The Year in The Asset Triple A Sustainable Infrastructure Awards**

   Bank Pembangunan was accorded an award for our participation in a RM2.7 billion syndicated term financing deal that won the Power/Utilities Deal of the Year for Malaysia in The Asset Triple A Sustainable Infrastructure Awards 2022. This was made possible with the implementation of the MIND Framework.

   The Asset Triple A Sustainable Infrastructure Awards honour institutions and deals that have made a significant contribution to sustainable infrastructure development in Asia from January to December of each year.

https://www.businesstoday.com.my/2022/08/17/bank-pembangunan-awarded-power-utilities-deal-of-the-year-for-their-rm-2-7-billion-syndicated-term-financing-deal/

MIND'S PROGRESS AND PLANS

2021

- Developed Sustainable Development Sukuk Framework anchored by MIND SDGs
- Expansion of MIND application into Bank's activities
- Launched MIND impact assessment externally to the public

2022

- Enhanced MIND Impact Assessment Framework with the review by World Bank Group
- Aligned MIND Impact Assessment Framework with the 12th Malaysian Plan (12MP) to ensure that the objective of MIND meets the purpose of developing the nation
- Won the Power/Utilities Deal of the Year at The Asset Triple A Sustainable Infrastructure Awards 2022 (Pulau Indah Power Plant)

2023

- Imbuing MIND throughout the Bank by developing MIND Frameworks for the Bank's subsidiaries
- Adaptation of Climate Change and Principle-based Taxonomy (CCPT) into MIND Framework
- Establishment of the Bank's Environment, Social and Governance (ESG) strategy

GROUP AT A GLANCE

CLOSING STRATEGIC TRANSFORMATION PLAN (STP) ON A POSITIVE NOTE

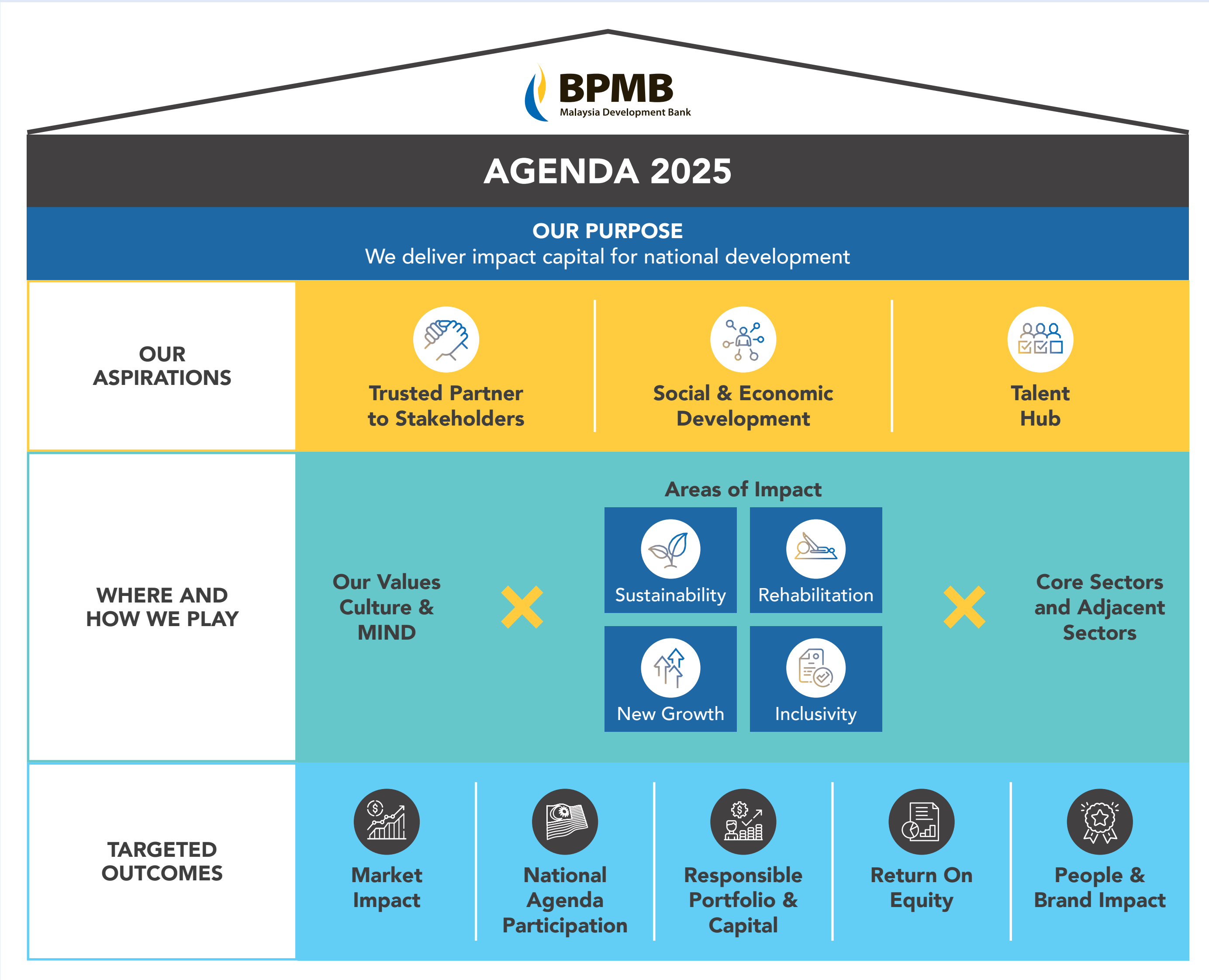
BPMB successfully completed our Three-year Strategic Transformation Plan ensuring that the Group remains relevant and equipped to provide solutions for the nation's development needs.

The STP consisted of five workstreams (Business, Asset-Liability Management, Information Technology, Organisation & Culture and Credit Value Chain) with 71 initiatives. An impressive 94% of these initiatives were implemented, demonstrating BPMB's commitment to continuous improvement and our ability to deliver on our promises.

This is a significant achievement and a testament to the hard work and dedication of BPMB's employees. The Group is now well-positioned to meet the challenges of the future and to continue to play a vital role in Malaysia's economic development.

OUR NEW THREE-YEAR STRATEGY – AGENDA 2025 "WE DELIVER IMPACT CAPITAL FOR NATIONAL DEVELOPMENT"

We are excited to announce the launch of Agenda 2025, our three-year strategic journey with our purpose, "We deliver impact capital for national development". Through Agenda 2025, we aspire to become a trusted partner to our stakeholders, providing social and economic development and building a talent hub. We also believe that by working together, we can create a better Malaysia.



BPMB is committed to ensuring Agenda 2025's targeted outcomes are met. Among our goals for Agenda 2025 are:

- Increase market impact through further deployment of our impact capital
- Contribute and participate further in national agenda setting with the government
- Continue to be responsible in our portfolio and capital management
- Continue to obtain a reasonable return on equity
- Continue to achieve people and brand impact

GROUP AT A GLANCE

Agenda 2025 is driven by 43 projects across four themes:

Revenue Engine → **Institutional Capabilities** → **Talent, Climate & Culture** → **Risk DNA**

Purpose & Aspirations

We deliver impact capital for national development

3 Aspirations

Our aspirations defined the metrics to realise our purpose

Targeted Outcomes

9 Targeted Outcomes

We considered key challenges to overcome, which require specific competencies

Strategic Enablers

14 Strategic Enablers

We identified projects to deliver enablers and targeted outcomes

Projects

43 Projects

Organised by programme themes:

Revenue Engine	Risk DNA	Institutional Capabilities	Talent, Climate & Culture

43 PROJECTS WERE IDENTIFIED TO DELIVER THE TARGETED OUTCOMES AND STRATEGIC ENABLERS

Strategic enablers are competencies or capabilities needed to support the achievement of the targeted outcomes. An item is a strategic enabler if it is:

i. a competency (e.g. competitive advantages, infrastructure) or a capability (i.e. skill, expertise)
ii. clear how the item supports the targeted outcome

STRATEGY

Purpose

We deliver impact capital for national development
9 targeted outcomes, 14 strategic enables, 43 projects

Targeted Outcomes

1. Direct & indirect capital
2. Dedicated schemes
3. National agenda participation
4. Gross impaired financing ratio
5. Core capital ratio
6. Improvement in portfolio MIND Development Impact (DI) score
7. Return on equity
8. People impact
9. Brand strength

Strategic Enablers

Revenue engine (4)

- Origination expertise bringing in debt and equity partners. Evolving from passive, to co-origination, to lead origination
- Strategy and expertise to serve the micro, small & medium-sized enterprises (MSME) market
- Ability to execute and achieve speed-to-market to drive portfolio growth
- Treasury as a revenue driver

Institutional capabilities (4)

- Strategic cost rationalisation capabilities to realise return on investment
- Credible knowledge-based hub to be a thought partner to our stakeholders
- Digital capabilities based on emerging technologies to deliver business intelligence and great customer/employee experiences
- Institutionalised knowledge to leverage business intelligence and industry data

Risk DNA (3)

- Pragmatic credit practices to improve conversion of deals from origination to disbursement
- Sound risk assessment practiced to reduce Expected Credit Loss (ECL) volatility
- Optimised risk-weighted assets or efficient balance sheet

Talent, climate & culture (3)

- Strong people identity and brand position to attract talent and grow the business
- A distinctive culture to give meaning and purpose to employees
- MIND ethos imbued organisation-wide

Project/decisions

43 projects have been identified to deliver enablers and targeted outcomes

CHAIRMAN'S STATEMENT

"50 years on and BPMB continues to grow and evolve. We achieved a new milestone with the integration of Danajamin and BPMB into a single entity. Merging two entities is always a challenge, but we have completed this process smoothly. We are now focused on delivering Agenda 2025, our 3-year strategic plan for the organisation."

On behalf of the Board of Directors (the Board), I am pleased to present to you our fourth Annual Integrated Report for the financial year ended 31 December 2022 (FY2022).

Dear Stakeholders,

It is with great pride that I reflect upon BPMB's accomplishments over the past 50 years. Looking back at our rich history, it is clear we had a crucial role in Malaysia's developmental journey, then and now.

Since 1973, BPMB has steadfastly contributed to driving economic growth, job creation, and innovation. We started by supporting Bumiputera entrepreneurship, and our role evolved in the 1990s when we were mandated to support nationally strategic infrastructure. Today, we play our mandated role in the infrastructure, maritime, high technology, and oil & gas sectors along with developing other strategic sectors identified by the government.

To date, we have provided impact capital to over 15,000 beneficiaries ranging from once small family businesses, such as Ramly Burger, to strategic mega projects like the Express Rail Link.

We have distributed more than RM9.2 billion in financing from our dedicated schemes, benefitting over 250 beneficiaries across sectors including tourism and maritime and across areas like sustainability and digitalisation. We have also contributed to the construction of critical infrastructure, having financed more than 800 km of highways and 500 km of railways in Malaysia. As a successful Development Financial Institution (DFI), we have paid over RM1.7 billion in dividends to our primary shareholder, namely the Minister of Finance (Incorporated).

Before I proceed, on behalf of the Board, I would like to acknowledge the exceptional leadership and invaluable contributions of Tan Sri Nazir Razak who served as Chairman until 22 April 2023. His commitment and vision have been instrumental in driving our transformation over the past two years and will continue to inspire us as we continue to the next chapter of our journey.

2022 ACTIONS & ACHIEVEMENTS

In 2022, BPMB successfully completed the merger with Danajamin - significantly strengthening our management team, improving operations, and enhancing governance. The merger has resulted in the stronger and more integrated entity we see today.

We also launched Agenda 2025 (our three-year strategic plan) and embedded an objective method for evaluating our products and investments with our MIND (Measuring Impact on National Development) framework.

Effective and fruitful integration

Amidst recovery from the COVID-19 pandemic in 2022, we made good progress in integrating BPMB's and Danajamin's operations to form a cohesive organisation. The merger and subsequent integration presented many issues that needed to be handled swiftly, but also cautiously. Through mindful planning, we ensured that integration was performed thoroughly across the organisation without much disruption.

Our efforts have paid off as we anchored on a common purpose by leveraging on our combined strengths. We then implemented a unified governance structure for the organisation by appointing two Danajamin directors, namely Tan Sri Rashpal Singh Randhay and Puan Rosnah Kamarul Zaman, to BPMB's Board of Directors. To complement this governance structure, we put in place a functional-based operating structure, helmed by senior leaders from both BPMB and Danajamin. In embedding a shared culture across this expanded family, we designed new corporate values of Courage, Respect, Empathy, Agility and Shared Trust. Most importantly, we created a combined go-to-market strategy and started tracking organisational performance under one cohesive scorecard.

All these factors culminated in the successful completion of our merger in early-2023.

MasterMINDing our priorities

Another key priority of the year has been our commitment to the implementation of the MIND Framework in executing our role as an impactful DFI.

MIND was jointly developed with the World Bank Group and aims to enhance project evaluation from a solely credit-centric assessment to a holistic end-to-end assessment, with a focus on sustainability. This entails evaluating the environmental, social, and economic impact of each project we undertake, aligning it with the 12th Malaysia Plan (12MP) and the United Nations Sustainable Development Goals (UN SDGs). Since its inception, MIND has enhanced internal processes to help our frontliners identify sustainable financing opportunities.

In alignment with BPMB's commitment to sustainability, we are expanding the application of the MIND Framework groupwide. Additionally, we are working to complement the framework with Bank Negara Malaysia's (BNM) Climate Change and Principle-based Taxonomy (CCPT) as well as Climate Risk Management and Scenario Analysis (CRMSA) framework in order to elevate our impact assessment process in addressing climate change.

Embarking on Agenda 2025

Anchored on MIND, we have continued to work diligently to enhance our services, expand our reach, and foster an enabling environment for our clients to thrive.

In 2022, BPMB crafted a 3-year strategic journey (2023-2025), known as Agenda 2025, setting out a clear roadmap driven by our redefined purpose, **'We deliver impact capital for national development'**. Through Agenda 2025, we aspire to become a trusted partner to our stakeholders in providing social and economic development while building a talent hub.

WE LAUNCHED AGENDA 2025 AND EMBEDDED AN OBJECTIVE METHOD FOR EVALUATING OUR PRODUCTS AND INVESTMENTS WITH OUR **MIND** FRAMEWORK.

CHAIRMAN'S STATEMENT

This entails us providing continued support to the government's strategic projects in several areas such as sustainability, inclusivity, rehabilitation, and new growth sectors. As such, we have prioritised internal development projects that enable BPMB to better play our role in these areas, such as increasing our speed-to-market and improving our operational efficiency.

Within this roadmap, we have identified several key targeted outcomes to be achieved, which we also expect to bring value to our stakeholders.

I summarise these outcomes as follows.

Firstly, we will continue to increase our direct and indirect market impact by further deploying our capital and working closely with our partners in co-financing crucial projects. Our present and future customers as well as the local communities can expect to see us play a bigger role in their projects.

We are playing a more active role in the government's growth agenda, especially in policymaking. Here, we leverage on our rich history and expertise in development finance to provide meaningful insights and actionable policy suggestions to the government.

In doing this, we continue to ensuring that our financing portfolio and capital are managed responsibly through pragmatic and sound risk management practices. This reflects our commitment to meeting the expectations of our regulators in ensuring that our business and operations remain sound.

We also commit to ensure BPMB remains financially sustainable in its operations by delivering a reasonable return on equity. To this end, we strike a balance between serving our mandated role as a DFI and ensuring financial sustainability, which reflects the expectations of our various stakeholders including our shareholders, regulators, and investors.

Finally, we strive to increase our people and brand impact, underpinned by a distinctive culture and identity. We provide our employees with performance-based rewards and frequent engagements with the management to nurture shared values and cultivate a high-performance culture. We have also increased our public engagements through many forums to share our knowledge and raise our brand position in the market.

THE NEED FOR CONTINUED RESILIENCE IN 2023

Looking ahead to the second half of 2023, we anticipate a general slowdown in domestic growth preceded by a weakening Ringgit. Real annual GDP growth is expected to moderate to 4.5% after a robust showing of 8.7% in 2022, alongside external headwinds and global market uncertainties. Global financial stability continues to be precarious, headlined by an ongoing risk of recession in advanced economies, the prolonged Russia-Ukraine war, and failures of several US banks.

Domestic growth will continue to be driven by consumer spending, albeit at a slower pace supported by modest manufacturing growth as well as the continuation of infrastructure projects. A mid-term review of the 12th Malaysia Plan is scheduled in 2023, which will see the government evaluating all ongoing projects and determining which should be modified or accelerated. We expect to see infrastructure, transport as well as education and training receive significant attention during the review, with a focus on projects that involve the construction or upgrading of roads, highways, airports, and seaports.

Working together with these aims, BPMB plans to deploy our impact capital to assist the government in these projects. This includes providing strategic financing as outlined under the National Budget 2023 which, amongst others, announced the continuation of RM4.8 billion in our dedicated schemes with interest subsidies, as well as RM1.1 billion in working capital financing and equity programmes, such as the Rehabilitation and Support through Equity (RESET) scheme.

MEETING MALAYSIA'S SUSTAINABLE GOALS

Malaysia has long been a strong advocate of combating climate change since ratifying the United Nations Framework Convention on Climate Change in the early-1990s. More recently, the Government has shared aspirations to achieve net-zero carbon emissions by 2050. Such an ambitious, but necessary feat requires all parties, including the public sector, corporations, and local authorities, to have coordinated and collaborative responses to ensure the ambition is realised. In line with an increasing focus on sustainability by the government, key policies have begun to integrate sustainability principles alongside economic development objectives. A notable example is our National Energy Policy 2022 – 2040, which seeks to more than double our renewable energy capacity to meet the nation's increasing energy needs while ensuring environmental sustainability.

We will continue to support the ongoing trend in sustainability by deploying our Sustainable Development Financing Scheme to projects that help Malaysia meet its commitments under the UN SDGs. A total allocation of RM1 billion has been made available under this scheme to support various sustainability projects including renewable energy, poverty eradication and climate change mitigation.

Additionally, as mentioned earlier, we are embedding environmental and social risk assessments into our financing and investment processes through MIND, BNM's CCPT, and the CRMSA framework. This ensures sustainable practices become integral in our operations and further support the government's sustainability commitments. From here, we continue to collaborate with our stakeholders to find and execute solutions that tackle sustainability issues in line with the national sustainability agenda.

STRENGTHENING OUR FOCUS ON DIGITALISATION AND AUTOMATION

Digitalisation and automation have received increasing focus from the Government with the potential to greatly boost the country's economy. Recognising this potential, significant allocations have been made in the National Budget 2023 which reflect the aspirations of the Malaysia Digital Economy Blueprint (2021 – 2030) to promote digitalisation within the economy.

We remain fully supportive of the Government's efforts in digitalisation and automation. On this front, we have allocated RM1 billion via our Industry Digitalisation Transformation Scheme to help accelerate the adoption of new and innovative technologies, especially in the manufacturing sector. This scheme is available to technology infrastructure providers and users to adopt digital solutions that improve operational efficiency and increase their contribution to the national economy.

We have allocated RM1 billion via our Industry Digitalisation Transformation Scheme to help accelerate the adoption of new and innovative technologies, especially in the manufacturing sector.

Within our own operations, we have also embraced digitalisation to improve the way we work. As a part of our efforts, we have undertaken several digitalisation projects, such as using cloud-based applications to improve employee productivity and our speed-to-market in addressing our customers' needs.

IN CONCLUSION

Looking ahead, we remain resolute in Malaysia's vision to create a vibrant and sustainable economy that drives inclusive growth and prosperity for Malaysians. We will continue to explore new avenues, forge strategic partnerships, and leverage emerging technologies to better serve our customers and ensure their long-term success.

The Board will continuously engage with the Management to provide guidance on strategic issues and ensure the effective implementation of Agenda 2025 projects. Key projects include developing an Environmental, Social and Governance (ESG) strategy and establishing a new risk-based pricing model to optimise pricing for our products.

Greater integration has defined the year's progress and will continue to do so going forward. I take this opportunity to thank the Ministry of Finance and Bank Negara Malaysia for supporting us in the merger between BPMB and Danajamin. The exercise has formed a DFI with a stronger focus and ability to generate greater impact for the nation. We are now ready to deliver on our agenda as a cohesive and united organisation.

On behalf of the Board, I wish to express our thanks to two other directors who retired this year, Encik Ariff Rozhan and Encik Thomas Meow Yoke Nean. Their guidance and dedication have made a positive difference that we will continue to benefit from.

Similarly, the Board and I express our gratitude to our employees for their diligence in ensuring that strategic directions are implemented effectively. The dedication shown by them gives me optimism that we will continue to be a successful organisation for many years to come. With their efforts, we will further contribute to the government's national developmental agenda as its trusted developmental partner.

Finally, I would like to acknowledge the resilience, determination, and innovation demonstrated by our customers and partners. Thank you for your continuous support and trust throughout the years. Together, we can expect great things as BPMB evolves into a much stronger DFI, further supporting Malaysia as it transitions into a high-income economy in the coming years.

DATIN RASHIDAH MOHD SIES
Interim Chairman

GCEO'S STATEMENT

"For the last five decades, we have helped build Malaysia - bringing highways, hospitals, power plants, digital connectivity, and affordable housing to all Malaysians.

Since our merger with Danajamin, we have emerged as a stronger Development Finance Institution (DFI) that will continue to play a leading role in strengthening the national development finance ecosystem.

Moving forward, we continue to be guided by our purpose, defined in Agenda 2025 – we deliver impact capital for national development."

DIVIDEND PAYMENT

RM85 mil

+13.3%

FY2021: RM75 million

Dear Stakeholders,

The year 2022 was a year of recovery and rehabilitation. Globally, we see a return to normalcy following the COVID-19 pandemic - with strong economic recovery around the world.

In Malaysia, the economy performed better than expected, growing 8.7% in 2022 and exceeding the government's target of 7.0%. This achievement clearly shows the return in consumer, business, and investor confidence in the national economy.

Amid this positive backdrop, BPMB has continued to deliver sustainable financial performance while ensuring we continue to deliver responsible development impact. This is in line with our stakeholders' expectations of BPMB as Malaysia's premier DFI.

During the year, we have successfully integrated Danajamin and BPMB into a cohesive organisation. Consequently, we are better positioned to meet Malaysia's development needs.

We have also institutionalised our Measuring Impact on National Development (MIND) Framework into our financing operations. The MIND Framework provides us with the means to holistically evaluate the Environmental, Economic and Social (EES) impacts of our customers' business activities.

We have also completed our three-year Strategic Transformation Plan (STP) and launched a new three-year strategic plan known as Agenda 2025 to chart the journey ahead. Agenda 2025 will guide us to fulfil our aspirations and raise Malaysia to new economic heights.

NET PROFIT
RM211.7 mil
FY2021: RM176.4 million
+20%

GROSS FINANCING PORTFOLIO
RM18.5 bil
FY2021: RM19.6 billion
(5.5%)

GROSS IMPAIRED FINANCING RATIO
11.3%
FY2021: 10.5%
+0.8%

COST TO INCOME RATIO
15.6%
FY2021: 16.0%
(0.4%)

RISK WEIGHTED CAPITAL RATIO
37.2%
FY2021: 35.8%
+1.4%

I am proud to say we accomplished all the above without neglecting our role as a responsible corporate citizen, playing our part to improve and uplift local communities through our Corporate Social Responsibility (CSR) activities.

FY2022 FINANCIAL PERFORMANCE

With the steadfast execution of our plans, BPMB achieved a remarkable financial performance for the FY2022. Our net profit rose 20% to RM211.7 million in FY2022 from RM176.4 million previously, driven by higher financing and investment income. The improvement in net profits is also attributable to BPMB recognising Danajamin's full 12-month net profits post-acquisition in FY2022, compared to only two months in FY2021.

As a result of our stronger financial performance in FY2022, I am pleased to report that we have increased dividend payments to our shareholder to RM85.0 million compared to RM75.0 million for FY2021.

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Our total Gross Financing Portfolio (GFP) decreased by 5.5% to RM18.5 billion compared to RM19.6 billion in FY2021. This was mainly due to a large financing redemption from one of our customers, who graduated to obtain financing from the capital markets. As a result of the smaller GFP, BPMB's Gross Impaired Financing Ratio (GIFR) was higher in FY2022 at 11.3% compared to 10.5% in FY2021.

Our Cost to Income Ratio (CIR) for FY2022 registered a slight decrease to 15.6% compared to 16.0% in FY2021. This is mainly linked to higher net income from our financings and investments. Our CIR remains low compared to our peers.

On another positive note, our capital remains robust as BPMB's Risk Weighted Capital Ratio (RWCR) improved to 37.2% in FY2022 compared to 35.8% in FY2021 due to a smaller financing portfolio for the year. This was also supported by a higher capital base due to higher financing provisions and accumulated profits.

For the year ahead, we will expand our financing portfolio in line with our targeted outcomes in Agenda 2025, while maintaining financial sustainability in cost and capital.

RESPONSIBLE DEVELOPMENT IMPACT

As a DFI, our non-financial performance captures the broader impact of our business activities on our society and the nation. Here, we have divided our non-financial performance measures into two categories – Developmental Impact, and Social Cost and Benefit.

Under Developmental Impact, we placed a high priority on financing underserved economic sectors and geographic areas. For FY2022, I am proud to announce that we exceeded our targets. Underserved geographic areas accounted for 67% of our approved financing projects, well ahead of our target of 24%. Similarly, 60% of our approved financing projects were in underserved economic sectors, which were also well above our target of 12%. Additionally, based on 16 projects that were completed in 2022, we created 9,493 jobs, which was more than three times our target of 2,824 jobs.

GCEO'S STATEMENT

We also played an important role to the government by participating in policymaking, based on our five decades of development finance experience. For 2022, we made four proposals to the Ministry of Finance and these were reflected in the National Budget 2023. Under this budget, BPMB will continue to provide subsidised strategic financing of RM4.8 billion through dedicated schemes as well as RM1.1 billion in working capital financing and equity schemes.

For Social Cost and Benefit, BPMB is mainly measured by the Net Subsidy Cost (NSC). This measures our effectiveness in using public resources to achieve our national development mandate. A lower NSC means a lower dependency on government assistance to deliver impact to our targeted sectors. For FY2022, we registered an NSC of RM18.5 million compared to RM76.2 million in FY2021, indicating we have effectively directed public resources to our targeted sectors.

We will continue to meet our stakeholders' expectations of BPMB as a DFI that delivers responsible development impact in line with the national development agenda.

A SUCCESSFUL INTEGRATION

In December 2021, BPMB acquired Danajamin as a part of the government's DFI restructuring exercise under the National Budget 2020. Throughout 2022, we made excellent progress in integrating the two entities into one cohesive organisation. Thanks to the strategic direction from our Board of Directors and the dedication of our staffs, we have combined people, processes and systems to integrate the best of both worlds.

In terms of people, we have implemented new macro- and micro-structures with a functional-based operating structure. We have also proactively engaged our employees through formal BPMB Townhalls and informal Teh Tarik sessions. Through these engagements, we introduced our new corporate values of Courage, Respect, Empathy, Agility and Shared Trust to promote a merit-based and performance-oriented culture.

During integration, we identified key opportunities to enhance operational efficiencies. By leveraging on the best practices of both entities, we streamlined all key policies and procedures, including risk management policies and credit review procedures.

In integrating systems, we identified and transferred all relevant IT assets from Danajamin to BPMB. Here, we took the opportunity to enhance BPMB's digital capabilities to ramp up our speed-to-market and to deliver superior user experience.

Our efforts have paid off as we completed the merger of both entities in early 2023. As a united and harmonised entity, we can leverage on BPMB and Danajamin's combined experience, expertise and diversity to serve our purpose better.

MAKING MINDFUL PROGRESS

In the area of sustainable financing, our MIND Framework helped us apply a broader impact-based versus purely credit-based assessments. The MIND Framework enabled us to holistically evaluate the environmental, economic, and social (EES) impacts of the projects we undertook on national development. MIND combines both quantitative measures and qualitative narratives that guide our decisions in prioritising projects for maximum impact.

We approved 11 projects identified as national priorities under the MIND Framework. These projects are expected to create more than 2,000 jobs and benefit more than 180,000 people.

With the MIND Framework, BPMB has delivered measurable EES impacts. For the year 2022, we approved 11 projects identified as national priorities, five of which were in underserved and unserved areas. These projects are expected to generate more than 2,000 jobs and benefit more than 180,000 people. Additionally, we went beyond evaluating our customers' businesses by encouraging them to align their business practices with the United Nations' Sustainable Development Goals (UNSDGs) and the 12th Malaysia Plan.

As with any framework, we are continuously improving and refining MIND to meet BPMB's commitment to sustainability. In 2022, we conducted a review of MIND to assess the development impact of our potential private equity investments as well as financing by our subsidiary, Pembangunan Leasing Corporation (PLC). On this front, we successfully established MIND indicators for PLC in mid-2023 and expect to do the same for our private equity investments by early-2024.

Additionally, we are enhancing the MIND Framework by incorporating two frameworks from Bank Negara Malaysia (BNM) that touch on climate change mitigation, namely the Climate Change and Principle-Based Taxonomy (CCPT) and the Climate Risk Management and Scenario Analysis (CRMSA) impact of our customers' business activities to the climate.

Our sustainability efforts have been recognised by the industry. Our Pulau Indah Power Plant financing project, which we evaluated with the MIND Framework, was recognised as the 'Power / Utilities Deal of the Year' in Malaysia at the 2022 Asset Triple A Awards. Our use of MIND in promoting sustainable energy financing was also recognised by the Ministry of Natural Resources, Environment and Climate Change. Consequently, BPMB was honoured with the 'Special Merit Award for Sustainable Energy Financing for DFI and Others' at the National Energy Awards 2022.

TOWARDS AGENDA 2025

We have developed and embarked on Agenda 2025, our three-year strategy aligned with our refreshed purpose of, **'We deliver impact capital for national development'**.

Agenda 2025 guides our management and staff as we continue to be a trusted partner to stakeholders in providing social and economic progress while building a talent hub.

Under Agenda 2025, BPMB has identified several targeted outcomes to be achieved by 2025, which I summarise as follows:

We have identified over 40 projects to undertake, which will help us create strategic enablers to generate revenue, manage risks, attract and retain talent and achieve speed-to-market. These strategic enablers will support us in achieving the aspirations and targeted outcomes of Agenda 2025. We will work closely with all our stakeholders to ensure the completion of all projects in the coming years.

GCEO'S STATEMENT

RESPONSIBLE CORPORATE CITIZENSHIP

As a development financial institution, we prioritise our role in improving the livelihoods of our local communities.

We have carried out various CSR activities to ensure inclusivity as we work to further develop the country. Throughout 2022, we:

01 Contributed RM370,000 to Hospital Kuala Lumpur and Hospital Canselor Tuanku Muhriz through the Institute for Democracy and Economic Affairs (IDEAS). This was to acquire medical equipment for patients with long COVID symptoms;

02 Provided RM70,000 through the Merdeka Centre to more than 1,000 families in Selangor who were affected by flash floods. Each family received bedding sets to replace their lost belongings;

03 Contributed RM66,000 to the PERTIWI Soup Kitchen food distribution programme for the urban poor in Kuala Lumpur. Over 120 BPMB volunteers participated in the initiative;

04 Contributed RM36,000 to Hospital Universiti Malaysia Sabah, funding the costs of a provisional therapist for a mental health clinic in Kudat, Sabah; and

05 Contributed RM19,514 to our adopted school, SMK Seri Titiwangsa to sponsor various academic programmes for students.

We also place great importance on environmental sustainability awareness and advocacy. To achieve this, we established Amanah Lestari Alam (ALAM) in 2019 to raise awareness on environmental sustainability among youths while proactively advocating for actions to address climate change. In 2022, ALAM:

- Partnered with two United Nations agencies (UNDP and UNICEF) to sponsor the Youth Environment Living Labs (YELL) initiative. YELL aims to empower youths to express their aspirations on climate change issues by providing seed funding and supporting green skills-building among youths;
- Sponsored a documentary titled *Bukan Nelayan Gila* to raise awareness on mangrove forests in Malaysia in collaboration with Kelab Belia Prihatin; and
- Partnered with Pertubuhan Pendidikan Pembangunan Lestari Selangor (PPPLS) to conduct nationwide research on schools to determine the status of environmental education in Malaysia. The results of the research will be used to propose education policies to the government to increase environmental awareness among Malaysian schoolchildren.

Moving forward, we will focus our corporate citizenship efforts into four key areas, which are financial literacy, women empowerment, community development and environmental sustainability. We will leverage the resources in both our CSR and ALAM units to generate positive impact through better coordination in executing our corporate citizenship programmes.

WHAT'S NEXT

For BPMB, 2022 was a year of consolidation and strengthening of people, processes and systems. Looking ahead, we see ourselves continuing to be the government's trusted partner in supporting the national development agenda, encouraging inclusive growth and addressing socio-economic challenges. I am confident that our strategic plan, Agenda 2025, will guide us in navigating the development finance ecosystem, as we deliver impact capital for national development.

I would like to extend my heartfelt gratitude to all *warga* BPMB, whose tireless efforts have enabled us to navigate challenges, seize opportunities, and ultimately drive sustainable progress. As a team, I am confident we will move BPMB, along with the nation itself, to greater heights.

I would also like to convey my deepest appreciation to our Board members, whose visionary leadership shaped our institution's trajectory, ensuring the delivery of sustainable and impactful outcomes.

Together, we will continue to build a nation that thrives on equitable growth, environmental stewardship, and social progress.

RONI L. ABDULWAHAB
Group Chief Executive Officer

CREATING IMPACT
TO ACCELERATE SOCIO-ECONOMIC GROWTH

IMPACTS ACHIEVED:

CASE STUDY: Driving future growth and community empowerment, the Bank financed the Damansara – Shah Alam Highway (DASH) from 2016 – 2022. The project was monitored from design stage to current operations and maintenance.

Faster access and connectivity

- Reduces travel time by up to 60 minutes.
- Eases existing traffic congestions by providing an alternative route.
- Increases access to new markets for trade and existing volume of trade as it provides critical east-west connectivity in the Klang Valley.

Catalyses economic growth

- Brings greater connectivity, convenience and economic benefits as it will serve as a critical link between the eastern and western parts of the Klang Valley.
- Promotes and enhances the attractiveness of the townships in the eastern region of Selangor.

Environmental benefits

- By reducing travel time, DASH helps reduce carbon emissions.
- DASH is built with Green Building Index (GBI) featuring solar panels, green turf roof and rainwater harvesting system, an elevated solar walkway, uniquely-designed toll plazas ready for the gateless gantry toll system, and the first full enclosure highway noise barrier in Malaysia.

Supporting the following UNSDGs:

Industry, Innovation and Infrastructure

Reduced Inequalities

Climate Action

Project financed by BPMB: The development of Damansara – Shah Alam Highway (DASH).

OUR OPERATING ENVIRONMENT AND OUTLOOK

As the economy transitioned into endemicity in 2022, BPMB continued to play an enhanced role in supporting government efforts to revive the economy and meet the targets under the 12th Malaysia Plan, particularly for high impact and strategic industries, regionally balanced growth as well as the sustainability agenda.

Sector		Impact
Economic	• The global economic growth slowed to 3.4% in 2022 (2021: 6.0%) but the performance continued to be uneven across regions and countries given the different timing of transition to endemicity as well as the size of the stimulus measures introduced to counter the COVID-19-led slowdown. • Malaysia managed to record the fastest economic growth since 2000 of 8.7% YoY in 2022 (2021: 3.1%) as the pent-up demand was fuelled further by the various measures to support private consumption when the economy fully transitioned to endemicity in April 2022. • Services and manufacturing sector were the key catalysts of the significant growth in 2022 with their absolute GDP levels, outpacing the pre-pandemic levels. Having said that, many sub-sectors within these two sectors had remained below pre-pandemic levels despite the sharp YoY growth rebound for the year. • The lagged effects of the surge in prices at the height of the pandemic compounded further by the impact of reopening of the economies and the Russia-Ukraine war pushed the global inflation to levels not seen for decades. That led to the aggressive tightening monetary stance by major central banks, notably, the US Federal Reserve. • The upward pressure on domestic prices as well as the widening interest rate differentials led Bank Negara Malaysia (BNM) to hike the Overnight Policy Rate (OPR) in four moves beginning in May 2022, by a cumulative 100bps to 2.75% during the year.	• As we have big exposure in the services sector, the reopening of the economy had helped our related portfolio to recover further. Nonetheless, the overall performance was mixed. Not all sub-sectors recovered to pre-pandemic levels. • The pent-up demand and huge stimulus for the *Rakyat* helped consumption especially on travel and holidays to rebound significantly. That benefitted sub-sectors such as roads, airports, hotels as well as the retail sector. That said, given the massive loss of output during the pandemic especially in infrastructure and workers, some businesses struggled to catch up with the burgeoning demand. This was mostly prominent for the hotel and F&B industries. • Some of our customers that depended on supply of commodities-related inputs faced tough operating conditions as the prices surged sharply globally in line with the soaring commodity prices. The effect was compounded further by the weaker Ringgit. • Further acceleration of digitalisation had also continued to fuel e-commerce, benefitting the transport and logistics industries but on the other hand was a bane for the commercial and retail space. • The impact from the monetary tightening delivered by BNM since May 2022 had not restrained much of domestic demand as evident in the real GDP, which recorded strong QoQ growth in the 3Q 2022, followed by a soft landing in the 4Q 2022. Malaysia's inflation rate had also remained elevated at 3.9% in the 4Q 2022 (3Q 2022: 4.5%, 4Q 2021: 2.5%).
Digitalisation	• Digitalisation has been pronounced in the aftermath of the pandemic as most businesses started to embrace digitalisation to increase productivity and efficiency, especially the small and medium-sized enterprises (SMEs) that are keen to take advantage of accessible funds to digitalise and automate their business operations. • An enormous allocation was funded by the government in Budget 2022 to drive the digital economy, which is anticipated to contribute 25.5% of GDP by 2025. In particular, the allocation for the SME Digitalisation Grant Scheme initiative has been raised to RM200 million in Budget 2022, of which RM50 million is earmarked for Bumiputera micro-entrepreneurs in rural areas. • As of last year, Digital Nasional Berhad (DNB) which was established to quicken the deployment of 5G infrastructure and network in Malaysia, had distributed a total of RM1.89 billion for the nationwide high-speed internet 5G rollout project. Out of 7,509 5G sites planned to be completed, 3,906 have been built since the government launched the project.	• The ICT sector's performance remained resilient in 2022, with its GDP's absolute value persistently displaying an uptrend even during the period of the pandemic. The high demand for technological advancement, along with encouragement from the government's several policies related to digitalisation and automation have continued to drive the sector. • Official data from the Department of Statistics Malaysia (DOSM) unveiled that the e-commerce income was valued at RM1.2 trillion or an increase of 6.1% YoY in 2022, the second consecutive year it breached the RM1.0 trillion mark. The growth in e-commerce has been booming since the outbreak first struck in 2020. • Despite the impressive revenue from e-commerce, the digital divide is still visible between rural and urban areas. Internet access has been limited in certain rural areas, especially in Sarawak and Sabah, because of the challenging topography. The lack of digital infrastructure in the areas has led to poor internet access.

"Digitalisation is the key catalyst to economic growth post-pandemic, but digital divide and high cost remain as the challenges."

Digitalisation

"Sustainability is still considered as a young industry in Malaysia, of which 45% of Malaysian companies did not allocate any budget on."

Sustainability

"Lack of education accessibility and poor infrastructure issues in rural areas of East Malaysia need to be resolved to build inclusive communities."

Inclusivity

Opportunity	Risk	Our Strategic Response
• The year 2023 will mark the mid-term for the 12th Malaysia Plan, which typically will see the progress of projects and programmes to accelerate. • As such, under the retabled Budget 2023 the allocation for development expenditure of RM97 billion remains at a record high (5.1% of GDP, 25.1% of total expenditure). Having said that, the amount allocated for productive spending i.e. capital or infrastructure is estimated to remain within the RM65 billion - RM70 billion range allocated in the last two years. • Among all the sub-sectors, transport (RM17.6 billion or 18.1% share) and education and training (RM13.6 billion or 14.0% share) would receive the highest allocation. • The higher amount allocated for the transport sub-sector will predominantly be used for roads and highways construction and upgrading the existing roads, airports and ports.	• The aggressive monetary tightening by the major economies led by the US threatens to push the advanced economies into recession in 2023. • There is also rising risk of US regional banks turmoil evolving into bigger crisis and this poses a threat to global financial stability. • At the same time, the ongoing geopolitical crises, particularly the Russia-Ukraine war, may see no end this year, threatening to cause renewed volatility on food and energy prices.	• BPMB leads the DFIs in providing strategic financing under Budget 2023 amounting to RM6 billion to promote sustainable development and automation. • The facilities offered are: 1. Financing with interest rate subsidy for sector dedicated schemes namely; Tourism Infrastructure, National Development, Maritime and Logistics, Sustainable Development and Industry Digitalisation Transformation. 2. Loan or equity financing under these programmes, namely the Rehabilitation and Support through Equity (RESET), Modal Kerja Scheme and Matching Funding Platform.
• Budget 2023 is concentrating on digitalisation and automation with a higher allocation, in line with the 12MP and Malaysia Digital Economy Blueprint (2021-2030), to transform Malaysia into a digitally-driven country as well as a regional leader in the digital economy. • Besides focusing on the acceleration of digitalising the micro, small and medium-sized enterprises (MSME) across industries with an allocation of RM1.2 billion, the government has also emphasised automation in the commodity sector in Budget 2023 to raise farmer productivity and strengthen food security, issues that our country have been facing as a net food importer. • A prominent effort has also been made by the government to improve the healthcare system by allocating a gigantic budget for ICT in the Ministry of Health (MOH) for 2023 with a tenfold increase to RM117.2 million.	• The high cost and limited knowledge of digitalisation might prevent MSMEs from embracing the technology. The difficulty of getting financing due to disqualification may also discourage those MSMEs from digitalising their business operations. On top of that, some of them are still struggling to restart their businesses following the blow of COVID-19.	• The Bank's Industry Digitalisation Transformation Scheme will continue to support the acceleration in IR 4.0 technological adoption especially in the manufacturing sector that would increase our contribution to the nation's economy. • BPMB was mandated in Budget 2023 to provide financing up to RM6.0 billion for strategic development projects, promoting automation and sustainability.

OUR OPERATING ENVIRONMENT AND OUTLOOK

Sector		Impact
Sustainability	• Even at the endemic stage of COVID-19 economic (inflation), environmental (floods) and social (widening inequality) issues persisted. This serves as a wake-up call for corporations and businesses to prioritise a more sustainable approach. • The 12th Malaysia Plan (12MP) has emphasised 'advancing sustainability' as an important thrust in the country's development trajectory, including in advancing a circular economy concept, going low carbon and increasing resilience against climate change and disasters. • Despite positive developments in the corporate sector, sustainability is still widely regarded as a nascent industry nationally. SMEs, contributing to 65.3% of total employment and 36.3% of GDP in Malaysia, are still trying to grasp the benefits – and significance – of adopting ESG standards. • Despite the growing trends of stakeholders' sustainability demands, 45% of Malaysian companies still have not allocated a budget for sustainability initiatives. According to Malaysia Business Sustainability Pulse Report 2022, 33% of Malaysian companies claimed a lack of sustainable financing plans. • The National Energy Policy 2022 – 2040 was introduced in September 2022 setting a 17% target share for renewables in the total national energy supply by 2040. But, with renewables currently accounting only for about 9% of Malaysia's electricity generation, the target is highly unrealistic unless more investments and incentives are offered to large-scale renewables. • In December 2022, the Securities Commission (SC) launched the Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market (SRI Taxonomy) providing universal guiding principles for the classification of economic activities that qualify for sustainable investment. It aims to give clarity towards enabling proper and consistent identification and classification of various types of economic activities, the definition of sustainable investments, and to address concerns on the need to mitigate and manage the risks of greenwashing.	• Malaysians were shocked by the landslides in Batang Kali on 16 December 2022, which took the lives of 31 people and was the second deadliest disaster in Malaysia since 1993. This was the second disaster in the year following the one in Ampang on 10 March 2022, that killed four people. Such incidents are also an eye-opener to responsible development for investors, developers and local authorities as calls for accountability and transparency grow among the public in the ensuing months. • Massive floods due to heavy rainfall continued to be experienced by the country in 2022, racking up losses of RM622.4 million, which is equivalent to 0.03% of the nominal GDP, reported by the Department of Statistics Malaysia (DOSM). Terengganu and Kelantan were the most affected states, accounting for nearly 60% of the total losses. Nevertheless, this was markedly lower than 2021's losses, which amounted to RM6.1 billion. Nevertheless, such incidents serve as a reminder for the catastrophic impacts brought upon by lack of climate adapting and resilient development. • In the recent years, Malaysian companies have faced allegations of exploitation across key export-oriented industries. From 2019 to 2022, eight Malaysian firms, have been banned by the US alone. As a nation highly dependent on the service of migrant workers, Malaysia has to step up in its protection and promotion of human rights for all to address its persistent labor rights issues.
Inclusivity	• The aim of the government to reduce the income disparity gap involved expanding targeted assistance to households and businesses during the Budget 2022. Bantuan Keluarga Malaysia (BKM) programme benefitted around 9.6 million recipients and created job opportunities. • Meanwhile, to ensure no one is left behind on technological enhancement, the government has also budgeted some amount to provide internet access to 40 low-cost housing schemes and safeguard digital connectivity in 47 industrial areas, as well as 630 schools in rural areas in the Budget 2022. • Other pivotal agenda items in Budget 2022 to ensure inclusivity include empowering and uplifting the women, in particular the single mothers, in supporting their families by introducing the MyKasih Kapital programme to coach them in setting up businesses from home. Besides that, the government childcare centres in government buildings to encourage the participation of women in the workforce, coupled with JaminKerja wage incentives to assist women returning to work.	• According to the World Bank, Malaysia's income inequality remains high as compared to other East Asian countries, yet it is slowly declining. The significant income disparities between different ethnic groups are also obvious in Malaysia. • The uneven distribution of access to digital technologies, especially the unreliable internet connectivity in rural areas continued to be the major challenge in achieving the inclusivity agenda. Despite the initiatives from the National Fiberisation and Connectivity Plan (NFCP), the significant gaps in internet access is still noticeable. • The poor access to education in East Malaysia, particularly in rural areas has become a prolonged issue that needs to be tackled to ensure inclusivity of all communities nationwide in receiving an equal right in gaining knowledge, specifically on transportation infrastructure and facilities. The health crisis has even worsened the scenario when most students in rural districts in Sabah and Sarawak cannot follow up on the learning lesson as a result of insufficient digital infrastructure and an inadequate number of electronic devices per household. Sabah and Sarawak have also not obtained many economic benefits despite contributing billions in oil revenue to the federal government, where Peninsular Malaysia has been receiving the most development allocation.

Opportunity	Risk	Our Strategic Response
• The National Energy Policy 2022 – 2040 outlined multiple strategies to ensure financial institutions facilitates the growth of renewables in the country. These include: 1. Rationalise energy subsidies 2. Ensure smart investments in energy infrastructure development 3. Establish boundary conditions and implement safeguards to enhance national energy security The publication of said policy allows the government to take stock and to continue incentivising the industry. Incentives, such as the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE), which are extended only until 2023, and Green Technology Financing Scheme 2.0, are much needed to boost this sector. • Climate resilient and mitigation programmes should be a thing in the past. The institution should now focus on climate adapting projects. Nature-Based Climate Adaptation Programme for The Urban Area of Penang Island (PNBCAP) is a pilot initiative on a comprehensive and collaborative approach to address both environmental and social dimensions of climate change in Penang. This programme was implemented towards the tail-end of 2022 and it exemplifies how projects can be built taking climate adaptation elements into their designs instead of mitigating measures. • The classification of economic activities that qualify as sustainable investments and definitions around sustainability Through. Sustainable and Responsible Investments (SRI) certainly strengthen the Bank's MIND Framework as an ever evolving and improving tool to ensure the Bank perpetually contributes towards the larger goal of national development.	• While sustainable and ESG-conscious efforts are highly encouraged for corporates and SMEs alike, greenwashing risks remain prevalent. Greenwashing can involve selective disclosure where companies embellish information related to positive environmental performance, or conceal data about its negative environmental impacts. Such practices, if not addressed, affect institutional credibility in the long term. • The nation's ambition to achieve carbon neutrality by 2050 highlights a progressive position relative to other ASEAN countries. However, this ambition should be complemented with swift and concentrated mindset transforming interventions by the government, corporates and local authorities in order to transition to a low carbon economy using a whole of society approach. Otherwise, the national sustainability ambition will remain unattainable.	• Sustainable Financing: The Group focuses on providing financing solutions that support sustainable development projects and initiatives, including renewable energy, green buildings, and environmentally friendly technologies through the following dedicated schemes - Sustainable Development and National Development. • Environmental and Social Risk Management: BPMB incorporates environmental and social risk management practices into our lending and investment processes. This ensures that potential environmental and social risks associated with financed projects are identified, assessed, and managed effectively. • Stakeholder Engagement: The Bank engages with various stakeholders, including customers, employees, regulators and the community, to raise awareness about sustainability issues and collaborate to continuously evolve ourselves in tandem with the requirements of sustainable development.
• Achieving inclusivity remains the core element of the budget for 2023, entailing redistributing income as well as reducing inequality via the slashing of the income tax rate for taxpayer in the RM35,000 to RM100,000 tax bracket while offsetting this by raising tax rates for those in higher tax brackets. • Among all states in Malaysia, specific development allocations for Sabah (RM6.5 billion) and Sarawak (RM5.6 billion) were revealed in Budget 2023 to develop both states that have been known as the less-developed states for so long. It includes developing cities bordering Kalimantan, Indonesia. The government continues to enhance development in East Malaysia, involving public infrastructure.	• Political instability remains one of the key challenges for the inclusivity agenda as the government has regularly changed, which would impact the plans involving several groups like the low-income and *Bumiputera* categories. Lack of continuity in policies and programmes aimed at promoting inclusivity will continue to be the main issue in achieving the agenda, as the government tends to shift focus to resolving political issues rather than social issues.	• As a DFI, BPMB promotes inclusivity via the MIND impact assessment framework in evaluating development projects, which not only focuses on financial and economic feasibility but also from a social inclusivity as well as an environmental perspective in ensuring balanced and sustainable national development. The Group is also keen on improving the lives of the *Rakyat* through development projects by creating more jobs, especially in unserved and underserved areas.

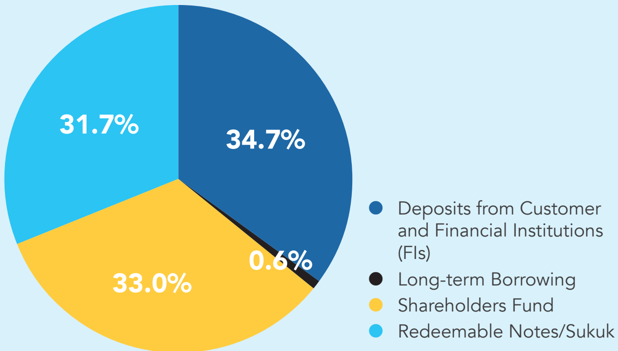
OUR VALUE-CREATING BUSINESS MODEL

In our transformation strategy, we designed a system with clear processes and performance metrics to generate and quantify the value we create.

OUR ECOSYSTEM OF SOUND FINANCIAL RESOURCES

Our Sources of Funding - Pooling Internal and External Funds

Over the years, through capital management excellence, we have nurtured and created an ecosystem of sound financial resources needed to support specialised schemes for development.



Shareholders Funds
RM8.6 bil

Redeemable Notes/Sukuk
RM8.2 bil

Long-Term Borrowing
RM0.2 bil

Deposits from Customers and FIs
RM9.0 bil

DEDICATED SCHEMES WE CREATE

Government Dedicated Schemes - Interest/Finance Income and Cost Differential Subsidies

We channel our financial resources to create dedicated schemes for development. The government provides compensation through subsidies for financing rate of up to 1.5%.

INDUSTRY DIGITALISATION TRANSFORMATION SCHEME (IDTS)
RM1.0 bil

MARITIME AND LOGISTIC SCHEME (MLS)
RM0.8 bil

SUSTAINABLE DEVELOPMENT FINANCING SCHEME (SDFS)
RM1.0 bil

TOURISM INFRASTRUCTURE SCHEME (TIS)
RM1.0 bil

NATIONAL DEVELOPMENT SCHEME (NDS)
RM1.0 bil

TRANSFORMING FUNDS INTO VALUE CREATION

We rely on our unique blend of strengths and resources to transform our funds into impact and value creation for all stakeholders.

1. Specialised skillset and knowledge
2. Strong relationship with the government
3. Dedicated client management
4. Organisational excellence (sound IT system and talent management)
5. Sound financial standing

Our Strategic Thrusts

To fulfil our mission of impactful delivery with strategic outcomes, we rally the organisation through three strategic thrusts.

1. Embracing Paradigm Shift
2. Supporting Government's Strategic Priority Areas
3. Adhering to Islamic Principles

IMPACT WE CREATE

Development Impact

Economy

66.7%
Approved Financing to Geographically Underserved Areas

60.0%
Approved Financing to Underserved Sectors

0.5 times of total funding
Crowd-in Private Investment (Total funding from other institutions over total funding from BPMB)

Society

0.6
Output Index

3.0%
Subsidy Dependence Index

RM18.5 mil
Net Subsidy Cost

Environment

RM242.8 mil
Approved Green Financing

133,913.6 MWh
Estimated Total Renewable Energy Generated Annually from Projects Upon Completion

Operational

RM271.5 mil
Profit Before Tax

13.7%
Cost to Income Ratio

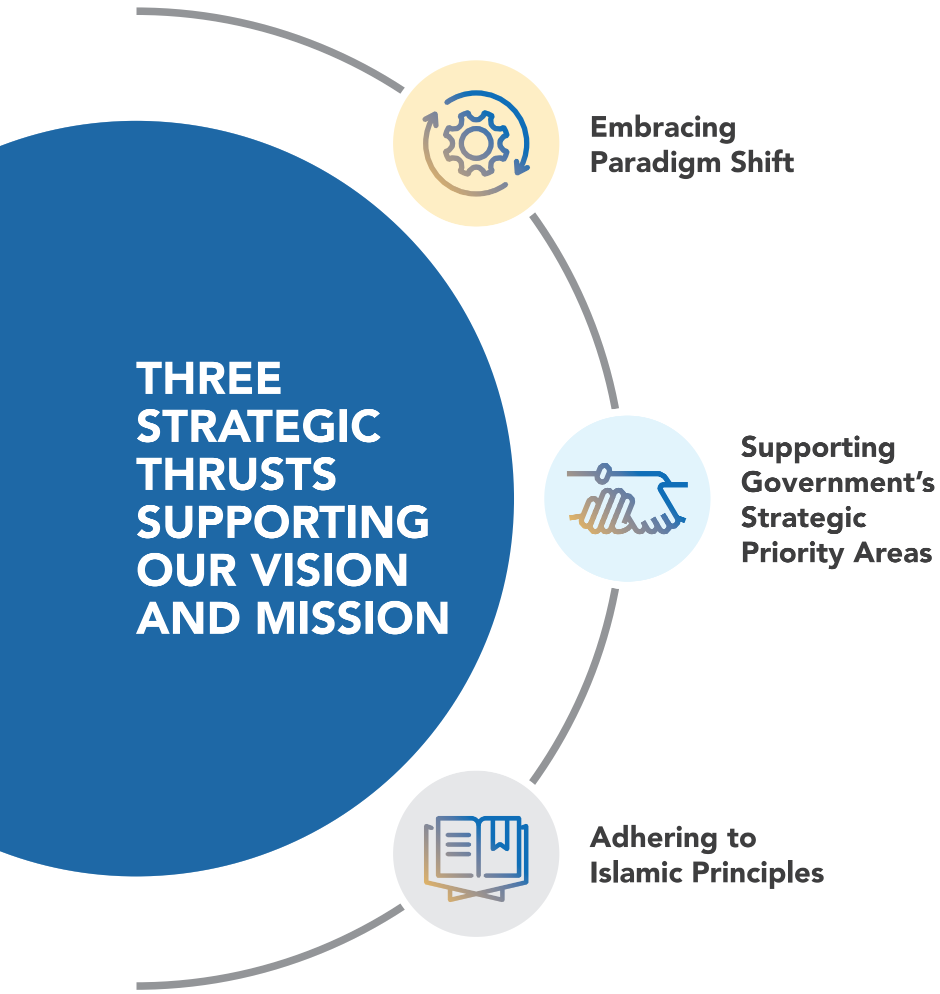
37.6%
Risk-Weighted Capital Ratio

1.7%/0.6%
Return on Equity/ Return on Assets

11.3%
Gross Impaired Financing Ratio

OUR STRATEGIC TRANSFORMATION PLAN

BPMB plays a key role both as thought partner and information provider to the government in formulating and implementing national development policies, and providing assessment and feedback for further improvement.



Embracing Paradigm Shift

- Holistic impact-focusing approach anchored on two main elements:
  - > Impact to Nation and SDGs; and
  - > Impact to Financial Sustainability
- Functioning as a "Policy Bank" to serve as government's thought partner
- Promoting a success maximisation mindset as opposed to solely focusing on risk mitigation
- Becoming a catalyst for national development and a solutions-driven organisation
- Partnering and learning with reputable and multilateral organisations
- Participated in the implementation of the Strategic DFI Roadmap
- Organised an ESG talk in conjunction with BPMB's 49th anniversary, aimed at creating awareness among our staff on the importance of biodiversity conservation and environmental protection through mangrove planting
- Incorporated MIND Framework in the credit evaluation process to ensure BPMB continues to finance sustainable and impactful projects
- Co-hosted with the World Bank a visit by the Government of Ethiopia to BPMB and shared the national development role played by BPMB, our governance structure and impact we had on the nation and people
- Became a member to United Nations Global Compact (UNGC) and collaborated on UNGC's various sustainability activities
- Supported a programme conducted by Association of Development Finance Institutions of Malaysia (ADFIM)/ UK Partnering for Accelerated Climate Transition (UK PACT) in accelerating low-carbon transition

This role extends beyond traditional lending to sectors, by aligning our strategies with government initiatives and global megatrends while promoting sustainable and inclusive growth, as advocated by the United Nations under the 2030 Agenda for Sustainable Development.

Thus, our Measuring Impact on National Development (MIND) Framework uses an end-to-end impact assessment approach that highlights key investment opportunities by identifying development impact that meet organisational and national objectives, and measures them through a comprehensive set of qualitative and quantitative assessments based on selected indicators.

STRATEGIC THRUSTS

Supporting Government's Strategic Priority Areas

- Supporting the development of Malaysia's policies including:
  - > Malaysia Plans;
  - > National Blueprints; and
  - > Shared Prosperity Vision
- Spearheading and advocating the government's strategic focus
- Serving the unserved and underserved with emphasis on development impact
- Promoting ethical banking practices through impact financing aligned with sustainability goals
- Participated as guest speaker in "*Sesi Libat Urus Bersama Pengiat Industri Pelancongan*" organised by Ministry of Tourism, Art & Culture in Terengganu, Johor Bahru and Perak
- Restructured accounts in accordance to the guidelines and approval by Ministry of Finance/Unit Kerjasama Awam Swasta
- Sponsored a Strategic Tourism Investment Zones (STIZ) lab organised by Ministry of Tourism, Creative Industry & Performing Arts Sarawak to facilitate discussion on the establishment of STIZ in Sarawak
- Promoted BPMB's subsidised financing schemes - Tourism Infrastructure Scheme (TIS), National Development Scheme (NDS), Sustainable Development Financing Scheme (SDFS), Industry Digitalisation Transformation Scheme (IDTS), Maritime & Logistic Scheme (MLS) and Public Transportation Scheme (PTS) as part of incentives to private investors

Adhering to Islamic Principles

- Creating greater socio-economic impact
- Shariah-compliant financing and solutions in line with impact-focusing approach
- Emphasising Islamic tenets *(Islam, Iman, Ihsan, and Adab)* in our banking practices
- BPMB's Islamic portfolio stood at 88.4%
- Collaborated with PERTIWI Soup Kitchen to provide lunch and dinner packs to beneficiaries at Pusat Khidmat Gelandangan Medan Tuanku, Kuala Lumpur over a six-month period
- Contributed meals for health frontliners handling COVID-19 patients
- Contributed vouchers worth RM2,000 each to 33 families impacted by floods in Kampung Baru, Kuala Lumpur
- Contributed towards English literacy programmes held by BPMB's adopted school SMK Seri Titiwangsa
- Contributed towards a public speaking workshop held by BPMB's adopted school SMK Padang Tembak
- Organised a public speaking and storytelling competition held at SMK (P) Air Panas in Setapak, Kuala Lumpur
- Distributed 200 school uniforms, shoes and bags to 70 students from the B40 group from SMK Sri Muda, Shah Alam, who were affected by the floods
- Conducted a yearlong nationwide survey for Ministry of Education (MoE) in collaboration with PPPLS, supported by WWF Malaysia and senior researchers from Universiti Kebangsaan Malaysia, University of Malaya, Universiti Teknologi PETRONAS and University of Nottingham to 1,090 schools involving over 1,700 participants on the levels of infusion of environmental education and education for sustainable development in school syllabus at primary and secondary schools, and higher-level education
- Post-flood relief assistance in Selangor and Pahang in collaboration with Yayasan Ikhlas and Islamic Relief Malaysia involving *zakat* contribution worth RM180,000
- Contributed basic school necessities worth RM139,600 to 648 needy students under Back to School Programme
- Contributed RM498,990 to Hospital Universiti Sains Malaysia for the purchase of medical equipment including medical disposables
- Provided assistance to Dentistry Faculty of Universiti Sains Islam Malaysia (USIM) to purchase four dental simulators worth RM232,000
- Sponsored Sejahtera Youth & Single Mother Project (Sejahtera YSM) for beading technique workshop worth RM60,000
- Provided stipend fund to 500 students in Universiti Malaysia Sabah worth RM250,000
- Contributed RM291,200 for construction of tube wells at 14 identified locations in Rantau Panjang, Kelantan through collaboration with Muslim Care Malaysia Society
- Contributed RM543,600 to Yayasan Pelajaran MARA (YPM) to sponsor the Mercu Anak Bangsa Programme

OPERATIONALISING STRATEGY THROUGH CULTURE

The MIND Framework requires an overarching paradigm shift of mindset and behaviour to be embraced by BPMB and our staff. A total of seven Paradigms have been identified from our own internal reflection and recognition of external challenges.

THE PARADIGM SHIFT

	Focus	Posture	Mindset	Tool	Relationship	People	Stakeholder
from	Profit-driven	Deal seeker	Risk mitigation	Product focused	Financier	Me	Reporting & compliance
to	Impact-driven	Financing advocate	Success maximisation	Solution driven	Catalyst	Us	Advocacy

EMBRACING THE PARADIGM SHIFT

The Paradigm Shift will be articulated in the way transactions are assessed via the six filters where transactions will be:

- Impact-Driven
- Success Oriented
- Solutions-Driven
- Catalytic

1. Demonstrate clear understanding of what drives the profitability of the business/project and industry
2. Establish the long-term outlook of the key profitability drivers of the business/project within the industry it operates in
3. Articulate the development impact of the project by utilising the MIND Impact Assessment Framework
4. Provide an optimum financing structure that reflects the peculiarities of the project and industry
5. Ensure the project sponsors and counter parties are credible and sufficiently equipped with technical and financial capabilities to undertake the project successfully
6. Mitigate all the risks inherent to the project to the level acceptable by BPMB

Sustainable Impact Oriented

- The MIND Impact Assessment Framework has enabled the Bank to deliver positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's six focused SDGs, enabling BPMB to deliver on our commitment to the global sustainable development initiative as we focus on driving national development.

Strong Technical Expertise

- MIND Impact Assessment Framework enhances the traditional method of project evaluation, from a solely credit perspective to a holistic and structured end-to-end assessment across selected Environmental, Social and Governance (ESG) aspects.
- Using 35 indicators, which will quantify both the financial efficiency of a project as well as our environment, economic and social impacts, the MIND Impact Assessment Framework will then plot the project's metrics on a two-dimensional matrix of financial and development perspectives, to further categorise these projects. Projects that score highly across both perspectives will be prioritised by BPMB.
- MIND's assessment metrics are anchored on six of the 17 Sustainable Development Goals, which are:
  - > SDG7 – Affordable and clean energy;
  - > SDG8 – Decent work and economic growth;
  - > SDG9 – Industry, innovation and infrastructure;
  - > SDG10 – Reduced inequalities;
  - > SDG12 – Response consumption and production; and
  - > SDG13 – Climate action

Solutions-Driven Institution

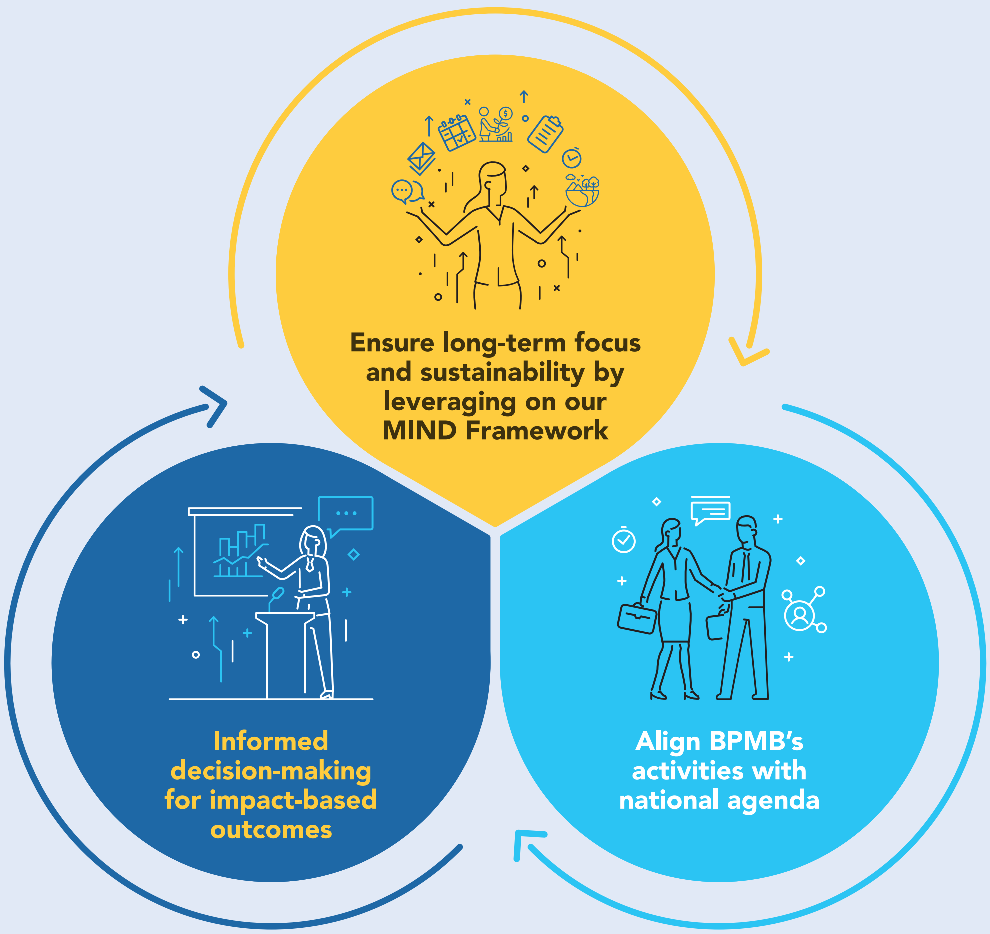
- As one of Malaysia's Development Financial Institutions (DFIs), BPMB will lead in implementing counter-cyclical initiatives and remain dedicated to providing our customers with the tools and resources they need to succeed financially, both now and in the future.

MEASUREMENT FRAMEWORK

It is important for BPMB to have a structured and comprehensive measurement framework to assess our crucial role in supporting the sustainable and developmental agenda of the nation.

As a Development Financial Institution (DFI), BPMB plays an important role in bridging financing gaps by participating in markets or sectors that are not adequately served by the private sector. BPMB measures and manages our performance from two perspectives – financial and non-financial. The twin perspectives ensure a holistic performance appraisal.

Twin Track to Sustainable Performance



Financial Performance

Impact on financial performance must be carefully managed and tracked to ensure positive financial return that remains sustainable towards meeting all our financial obligations.

Non-Financial Performance

Evaluating non-financial performance from an impact creation perspective, helps to ensure activities are aligned with the Bank's mandate to be a catalyst for the nation's sustainable and developmental agenda.

FIVE-YEAR GROUP FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
PROFITABILITY (RM MILLION)					
Profit before tax and zakat	**379**	254	158	380	261
Net profit for the year	**212**	176	107	252	167
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM MILLION)					
Total assets	**27,018**	26,128	23,476	24,663	24,734
Cash and total deposits and placements	**3,908**	3,092	1,221	3,574	2,350
Financial investment - FVOCI	**7,378**	5,950	6,132	5,024	3,720
Financial investment - FVTPL	**34**	15	46	-	-
Loans, financing and advances	**14,680**	16,075	15,584	15,702	18,285
Other assets	**1,018**	996	493	363	379
Total liabilities	**18,158**	17,358	15,514	16,768	17,183
Deposits from customers and financial institutions	**9,009**	7,006	6,148	6,525	6,513
Redeemable notes	**8,235**	9,298	8,249	7,293	7,344
Borrowings	**163**	153	508	2,176	2,682
Infrastructure support fund	**219**	304	305	439	304
Deferred income	**179**	190	202	212	220
Other liabilities	**353**	407	102	123	120
Total equity	**8,860**	8,771	7,962	7,895	7,551
Paid-up capital	**4,019**	4,019	3,079	3,079	3,079
Reserves	**4,826**	4,739	4,871	4,804	4,456
Non-controlling interest	**15**	13	12	12	16
Commitments and contingencies	**8,196**	10,068	7,347	7,532	6,257
SHARE INFORMATION (PER SHARE (SEN))					
Earnings per share	**6.08**	5.62	3.48	8.18	5.56
Gross dividends (sen)	**2.46**	2.17	2.44	4.94	3.25
Normal (sen)	**2.46**	2.17	2.44	3.25	3.25
Special (sen)	**-**	-	-	1.69	-
FINANCIAL RATIOS (%)					
Profitability ratios (%)					
Return on equity	**2.40**	2.10	1.35	3.26	2.19
Return on assets	**0.80**	0.71	0.44	1.02	0.65
Cost to income ratio	**15.59**	15.96*	9.44*	16.54	13.09
Asset quality ratio (%)					
Gross impaired loans, financing and advances ratio	**11.33**	10.53	11.29	12.15	10.95
Net impaired loans, financing and advances ratio	**5.21**	4.04	4.45	4.88	4.89

* *Note: Excluding one-off cost of borrowing redemption*

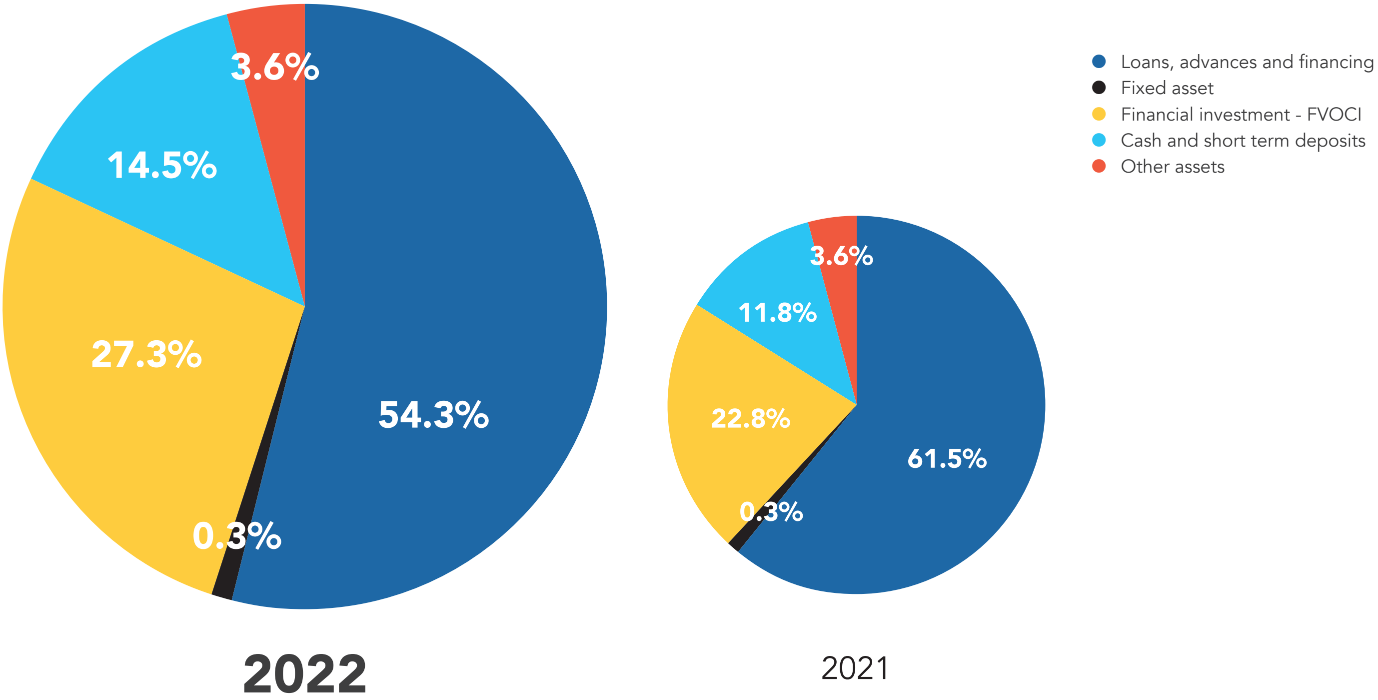
FINANCIAL HIGHLIGHTS

	Group		Bank	
	2022	**2021**	**2022**	**2021**
PROFITABILITY (RM MILLION)				
Profit before tax & zakat	**379**	254	**271**	211
Net profit for the year	**212**	176	**146**	146
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM MILLION)				
Total assets	**27,018**	26,128	**26,437**	25,073
Total deposits and placements	**3,908**	3,092	**2,276**	1,084
Financial investment - FVOCI	**7,378**	5,950	**6,595**	5,216
Financial investment - FVTPL	**34**	15	**34**	15
Investment in subsidiaries	**-**	-	**2,195**	2,169
Loans, advances and financing	**14,680**	16,075	**14,534**	15,865
Other assets	**1,018**	996	**803**	724
Total liabilities	**18,158**	17,358	**17,863**	16,533
Deposits from customers and financial institutions	**9,009**	7,006	**9,009**	7,006
Redeemable notes	**8,235**	9,298	**8,235**	8,792
Borrowing	**163**	153	**153**	153
Infrastructure support funds	**219**	304	**219**	304
Deferred income	**179**	190	**179**	190
Other liabilities	**353**	407	**68**	88
Total equity	**8,860**	8,771	**8,574**	8,540
Paid-up capital	**4,019**	4,019	**4,019**	4,019
Reserves	**4,826**	4,739	**4,555**	4,521
Non-controlling interest	**15**	13	**-**	-
Commitments and contingencies	**8,196**	10,068	**5,051**	7,122
SHARE INFORMATION				
Earnings per share - basic (sen)	**6.08**	5.62	**-**	-
Gross dividends (sen)	**2.46**	2.17	**2.46**	2.17
Normal (sen)	**2.46**	2.17	**2.46**	2.17
Special (sen)	**-**	-	**-**	-
FINANCIAL RATIOS (%)				
Profitability ratios (%)				
Return on equity	**2.40**	2.10	**1.71**	1.79
Return on assets	**0.80**	0.71	**0.57**	0.60
Cost to income ratio	**15.59**	15.96*	**13.74**	15.04*
Capital adequacy (%)				
Risk weighted capital ratio (RWCR)	**-**	-	**37.58**	36.14
Core capital ratio	**-**	-	**34.22**	34.14
Asset quality ratio (%)				
Gross impaired loans, financing and advances ratio	**11.33**	10.53	**11.26**	10.49
Net impaired loans, financing and advances ratio	**5.21**	4.04	**5.25**	4.09

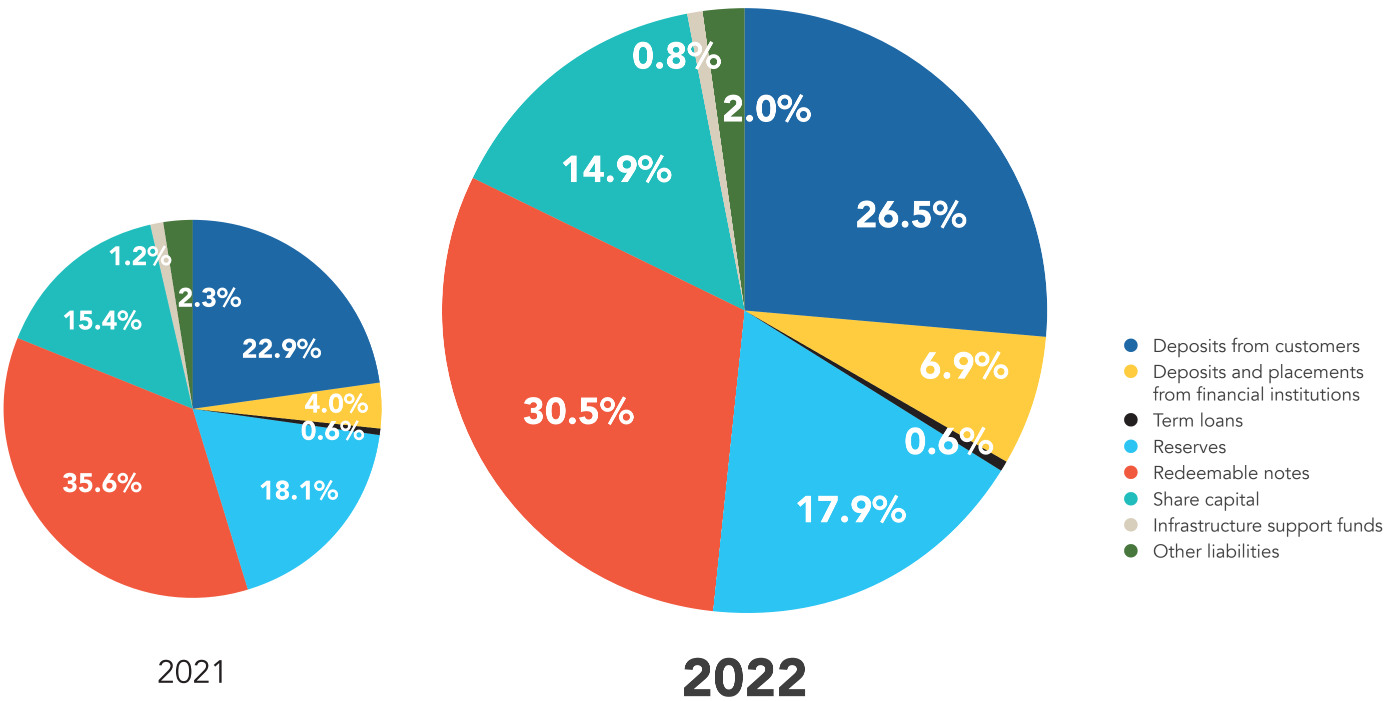
* *Note: Excluding one-off cost of borrowing redemption*

GROUP STATEMENT OF FINANCIAL POSITION

COMPOSITION OF ASSETS

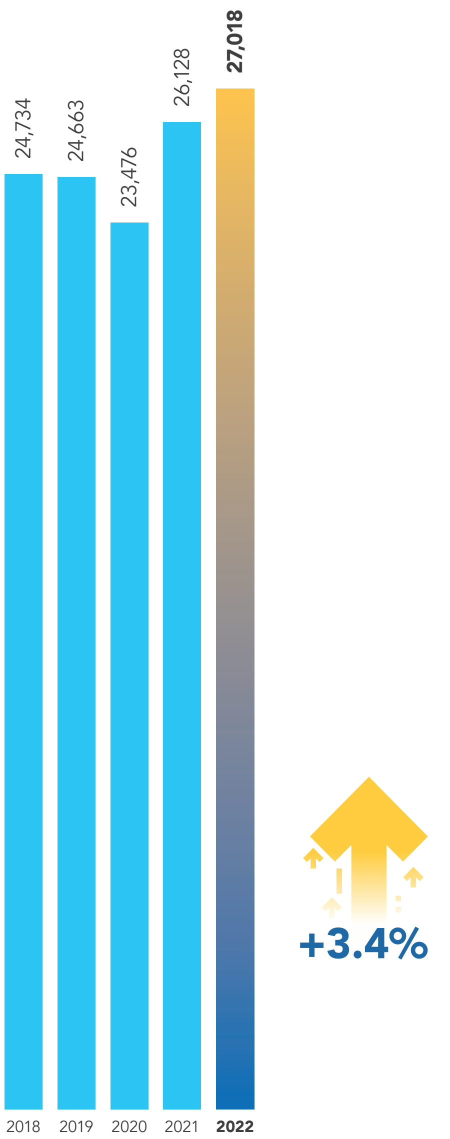


COMPOSITION OF LIABILITIES AND SHAREHOLDERS' FUNDS



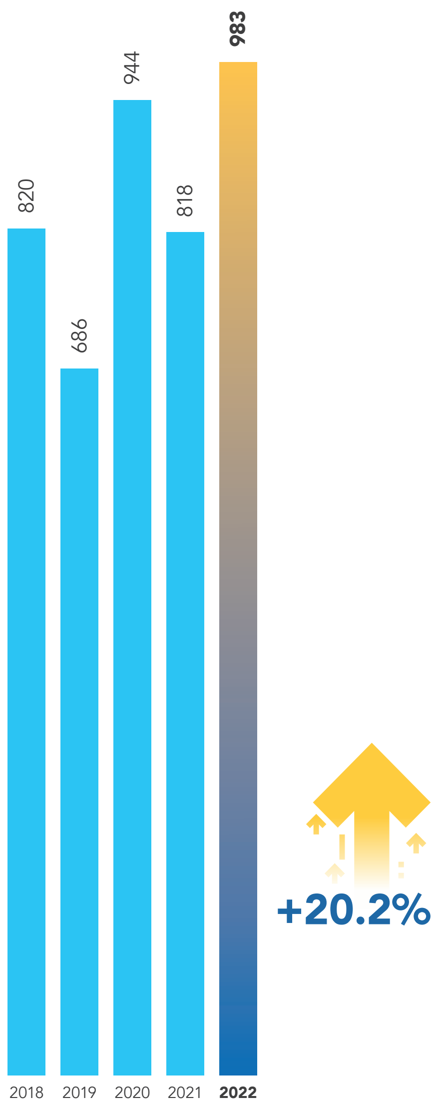
FIVE-YEAR GROUP GROWTH TRAJECTORY

TOTAL ASSETS
(RM million)



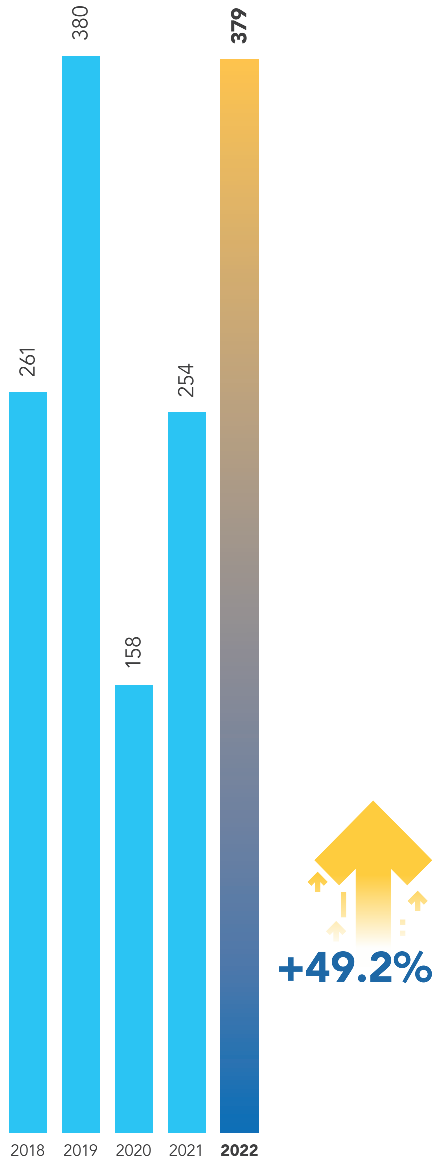
27,018
RM million

NET INCOME
(RM million)



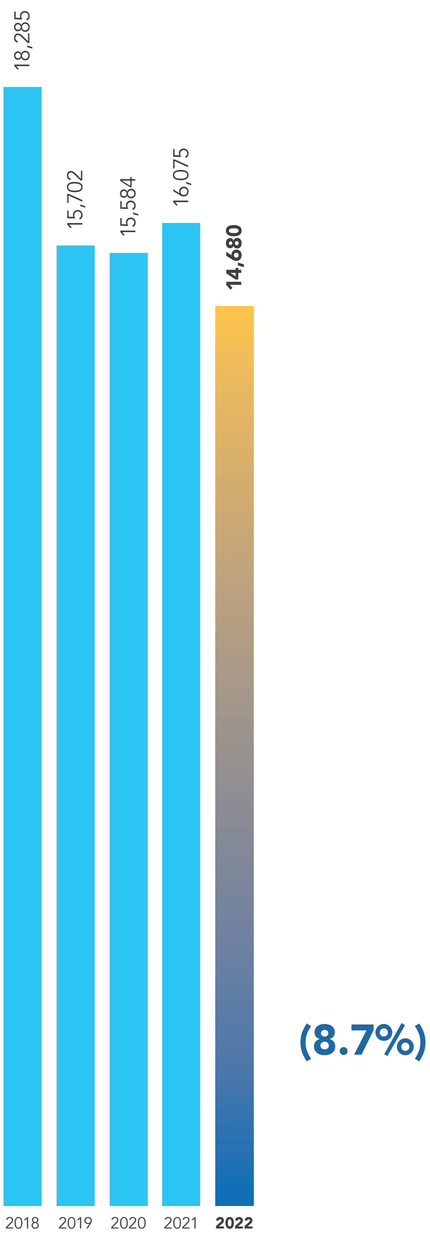
983
RM million

PROFIT BEFORE TAX & ZAKAT
(RM million)



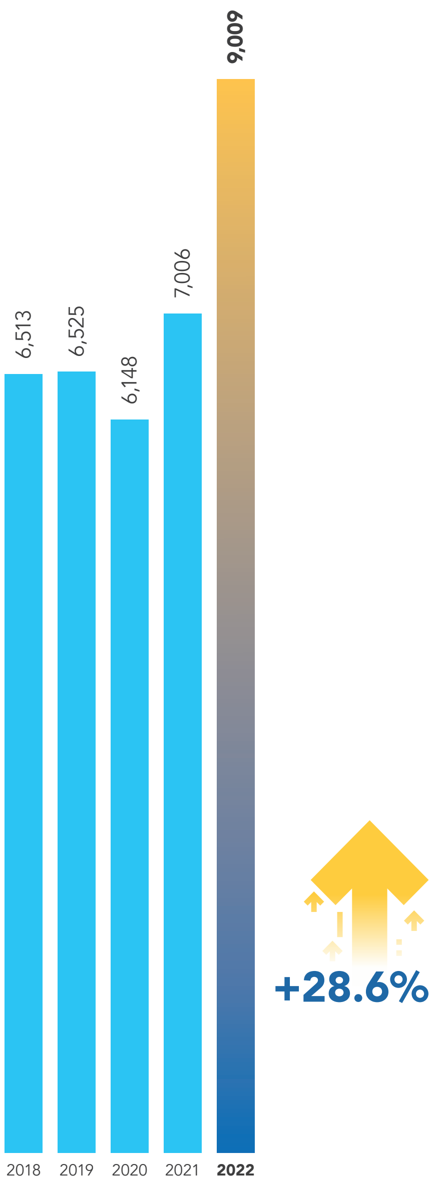
379
RM million

NET LOANS, FINANCING & ADVANCES
(RM million)



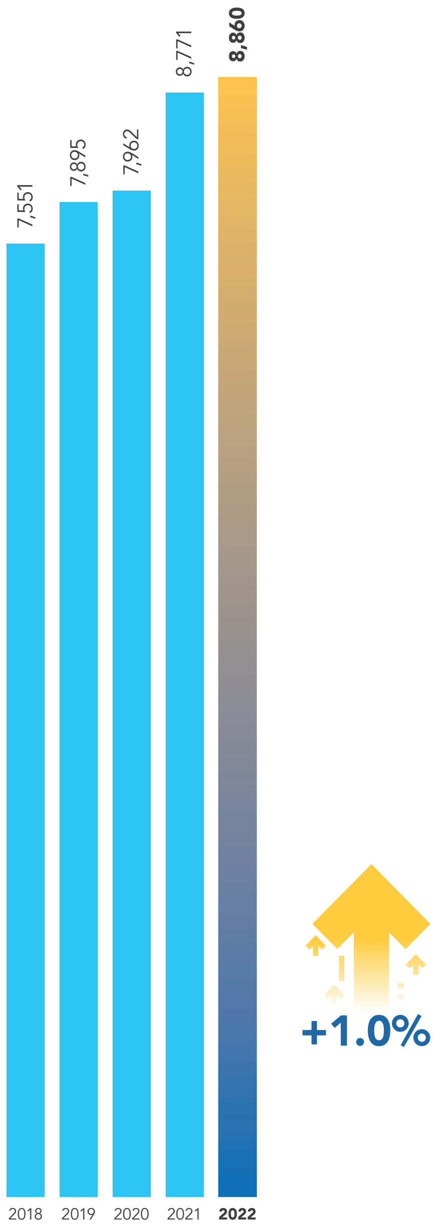
14,680
RM million

DEPOSIT FROM CUSTOMERS & FINANCIAL INSTITUTIONS
(RM million)



9,009
RM million

TOTAL EQUITY
(RM million)



8,860
RM million

NON-FINANCIAL PERFORMANCE

Our Group's Non-Financial Performance Framework is impact-based, designed to capture the broader contributions of BPMB beyond the narrow focus of financing growth indicators. In particular, it integrates developmental key result indicators to measure the socio-economic impact of BPMB's operations on our key stakeholders.

These non-financial indicators also act as leading indicators of future financial performance and will create strong incentives for strategic alignment to achieve greater development impact. The framework adopted to measure BPMB's non-financial performance comprises two components:

A. DEVELOPMENT IMPACT

There are eight indicators that measure development impact, which are also included in BPMB's Corporate Scorecard 2022.

Indicator	FY2022 Target	FY2022 Performance
Approved Financing to Geographically Underserved Areas Total number of approved financing applications to Geographically Underserved Areas in 2022/Total number of approved financing applications in 2022. **Note:** Geographically Underserved Areas do not include KL (all districts within the boundary of KL), Putrajaya, Selangor (only within the local authorities of Petaling Jaya, Subang Jaya, Shah Alam and Klang), Pulau Pinang (only district of east coast Penang island) & Johor (only within the local authority of Johor Bahru).	**16.0% ≤ x ≤ 24.0%**	**66.7%** 10 of 15 approved financing projects are located in underserved areas
Approved Financing to Underserved Sectors Total number of approved financing applications to Underserved Sectors in 2022/Total number of approved financing applications in 2022. **Note:** Underserved Sectors include (i) Transport, Storage & Communication (ii) Electricity, Gas & Water Supply (iii) Education, Health & Others (iv) Mining & Quarrying (v) Primary Agriculture (vi) Advanced Manufacturing (vii) Environmental Conservation	**8.0% ≤ x ≤ 12.0%**	**60.0%** 9 of 15 approved financing projects are related to underserved sectors
Approved Green Financing Total number approved for Sustainable Development Financing Scheme (SDFS), Green Technology Financing Scheme (GTFS) 3.0 and National Development Scheme (NDS) specifically for Renewable Energy only.	**RM400.0 million ≤ x ≤ RM600.0 million**	**RM242.8 million** 3 approved green financing
Increase in Clients' Income (Preservation of Client Income) We track the Net Credit Rating Performance of 47 clients that received moratorium, by comparing those whose credit ratings that have improved against those whose credit ratings that have deteriorated. Number of clients by end of 2022 whose credit ratings have improved/deteriorated. **Note:** An improved client is defined as a client whose credit rating has improved as at 31 December 2022 vs 1 January 2022. A deteriorated client is defined as a client whose credit rating has deteriorated as at 31 December 2022 vs 1 January 2022.	**Difference between improved and deteriorated client's Net Credit Rating Performance to be between 0 and 3**	**1 improved, 10 deteriorated** Deteriorated clients outnumbered improved clients

Indicator	FY2022 Target	FY2022 Performance
Crowd-in Private Investment Total funding from other institutions/Total funding from BPMB	**0.25 X ≤ x ≤ 4.00 times**	**0.45 X** RM153.2 million funding from other institutions as compared to RM340.8 million funding from BPMB
Job Creation Total number of permanent jobs based on the number of projects expected to be completed in 2022	**2,824 jobs**	**9,493 jobs** Number of jobs created based on 16 completed projects in 2022
Policy Participation Policy or proposal proposed by BPMB accepted/adopted/ announced by government and/or BNM	**1 policy**	**4 policies** A total of 4 policies proposed by BPMB were adopted by MOF and mentioned in the Budget 2023 announcement
Upward Migration of Clients Number of accounts of Unplanned Early Settlement	**1 account**	**2 accounts** A total of 2 clients made an early settlement

B. SOCIAL COST AND BENEFIT

We have adopted the following metrics as part of our plan for 2021 – 2022 to measure our effectiveness in using public resources to deliver on our mandate:

Indicator	FY2022/FY2021 Performance
Subsidy Dependence Index (SDI) Measures the DFI's level of self-sustainability in relation to government assistance. A higher SDI indicates higher dependence on the government's financial assistance.	**2022** **2.95%** 2021 12.09% The Bank recorded a higher PBTZ of RM271.5 million (2021: RM211.3 million) and lower average government compensation utilisation of RM0.3 million (2021: RM67.6 million), resulting in lower SDI.
Output Index (OI) Measures the DFI in fulfilling social objectives i.e. financing targeted sectors. An OI below 1 indicates that more funds have been channelled towards the targeted segments rather than non-targeted segments.	**2022** **0.56** 2021 0.56 The Bank continues to maintain an OI of less than 1 because the Bank primarily served targeted sectors.
Net Subsidy Cost (NSC) Measures the effective weighted cost of the subsidy (government assistance) to the society against the OI. A lower NSC is better as the subsidy reaches more targeted sectors, indicating a more effective social gain.	**2022** **RM18.5 mil** 2021 RM76.2 mil The Bank continues to achieve NSC less than net subsidy received because the Bank primarily served targeted sectors.

03

IMPACTING LIVES THROUGH INFRASTRUCTURAL INTEGRITY

IMPACTS ACHIEVED:

CASE STUDY: Under the Sustainable Development Financing Scheme (SDFS), the Bank financed a Centralised Accommodation Transit (CAT), comprising residences and facilities for 7,280 workers, to provide high quality of living for the workers of surrounding industrial parks.

Catalyses productivity and economic growth

- Centralised and systematic accommodation for foreign workers.
- Strategic location shortens travel time and enables easy transportation arrangements.
- Attracts foreign direct investment into the manufacturing sector.

Improves health, safety and sustainability

- Enhanced living environment reduces health and medical issues among foreign workers.
- The project has been awarded the Green Building Index (GBI) Certificate for sustainability.

Prioritises foreign workers' welfare

- Ensures the proper treatment of workers to meet international standards for labour rights.
- A proper and professionally-managed workers' accommodation positions Malaysia as a highly productive nation with sustainable labour practices.

Supporting the following UNSDGs:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry, Innovation and Infrastructure

13 CLIMATE ACTION

Climate Action

Project financed by BPMB: Centralised Accommodation Transit (CAT) in Batu Kawan, encompassing residences and facilities for 7,280 workers.

BOARD OF DIRECT

ORS

From left:

DATIN RASHIDAH MOHD SIES
Interim Chairman/
Non-Independent Non-Executive Director

TAN SRI RASHPAL SINGH RANDHAY
Independent Non-Executive Director

NORAZILLA MD TAHIR
Independent Non-Executive Director

TS. OTHMAN ABDULLAH
Independent Non-Executive Director

ROSNAH KAMARUL ZAMAN
Independent Non-Executive Director

TAN SRI MOHAMED NAZIR ABDUL RAZAK
Non-Executive Chairman/
Independent Non-Executive Director
(Retired on 22 April 2023)

ARIFF ROZHAN
Independent Non-Executive Director
(Retired on 10 May 2023)

THOMAS MEOW YOKE NEAN
Independent Non-Executive Director
(Retired on 2 June 2023)

- A Board Audit Committee
- C Board Credit Committee
- I Board Information Technology Committee
- N Board Nomination & Remuneration Committee
- R Board Risk Management Committee

BOARD OF DIRECTORS

DATIN RASHIDAH MOHD SIES

Interim Chairman/
Non-Independent Non-Executive Director

59, Malaysian, Female

N - Member

Date of Appointment: **27 September 2021**

Qualifications
- Diploma in Public Administration from The National Institute of Public Administration (INTAN)
- Bachelor in Business Administration (Finance) from Idaho State University in 1986
- Master's in Business Administration from US International University California in 1987

Areas of Expertise
- Public Administration & Finance

Relevant Experience
Her career at the Ministry of Finance began in 1989 at its Investment Section, Finance Division, where she was responsible for managing government loans from the capital market. In 1998, she was assigned to the Privatisation Section of the Finance Division, where she was responsible for coordinating privatisation projects including the Putrajaya Development Project, projects and privatisation of the Ministry of Transport (i.e. Express Rail Link and *Pelabuhan Tanjung Pelepas*) and the Ministry of Defence. Datin Rashidah was then assigned to the MKD Section, BSPN to handle matters related to corporate issues of government companies from various sectors.

She was also directly involved in the rationalisation and restructuring of the functions and roles of Bank Pembangunan dan Infrastruktur Malaysia Berhad including Bank Industri Malaysia Berhad. In 2009, she was assigned to the Economic Sector, BMKD to coordinate privatisation projects as well as handle matters related to corporate issues of government companies.

Among the positions that Datin Rashidah held was as a Deputy Division Secretary, Commercial Sector, Government Investment Companies Division in 2016 and as Secretary Division of Government Investment Companies in 2018. Datin Rashidah is currently the Deputy Secretary General (Management) at the Ministry of Finance.

She was previously a Board Member of Agrobank, Perbadanan Nasional Berhad and Global Maritime Ventures Sdn Bhd. She is currently on the boards of Securities Commission Malaysia, Tenaga Nasional Berhad, UDA Holdings Berhad, Syarikat Jaminan Pembiayaan Perniagaan Berhad and Syarikat Jaminan Kredit Perumahan Berhad.

Directorships in Public Companies/Subsidiaries of Public Companies
- Syarikat Jaminan Pembiayaan Perniagaan Berhad
- Syarikat Jaminan Kredit Perumahan Berhad
- UDA Holdings Berhad
- Danainfra Nasional Berhad
- Tenaga Nasional Berhad
- SRC International Sdn Bhd

Previous Directorships in Public Companies
- Global Maritime Ventures Berhad

Shareholdings in BPMB Group
- Nil

Declaration
Datin Rashidah has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

TAN SRI RASHPAL SINGH RANDHAY

Independent Non-Executive Director

62, Malaysian, Male

R - Chairman
C - Member
I - Member

Date of Appointment: **28 April 2022**

Qualifications
- Masters in Corporate Finance, University of Liverpool

Areas of Expertise
- Finance, Taxation, Accounting and Fraud

Relevant Experience
Tan Sri Rashpal has more than 30 years' experience – spanning investment companies, stock brokerage firms and stock and commodity exchanges. He began his career with Citivest International as a corporate trader before moving on to being the Corporate Head of Citivest International, in which he was responsible for operations in Australia, New Zealand and the United States of America. Upon returning to Malaysia, Tan Sri Rashpal served as the Chief Representative to Southeast Asia for Saitama International Investment Bank.

He assumed the role of Advisor to KPMG from 2003 to 2008 and was part of a United Nations initiative under which he was assigned the task of restructuring the Central Bank of Iraq in November 2003 with emphasis on the valuation of the new Iraqi Dinar. Tan Sri Rashpal was also a Special Advisor to Tenaga Nasional Berhad as well as a Member of the Main Advisory Board of Malaysia Anti-Corruption Commission (MACC) from 2009 to 2015.

From 2015 to 2021, he served as a board member of the Inland Revenue, Malaysia (LHDNM). Tan Sri Rashpal was also appointed as an Independent Non-Executive Director of Danajamin Nasional Berhad on 16 June 2021.

He is the founder of the Knight Group of Companies, which now operates in Kuala Lumpur, Penang, Sabah and Sarawak, with representative offices in India and the United Kingdom.

Directorships in Public Companies/Subsidiaries of Public Companies
- Danajamin Nasional Berhad

Previous Directorships in Public Companies
- Nil

Shareholdings in BPMB Group
- Nil

Declaration
Tan Sri Rashpal has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

BOARD OF DIRECTORS

Date of Appointment: **14 August 2020**

Qualifications
- Bachelor of Arts (Hons) in Accounting, University of Stirling, Scotland
- Member of the Malaysian Institute of Accountants (MIA)
- Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW)

Areas of Expertise
- Finance, Audit and Accounting

Relevant Experience
Norazilla has more than 25 years' experience in financial management, notably in financial institutions and capital markets. She also possesses experience in sales logistics chain management, having worked at L'Oreal Malaysia Sdn Bhd and Universal Music Sdn Bhd.

Prior to her appointment at BPMB, Norazilla was the Chief Financial Officer of Cagamas Berhad (Cagamas) for nine years, where she spearheaded the financial leadership of the Group and was responsible for upholding strong financial management and governance through the implementation of enhanced internal controls and processes to ensure timely, accurate and reliable financial reporting. Norazilla has also served as CFO/Head of Finance at RHB Islamic Bank Berhad, Asian Finance Bank Berhad and the Al Rajhi Banking and Investment Corporation (Malaysia) Berhad.

Directorships in Public Companies/Subsidiaries of Public Companies
- Director of Citibank Berhad
- Director of Global Maritime Ventures Berhad
- Director of Pembangunan Leasing Corporation Sdn Bhd
- Director of PLC Credit & Factoring Sdn Bhd
- Director of BI Credit & Leasing Berhad

Previous Directorships in Public Companies
- Amanah Raya Berhad
- Amanahraya Trustees Berhad
- Etiqa Life Insurance Berhad

Shareholdings in BPMB Group
- Nil

Declaration
Norazilla has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

NORAZILLA MD TAHIR

Independent Non-Executive Director

57, Malaysian, Female

A - Chairman
C - Member
R - Member

TS. OTHMAN ABDULLAH

Independent Non-Executive Director

51, Malaysian, Male

I - Chairman
A - Member
N - Member
R - Member

Date of Appointment: **22 October 2021**

Qualifications
- Bachelor of Science in Computer Engineering from the University of Michigan, Ann Arbor, USA
- Post Graduate Diploma and Master of Science in Islamic Banking and Finance from the International Islamic University of Malaysia
- Recipient of the Certificate of Premier Business Management Programme from Harvard Business School as well Certificate of Islamic Finance Leadership Programme from Cambridge IF Analytica
- Currently, pursuing for PHD at University Sains Islam Malaysia

Areas of Expertise
- Information Technology, Digital Economy, Financial Technology, Banking and Finance, Islamic Banking and Finance

Relevant Experience
Ts. Othman has over 25 years of experience in the digital economy and financial technology sector with emphasis on IT solution implementation and transformation services and has engaged countless number of financial institutions in Asia, Middle East and Africa. He is a recognised professional technologist by Malaysia Board of Professional Technologist (MBOT).

He started his career with Silverlake in May 1997. In January 2007, Othman joined Bank Islam as Senior Manager, Head of Information Technology Application Development. In July 2007, he rejoined Silverlake as Executive Vice President. In 2010, he was promoted to the rank of Managing Director heading Islamic Banking division. In July 2017, he was redesignated as the Chief Executive Officer in charge of Islamic Banking and Innovative Services.

Qualified in both IT and Islamic finance and equipped with more than two decades of hands-on experiences servicing financial services industry, he has positioned himself as a financial technology thought leader in the space of Islamic banking and finance. He writes regularly and contributes his articles and thoughts for various publications and television programmes. He also speaks on the subject at conferences and seminars.

Directorships in Public Companies/Subsidiaries of Public Companies
- Nil

Previous Directorships in Public Companies
- Nil

Shareholdings in BPMB Group
- Nil

Declaration
Othman has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

BOARD OF DIRECTORS

Date of Appointment: **17 May 2022**

Qualifications
- Bachelor of Arts in Economics (Hons) from the University of Manchester, United Kingdom

Areas of Expertise
- Banking & Finance

Relevant Experience
Rosnah Kamarul Zaman has more than 25 years' experience in banking and finance. During her career she has covered the full spectrum of banking which includes consumer, commercial and corporate banking as well as the non-banking functions of the various business and operational support divisions in the bank, including human resources and finance.

Puan Rosnah commenced her career as a management trainee with the former Bank of Commerce in 1979, and left the bank in 2005. Her last appointment at the bank was as Senior Executive Vice President heading the Banking Unit, responsible for the strategic businesses of Consumer Banking, Commercial Banking, Corporate Banking, Treasury and International Banking.

She was a founding member of the Board of Trustees of CIMB Foundation in 2007 and was appointed as an Independent Director to the Board of CIMB Bank Berhad in 2012, and in 2014 as an Independent Director of CIMB Islamic Bank Berhad. She was a member of numerous Board committees and was also Chairperson of the Board Risk and Compliance Committee and also Chairperson of the Board Investment Committee. She retired on 18 January 2021 having served the full term of nine years.

In January 2021 she was appointed as Independent Director of Danajamin Nasional Berhad. She was a member of the Board Risk Committee and the Board Audit Committee, and is Chairperson of the Board Underwriting Committee and the Danajamin PRIHATIN Guarantee Scheme Board Underwriting Committee.

In September 2021 she was appointed as Member of the Investment Panel of Lembaga Tabung Haji.

Directorships in Public Companies/Subsidiaries of Public Companies
- Danajamin Nasional Berhad

Previous Directorships in Public Companies
- Nil

Shareholdings in BPMB Group
- Nil

Declaration
Rosnah has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

ROSNAH KAMARUL ZAMAN

Independent Non-Executive Director

67, Malaysian, Female

A - Member
I - Member
N - Member
R - Member

GROUP CHIEF EXECUTIVE OFFICER

RONI L. ABDULWAHAB

Group Chief Executive Officer

Date of Appointment: **8 April 2022**

Qualifications

- Bachelor of Science in Economics (cum laude) from The Wharton School, University of Pennsylvania, Philadelphia, United States of America

Areas of Expertise

- Business, Operations and Organisational Management, Strategic Planning, Business Development & Execution, Risk Management, Mergers & Acquisitions, Restructurings and Corporate Finance

Relevant Experience

Prior to his appointment as Group Chief Executive Officer of BPMB, Roni has held senior leadership roles in the banking, investment management and corporate sectors. Roni had served at Khazanah Nasional Berhad as Executive Director, Investments and was also Managing Director and Country Head of Global Banking, HSBC Bank Berhad Malaysia.
He was an independent board member at Maybank Asset Management Group Berhad, and Chairman of Maybank Islamic Asset Management Sdn Bhd.

Directorships in Public Companies/ Subsidiaries of Public Companies

- Nil

Shareholdings in BPMB Group

- Nil

Declaration

Roni has no

- Family relationship with any Director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

SHARIAH COMMITTEE

PROFESSOR DR AZNAN HASAN

Chairman

Date of Appointment:
1 April 2017

Qualifications
- Bachelor Degree in Shariah from University of Al-Azhar, Egypt
- Master Degree with distinction, in Shariah from Cairo University, Egypt
- PhD from University of Wales, Lampeter, United Kingdom

Areas of Expertise
- Shariah, Islamic Banking and Finance

Relevant Experience
Prof Dr Aznan is currently a Professor at IIUM Institute of Islamic Banking and Finance, International Islamic University of Malaysia. He teaches post-graduate level students and specialises in Islamic Commercial Law, Islamic legal maxims and other related areas of Islamic banking and finance.

Renowned locally and internationally for his extensive experience and involvement in Islamic finance and Shariah advisory, Prof Dr Aznan has served as a Shariah advisor and consultant to various financial institutions, corporate entities, government agencies and regulatory authorities. He was involved in advising and approving various Islamic financial products in the banking, capital market and takaful industries, and was credited with numerous research papers and more than 100 presentations on Shariah and Islamic finance worldwide.

Memberships and Other Appointments
- Member of the Association of Shariah Advisors in Islamic Finance
- Deputy Chairman of the Shariah Advisory Council of the Securities Commission Malaysia
- Chairman of the Shariah Committee of Maybank Islamic Berhad
- Board of Director of Maybank Islamic Berhad

Shareholdings in BPMB Group
- Nil

Declaration
Prof Dr Aznan has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

USTAZ MOHD FADHLY MD YUSOFF

Member

Date of Appointment:
1 April 2017

Qualifications
- Bachelor Degree in Shariah (First Class) from the University of Malaya, Malaysia

Areas of Expertise
- Shariah, Islamic Capital Market and Investment

Relevant Experience

Ustaz Mohd Fadhly currently runs his own business and is also an independent Shariah advisor and consultant. Prior to this, he was a manager with the Islamic Capital Market Department in Securities Commission Malaysia for 12 years, supervising and monitoring Shariah compliance requirements of Islamic product structures in relation to submissions for issuance of Sukuk, structured products, collective investments and Islamic real estate investment trusts. Ustaz Mohd Fadhly was also in charge of research and development activities relating to Islamic capital market products, as well as reviewing and providing consultative input and criteria for the preparation of Islamic securities and capital market guidelines.

Ustaz Mohd Fadhly is an appointed Shariah advisor and consultant for a number of educational, non-governmental organisations and financial institutions. An accredited trainer for Islamic Finance Qualification (IFQ) by the Chartered Institute for Securities and Investment, he is actively involved in reviewing Shariah and Islamic finance curriculums and syllabi for human capital development and training providers.

Memberships and Other Appointments
- Member of the Association of Shariah Advisors in Islamic Finance
- Shariah Committee member of AmBank Islamic Berhad
- Shariah Committee member of Sun Life Malaysia Takaful Berhad

Shareholdings in BPMB Group
- Nil

Declaration

Ustaz Mohd Fadhly has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

SHARIAH COMMITTEE

USTAZ LOKMANULHAKIM HUSSAIN

Member

Date of Appointment:
20 July 2022

Qualifications
- Bachelor Degree in Shariah, Islamic University of Madinah, Saudi Arabia
- Master Degree in Fiqh, Islamic University of Madinah, Saudi Arabia

Areas of Expertise
- Shariah, Islamic Banking and Finance

Relevant Experience

Ustaz Lokmanulhakim Hussain previously served as a researcher at International Shari'ah Research Academy for Islamic Finance (ISRA). He also used to be a member of Shariah Board of Al Rajhi Bank Malaysia in 2014-2022. He is a prolific researcher and actively involves in researches related to Islamic finance and has presented numerous research papers at various seminars and conferences.

Memberships and Other Appointments
- Shariah Committee member of Affin Islamic Bank Berhad
- Shariah Committee member of Co-opbank Pertama
- Shariah Committee member of FWD Takaful
- Shariah Advisory Council Member of BIMB Securities Sdn Bhd

Shareholdings in BPMB Group
- Nil

Declaration

Ustaz Lokmanulhakim has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

PROFESSOR DR ZURINA BINTI SHAFII

Member

Date of Appointment:
1 April 2021

Qualifications

- Bachelor in Accountancy, Universiti Teknologi Mara Malaysia
- MSC. Finance, Durham University, United Kingdom
- PhD in Islamic Finance, Durham University, United Kingdom
- Professional Accounting Qualification, ACCA
- Certified Islamic Financial Planner

Areas of Expertise

- Accounting and Auditing

Relevant Experience

Prof Dr Zurina Shafii is a Professor in the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM). She is also a research fellow in Islamic Finance and Wealth Management Institute (IFWMI) at USIM. Her field of expertise are Shariah audit and assurance, Islamic accounting and reporting, Islamic financial planning and Halal Compliance Procedures. To date, she has authored four books on Islamic financial planning, Shariah audit and Islamic finance.

She is one of the founders of Muamalat Interactive Game (MIG); a game that has been innovated by incorporating the concepts and operations for retail products offered by Islamic banks. Such invention has won various awards conferred by Persidangan dan Ekspo Ciptaan Institusi Pengajian Tinggi Antarabangsa (PECIPTA), International Invention, Innovation and Technology Exhibition (ITEX) and International Trade Fair Ideas Inventions New Products (IENA) in Germany. The board games are used widely in various trainings conducted by numbers of Islamic banks, zakat institutions, universities, schools and Non-Governmental Organisations (NGOs).

Her expertise in Islamic finance has led to her appointment as one of the external expert panels for Finance Accreditation Agency (FAA) and a subject matter expert (SME) for IBFIM on Shariah audit that headed the project of Professional Shariah Auditor Certification into the market in December 2019. Her engagement with Shariah governance functions and personnel, such as Shariah risk managers, Shariah reviewers and Shariah auditors as the main trainer for Module 4 of Shariah Risk Management and Module 5 of Shariah Audit Planning and Programme, has provided her a good platform to further understand the issues and concerns in Islamic banking and takaful.

Memberships and Other Appointments

- President of Association of Islamic Financial and Wealth Management (AIFIWM)
- Shariah Committee member of Standard Chartered Saadiq Berhad
- Shariah Committee of Khadijah International Waqf Foundation (Labuan)

Shareholdings in BPMB Group

- Nil

Declaration

Prof Dr Zurina has no

- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

SHARIAH COMMITTEE

PROFESSOR DR SALINA KASSIM

Member

Date of Appointment:
20 July 2022

Qualifications

- Bachelor in Economics, University of Arizona, USA
- MSC. Economics, University of Missouri-St. Louis, USA
- PhD in Economics, International Islamic University Malaysia (IIUM)
- Postgraduate Diploma in Islamic Studies, IIUM

Areas of Expertise

- Economics and Islamic Studies

Relevant Experience

Prof Dr Salina is currently a Professor at the IIUM Institute of Islamic Banking and Finance (IIiBF), International Islamic University Malaysia (IIUM). Her areas of expertise include Islamic banking and finance, economics, Islamic social finance and sustainable finance such as waqf, Islamic microfinance, and socially responsible investment. She serves as a trainer for the Association of Shariah Advisors in Islamic Finance (ASAS) trainings, editorial board member of several reputable international and local academic journals, national panel member for Ministry of Higher Education Fundamental Research Grant Scheme (FRGS), as well as invited speaker for seminars and conferences.

Prior to becoming an academician, she has several years of working experience as a Senior Executive at the Economics and Corporate Planning Division of a commercial bank in Malaysia. She has conducted researches, produced a number of books, chapters in books and publications in journal articles, and presented papers at various events.

Memberships and Other Appointments

- Shariah Committee member of AmBank Islamic Berhad

Shareholdings in BPMB Group

- Nil

Declaration

Prof Dr Salina has no

- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

ASSOCIATE PROFESSOR DR YASMIN HANANI MOHD SAFIAN

Member

Date of Appointment:
20 July 2022

Qualifications
- Bachelor Degree in Syariah Islamiyyah, Al-Azhar University, Egypt
- Master Degree in Islamic Law, University of Birmingham, U.K.
- PhD in Islamic Law, University of Exeter, U.K.

Areas of Expertise
- Shariah and Law

Relevant Experience

Associate Professor Dr Yasmin Hanani Mohd Safian is currently an Associate Professor at the Faculty Shariah & Law, Universiti Sains Islam Malaysia (USIM).

She involves in numerous researches and presented papers at various seminars and conferences on topics related to Islamic banking and takaful, Islamic social finance, halal related studies and Shariah law.

Memberships and Other Appointments
- Shariah Committee member of Bank Islam
- Shariah Committee member of Co-op Bank Pertama
- Member of Majlis Agama Islam Selangor
- Member of Majlis Perundingan Syarak Wilayah Persekutuan (MAIWP)
- Shariah Panel of USIM
- Member of Jawatankuasa Penasihat Pensijilan Halal Malaysia (Jabatan Kemajuan Islam Malaysia (JAKIM))
- Board Member of Teraju Ekonomi Asnaf (subsidiary of Majlis Agama Islam Selangor (MAIS))

Shareholdings in BPMB Group
- Nil

Declaration

Dr Yasmin Hanani has no
- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

SENIOR LEADERSHIP TEAM

RONI L. ABDULWAHAB
Group Chief Executive Officer

MOHAMED NAZRI OMAR
Managing Director, Group Corporate Banking & Investments

TAN MING YEW
Managing Director, Group Finance & Operations

MOHD FUAD AHMAD
Group Chief Corporate Development Officer

SAINURSALWA SANI
Chief Human Resource Officer

MUHAMMAD AZRAINI ABDUL HAMID
Group Head, Private Equity and Strategic Investments

AIDIL HAZNUL ZULKIFLI
Group Chief Legal, Governance & Corporate Services

MUHAMMAD TAUFIQ ABDUL LATIF
Chief Credit Officer

JASON GOAY NGEE CHIEW
Chief Risk and Compliance Officer

HEE WEI JEAN
Chief Financial Officer

MUHAMED NOH KADERAN
Chief Internal Auditor

GERALD GOH YONG HWA
Group Head, Coverage

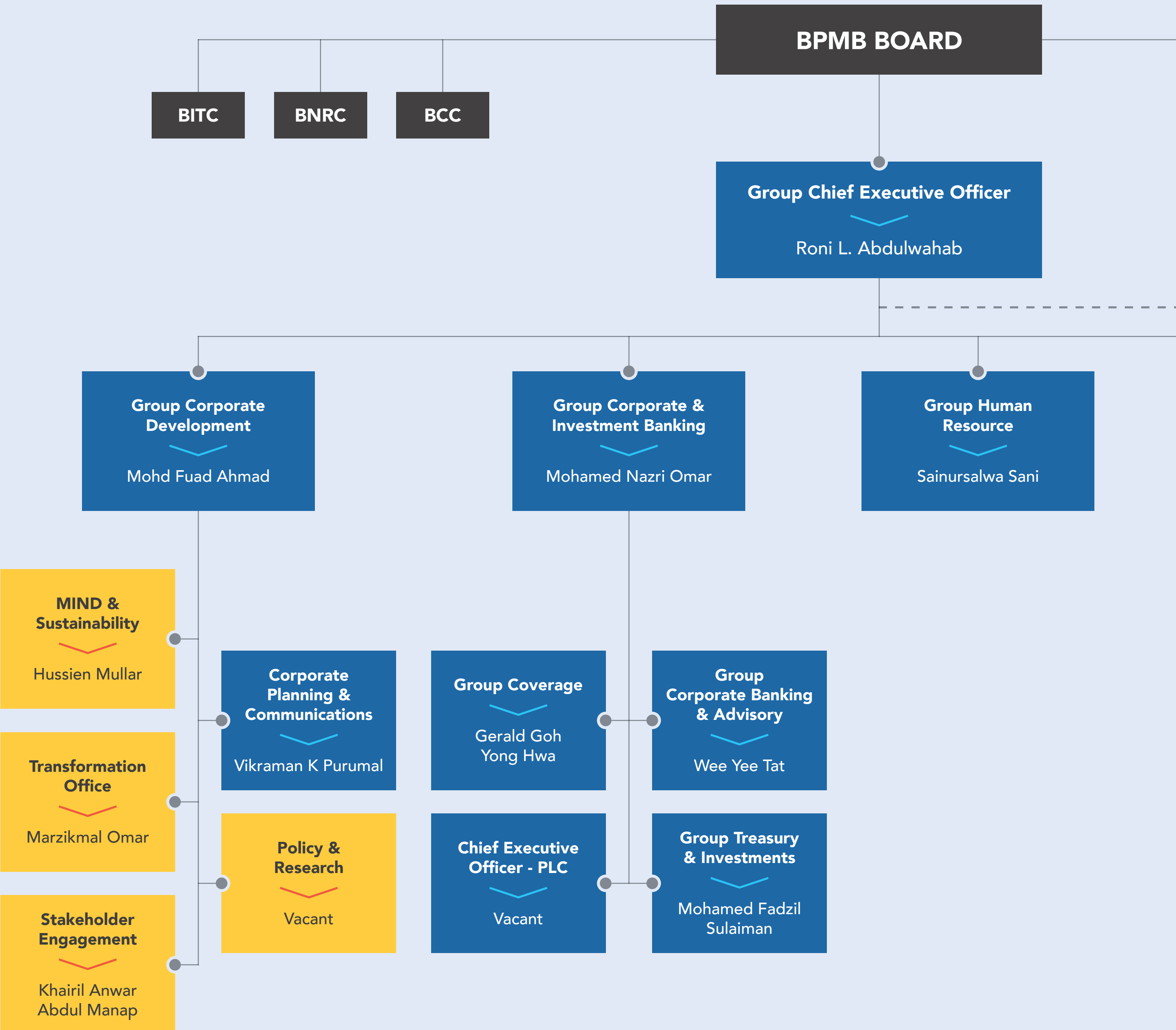
WEE YEE TAT
Group Head, Corporate Banking & Advisory

MOHAMED FADZIL SULAIMAN
Group Head, Group Treasury & Investments

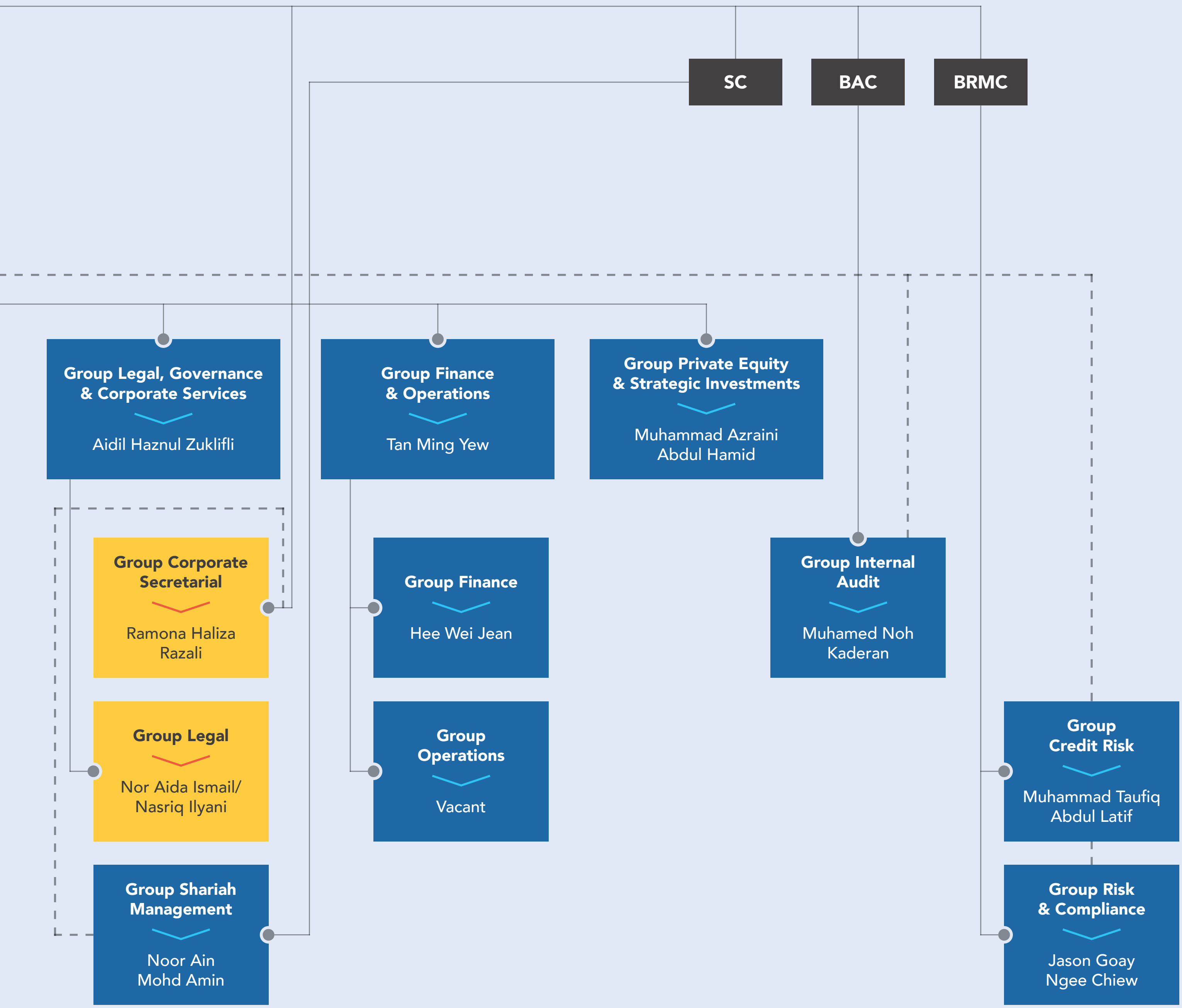
NOOR AIN MOHD AMIN
Group Head, Shariah Management

VIKRAMAN KALIA PURUMAL
Head, Corporate Planning and Communications

GROUP ORGANISATION STRUCTURE



BITC	Board Information Technology Committee
BCC	Board Credit Committee
BNRC	Board Nomination & Remuneration Committee
BRMC	Board Risk Management Committee
SC	Shariah Committee
BAC	Board Audit Committee
(blue)	Senior Leadership Team
(yellow)	Non Senior Leadership Team


SC
BAC
BRMC
Group Legal, Governance & Corporate Services
Aidil Haznul Zuklifli
Group Finance & Operations
Tan Ming Yew
Group Private Equity & Strategic Investments
Muhammad Azraini Abdul Hamid
Group Corporate Secretarial
Ramona Haliza Razali
Group Finance
Hee Wei Jean
Group Internal Audit
Muhamed Noh Kaderan
Group Legal
Nor Aida Ismail/ Nasriq Ilyani
Group Operations
Vacant
Group Credit Risk
Muhammad Taufiq Abdul Latif
Group Shariah Management
Noor Ain Mohd Amin
Group Risk & Compliance
Jason Goay Ngee Chiew

04

ILLUMINATING POSITIVE **ENVIRONMENTAL IMPACTS**

IMPACTS ACHIEVED:

CASE STUDY: In 2018, BPMB partly financed and continues to monitor the impact of replacing 11,600 high pressure sodium streetlights with LED streetlights by the Shah Alam City Council.

Enhance Public Safety

- While consuming half the energy (75 watts vs HPS 150 watts) the LED streetlights are brighter, enhancing the safety of up to 100,000 road users and pedestrians daily.
- LED lighting eliminates the risk of environmental harm during disposal as it does not contain mercury, a harmful metal.

Reduction of Electricity and CO_2 Emissions

- Itramas' S150 LED streetlights use 50% less energy, resulting in an anticipated monthly reduction of 435,051 kWh in electricity consumption.
- Indirectly, this will see a yearly reduction of 308,313 kg of CO_2 emissions leading to reduced dependency on fossil fuels, and resulting in a decrease in climate-related problems.

Reducing Costs

- Cost savings of an estimated RM15 million in the long run for the Shah Alam City Council.

Creating Jobs

- By sourcing 85% of its supplies locally, this project potentially creates up to 150 job opportunities, enhancing the standard of living for workers.

Supporting the following UNSDGs:

Affordable and Clean Energy

Decent Work and Economic Growth

Industry, Innovation and Infrastructure

Responsible Consumption and Production

Project financed by BPMB:
Upgrading to LED Streetlights, involving the replacement of 11,600 high-pressure sodium streetlights in Shah Alam.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (the Board) of BPMB is committed to uphold high standards of corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of Corporate Governance, Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance for Development Financial Institutions (DFIs), *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)* and primary legislative and regulatory provisions, i.e. Development Financial Institutions Act 2002.

BOARD COMPOSITION AND BALANCE

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, accumulated while serving the private and government sectors, bring to the Board the essential range of capabilities, expertise and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 48 to 52 of the Annual Report.

The Board is also committed to maintaining diversity and inclusion in its composition and decision-making process. In this regard, the Board considers diversity across different aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service.

As at 21 April 2023, the Board comprises eight (8) members with one (1) Non-Executive Chairman/Independent Non-Executive Director, six (6) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. All Independent and Non-Executive Directors are persons of high calibre and integrity with the ability to exercise independent judgement, and act in the best interests of the Bank. The high proportion of Independent Non-Executive Directors (INEDs) also provides the necessary checks and balances on executive decisions made by the Management. The Board is satisfied, that no individual or group of Directors, has unfettered decision-making powers that will create a potential conflict of interest.

BPMB is in the process of appointing an Independent Director with finance-related or accounting experience in order to comply with the requirement, prescribed in the BNM Policy Document on Corporate Governance for DFIs, i.e. at least three (3) directors must have finance-related or accounting experience. The Board of BPMB is committed to uphold high standards of corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of corporate governance, Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance for DFIs, *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)* and primary legislative and regulatory provisions, i.e. Development Financial Institutions Act 2002.

The appointment/reappointment of Directors is governed by the BNM Policy Document on Corporate Governance for DFIs, BNM Policy on Fit and Proper Criteria, BPMB Policy on Fit and Proper Criteria for the Board of Directors, Shariah Committee (SC) and Group Chief Executive Officer (GCEO) and the Bank's Constitution. The Board Nomination and Remuneration Committee (BNRC), reviews and assesses the potential and current Directors' mix of skills, core competencies, experience, integrity and time, to effectively discharge his or her role, for the purpose of appointments/ reappointments before a recommendation is made to the Board for approval. BNRC will also refer to the results of the individual assessments conducted via Directors' Self and Peer Assessment for reappointment of Directors. The application for the appointment/reappointment of Directors will be submitted to BNM, for verification on fit and proper, and Ministry of Finance (MOF) for final approval.

CORPORATE GOVERNANCE FRAMEWORK

Shareholders

BOARD

Board of Directors

Board Credit Committee

Board Audit Committee

Board Nomination & Remuneration Committee

Board Risk Management Committee

Board Information Technology Committee

MANAGEMENT

Group Chief Executive Officer

Management

KEY BOARD FEATURES

Skills and Experience

- Banking
- Accounting
- Finance
- Audit
- Legal and Compliance
- Transformational Leadership
- Public Administration
- Information & Financial Technology

Nationality

Malaysian

8

Gender

Male	Female
5	3

Age

55 – 70 years old

8

STATEMENT OF CORPORATE GOVERNANCE

BOARD EVALUATION

The Board has also implemented an annual evaluation of the overall effectiveness of the Board, and Board Committees. The Board Effectiveness Evaluation (BEE) for year 2022 is conducted internally, whereby a detailed questionnaire was given to each Director. The questionnaire covers questions on the experience, qualification and skills of the Directors, comprehension of role and responsibilities as members of the Board Oversight Committees, Directors' preparedness, contribution and quality of discussions.

This exercise is undertaken upon the completion of every financial year, and forms part of the supporting documents for the 'fit and proper' assessment for reappointment of Directors. Feedback and suggestions from the Board will be gathered for deliberation and information of the BNRC, and thereafter, presented to the Board for consideration and approval on further professional development plans for the Directors.

DUTIES AND RESPONSIBILITIES

The Board is responsible for setting the policy framework and business strategies to align sustainable business strategies driven by the Management with BPMB's objectives and aspirations, taking into account interests of stakeholders.

There is clear separation of the roles and responsibilities of the Chairman and GCEO, in line with best practices, to ensure appropriate supervision of the Management. The Board delegates daily operations of the Bank to the GCEO who, with the Management, is accountable to the Board.

The Board is guided by the Board Charter with respect to the Board's duties, functions and powers. The Board Charter is reviewed periodically to incorporate changes to applicable legislations and guidelines. The Board Charter includes, amongst others, the Board's roles and responsibilities on the following matters:

i) Corporate Governance, Policy and Strategic Matters for the Group;
ii) Shariah Governance and Compliance;
iii) Risk Governance and Internal Control;
iv) Succession Planning; and
v) Conduct of the Group's business.

There are Board Reserved Matters in the Board Charter, specifically for the Board's decision, including approval of business plans and the annual budget, dividend recommendation, acquisition and disposal of undertakings and properties of substantial values, major investment and financial decisions, as well as changes to the management and control structure within the Group, including policies and delegated authority limits. The Board also approves the Group's plans in relation to managing its climate, sustainability and developmental impact through its purview of the Group's strategy.

Where there is a potential conflict of interest, the Director concerned is required to declare his/her interest, and abstain from the deliberation and decision-making process.

Read more about BPMB's Board Charter at www.bpmb.com.my

SHARIAH GOVERNANCE AND COMPLIANCE

The Board's oversight accountability over Shariah governance and compliance, must reflect the integration of Shariah governance considerations within the business and risk strategies of BPMB. In fulfilling this role, the Board must:

i) promote Shariah compliance, in accordance with expectations set out in the BNM Policy Document on Shariah Governance, and ensure its effective integration with the Bank's business and risk strategies;
ii) institutionalise a robust Shariah governance framework, commensurate with the size, complexity and nature of BPMB;
iii) approve all policies relating to Shariah governance structure and reporting arrangements, Shariah risk management, and other areas that are material to the effective implementation of governance within the Bank, and ensure that such policies are implemented effectively;
iv) oversee the implementation of BNM Shariah Advisory Council (SAC) rulings, and decisions or advice of the SC within all business and functional lines, including any business or risk implications arising from such implementation;
v) oversee the implementation of the internal control framework to prevent Shariah non-compliance, and approve any rectification measures to resolve incidences or circumstances that may result, or have resulted, in Shariah non-compliance;

vi) oversee the performance of Senior Management and other officers entrusted to implement Shariah governance framework, such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives;
vii) promote a sound corporate culture that reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah; and
viii) continuously develop and strengthen Directors' knowledge and understanding on Islamic finance business, as well as keeping Directors' abreast of developments that may impact Islamic financial business, in order to fulfil their responsibilities to BPMB.

The GCEO holds overall executive responsibility in ensuring the day-to-day operations of BPMB Group are effectively and appropriately managed. The role of the GCEO includes the following:

i) Implementing business and risk strategies, remuneration and other policies in accordance with the approved business strategies and funding plan as endorsed by the Board;
ii) Promoting, together with the Board, a sound corporate culture within BPMB that reinforces ethical, prudent and professional behaviour;
iii) Addressing actual or suspected breaches of regulatory requirements or internal policies, in a timely and appropriate manner;
iv) Regularly updating the Board with material information, the Board needs to carry out its oversight responsibilities;
v) Ensuring that, in leading the Senior Management, the Group's Islamic finance operations, business, affairs and activities comply, at all times, with Shariah requirements;
vi) Serving as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions;
vii) Ensuring the Board's decisions are implemented, and the Board's directions are responded to;
viii) Providing direction in the implementation of both short-term and long-term business plans;
ix) Providing strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees; and
x) Ensuring the day-to-day business affairs of the Group are effectively and appropriately managed.

The GCEO promotes a sound corporate culture within BPMB Group, through the relevant Management Committees, which reinforces ethical, prudent and professional behaviour, and addresses any potential breaches of prudential regulation, and steps to be taken to ensure that the underlying root causes of any regulatory/internal control failures are identified and addressed.

CODE OF ETHICS AND BUSINESS CONDUCT FOR BOARD OF DIRECTORS AND SHARIAH COMMITTEE

BPMB has adopted a Code of Ethics and Business Conduct for the Board and Shariah Committee that sets out sound principles and standards of good practice in the banking industry. Directors are expected to maintain a good reputation for ethical behaviour and fair dealings in the conduct of business and are expected to conduct the business of BPMB Group in a professional manner.

Whistleblowing Policy

The Group is dedicated to uphold Malaysia's Anti-Corruption Principles, promoting integrity, transparency and good governance in all aspects of our business, when we signed the Corporate Integrity Pledge on 26 September 2016. Hence, our Whistleblowing Policy is designed to allow individuals to whistleblow on issues of serious concerns that they encounter. These include bribery, corruption, conflict of interest, fraud, abuse of power or other issues that have a reputational risk to the Group. The policy also extends the necessary protections to the whistleblower, in line with the Whistleblower Protection Act 2010. Besides the internal channels, there is an external independent party that administers a platform, known as Deloitte Halo, which provides a channel to all BPMB staff as the alternative channel. Deloitte Halo provides five (5) modes of communication for staff to disclose any concerns via a toll-free telephone number, website, email, facsimile and postal mail. All of these serve to complement the Group's governance framework and ensure legitimate concerns can be objectively evaluated and addressed.

STATEMENT OF CORPORATE GOVERNANCE

BOARD MEETING AND SUPPLY OF INFORMATION

As per the BNM Policy on Corporate Governance for DFIs, the Board is required to meet at least once every two (2) months to discuss and monitor, among others, the overall conduct and performance of the Bank, including matters relating to financials, policies, strategies, performance and resources. Approvals on urgent or important business issues, requiring the sanction of the Board, are sought by convening Special Board meetings, or by way of Circular Resolutions, enclosing all relevant information to enable the Board to make informed decisions. All Circular Resolutions, approved by the Board, will then be tabled at the next Board meeting for notation.

Meetings of the Board, and Board Oversight Committees, are scheduled in advance prior to the commencement of a new financial year. The meeting calendar is circulated to all Directors to enable them to plan ahead. The agenda for each Board/Board Oversight Committee meeting, and papers relating to the matters to be deliberated at the meetings, are forwarded to all Directors, prior to the date of the Board/Board Oversight Committee meetings.

The Board also peruses the deliberations and decisions made by the Board Oversight Committees, through the meeting minutes of the Board Oversight Committees, which will be tabled at the Board meetings. The Chairman of each Board Oversight Committee is responsible for informing the Directors during the Board meetings of any salient matters noted by the Board Oversight Committees requiring the Board's attention or direction. All proceedings of Board meetings are minuted and signed by the Chairman in accordance with the provisions of the Companies Act, 2016.

All Directors have direct access to the services of the Company Secretary's Office and Senior Management. Independent professional advice is also made available to the Directors in discharging their duties, in the event such services are required.

During the financial year ended 31 December 2022, the Board met 13 times. The attendance record of the Directors at Board Meetings for 2022 is as follows:

Name of Director	No. of Meetings and Attendance
Tan Sri Mohamed Nazir Abdul Razak Non-Executive Chairman/ Independent Non-Executive Director	13/13
Encik Ariff Rozhan Independent Non-Executive Director	13/13
Puan Norazilla Md Tahir Independent Non-Executive Director	13/13
Encik Thomas Meow Yoke Nean Independent Non-Executive Director	13/13
Datin Rashidah Mohd Sies Non-Independent Non-Executive Director	13/13
Ts. Othman Abdullah Independent Non-Executive Director	13/13
Tan Sri Rashpal Singh Randhay Independent Non-Executive Director (appointed with effect from 28 April 2022)	8/8*
Puan Rosnah Kamarul Zaman Independent Non-Executive Director (appointed with effect from 17 May 2022)	8/8*

* *Reflects the number of meetings attended during the time the Director held office.*

BOARD'S DELIBERATIONS

Key Matters Discussed by The Board

Key areas/matters reviewed, deliberated and approved by the Board during FY2022 include the following:

STRATEGY
- Private Equity Strategy
- Achievement of Corporate Scorecards for 2021
- Proposed Composition of Management Committee for BPMB Group
- Proposed Scorecard 2022
- Outsourcing Plan FY2022
- Issuance of IMTN Under Sukuk Wakalah or SDG Sukuk up to RM800 mil (Tranche 4)
- Strategic review of Pembangunan Leasing Corporation Sdn Bhd
- Approval on Business Transfer Scheme Application
- Portfolio Allocation Supported vs. Stable
- BPMB Group Agenda 2025 – Three-Year Transformation Plan 2023-2025
- MIND Current State, Future Plan and Roadmap Towards Agenda 2025
- ALAM Proposed Structure
- Re-alignment of BPMB Industrial Sector
- Group Private Equity & Strategic Investments - Revised Business Plan

GOVERNANCE
- Annual 'Fit and Proper' Assessment
- Proposed revision to the Code of Ethics and Business Conduct
- Revision to the Board Charter

FINANCIAL PERFORMANCE
- Regularly reviewed BPMB and subsidiaries Financial Results (Monthly, quarterly, half-yearly and yearly Management Report)
- Appointment of External Auditor and Audit Engagement for Danajamin
- BNMs Financial Sector Blueprint 2022-2026 - Implementation Roadmap
- MFRS 9 Harmonisation Project (Financial Guarantee)
- Revision of Policy on Capital Management
- INR and GSSB Term Loan Facilities
- Proposed Methodology for Computation of Effective Cost of Fund

RESPONSE TO CSR PROJECT
- Flood Assistance for Kampung Baru Residents
- Flood Assistance for victims in Selangor

INFORMATION TECHNOLOGY
- The Development of the New Sub-System (External Portal) - Variation Order
- RFP Evaluation Result and Recommendation for Microsoft Enterprise Agreement (EA) Subscription Renewal
- Integration Blueprint - IT Amalgamation
- Revision of BPMB ICT Policy
- Enterprise Architecture Framework (EAP)
- BPMB - Danajamin Data Migration Plan (DMP)
- Review of Group Treasury and Investments Operations Policy (GTIOP)
- Request for Expansion of FD Tawarruq Product to Non-BPMB Clients

RISK MANAGEMENT & COMPLIANCE
- Received Quarterly updates on BNM CRR FY2019 & FY2020
- Received Status Update on Risk Appetite Statement and Tolerance Level
- Received Quarterly Group Stress Test Results
- Review of Group GRM Framework
- Review of BPMB's Authority Matrix
- Consolidation of Credit Risk Management Policy
- Revision of BPMB Group BCM Policy
- Revision of Cyber Resilience Policy
- Update on the Surveillance Audit by SIRIM for MS ISO 37001 2016 ABMS Recertification
- Update on the BNM Thematic Review on the Adequacy of Identification and Verification of Beneficial Ownership for GLCs
- Risk-Based Pricing Project Approval
- Sector Compass and Sector Limit Methodology
- Revision of the Group Compliance Policy

SUSTAINABILITY
- Embracing Green Initiatives and Sustainability Agenda – Green Building Business Case
- Case Study – Development Bank of the Philippines

CULTURE & VALUES
- BPMB Collaboration with PERTIWI Soup Kitchen
- 2022 Sarawak Tourism Lab Sponsorship

STATEMENT OF CORPORATE GOVERNANCE

TRAINING AND DEVELOPMENT OF DIRECTORS

All newly appointed Directors are required to attend FIDE Core Programme Modules A and B, the Islamic Finance for Board of Directors Programme and an induction programme organised by the Management. Directors will be introduced to the Management team and briefed on the Bank's history, operations and financial performance to provide them first-hand understanding of the Bank's operations. At the induction programme, Head of Functions and CEOs of the main subsidiaries will brief newly appointed Directors on their areas of responsibility to offer some background knowledge of the Bank and establish personalised interaction with key individuals in Senior Management.

The Board keeps abreast of the latest developments in the banking industry, by attending relevant conferences and seminars held in Malaysia and abroad to continue their professional education. The Bank also encourages the Directors to attend talks, training programmes and seminars, to update themselves on new developments in the business environment.

Seminars, conferences and training programmes attended by the Directors in the financial year ended 31 December 2022 included the following:

- FIDE Core Programme Module A
- FIDE Core Programme Module B
- Islamic Finance for Board of Directors Programme
- Market Risk Management – Banking Sector Climate Change Risk Programme facilitated by PricewaterhouseCoopers (PwC)
- Board Training on Business Continuity FY2022
- Board Risk Intelligence Executive Masterclass Asia 2022

DIRECTORS' REMUNERATION

BPMB acknowledges the importance of attracting and retaining qualified Directors of high calibre, possessing the necessary qualifications, skills, expertise and experience for effective functioning of the Board.

The remuneration package for Non-Executive Directors (NEDs), generally commensurate with the expertise, skills, responsibilities and the risks undertaken by the NEDs concerned. All NEDs are paid a fixed monthly Director's fee and allowance for each Board, and Board Oversight Committee meeting attended. In addition, NEDs also receive other benefits-in-kind including Directors & Officers Liability Insurance and medical benefits. Remuneration of NEDs is decided by shareholders.

During the financial year under review, there was no revision to the remuneration framework approved by the shareholders at the 48th AGM held on 30 June 2022. The remuneration framework for the NEDs are as follows:

Description	Non-Executive Directors' Fees and Benefits	
	Chairman	Member
Directors' Monthly Fee	RM12,000.00 per month	RM4,000.00 per month
Directors' Meeting Allowance: • **BOD** • **BAC** • **BCC** • **BRMC**	RM4,000.00 per meeting	RM2,400.00 per meeting
• **BNRC** • **BITC**	RM3,200.00 per meeting	RM2,000.00 per meeting
Other Benefits	Club Membership, mileage and business accommodation, medical and other claimable benefits	

A summary of the total remuneration of the Directors for the financial year ended 31 December 2022 is set out on pages 238-239 of this Annual Report.

COMMITTEES

There are five (5) Board Oversight Committees established to assist the Board in discharging its duties and responsibilities. These comprise the:

BOARD CREDIT COMMITTEE (BCC)

BOARD AUDIT COMMITTEE (BAC)

BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

BOARD RISK MANAGEMENT COMMITTEE (BRMC)

BOARD INFORMATION TECHNOLOGY COMMITTEE (BITC)

BOARD CREDIT COMMITTEE

Objective

The primary objective of the Board Credit Committee (BCC) is to provide a supervisory and oversight role on all loans/financings/credit-related proposals and investment, as per the limit set in BPMB's Approving Authority Matrix, and Authority for Credit Approval for Pembangunan Leasing Corporation Sdn Bhd (PLC) as well as to ensure adequate risk management processes, related to credit, are in place and functioning effectively.

Functions and Responsibilities

- To deliberate, review and, if necessary, exercise the rights to veto, challenge, reject Group Credit Committee's (GCC) approvals/decisions on all loans/financing/credit related proposals and investment, including the proposed terms and conditions, or any variations, thereof, as per the limit and authority set in BPMB Approving Authority Matrix and Authority for Credit Approval for PLC.
- To endorse or veto 'policy loans/financing' and loans/financing, which are required by statute to be approved by BPMB Board, provided that the initial filter of approval is conducted by GCC.
- To approve the Terms of Reference (TOR) of GCC. However, the appointment and/or termination of GCC members, shall be at the absolute discretion of the Chairman of GCC.
- To perform the credit risk oversight role in a manner that is not compromised, and without undue influence from any party.
- To endorse or veto any other matters as prescribed in BPMB Authority Matrix and Authority for Credit Approval for PLC.
- To consider any other matters as referred by BPMB Board to BCC.

Committee Meeting and Attendance

Based on the TOR of the BCC, BCC shall meet at least twelve (12) times a year and any ad-hoc meetings, as and when required. BCC met 13 times during FY2022. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
Encik Thomas Meow Yoke Nean Chairman	12/13
Encik Ariff Rozhan (Ceased as a Member on 28 April 2022 and reappointed as Member with effect from 30 May 2022)	12/12*
Puan Norazilla Md Tahir	13/13
YBhg Tan Sri Rashpal Singh Randhay (Appointed as Member with effect from 28 April 2022)	10/10*

* *Reflects the number of meetings attended during the time the Member held office.*

BOARD AUDIT COMMITTEE

Objective

The objective of Board Audit Committee (BAC) is to provide independent oversight to review the financial conditions of BPMB and the Group's financial reporting processes and internal control, and ensuring checks and balances within BPMB Group, performance and findings of the internal auditors, and to recommend appropriate remedial action regularly.

Functions and Responsibilities

The duties and responsibilities of BAC shall include the following:

- Recommend to the Board, each financial year, the appointment/reappointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors.

STATEMENT OF CORPORATE GOVERNANCE

- Review, with the External Auditors:

  a. To recommend to the Board, the appointment, removal and remuneration of the External Auditor;
  b. To monitor and assess the independence of the External Auditors including approving the provision of non-audit services by the External Auditors;
  c. To review the audit plan and audit report, monitor and assess the effectiveness of the external audit, including meeting External Auditors without the presence of Senior Management, at least annually;
  d. To ensure that Senior Management is taking necessary corrective actions, in a timely manner to address external audit findings, and making recommendations in their Management Letter and Management Response; and
  e. To maintain regular, timely, open and honest communication with the External Auditors, and requiring the External Auditors to report to the BAC on significant matters.

- With regard to the Internal Audit function:

  a. To review the adequacy of the scope, functions and resources of the Group Internal Audit function and Audit Charter, and that it has the necessary authority to carry out its responsibilities;
  b. To review and approve the internal audit plan, programme, processes, scope, procedures and frequency;
  c. To review key audit reports (including reports on internal controls, risk management processes, compliance with statutory requirements and governance practices) and ensure that Senior Management is taking necessary corrective actions, in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by Group Internal Audit, and other control functions;
  d. To recommend to BNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the Chief Internal Auditor;
  e. To review the effectiveness of the Internal Audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards;
  f. To review the assessment, or findings, arising from the Shariah audit and report the non-compliance events to the Shariah Committee and the Board;
  g. To note significant disagreements between the Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings; and
  h. To establish a mechanism to assess the performance and effectiveness of the Group Internal Audit function.

- To receive and consider reports relating to the perpetration and prevention of fraud.

- Review the Bank's compliance with the related Government regulations, including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures annually.

- To review the quarterly result, half-yearly result and the year-end Audited Financial Statements, prior to submission to the Board for approval. The review of the year-end Audited Financial Statements by the External Auditor shall focus particularly on:

  a. Any major changes in the accounting policy, or its implementation;
  b. Adequacy of allowance against contingencies, bad and doubtful debts;
  c. Significant and unusual events; and
  d. Compliance with accounting standards and other legal requirements.

- To ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of the Audited Financial Statements.

- To discuss any problem or reservations that may arise from the interim and final audits, as well as any matter, which the External Auditors may wish to discuss, in the absence of Management, where necessary.

- To review and update the Board on all related party transactions, and conflict-of-interest situation that may arise in the Bank or BPMB Group, including any transaction, procedure or conduct that raises questions of management integrity.

- To review the accuracy and adequacy of the following documents:
  a. Chairman's Statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements, in relation to the preparation of financial statements and other BAC reports that contain the following information, which shall be published in the Bank's Annual Report:
     i. A summary of the activities of the BAC in the discharge of its functions and duties for the financial year; and
     ii. A summary of the activities of the Group Internal Audit function.
  b. Interim financial reports and preliminary announcements in relation to the preparation of Audited Financial Statements.
- To review and endorse the status and progress of Management's responses and corrective measures on issues raised in the Bank Negara Malaysia Examination Report, prior to submission to the Board for approval.
- To inform the Board on the issues and concerns discussed during its Meetings, including those raised by the External Auditors, and where appropriate, make the necessary recommendations to the Board.
- To deliberate on investigation reports in relation to whistleblowing cases, and decide on actions to be taken in accordance with the Group Human Resource (HR) policy.
- To approve the TOR and appointment and/or termination of Members of Management Audit Committee.
- To consider any other matters as referred by BPMB Board to BAC.
- To monitor compliance with the Board's conflicts-of-interest policy.
- To review third-party opinions on the design and effectiveness of the Group's internal control framework.

Committee Meeting and Attendance

Based on the TOR of the BAC, BAC shall meet at least four (4) times a year and at any ad-hoc meetings, as and when required. BAC met eight (8) times during FY2022. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
Puan Norazilla Md Tahir Chairperson	8/8
Encik Ariff Rozhan (ceased as member with effect from 30 May 2022)	3/3*
Encik Thomas Meow Yoke Nean	8/8
Ts. Othman Abdullah (appointed as member with effect from 27 January 2022)	7/7*
Puan Rosnah Kamarul Zaman (appointed as member with effect from 30 May 2022)	5/5*

* *Reflects the number of meetings attended during the time the Member held office.*

BAC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BAC during FY2022 include the following:

- Approval of the Internal Audit Plan
- Senior Leadership Team's Scorecard for Year 2022 - Chief Internal Audit
- Status Resolution of Quality Assessment Review (QAR) Recommendation by PwC on GIA as at 17 January 2022
- Endorsement of the interim unaudited financial statements for year 2022 and the financial statements for the financial year ended 31 December 2021
- FY2021 Year-End Performance Evaluation – Chief Internal Audit, Group Internal Audit
- Updates on New Audit issues and Outstanding Audit Issues from previous Internal Audit Reports

STATEMENT OF CORPORATE GOVERNANCE

- Status update on BPMB and its Subsidiaries – Memorandum of Recommendation (MOR).
- Update on Whistleblowing Report.
- Update on GIA Validation of Management Action Plan on BNM CRR 2019 and 2020.
- Endorsement BPMB Group – Audited Financial Statement for the Financial Year Ended 31 December 2020, Dividend and Reappointment of External Auditor.
- New Audit Reports Issued.
- Endorsement of Proposal for Partial Write-Off Exercise for Accounts Under Recovery for Year 2022.
- Facilitation Fund – Audited Financial Statement for the financial year ended 31 December 2021.
- Audit Committee Report (ACR):
  - Global Maritime Ventures Berhad for the financial year ended 31 December 2021
  - PLC for the financial year ended 31 December 2021
  - BPMB for the financial year ended 31 December 2021
- MFRS 9 Harmonisation Project (Financial Guarantee).
- Audit Findings by Royal Malaysia Customs Department (RMCD) on Goods and Services Tax (GST) for the Financial Year Ended 31 December 2018 – 2020.
- Report on Co-Sourcing Audit of Enterprise Risk Management.
- BPMB and Danajamin Data Migration Plan of Systems Affecting Financials.

BOARD NOMINATION AND REMUNERATION COMMITTEE

Objective

The objectives of the Board Nomination and Remuneration Committee (BNRC) are to provide:

i) a formal and transparent procedure for the appointment, and/or reappointment, as well as to assess the effectiveness of Key Responsible Persons, and the Company Secretary; and

ii) a formal and transparent procedure for developing a remuneration policy for Key Responsible Persons and the Company Secretary, and ensuring that compensation is competitive and consistent with BPMB Group's culture, objectives and strategies.

'Key Responsible Persons' refer to persons who are accountable or responsible for the management or oversight of BPMB Group. These comprise:

a) the Board of BPMB and its subsidiaries (the Group),
b) members of the SC,
c) the GCEO and CEOs of major subsidiaries; and
d) Senior Officers.

Functions and Responsibilities

The functions and responsibilities of the BNRC, among others, are as follows:

Nomination Function

- Establish and recommend to the Board for approval, the minimum required skills, experience, qualification and core competencies of a Director on the Board, and the GCEO, in order for them to perform their responsibilities effectively.
- Oversee the overall composition of the Board (BPMB and major subsidiaries), Board Oversight Committees and SC, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive and Independent Directors through annual reviews.

- Recommend, and/or assess, nominees for the appointment, reappointment or resignation of the Board (BPMB and its major subsidiaries), GCEO, Board Oversight Committees and SC Members for the Board's approval. The proposed appointment or reappointment of BPMB Board, GCEO and SC Members will require BNM's verification on meeting the necessary 'fit and proper' criteria, and the MOF's final approval, as the case may be. Assess and determine annually whether a Director fulfils the criteria of being an Independent Director.

- Establish a mechanism for the formal assessment on the effectiveness of the Board as a whole, the contribution of each Director to the effectiveness of the Board, the contribution of the Board Oversight Committees, including SC Members and the performance of the GCEO, CEOs of major subsidiaries, Senior Officers and the Company Secretary. The annual assessment should be conducted based on objective performance criteria, as approved by the Board.

- Assess annually whether the Directors and GCEO are not disqualified under Section 7 of the Development Financial Institutions Act 2002, and recommend to the Board, the removal of a Director or the GCEO if he/she is ineffective, errant or negligent in discharging his/her responsibilities.

- Ensure that all Directors and SC Members undergo the appropriate induction programme, and receive continuous training in order to keep abreast of the latest developments in the industry.

- Assess the performance of the GCEO before submission to the Board of BPMB for approval.

- Oversee/recommend the following matters in relation to Senior Officers and the Company Secretary for the Board's approval:
  - New appointment/recruitment
  - Reappointment
  - Renewal/non-renewal of contract
  - Conversion of employment status
  - Secondment to subsidiaries
  - Management succession planning
  - Performance evaluation

  For new appointments, the GCEO is given the authority, to assess and evaluate candidates, negotiate and determine the salary, benefits and terms and conditions of service, for the positions of Senior Officers and the Company Secretary. Thereafter, it would be tabled to BNRC for recommendation, and the Board for approval.

  The appointment/recruitment, reappointment, performance evaluation of CEOs of major subsidiaries, and management succession planning of the subsidiaries, shall be tabled to the Board of the respective subsidiaries first, prior to BNRC for endorsement and Board approval.

- Recommend to the Board the removal of Senior Officers and the Company Secretary, if they are ineffective, errant or negligent in discharging their responsibilities.

  The removal of CEOs of major subsidiaries, shall be tabled to the Board of the respective subsidiaries first, prior to BNRC for endorsement and the Board of BPMB for approval.

- Recommend the appointment and removal of Directors, external Directors or Management Staff as Directors in the subsidiaries/associated companies (excluding JV-SOCs of Global Maritime Ventures Berhad).

- Conduct 'fit and proper' assessment on Key Responsible Persons and the Company Secretary, on a yearly basis, to determine if the 'fit and proper' criteria continue to be met, to ensure the effectiveness of the Key Responsible Persons and the Company Secretary in carrying out his/her responsibilities. A 'fit and proper' assessment is to be conducted, should BNRC become aware of information on any Key Responsible Persons and the Company Secretary, which may materially compromise his/her fitness or propriety.

Remuneration Function

- Ensure that the overall remuneration system must:

  a) be subject to the Board's active oversight to ensure that the system operates as intended;
  b) reflect the mandate of BPMB and align with the business, risk strategies and development priorities, corporate values and long-term interests of BPMB Group;
  c) promote prudent risk-taking behaviour, and encourage individuals to act in the interests of BPMB Group, as a whole, taking into account the interests of its customers, and long-term financial sustainability of BPMB Group, without recourse to the Government;
  d) accord appropriate emphasis to BPMB Group's developmental outcomes, taking into account demonstration, design and policy additionalities, in addition to financing outcomes; and
  e) be designed and implemented with input from the control functions, and the Board Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

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- Recommend the remuneration policy of BPMB and conduct periodic review, especially when material changes are made to the policy for the Board's approval. The overall remuneration policy should be sufficiently competitive to attract, nurture and retain high quality talents to deliver BPMB Group's mandate successfully. The policy should consider the different skill sets, knowledge and experience required to support the business and risk strategies of BPMB Group.
- Assess and recommend the emoluments and benefits of Board members, Board Oversight Committee members, SC members, GCEO, CEOs of major subsidiaries, Senior Officers and the Company Secretary for the Board's approval, subject to BPMB's Constitution and Minister of Finance Incorporated (MOF Inc.)'s approval, where applicable.
- Endorse the remuneration for each Director, member of Senior Management, and other material risk takers, annually, for the Board's approval. BPMB shall maintain and regularly review a list of officers who fall within the definition of "other material risk takers".
- Endorse the remuneration and benefits for the Directors of BPMB subsidiaries, based on recommendations by BNRC, for the Board's approval. The same shall be forwarded to MOF Inc. for notification.
- Assess and endorse the salary structure framework for employees in executive grades, and above, for the Board's approval. The salary structure is subject to the final approval by MOF Inc.
- Assess and recommend the Terms of Services, and new Terms for Executives and staff of BPMB Group, including the Collective Agreement between the Bank and the Union, for the Board's approval. The terms of the Collective Agreement are subject to the final approval by MOF Inc.
- Assess and recommend the proposed annual bonus payment for the GCEO. The payment is subject to the final approval of MOF Inc.
- Assess and recommend the pool for annual bonus/annual incentive/annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia payment for employees and other material risk takers, or other group-wide performance-related rewards and annual increment of the Group. The pool for annual bonus/annual incentive payment/annual ex-gratia payment is subject to the final approval by MOF Inc.
- Recommend the separation schemes for the Board's approval, and thereafter, for MOF Inc.'s final approval.

Others

- Job Rotation Guideline for employees in high-risk positions
- Competency framework and assessments
- Consequence management

Committee Meetings and Attendance

Based on the TOR of the BNRC, the BNRC shall meet at least four (4) times a year and any ad-hoc meetings as and when required. BNRC met ten (10) times during FY2022. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
Encik Ariff Rozhan Chairman	10/10
Puan Norazilla Md Tahir (ceased as Member with effect from 30 May 2022)	5/5*
Tan Sri Mohamed Nazir Abdul Razak	9/10*
Datin Rashidah Mohd Sies (appointed as Member with effect from 28 April 2022)	5/5*
Puan Rosnah Kamarul Zaman (appointed as Member with effect from 30 May 2022)	5/5*

* *Reflects the number of meetings attended during the time the Member held office.*

BNRC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BNRC during FY2022 included the following:

- Annual Fit and Proper Assessment of the Board & SC Members
- Proposed New Appointment of SC Members
- FY2021 Year End Performance Assessment of Head of Functions
- Proposed New Collective Agreement Between BPMB and The NUCW 2021 – 2024

- Proposed benefits harmonisation exercise for Group BPMB
- BPMB Total Rewards Strategy and Initiatives
- Microstructure 2.0 and Functionalisation Exercise
- Proposed Revisions to the Remuneration Policy
- Board Evaluation FY2021 Assessment Result

BOARD RISK MANAGEMENT COMMITTEE

Objective

The primary objective of the Board Risk Management Committee (BRMC) is to oversee the activities of Senior Management in managing the key risk areas of BPMB and the Group, and to ensure that risk management processes are in place and functioning effectively.

Functions and Responsibilities

The duties and responsibilities of BRMC include the following:

- To provide oversight and strategic direction for the management of all risks in BPMB;
- To review and recommend risk management strategies (e.g. development of new products, ventures into new market or business activities, product pricing strategies, planning of technology, skills and resources required), policies and risk tolerance appropriate to the nature, scale and complexity of BPMB Group's activities for the Board's approval;
- To review and assess adequacy of BPMB Group's risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources and systems are in place for risk management, that is, ensuring that staff responsible for implementing risk management systems, perform those duties independently of BPMB Group's risk-taking activities;
- To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- To provide effective oversight of Senior Management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework and implementation;
- To meet with BAC periodically, to ensure effective exchange of information to enable effective coverage of all risks, including emerging risk issues that could have an impact on BPMB's risk appetite and business plans;
- To seek independent third-party views, or information on risk implications, as appropriate, before coming to any conclusion, or making any significant policy recommendation;
- To consider how risks, associated with BPMB's operational and organisational structures, affect its ability to manage risks on an enterprise-wide and group-wide basis, and the implications for capital and funding strategies;

In relation to the position of Chief Risk Officer (CRO), BRMC is required to:

a) establish an independent senior risk executive role (CRO or its equivalent), who has direct and unimpeded access to the Board and BRMC, and to allow for effective engagement with the GCEO and other members of Senior Management with sufficient stature, authority, seniority and distinct responsibility for the Group Risk Management function and framework across the entire organisation;

b) recommend to BNRC and/or the Board, the appointment, performance evaluation and termination of the CRO;

c) engage CRO on a regular basis, and provide the opportunity for CRO to meet with BRMC and discuss issues faced by the Group Risk & Compliance function;

d) in relation to item (c) above, BRMC may consider engaging CRO without the presence of other Senior Management individuals from time to time; and

e) ensure that CRO is supported with sufficient resources, including competent officers, to perform his/her duties effectively.

In relation to the position of Chief Compliance Officer (CCO), BRMC is required to:

a) recommend to BNRC and/or the Board, the appointment, remuneration package, performance evaluation and termination of the CCO;

b) ensure that CCO has sufficient stature to allow for effective engagement with the GCEO and other members of Senior Management;

c) engage CCO on a regular basis and provide the opportunity for CCO to meet with BRMC and to discuss issues faced by the Group Compliance function;

STATEMENT OF CORPORATE GOVERNANCE

d) in relation to item (c) above, BRMC may consider engaging CCO without the presence of other Senior Management individuals;
e) provide CCO with direct and unimpeded access to BRMC;
f) ensure that CCO is supported with sufficient resources, including competent officers, to perform his/her duties effectively; and
g) where CCO also carries out responsibilities with respect to other control functions (if any), be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by CCO.

- To oversee the management of BPMB Group's compliance risk. In order to fulfil this duty, BRMC is required to:

  a) approve BPMB Group's compliance policy and oversee its implementation;
  b) approve the establishment of the Compliance function and the position of the CCO, and ensure that the Compliance function and the CCO are provided with appropriate standing, authority and independence;
  c) discuss compliance issues regularly, ensuring that adequate time and priority is provided in BRMC's agenda to deliberate on compliance issues, and that such issues are resolved effectively and expeditiously; and
  d) evaluate the effectiveness of BPMB Group's overall management of compliance risk, with regard to the assessments of Senior Management and Group Internal Audit, as well as interactions with CCO, at least on an annual basis.

- To deliberate on investigation reports in relation to whistleblowing cases, and decide on actions to be taken on the alleged individuals in accordance with Group HR policy.

- To approve the appointment and/or termination of members and TOR of Management Risk Committee and Asset & Liability Committee.

- To consider any other matters as referred by the BPMB Board to BRMC.

Committee Meetings and Attendance

Based on the TOR of the BRMC, the BRMC shall meet once in every two (2) months and any ad-hoc meetings, as and when required. BRMC met 13 times during FY2022. The Committee members, and their records of attendance are as follows:

Members	No. of Meetings and Attendance
Tan Sri Rashpal Singh Randhay (appointed as Member with effect from 28 April 2022) (redesignated from Member to Chairperson with effect from 30 May 2022)	7/7*
Puan Norazilla Md Tahir (redesignated from Chairperson to Member with effect from 30 May 2022)	13/13
Encik Ariff Rozhan	10/13
Encik Thomas Meow Yoke Nean	13/13
Ts. Othman Abdullah (appointed as Member with effect from 27 January 2022)	12/12*
Puan Rosnah Kamarul Zaman (appointed as Member with effect from 30 May 2022)	6/6*

* *Reflects the number of meetings attended during the time the Member held office.*

BRMC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BRMC during FY2022 included the following:

Report

- Risk Dashboard (Credit Portfolio Report, Asset/Liability & Liquidity Management Report and Operational Risk Management Report)
- Monthly Economic Report
- Report on Legal Action
- Management Review Report on the Anti-Bribery Management System
- Periodic Reporting to Malaysia Anti-Corruption Commissioner
- Group Compliance Report and Compliance Review Report
- Annual Compliance Review Assessment Report (ACRAR)
- Report on Financing Facilities with Connected Parties

- Quarterly Updates on BNM Composite Risk Rating; Review of Risk Appetite Statement and Tolerance Level
- Operational & Shariah Risk: 12 Months Horizon Report FY2021
- Review Report on the Anti-Bribery Management System (ABMS)
- Climate Change & Principle-Based Taxonomy: Semi-Annual Reporting

Governance, Framework

- Revision of Policy on Appointment of External Auditor
- Review of Group Treasury & Investments Operations Policy
- Revised and Enhanced Terms of BPMB's Existing Dedicated Schemes
- Review of Group Governance and Risk Management Framework
- Review of BPMB's Authority Matrix
- Review of Management Risk Committee TOR
- Revision of TOR for Business Continuity Management Committee and Crisis Management Team
- BNM's Exposure Draft on Climate Risk Management and Scenario Analysis
- Review of the Internal Capital Adequacy Assessment Process (ICAAP) Framework
- Proposal for Enhancement of PLC Credit Operations Guideline
- Consolidation of Credit Risk Management Policy
- Revision of Property Management & Services Policy
- Revision of Policy on Capital Management
- Enhancement of Anti-Bribery Management System Manual for PLC Group
- Revision of BPMB Group Business Continuity Management Policy
- Revision of BPMB Group Resilience Policy
- Review of Asset and Liability Committee TOR
- Enterprise Architecture Framework
- Review of Credit Portfolio Risk Policy
- Revision to Business Zakat Policy
- Revision to the Remuneration Policy
- Revision of BPMB Group Outsourcing Policy
- Revision of Policy on Shariah Governance and Shariah TOR

Proposal, Plan, Compliance, etc

- Group Compliance Plan
- BNM Composite Risk Rating
- Outsourcing Plan
- Status Update on Risk Appetite Statement and Tolerance Level
- Group Stress Test results
- Year-end performance evaluation – CRO, Group Risk Management
- Risk Appetite Statement and Tolerance Level
- Annual Attestation of BPMB's Compliance with BNM's Policy
- Feasibility Assessment and Recommendation on Access to Public Storage, Email and Social Media Website to deter and monitor data leakage
- Business Continuity Management Preparedness Plan FY2022
- Proposals to MOF on Budget 2022
- Portfolio Allocation: "Supported" vs "Stable"
- Establishment of Customer Selection and Risk Acceptance Criteria for Non-Investment Grade Commercial Financing Application
- Implementation and Action Plan for the Climate Change Risk Assessment Template
- MFRS 9 Harmonisation Project
- Review of Concentration Risk Limit
- Establishment of Organisation Anti-Corruption Plan for BPMB Group
- Outsourcing Arrangements Performance Assessment;
- Risk Management in Technology (RMiT) and Paynet Cyber Resilience Timeline Extension
- Revised Cost of Fund and Base Lending Rate/Base Financing Rate
- Credit Value Chain 2022 – Overview & Progress Update;
- BNM Thematic Review
- Discovery Exercise – ELMS
- Danajamin Data Migration Plan
- Realignment of BPMB Industrial Sector
- Technology & Cyber Risk Learning Programme 2022/23
- Risk-Based Pricing Project
- Sector Compass and Sector Limit Methodology
- Remediation Plan and Exception for Technology Obsolescence
- Proposed Methodology for Computation of Effective Cost of Fund – BPMB

Certification

- Update on the Surveillance Audit by SIRIM for MS ISO 37001:2016 Anti-Bribery Management System (ABMS) Recertification

STATEMENT OF CORPORATE GOVERNANCE

BOARD INFORMATION TECHNOLOGY COMMITTEE

Objective

The primary objective of the Board Information Technology Committee (BITC), is to provide oversight function on the implementation of technology-related strategies and initiatives for the Group.

Functions and Responsibilities

The duties and responsibilities of BITC include the following:

- To establish and recommend to the Board for approval, the technology risk appetite that is aligned with the Bank's risk appetite statement, as well as the Board's approval on corresponding risk tolerances for technology-related events and ensure key performance indicators are in place to monitor the Bank's technology risk;
- To recommend to the Board for approval, the Bank's cybersecurity strategy which is aligned with the overall Bank's business and IT strategy, and oversee the adequacy of the Bank's IT and cybersecurity strategic plans, covering a period of no less than three (3) years. These plans should address the Bank's requirements on infrastructure, control measures to mitigate IT and cyber risks, and financial and non-financial resources, commensurate with the complexity of the Bank's operations and changes in the risk profile and business environment;
- To oversee the effective implementation of a sound and robust Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF), as required by BNM, under the Risk Management in Technology policy;
- To review and monitor the implementation of technology-related frameworks, and ensure risk assessments undertaken, in relation to material technology applications submitted to BNM, are robust and comprehensive;
- To review and monitor implementation of IT projects/ initiatives undertaken by the Bank to ensure alignment with the Bank's policies and strategies;
- To review and recommend to the Board appointment of such persons, consultants or advisors to undertake any specific projects, or assignments in relation to the Bank's IT or digitalisation initiatives/projects;
- To continuously engage in cyber security preparedness, education and training; and
- To consider any other matters referred by the Board to BITC.

Committee Meetings and Attendance

Based on the TOR of the BITC, BITC shall meet at least four (4) times a year, and for any ad-hoc meetings, as and when required. BITC met six (6) times during FY2022. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Ts. Othman Abdullah Chairman (redesignated from Member to Chairman with effect from 27 January 2022)	6/6
Encik Ariff Rozhan (redesignated from Chairman to Member with effect from 27 January 2022)	5/6
Puan Norazilla Md Tahir (ceased as Member with effect from 30 May 2022)	2/3*
Encik Thomas Meow Yoke Nean (ceased as Member with effect from 30 May 2022)	2/2*
Tan Sri Rashpal Singh Randhay (appointed with effect from 28 April 2022)	4/4*
Puan Rosnah Kamarul Zaman (appointed with effect from 30 May 2022)	3/3*

* *Reflects the number of meetings attended during the time the Member held office.*

BITC Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BITC during FY2022 included the following:

- Review of the TOR of BITC and Management Information Technology Committee (MITC)
- Establishment and Creation of BPMB Digital Function and Chief Digital Technology Officer (CDTO) Role
- Review of revisions to the IT Security Policy
- Review of the Vulnerability Assessment and Penetration Test (VAPT) Report For Year 2021 and 2022
- Review of the 2021 – 2023 IT Plan and IT Capacity Planning Report
- Monthly IT Dashboard Report
- Management Information System (MIS) Roadmap
- Review RMIT and Cyber Security
- Update on the PLC New Core Banking System
- Review the Development of the New Sub-System (External Portal) – Variation Order
- Technology Obsolescence RMiT Assessment
- Network Resilience Assessment for Year 2021 – Result and Recommendation
- Progress update of Treasury Management System (TMS)
- Integration Blueprint – IT Amalgamation Update
- Revision of BPMB ICT Policy
- Discovery Exercise (DEX) - ELMS to Enhance or Replace
- Enterprise Architecture Framework
- IT Audit Findings and Opportunity for Improvement (OFI) Timeline Extension
- BPMB – Danajamin Data Migration Plan

STATEMENT OF SHARIAH GOVERNANCE

The conduct of Islamic financial business by BPMB is governed mainly by the relevant provisions in the Development Financial Institutions Act (DFIA) 2002 and other rules and regulations as issued by Bank Negara Malaysia (BNM) from time to time.

With regard to the Shariah governance requirements, BPMB is primarily governed by the Shariah Governance Policy Document (SGPD) issued by BNM, with aims to further strengthen the effectiveness of Shariah governance implementation and enforce a closer integration of Shariah considerations in the business and risk strategies of Islamic financial institutions. It provides a framework comprising the Shariah governance structure, processes and controls, which BPMB is expected to adhere to, in order to ensure that all its operations and business activities are performed in compliance with Shariah.

SHARIAH COMMITTEE

While the Board is ultimately responsible and accountable for the overall Shariah governance implementation and Shariah compliance of BPMB, the Board is advised and guided by the Shariah Committee on Shariah matters in relation to the Islamic financial business of BPMB. The Shariah Committee is regarded as a committee of the Board and therefore functionally reports to the Board. Amongst other matters, the Shariah Committee ensures that the Shariah rulings and decisions relating to the Islamic financial business of BPMB comply with the fundamental Shariah principles and resolutions of the relevant regulatory authorities on Shariah matters.

Composition and Background

The Shariah Committee is composed by seven members where majority of them i.e. five members are Shariah qualified, meanwhile, two members are non-Shariah qualified, who possess the relevant skills, knowledge and experience relevant to support the roles and responsibilities of the Shariah Committee.

Duties and Responsibilities

The Shariah Committee is expected to provide advice and decisions on Shariah matters related to the Islamic financial business of BPMB to ensure its compliance with Shariah. The functions and responsibilities of the Shariah Committee are, among others, as follows:

1. To ensure any delegation of oversight to Shariah Committee by the Board on Shariah matters is exercised in conformity to any prescribed regulations that may, from time to time, be imposed by the regulator.
2. To advise the Senior Management and the Board on Shariah matters in order to ensure that its Islamic financial business and operations comply with Shariah principles at all times.
3. To validate and endorse the following:
   a) The Islamic products and services of BPMB are in compliance with Shariah including:
      - The terms and conditions contained in the forms, contracts and agreements used in executing the transactions;
      - The guidelines, manuals and procedures in relation to the products and services, schemes and funds offered by BPMB; and
      - The product manual(s), disclosure sheets, sales illustrations and brochures used to describe the products.

   b) Shariah related policies and procedures prepared by BPMB Group, and the contents therein, do not have any elements that are not in line with Shariah.
4. To provide a decision or advice on the operations, business, affairs and activities of BPMB Group that may trigger a Shariah non-compliance event.
5. To deliberate and affirm a Shariah non-compliance finding reported by Shariah review and Shariah audit.
6. To endorse a rectification measure to address a Shariah non-compliance event.

7. To provide disclosure in BPMB Group annual report on the following information:

    a) Shariah Committee's roles, responsibilities and accountabilities relating to Shariah governance and compliance in BPMB Group; and

    b) Shariah Committee's on the state of BPMB Group's compliance with Shariah based on Shariah non-compliance reports provided by Shariah review and Shariah audit.

8. To endorse the disclosed information in BPMB Group annual report that:

    a) All transactions for the reporting year are Shariah compliant;

    b) The allocation of profit and charging of losses relating to investment accounts, if any, are Shariah compliant;

    c) All earning(s) that are declared as Shariah non-compliant is to be derecognised and channelled to charity;

    d) The computation and distribution of zakat is in compliance with Shariah.

    e) Any other relevant information as may be required and necessary from time to time.

9. To uphold and observe corporate governance and compliance with the relevant legislation, rulings, regulations and guidelines issued by BNM and Securities Commission.

10. To provide a decision or advice to BPMB Group on the application of any rulings of the Shariah Advisory Council (SAC) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of BPMB Group.

11. To update the Board immediately on Shariah issues or matter that the Shariah Committee has reason to believe may affect the safety and soundness of BPMB Group and to recommend suitable measures to rectify such situation.

12. To constantly develop reasonable understanding of the business and operations of BPMB Group as well as knowledge on finance in general and Islamic finance in particular. In addition, Shariah Committee shall keep abreast with the relevant market and regulatory developments.

MEETINGS AND ATTENDANCE

The Shariah Committee meeting is conducted on monthly basis. Prior to the meetings, the notice, agenda and papers/proposals to be deliberated for each Shariah Committee meeting will be distributed to all members by the Group Shariah Management, which acts as the secretariat to the Shariah Committee.

During the financial year ended 31 December 2022, 14 Shariah Committee meetings have been conducted including special meeting. The meeting attendance of SC members are as follows:

Name of Shariah Committee Members	No. of Meetings and Attendance
Professor Dr Aznan Hasan (Chairman)	14/14
Dr Ahmad Basri Ibrahim	14/14
Ustaz Mohd Fadhly Md Yusoff	14/14
Professor Dr Zurina Shafii	14/14
Ustaz Lokmanulhakim Hussain*	6/6
Professor Dr Salina Kassim*	6/6
Associate Professor Dr Yasmin Hanani Mohd Safian*	6/6
Dr Syahnaz Sulaiman**	5/5

* *Newly appointed w.e.f. 20 July 2022*
** *Term ended w.e.f. 31 March 2022*

SECRETARIAT FUNCTION

a) Group Shariah Management is designated as the secretariat to the Shariah Committee and bears the responsibility of providing operational support for effective functioning of the Shariah Committee.

STATEMENT OF SHARIAH GOVERNANCE

b) Group Shariah Management is structured to carry two main roles and responsibilities:

Advisory & Zakat Management	Research & Secretariat
1. Responsible for providing Shariah advisory service to relevant stakeholders and entities within BPMB Group.	1. Responsible for performing in-depth Shariah research and studies on Shariah issues.
2. Responsible for supporting stakeholders on the Shariah aspects of Islamic finance business, based on the rulings and resolutions issued by BNM's SAC and Securities Commission's SAC, and advice, precedents and decisions of BPMB's Shariah Committee.	2. Responsible for serving as the secretariat to the Shariah Committee in undertaking related administrative matters such as coordinating meetings, compiling proposal papers and disseminating Shariah committee decisions to relevant stakeholders within the BPMB Group.
3. Responsible for providing advisory service on Shariah-related matters or products by conducting review process on relevant legal documentation and proposed transaction agreements, and the proposed policies, guidelines and procedures from internal stakeholders in order to ensure compliance with the approved Shariah principles and decisions.	3. Responsible for matters regarding the appointment/ reappointment/ cessation/ disqualification of the Shariah Committee and their trainings.
4. Responsible for the management, payment and distribution of business zakat in compliance with the established rulings to ensure efficiency and effectiveness of business zakat management and distribution.	

INTERNAL CONTROL FUNCTIONS

Group Risk Management

Guided by the Shariah Risk Management Guideline, the Bank has been continuously implementing measures in managing Shariah Non-Compliance Risk through execution of the relevant tools namely the Risk and Control Self-Assessment (RCSA), and Shariah Non-Compliance Event Reporting and Key Risk Indicators (KRI).

Group Risk Management continued to monitor the Bank's Key Risk Indicators (KRI), which includes the Shariah KRI comprising of 13 indicators; with five leading and eight lagging Shariah KRI.

There were no Shariah Non-Compliance events reported for financial year 2022. There was an internal Shariah Non-Compliance KRI triggered for six months during the financial year i.e. Number of Shariah related compliance and audit findings. The triggers were derived from the Compliance Review and Shariah Audit on their respective scopes. Tracking on the proper closure of the issues highlighted have been on-going and most issues had been completed within the agreed timeline. Notwithstanding, Group Risk Management via Operational and Shariah Risk Function will continue to enforce adequate and competent resources and controls to ensure that the Bank is compliant with Shariah requirements.

With regards to the initiatives undertaken on Shariah Risk awareness to all staff, specific e-learning had been initiated throughout the year, which include the following:

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

ii) E-Learning module on Operational Risk that also covers Shariah Risk Management.

Group Risk Management continues to develop e-learning programmes in enhancing the Shariah-compliant culture of the Bank.

Group Compliance

In line with the fundamental responsibilities of Compliance as outlined in BNM's Policy Documents on Shariah Governance and Compliance, the dedicated Compliance Review Unit within Group Compliance was established to undertake the function of compliance review including Shariah reviews. Comprising certified compliance officers and qualified Shariah officers, the unit aims to provide assurance to the Senior Management, Shariah Committee and Board of Directors on the state of Shariah compliance in BPMB Group.

The Shariah review function is performed systematically based on the Guideline and Procedure on Compliance Review Programme established by Group Compliance. These documents encompass, among others, the Compliance Review functions, governance structure and end-to-end processes of performing regular assessments on the compliance of the operations, business, affairs and activities of BPMB Group with Shariah requirements.

This structured process includes the planning of Shariah review activities, which is based on an annual plan approved by the relevant approving authority including the Shariah Committee. In developing the plan, Compliance Review Unit annually performs Compliance Review Risk-Based Assessment (CR-RBA) to ascertain the Shariah review subjects to be reviewed in the succeeding year. Subsequently, the outcome of Shariah review activities shall be reported periodically to the relevant internal committees including the Shariah Committee.

Group Internal Audit

The Group Internal Audit Function is responsible to ensure that a sound and effective internal control system for Shariah compliance is in place within the Bank. The Shariah Audit Section under Group Internal Audit is primarily responsible for providing independent assessment and objective assurance on the quality and effectiveness of the internal controls, risk management systems, governance processes as well as the overall compliance in the operations, business, affairs and activities with Shariah requirements.

Reporting independently to both the Board Audit Committee and the Shariah Committee, Group Internal Audit through Shariah Audit provides independent assurance on the effectiveness of internal control systems and related policies and procedures, implemented by the BPMB Group to govern the conduct of its Islamic financial business operations and activities. The scope of Shariah Audit is established in line with relevant Shariah-based policy documents issued by BNM, while conforming to the accepted auditing standards.

Evaluation on the Shariah governance, risk management, internal controls, and compliance with the Shariah rules and principles is carried out by adopting the Group Internal Audit's risk-based assessment methodology, which is aligned with the Institute of Internal Auditors' (IIA) Standards and relevant BNM regulations. Where appropriate, Shariah Audit provides recommendations for improvements and enhancements, and all papers are reported and presented to the Audit Issue Resolution Committee (AIRC), Shariah Committee (SC) and Board Audit Committee (BAC).

All Shariah audit reports had been presented to the Shariah Committee for deliberation. Group Internal Audit 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);
2. Shariah Audit on Disbursement and Account Management Functions;
3. Shariah Audit on Treasury Back Office Activities; and
4. Shariah Audit on Treasury Front Office Activities.

Please refer to Shariah Committee's Report of Audited Financial Statement (AFS) FYE 31 December 2022 on pages 146 to 151

STATEMENT OF INTERNAL CONTROL

The Statement of Internal Control establishes the key constructs, underpinning the Board's work, to apply the highest standards for the Group's financial management and reporting; and comply with all the applicable laws and regulations.

Such high standards of operational efficiency are achieved by delegating appropriate authority to distinct committees at the Management level, who collectively report back to the Board to ensure tangible and intangible risks are effectively and pro-actively managed throughout the organisation.

RESPONSIBILITY

The Board affirms its commitment to overall responsibility, and oversight of the BPMB Group's internal control system. The Board keeps abreast with the developments in the areas of risk and governance to ensure its effectiveness in safeguarding the stakeholders' interests and the Group's assets.

The Board recognises that internal controls and risk management systems need to be put in place and updated, from time to time, to align with the changes in business environment, and process improvement initiatives undertaken. The Board has established appropriate control structures, and processes in identifying, evaluating, monitoring, managing and responding to significant risks, faced by the Group, in order to achieve its business goals and objectives.

The Management is accountable to the Board, and is responsible for the effective implementation of the policies and procedures on risks and controls. Regular testing of the adequacy, effectiveness, efficiency and integrity of the internal control system, and its processes, are conducted to ensure its viability and robustness.

KEY INTERNAL CONTROL PROCESSES AND STRUCTURES

The key processes that the Board has established in reviewing the adequacy and effectiveness of the internal control system, include the following:

➨ Establish the Management's role with regard to internal controls

The roles of the Management include, but are not limited to:

- Identifying and evaluating the risks faced towards the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Monitoring the effectiveness of the implementation of the internal control system;
- Implementing remedial actions to address compliance deficiencies; and
- Reporting to the Board on any changes to the risks and the corrective actions taken in a timely manner.

➨ Internal Audit Function – Group Internal Audit (GIA)

The GIA undertakes periodic reviews of the Group's business and operations to provide independent reasonable assurance to the Board that the risk management, internal control systems and governance processes are adequate and effective. The GIA processes and activities are guided by the Audit Charter and governed by the relevant regulatory guidelines, Group's Code of Ethics and relevant guidance established under the International Professional Practices Framework by The Institute of Internal Auditors (IIA).

The audit engagements are carried out based on the annual audit plan as approved by the Board Audit Committee (BAC). In formulating the plan, GIA adopts a risk-based approach, which takes into account the regulatory requirements, the top emerging risks affecting the Group's business and operations, as well as consideration on feedback from the Management and Shariah Committee. The GIA assesses the selected auditable functions and areas, within the identified scope of audit related to the risk exposure, compliance with the approved policies, procedures, relevant laws and regulations; and benchmarks them against available best practices.

In evaluating the internal controls, the GIA adopts the five components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities.

COSO Internal Control Framework
Control Environment
Risk Assessment
Control Activities
Information & Communication
Monitoring Activities

The result of the audits conducted, including the risks and recommendations, are reported and presented to the BAC on regular basis. Resolutions of the audit findings are monitored and deliberated at the Audit Issue Resolution Committee (AIRC) and BAC meetings. The Shariah audit findings are presented to the Shariah Committee (SC) where any potential Shariah non-compliance (SNC) issues are deliberated and confirmed by the SC.

The GIA continues to enhance its capabilities through continuous improvement of its internal audit processes, benchmarking against the industry's standards, upskilling of the internal auditors through various internal and external trainings, certification of auditors and co-engagements with reputable third-party service providers when undertaking specific audit assignments.

Independent Role

To maintain the independence and objectivity of the audit role, the Chief Internal Auditor (CIA) reports directly to the Board Audit Committee and administratively to the Group Chief Executive Officer. The Group has established the AIRC, which comprise senior management representatives, chaired by the CIA.

Audit Issue Resolution Committee (AIRC)

The AIRC facilitates the BAC to discuss the findings and recommendations highlighted in audit reports and monitor the implementation of action plans to resolve the audit issues. Minutes of AIRC meetings together with the relevant audit reports are subsequently tabled to BAC.

Board Audit Committee (BAC)

The BAC is a board committee established to support the Board to ensure reliable and transparent financial reporting process within the Group as well as to oversee the effectiveness of the internal audit function. The BAC has active oversight on the GIA's independence, scope of work and resources. It also reviews and approves the annual audit plan and the frequency of internal audit activities. The BAC is chaired by an Independent Non-Executive Director of the Board.

OTHER INTERNAL CONTROL PROCESSES AND STRUCTURES

Other key elements of the internal control system established by the Board that provides effective governance and oversight internal controls include:

Group Organisational Structure

Management with Board oversight has established an organisational structure with clear reporting line, which enables the delegation of authority and responsibility within the Group. Implementation of the three line of defence model also strengthen the business and operational requirements to support the maintenance of a strong control environment.

Board Committees

Board is also supported by other board committees (other than the BAC), which include the Board Credit Committee (BCC), Board Nomination & Remuneration Committee (BNRC), Board Risk Management Committee (BRMC), Board Information Technology Committee (BITC) and Shariah Committee (SC). These committees have the authority (Terms of Reference) to examine all matters, within their scope, and report their recommendations to the Board.

Management Committees

Various Management Committees (Executive-level) are also established, by the Management, to assist and support the various Board Committees in overseeing core areas of business operations. These Committees include the Group Management Committee (GMC), Group Credit Committee (GCC), Management Risk Committee (MRC), Asset and Liability Committee (ALCO), Management Tender Committee (MTC), Management Information Technology Committee (MITC), Group Human Resource Committee (GHRC), Crisis Management Team (CMT) and Group Budget Working Committee (GBWC).

Business Plan and Performance Review

The Board deliberates and approves the annual business plan and budget for the financial year. Performance achievements are reviewed on monthly basis against the targeted results, allowing time for the appropriate responses and required remedial actions to be taken. The Board regularly reviews reports from the Management on the key operating statistics, as well as other pertinent matter such as legal and regulatory.

STATEMENT OF INTERNAL CONTROL

Policies, Standard Operating Procedures (SOPs) and Authority Limits

Policies and SOPs, governing the Group's businesses and operations, are documented and made available to all employees across the Group. These policies and SOPs, are reviewed and updated by the respective business and functional units, through a structured process of review to cater for the changes in laws and regulations, as well as to the changes in the business and operational environment.

Delegation of authority, including authorised limits at various levels of Management in the Group, are documented and designed to ensure accountability and responsibility.

Code of Ethics and Conduct

The Code of Ethics and Conduct (the Code) sets out the standards of good and ethical banking practices, and aims to maintain confidence in the security and integrity of the Group's business practices. The Code applies to all employees working in the Bank, complies with the laws of Malaysia, as well as all internal policies and procedures of the Bank. All employees of the Bank are expected to carry out business activities and represent the Group with the highest ethical, legal and professional standards.

RISK MANAGEMENT

BPMB's Risk Management is represented by Group Risk and Compliance (GRC) led by the Chief Risk & Compliance Officer (CRCO) and Group Credit Risk (GCR) led by the Chief Credit Officer (CCO). Together, these functions provide oversight and support of risk management on an enterprise-wide level, through the establishment of the Group's risk strategies, frameworks and policies, with independent assessment and monitoring of all risk challenges.

In 2022, Risk Management continued to support the Group in meeting its strategic and business objectives, as governed by the Board and Management oversight roles and responsibilities.

As Malaysia gradually emerged from the COVID-19 pandemic in 2022, BPMB continued to play an enhanced role in supporting the government's efforts to revive the economy and meeting the targets under the 12th Malaysia Plan. The focus mainly on high impact and strategic industries, regionally balanced growth as well as the sustainability agenda.

The shift to endemicity was effective 1 April 2022, and the massive policy support measures helped the economy to rebound strongly in 2022. As the bulk of support measures was put directly into the hand of consumers, economic growth was mainly driven by private consumption, which has rebounded to above pre-pandemic levels with other components of domestic demand remaining weak. Fixed investment was below pre-pandemic levels and although exports grew by double digits, the contribution to economic growth via net exports was also still below pre-pandemic levels.

The demand trend was clearly reflected on the performance of sectors. In general, all sectors recorded positive growth with the service sector experiencing a sharp rebound driven by the pick-up in consumer spending further supported by the manufacturing sector that had fully recovered from pandemic lows.

For 2023, economic recovery is expected to continue, albeit at a much slower pace, in line with the long term economic trend and potential growth, roughly 4% to 5%, as pent-up demand normalises. While the economy started the year 2023 with a stronger-than-expected growth (5.6%), we expect growth to decelerate thereafter in the absence of big stimulus to encourage consumer spending and the expected slowdown in external demand in view of China's relapse, as well as the onset of recession in developed countries.

a. Downside Risks

Given the structure and likely trend for the Malaysian economy in 2023, it would be more susceptible to external factors as policy support may have reached its limits. The global economic performance is increasingly subjected to downside risks mainly on rising uncertainties on inflation and policy response along with its effectiveness. As such, the risks to economic performance are mainly tilted to the downside, namely;

- Inflation trajectory and policy response in major developed countries. The US Federal Reserve and other key central banks have reaffirmed their stance on fighting inflation that remains at multi-decade highs even if that will push their economies into recession. That said, it was also clear that the central banks are also wary over the likely huge economic loss as a result of policy errors. That uncertainty caused much volatility in the financial markets and negative implications on emerging markets exchange rates including the Malaysian Ringgit.
- China's recovery is still not materialising despite stimulus. Latest data showed that the economy continues to lose steam after it moved towards endemicity in December 2022. The government had hinted of economic stimulus to jumpstart the economy, however, it has yet to be announced. The slow policy response and the likely insufficient stimulus might not be able to arrest the slide in the economy, which is being dragged down by rising debt levels. China's economic slump poses major risk to the Malaysian economy.
- Geopolitical risks remains with the continuing Russia-Ukraine war and escalating US-China tensions that persists into 2023, which casts greater uncertainty. The conflicts coincide with the impending sharp downturn in global economy led by the US and China tensions that have threatened to cause greater risk exposure in capital flows, trade and commodity markets.
- Given these uncertainties, businesses may continue to hold back on making new investments.

RISK MANAGEMENT

b. Other risks

- While sustainable and ESG-conscient efforts are highly encouraged for corporates and Small Medium Enterprises (SMEs) alike, greenwashing risks, which involve selective disclosure where companies embellish information related to positive environmental performance, or conceal data about its negative environmental impact, remains prevalent. Such practices, if not addressed, affects institutional credibility in the long term.
- Malaysia's ambition to achieve carbon neutrality by 2050 highlights a progressive position relative to other ASEAN countries. However, this ambition should be complemented with a swift and concentrated mindset, transforming interventions by the government, corporates and local authorities in order to transition to a low carbon economy that is embraced by society as a whole for it to succeed.

Risk Management ensures that the portfolios are aligned with the risk appetite and business strategies of the Bank where risk management frameworks are constantly reviewed to be forward-looking in order to remain risk resilient.

INITIATIVES UNDERTAKEN TO REDUCE RISKS CREATED BY THE PANDEMIC

Functions/Unit	Initiatives
Credit Risk	• The Bank had provided 45 customers with moratorium assistance packages while continuously assessing and monitoring them for additional assistance to help ride out the storm. As these relief measures came to their respective ends from December 2021 to June 2022, a surge in Restructuring and Rescheduling (R&R) requests had been observed. The Bank had taken up steps to vigilantly monitor and scrutinise watch accounts and, where appropriate, further assistance had been provided to viable customers that included extending payment moratoriums, providing additional grace period and/or R&R of facilities. This was in view that the downside risk linked to the pandemic remains, and economic activities are only expected to fully recover beyond 2022. Recovery across sectors continue to be uneven with sectors characterised by personal interaction requiring longer period for full scale recovery (i.e. hospitality, retail real estate assets, tourism, automotive and property sectors).
Operational & Shariah Risk	• The BPMB Group had performed capability and capacity upgrades for IT-related infrastructure and its subscribed services to cater for flexible working needs. • Strengthened guidelines and procedures to support operational activities if the need to activate the Business Continuity Plan (BCP) arises. • Rationalisation of BPMB Group's recovery strategy to ensure smooth business operations and effective business continuity capabilities post BPMB's and Danajamin Nasional Berhad's merger. • BPMB had proactively addressed emerging threats and enhanced the cybersecurity control through the establishment of a Security Operation Center (SOC). This dedicated service allows BPMB to monitor, detect, and respond to potential cyber risks effectively, particularly post pandemic, since technology has become more pervasive and integral to daily business life.
Credit Policy & Portfolio Management	• Strict monitoring on selected portfolio (i.e., pre-watchlist, adversely affected sectors, major customer groups etc.). • Scrutinise the portfolio for any warning signals and triggers from internal data and external news affecting BPMB Group's customers. • Managing the portfolio exposure. Particularly customers with high undrawn amounts as well as High-Risk Accounts (HRA) to prevent potential new impairments and/or credit downgrades.
Market Risk	• Close monitoring on Early Warning Indicator (EWI) and Mark to Market (MTM) metrics. • Inclusion of Liquidity Coverage Ratio (LCR) stress tests along with forecast simulations in the monthly Asset and Liability report.

1. GROUP GOVERNANCE & RISK MANAGEMENT FRAMEWORK (GROUP GRM FRAMEWORK)

An effective risk management framework and process assists to reinforce a strong risk culture, which in turn is critical to ensuring sound risk management for the Group. The overall structure of the Risk Management Framework is shown below:

Building Blocks	
Risk Principles	Risk Appetite and Strategy
Governance and Risk Oversight	Risk and Compliance Culture
Risk Management Processes and Practices	Resources and System Infrastructure

2. RISK MANAGEMENT PRINCIPLES

Risk management is a management process that stimulates the cost-effective accomplishment of the organisation's objectives, and the purpose of risk management is the creation and protection of value. BPMB risk management principles are guided by the following eight principles.

01 Integrated
The organisation integrates risk management in all of its activities.

02 Structured and Comprehensive
Risk management is anchored on a structured and comprehensive approach.

03 Customised
Risk management is linked to the organisational objectives and is tailored to fit the organisation's context.

04 Inclusive
Risk management includes the necessary stakeholders and takes into account their knowledge, views and perceptions.

05 Dynamic
Cognisant that both internal and external changes happen, risk management is able to detect and dynamically respond to those changes appropriately.

06 Best Available Information
Risk management accounts for any limitations and uncertainties regarding the historical and current information as well as future expectations.

07 Human and Cultural Factors
Both human behaviour and culture heavily influence risk management, therefore, these two characteristics are taken into account in all aspects of risk management.

08 Continuous Improvement
The organisation's risk management is constantly reviewed and improved.

RISK MANAGEMENT

3. RISK MANAGEMENT PROCESSES AND PRACTICES

Risk Management has put in place a structured and coherent approach in identifying, assessing and strategically managing the identified risks through its annual Risk Plan. These include:

i. Driving sustainable and quality asset growth – through effective risk management, managing asset growth and reducing impairments;
ii. Delivering client convenience and reliability – by intensifying client focus through engagement with the Board, Senior Management and business pillars, and through internal customer service excellence, including the timely delivery of credit risk rating reports produced for new proposals and credit review proposals as well as credit portfolio and market risk assessments for Treasury/Finance initiatives;
iii. Ensuring effective and efficient risk governance as well as oversight – by promoting a risk awareness culture and strengthening the lines of defence through the Group GRM Framework along with group wide implementation of the risk governance process, monitoring and reporting;
iv. Improving business and support processes – by having strong infrastructure in place to support operations;
v. Strengthening execution infrastructure – by either strengthening and/or streamlining capacity and capabilities of existing Risk units; and
vi. Building organisational capabilities by:

- creating a group-wide performance culture;
- strengthening execution capabilities;
- establishing highly effective performance and talent management processes;
- assembling/building a leadership pool and pipeline to realise the Bank's aspirations;
- increasing external recruitment to increase the talent pool;
- training employees to increase risk awareness and understanding of risk management; and
- adopting a 'risk aware' and 'compliance culture' as part of the organisational work culture.

An overview of the Risk Management Process is depicted below:

➨ 3.1 Establish Risk Context

All Risk Management function heads (Heads) must first establish a clear and well-defined risk context by taking into consideration the following factors:

a. **External Context** – Define the relationship between their own functions and BPMB's business and operational environment, by identifying or determining the crucial elements that may support or impair their ability to manage their own risks, such as regulatory and market conditions; and economic, environmental and social elements.

b. **Internal Context** – Understand their functions, capacities and capabilities (i.e. the strengths/weaknesses/threats/opportunities of staff, processes and systems), as well as their own business objectives, risk strategies and risk culture.

c. **Risk Management Context** – Establish their risk management approach; i.e. define their own scope of risk assessment and evaluation criteria, define or set their own respective risk appetite and risk tolerance limits, including their risk acceptability, risk avoidance and risk mitigation.

➨ 3.2 Risk Identification

All Heads must put in place demonstrable processes and procedures to ensure that risks are promptly identified, and to also incorporate Key Risk Indicators (KRIs) to trigger possible future risks (i.e. emerging risks) and/or to anticipate unpredictable risks, to ensure no significant risks are being overlooked.

➨ 3.3 Risk Analysis or Assessment

All Heads are to provide data to assist in the evaluation and treatment of their risks. This involves the identification of the sources of risk, the consequences (or impact) and the likelihood that these consequences may occur. Each Head is also to document the qualitative and/or quantitative measures of their likelihood and/or expected impact. Risk is analysed by combining estimates of consequences (impact) and likelihood of occurrence in the context of existing control measures in place.

➨ 3.4 Risk Evaluation or Measurement

a. The level of risk found during the analysis or assessment, needs to be compared with the previously established risk criteria of the department or unit. This will result in a prioritised list of risks for further action by each Head.

b. Identified risks should be monitored, and regularly reviewed, to ensure they remain adequately controlled or mitigated.

c. It is also advisable for all Heads to document their own business continuity management plan(s) and embed the plan(s) within their teams to ensure any severe disruptions in their operating infrastructure, can be properly managed and addressed.

➨ 3.5 Risk Treatment or Mitigation

Each Head is to identify the appropriate options for treating or mitigating their risks and document these options within their own risk procedure.

Each option is to be assessed and properly documented. Each Head must ensure any residual risks are within their acceptable threshold.

➨ 3.6 Risk Communication and Consultation

Each Head is to clearly, and continuously, communicate their risk management process to all who have roles and responsibilities within it to ensure staff understand why certain actions are required. This communication process must be clearly documented.

➨ 3.7 Risk Monitoring and Review

Each Head is to document the required proactive monitoring process, of their risk treatment or action plans, to ensure they remain relevant. Any resultant loss (actual or expected/near-miss or potential) is to be computed and documented accordingly. Each Head is to also ensure that their risk management process is reviewed on a regular basis (at least annually) to determine its effectiveness, including identification of new risks and/or opportunities, as they emerge.

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4. RISK APPETITE AND STRATEGY

Risk appetite is a critical component that forms part of the robust Group GRM Framework, and is driven by both top-down Board leadership and bottom-up involvement of management and staff at all levels. It enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that the Group is willing to accept, in pursuit of its business goals. The risk appetite is integrated into the strategic planning process and remains dynamic and responsive to changing business and market conditions.

- to ensure enterprise-wide risks are within acceptable and manageable levels
- a best-practice approach to addressing these requirements

Risk Appetite Statement (RAS)

To address fundamental questions with respect to strategy, risk management, and operations. Implemented through a risk appetite framework, which includes the common language, policies, processes, systems, and tools used to establish, communicate and monitor risk appetite.

A well-developed RAS has the following attributes:	
1. A key element of the overall RM framework	2. Aligned with the business strategy and expressed using quantitative risk tolerances
3. Reinforces the organisation's desired risk culture	4. Produces better risk-adjusted business performance

RISK APPETITE STATEMENT AND TOLERANCE LEVEL (RASTL)

The Bank's RASTL can be defined as below:

i. The Bank's willingness and ability to take risks (Risk Capacity) to achieve its strategic objectives, while considering, a longer-term view on the Bank's continuing ability to meet its obligations towards stakeholders and shareholders; and

ii. The Bank's acceptable tolerance limits, around specific risks, in executing its business strategies, risk preferences for any significant activities of the Bank, and is consistent with the available skills and resources in managing, and monitoring the risks exposure within the Bank.

The extent of these exposures has taken into consideration the various quantitative financial metrics and non-financial parameters. Proper governance and reporting of these risks shall be adhered to, and escalated to further support an informed decision-making process. It draws the line between acceptable and unacceptable risks within the Bank's capacity. Therefore, the Risk Appetite Statements is reflective of the Bank's operating environment, strategy, business plans and shareholder expectations. It should be dynamic and set within a specific timeframe.

The RASTL primary objectives are:

i. Protecting and creating value for the business

Assist Senior Management and Board of Directors (the Board) in making informed decisions to maximise the risk-adjusted return for the shareholder and to provide guidance in the strategy development and business plans of the Bank (such as new funds development, pricing strategies, credit risk mitigation for selective strategic lending relationships, availability of relevant technology or support systems, relevant skills requirements and resource planning).

ii. Integrating into business strategies and risk culture

Assist Senior Management and Heads of Division/Department with their respective risk monitoring/tracking activities, implementing appropriate risk mitigation plans, facilitate timely action plans once the Management Action Trigger (MAT) is breached and, if needed, expedite further remedial actions once the Tolerance Limit is breached. All while adhering to appropriate escalation (or reporting) to the Board and Senior Management.

iii. Ensuring consistency between risk appetite statements and risk tolerance or limit

Assist Senior Management and Board to properly align the risk appetite with the risk tolerance or limits for respective risk areas, within the Bank's business activities and operations.

The Statements shall be reviewed regularly, at least annually, to ensure it continues to be relevant and responsive to changes in the Bank's business directions and activities, operating environment and overall risk profile.

The risk appetite serves as a foundation for the Group's risk culture and sets out the principles and policies to guide business activities and decision-making processes towards achieving an optimal balance between risk and return.

The articulation of the risk appetite is done through a set of risk appetite statements which includes a comprehensive view of all material risks to the Group as follows:

Risk Appetite Categories	Risk Areas
Capital Adequacy	• Risk-Weighted Capital Ratio (RWCR)
Credit	• Loan/Financing Asset Quality – Weighted Average Probability of Default (WAPOD) • Loan/Financing Asset Quality – Economic Capital Allocation (ECA) • Loan/Financing Asset Quality – Threshold for the Supported portfolio • Gross Impaired Loan Ratio (GIL) • Interbank Placement – Counterparty Limit
Liquidity	• Bank Negara Malaysia (BNM) New Liquidity Framework (NLF) • BNM Liquidity Coverage Ratio (LCR) • BNM Net Stable Funding Ratio (NSFR)
Market Risk	• Earnings-at-Risk (EaR) • Economic Value of Equity (EVE) • Investment Securities Credit Ratings • Mark to Market (MTM)
Operational Risk	• Operational Loss • Shariah Non-Compliance (SNC) • Fraud
Strategic	• Debt Rating • Climate Change - (CCPT)

5. PRINCIPAL RISKS

BPMB is exposed to, but not limited to, the following principal risks:

Principal Risks	
Credit Risk	Concentration Risk
Operational Risk	Market Risk
Liquidity Risk	Technology and Cyber Risk
Reputational Risk	Strategic Risk
Regulatory Risk	Disease Outbreak Risk
Shariah Non-Compliance Risk	Subsidiary Risk
Climate Change Risk	

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The respective principal risks are briefly described as follows:

Risk	Description
Credit Risk	Risks arising from the following: a. **Default risk** – risk arising from the inability or unwillingness of a counterparty to discharge its repayment/payment contractual obligations; b. **Downgrade risk** – risk that changes in the possibility of a future default by a counterparty will adversely affect the present value of the contract with the counterparty today; and c. **Settlement risk** – risk arising from the lag between the value and settlement dates of securities or financial instruments transactions.
Concentration Risk	Risks arising from the following: a. **Concentration on assets portfolios** – risk of losses associated with inadequate diversification of assets portfolios. b. **Concentration on business portfolio** – risk of financial loss due to having written large proportions of business in the same or similar risk profile (e.g. sector, customer groups).
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards.
Market Risk	Risk of losses in on-and-off balance sheet positions arising from the movements in market prices caused by the changes in market risk factors, such as interest rates/profit rate, investment securities prices, foreign exchange rates etc. Market Risk exposures: a. **Interest Rate Risk/Profit Rate Risk** – exposure of a bank's financial condition to adverse movements in interest rate/profit rate. b. **Foreign Exchange Risk** – the risk of loss of earnings arising from adverse changes in foreign exchange rates. c. **Equity Risk** – the risk of loss due to adverse changes in the value of equity index and/or individual equity investments. d. **Commodity Risk** – risk of financial losses due to the fluctuation in prices of commodities e.g. gas, metal, grains etc.
Technology Risk	Risk emanating from the use of information and communication technology. These risks arise from failures or breaches of technology systems, applications, platforms, infrastructure, and services which could result in financial loss, disruption in financial services or operations, or reputational harm to the BPMB Group. The sub-categories of technology risk can be defined as follows: a. **IT Risk** – risk associated with the use, ownership, operation, involvement, influence, and adoption of IT within BPMB Group. It consists of IT-related events and conditions that could potentially affect business operations. IT risks are commonly related to IT infrastructure, operations, and management; b. **Information Security (IS) Risk** – risk associated with an application system when it is unable to preserve the integrity, confidentiality and availability of the information stored, as well as risk related to the relevance of an application system to BPMB Group; and c. **Cyber Risk** – risk associated with exposure or losses, resulting from digital incidents caused by internal, external or third parties including theft, compromised integrity and/or damage to information and/or technology assets, internal or external fraud and business disruption. Cyber risk includes cyber-crime, cyber-terrorism, accidental loss of confidential data, as well as liability for BPMB Group's online activities.

Risk	Description
Liquidity Risk	Risk that the BPMB Group will be unable to secure necessary funding, due to deteriorating financial conditions or a similar reason, and will, therefore be unable to meet cash flow requirements, or that it will suffer a loss because it is compelled to pay interest rates/profit rates significantly higher than normal rates to secure funding.
Reputational Risk	The potential loss to financial capital, social capital and/or market share resulting from damages to the BPMB Group's brand or reputation.
Strategic Risk	Risk that BPMB Group's business strategy is derailed, or that it is unable to implement or execute its strategy that shall adversely impact the production and profitability of the business going forward.
Regulatory Risk	Risk that unanticipated new or change of acts, and/or regulations, will require changing business practices that may lead to financial loss to BPMB Group.
Disease Outbreak Risk	Refers to the threat of epidemics of infectious diseases that have spread through the human population across a large region (or over several countries or continents), e.g. COVID-19, MERS-CoV, SARS, Influenza.
Shariah Non-Compliance Risk	Risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which BPMB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (SAC), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA and Section 33E(1) of the DFIA, or decisions or advice of the Shariah Committee.
Subsidiary Risk	The risk assumed by BPMB Group's subsidiaries, which may have a direct or indirect, financial or non-financial impact to the BPMB Group. It may be peculiar/pertinent and exclusive to each subsidiary. The risks may include credit risk, operational risk, market risk, capital risk, investment risk, reputational risk etc. However, the list is non-exhaustive.
Climate Change Risk	Climate change can be described as significant long-term change in the expected patterns of average weather of a region (or the entire planet) over a significant period of time. Climate Change Risk is generally categorised as: a. **Physical risk** – Arises from climate-related events that damage property, reduces productivity, and disrupts trade. Physical risks directly impact the continuity of business operations and economic activities, which in turn increases credit risk to financial institutions when revenue generating capacity and creditworthiness of borrowers are materially impacted. Physical risk also impacts collateral value, where assets, pledged as collateral to the Bank, could be destroyed or significantly damaged by climate events, impacting the recovery value. These risks are rarely well accounted for by banks, resulting in under-pricing risks of such climate-related occurrences. b. **Transition risk** – Arises from transitioning to a lower-carbon economy which may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. The changes in the legal/regulatory frameworks (e.g. disclosure requirement, implementation of carbon pricing), technological advancements (e.g. reducing cost of renewable energy) or consumer sentiments (e.g. certification scheme, fossil fuel divestment campaign) may translate into financial and/or reputational risk to financial institutions. c. **Liability risk** – Refers to a client seeking compensation for losses they may have suffered as a result of physical or transitional risks related to climate change. Liability risk is generally more applicable to Insurers and Takaful operators.

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6. IMMEDIATE RISKS

Identifying and monitoring top, and immediate risks, are integral to the Group's approach to risk management. The identification and prioritisation of key risks, facing the Group, is critical in proactively planning for a holistic management of these risks. Some of the key concerns for the Group are:

a. Regulatory Changes and Requirements

An evolving landscape of regulatory requirements means that governments and regulators in numerous jurisdictions are expected to continue to develop and introduce regulations which may impose new requirements, including but not limited to, the areas of capital and liquidity management, corporate structures, conduct of business, corporate governance, and operational risks.

b. Concentration Risk and Connected Lending

Concentration risk continues to be one of the Bank's major concerns due to our local market approach and the limitation in providing financing/credits towards our mandated role and the business sector. The Bank is monitoring concentration risk via Single customer Limit/Single Counterparty Exposure Limit and Sector Limits which encompasses both Mandated Sectors as well as BPMB Industrial Sectors.

In addition, the adoption of Connected Parties Limit is also carried out to ensure that connected parties, by virtue of their position that could potentially exert influence over the Bank, do not inappropriately benefit from such transactions to the detriment of the Bank.

c. Cyber Security and Data Confidentiality

The increasing frequency and severity of cyber incidents including data breaches in recent years point to growing cyber security risks. As technologies evolve and become increasingly pivotal in our operations, managing and maintaining a combination of IT as well as information systems have become the main concern of the Board and Senior Management towards ensuring resiliency of the Bank's operations against cyber threats.

As part of our approach in addressing data security risks and vulnerabilities, continuous assessment and heightening of cyber security controls have improved our cyber perimeter defence capabilities in protecting the Bank's IT infrastructure and systems from intruders while preserving the confidentiality, integrity and availability of the Bank's information. In line with the new cyber security requirements enforced by the regulators, the Bank has continuously enhanced our cyber security control measures (e.g. secured network access, endpoint security protection, advanced persistent threat, security incident and event management capability and data loss prevention solutions) to ensure a robust technology infrastructure along with the necessary detective and preventive measures.

d. Movement in Interest/Profit Rates

Any interest rate movement will have an impact on the margins of the Bank's asset and liability portfolio. However, the interest/profit rate risk is managed within the Bank's risk appetite with well-established controls.

e. Data

Modern techniques of risk management, involve the estimation of probabilities of default and loss-given-default on customers' financing portfolio. The Bank will continuously ensure that, in line with this philosophy, accurate data is maintained for Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) estimation.

f. Changes in Market Structure and Growing Competition

Changes in the financial market structure such as privatisation, increased entry by commercial banks and financial innovations have significantly altered the competitive landscape faced by BPMB. Commercial banks intensify competition by supplying access to cheaper financing. Their competitive advantages are often enhanced by greater operating efficiency and better technology.

This competition leads to an erosion in pricing power (i.e. less ability to lower deposit rates and raise financing rates) that reduces earnings and increases the incentives for risk-taking on the part of the banks with competitive pressures possibly leading to mispricing. That said, the competition can also enhance financial stability, by raising the acceptable risk management standards amongst banks.

Improvements in measuring expected and unexpected losses, are also needed in order to increase the use of risk-based pricing.

g. Shariah Non-Compliance

Shariah non-compliance risk, as defined by BNM in its Policy Document of Shariah Governance (2019), is the risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which the Bank may suffer, arising from failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM or decisions or advice by the Shariah Committee.

The Bank has established relevant policies for a sound Shariah governance framework to facilitate strict adherence to regulatory and Shariah requirements. More training and awareness sessions in Shariah risk-related matters, were organised for BPMB staff, to ensure staff were equipped with adequate knowledge to be applied in business operations.

h. Reputation

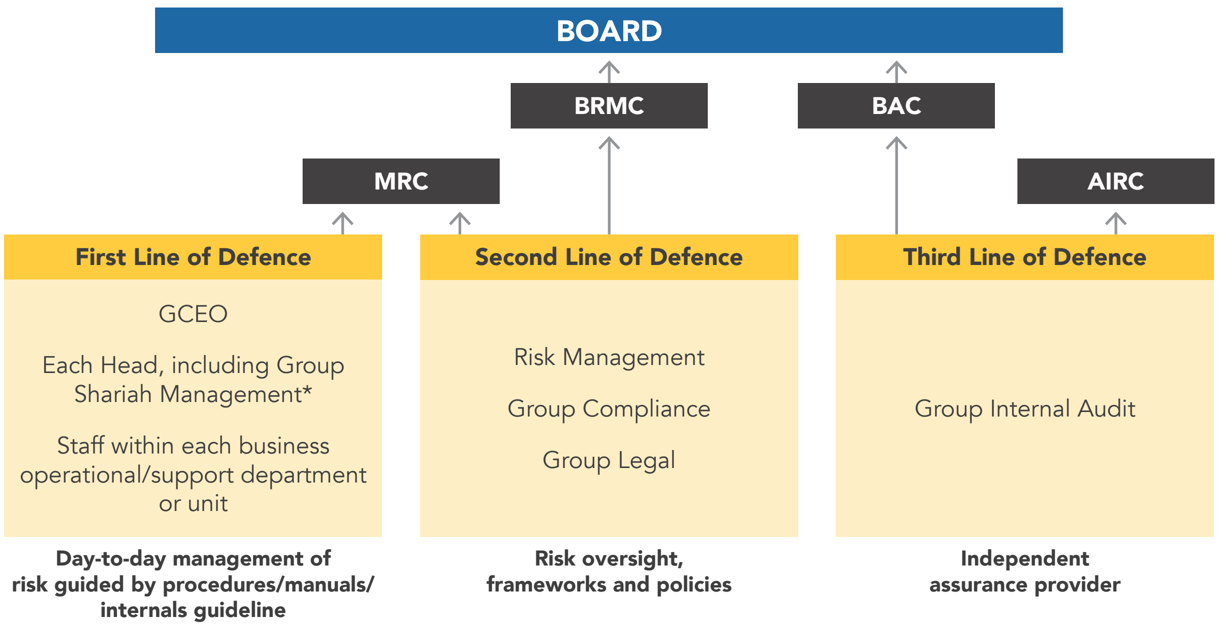
Upholding the Bank's good reputation is of paramount importance, particularly as we are undergoing a strategic transformation process. Embracing a strong risk and compliance culture is pertinent for all Bank employees as this will help to guide and encourage all staff to discharge their duties with integrity and, in doing so, help protect the Bank's reputation. The Bank ensures that awareness programmes for all staff are conducted periodically.

i. Climate Change

As part of the Bank's Measuring Impact on National Development (MIND) framework, management continues to identify climate change risk as part of the impact assessment under SDG13 – Climate Change. Climate change risk refers to risk resulting from the effects of global warming.

7. GOVERNANCE AND RISK OVERSIGHT

The Group adopts the "Three Lines of Defence" model in managing risk, placing accountability and ownership of the business process across distinct functions and ensuring an appropriate level of independence and segregation of duties. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.



* Group Shariah Management, and all Shariah related matters, are further guided by BPMB Policy on Shariah Governance

RISK MANAGEMENT

BPMB'S LINE OF DEFENCES

The governance structure and its roles/responsibilities follow the 'Three Lines of Defence Model' concept which is structured to help explain the relationship of various functions in an organisation and how responsibilities differ.

Line of Defence	Description
1st *(broadly referred to as 'risk owners/manager')*	Functions that own and manage risks • These functions are responsible for risk management processes including identifying, assessing, mitigating, treating and monitoring risks to ensure BPMB's corporate objectives are met. • These functions, being risk owners, should have the relevant skillset, knowledge, experience and authority to operate relevant policies and risk mitigation procedures.
2nd *(broadly referred to as 'risk control functions')*	Functions, involved in compliance and overseeing management and compliance of risks, are as follows: i. Ensure the risk management framework is in place and adequately supported with tools for effectiveness. ii. Provide and develop enterprise risk policies and frameworks, tools and support to enable risk and compliance to be managed by the 1st line. iii. Provide independent challenge to risk management conducted by the 1st line and risk monitoring. These functions, though independent from risk owners/operations, support the 1st line and conduct oversight to ensure compliance to the relevant regulatory requirements, policies and procedures, as well as to ascertain effectiveness of risk management by the 1st line. These functions have independent reporting lines from the 1st line.
3rd *(broadly referred to as 'risk assurance')*	Functions that provide independent assurance • Responsible for an independent review of the risk management framework and its operationalisation. • Conduct activities to provide risk assurance enabling operating effectiveness between the 1st and 2nd lines of defence.

The following illustrates the Risk Management Governance structure adopted by the Bank, which is guided by BNM's Risk Governance Policy, Guidelines on Corporate Governance for Development Financial Institutions and the Shariah Governance Policy Document.

BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for the sound and prudent management of the Group. This includes responsibility for risk oversight and ensuring appropriate risk management frameworks and policies are established and implemented accordingly for the various categories of risk exposures within the Group.

Board-Level Committees	
Board Risk Management Committee (BRMC)	The BRMC is a Board-level committee, responsible for overseeing the Group's risks. It is, primarily, responsible for the oversight of Senior Management's activities in managing the key risk areas of the Group, and to ensure the appropriate risk management infrastructure, resources and processes are in place and functioning effectively.
Board Credit Committee (BCC)	The BCC is tasked by the Board to review financing approvals and the credit risk portfolio.
Board Nomination & Remuneration Committee (BNRC)	The BNRC is appointed to oversee the establishment and implementation of remuneration policies and structures. This includes ensuring such policies and structures do not induce excessive risk-taking yet are able to reinforce prudent risk-taking.

Board-Level Committees	
Board Audit Committee (BAC)	The BAC provides independent oversight by reviewing the financial conditions of the Bank and its financial reporting processes as well as internal controls while ensuring checks and balances within BPMB Group are adequate. This includes reviewing performance and internal auditor findings and to recommend appropriate remedial action, regularly.
Board Information Technology Committee (BITC)	The BITC has oversight function on the implementation of technology-related strategies and initiatives of the Bank and ensuring that the management of technology risk is embedded within the overall risk management framework.

Shariah Committees
The Shariah Committee reports directly to the Board and undertakes a fundamental role in ensuring the Group's compliance with Shariah requirements. The Shariah Committee is responsible for deliberating and providing decisions, views and advice on Shariah matters/issues, as well as Shariah compliance oversight on the Group's Islamic business operations/activities.

Management-Level Committees	
Management Risk Committee (MRC)	The MRC is a Management-level committee responsible for the management of all material risks within the Group.
Asset and Liability Committee (ALCO)	The primary objective of the ALCO is to perform primary oversight function and deliberate key issues related to asset and liability management, market, liquidity and capital risk.
Group Credit Committee (GCC)	The GCC forms part of the risk governance for managing credit/investment risks within the Group. The committee is empowered to approve credit/investment related proposals which fall within their authority.
Group Management Committee (GMC)	The responsibilities of GMC include, but not limited to, approving, reviewing, advising, guiding and making recommendations (where applicable) to the Board of Directors (the Board) of each company for consent, concurrence or approval on: a. Implementation and enforcement of business strategies, directives, action plans and budgeting in line with the mandated roles; b. General management issues related to operational policies, guidelines, procedures, controls and systems; c. Direct Corporate Investment in subsidiaries and associate companies; d. Other operational issues (including, but not limited to, IT, Human Resources, Public Relations, Marketing, Advertisements, etc.); e. Any other areas, as determined by the Group Chief Executive Officer, from time to time.
Audit Issue Resolution Committee (AIRC)	The objective of the AIRC shall be to facilitate Board Audit Committee (BAC) to discuss the findings and recommendations of the internal auditors and where necessary, to monitor the execution and implementation of all the necessary action plans including the recommendations made by BAC, are undertaken by Management.

To ensure that risk governance remains strong and relevant, Risk Management continues to embed robust risk governance and accountability within the Group. It also ensures adherence to dynamic global and local regulatory requirements as well as risk management practices across the Group.

RISK MANAGEMENT

8. RISK AND COMPLIANCE CULTURE

The risk and compliance culture of the Group, permeates all levels of business and activities within the Bank, as it is driven from the top, and complemented with the tone from the middle. As an essential building block for effective risk governance, this culture is continuously promoted to ensure that it is embraced and exhibited in the behaviour of each individual within the organisation.

The Group strives to instil a compliance culture where the Board, Senior Management and all employees of the Group are committed to adhere to relevant laws, rules, regulations and regulatory guidelines. The Group's commitment is clearly demonstrated through the establishment of strong compliance policies and guidelines (as further detailed in this section) to ensure that the Group's non-compliance risks are effectively managed. Part of these efforts include the implementation of an Anti-Bribery and Corruption (ABC) Policy, which encompasses procedures, risk assessments, due diligence on clients, customers, business associates and third parties, as well as an employee training programme. Such measures help lower potential costs arising from regulatory penalties, as well as protect the Group's integrity and reputation.

➨ Compliance Policy Statement

The BPMB Group is committed to complying with all applicable laws, regulations, and internal requirements, as well as professional and industry standards. The Compliance Policy provides key principles and guidelines for managing compliance risk within the BPMB Group. It serves as a guide for the Compliance function, the Board of Directors, Senior Management, and all employees across all business lines and functions to understand and manage compliance risk. The Compliance Policy is adopted and implemented by operating entities throughout the BPMB Group. In general, it outlines:

- The overarching principles for managing compliance risk across the BPMB Group.
- The overall strategy for managing compliance risk to ensure consistency in practices across the BPMB Group in meeting regulatory and legal obligations.
- The minimum expected standards for compliance risk management.
- The roles and responsibilities of compliance risk management across the BPMB Group.

➨ Anti-Bribery and Corruption Policy Statement

Bank Pembangunan Malaysia Berhad and its subsidiaries, collectively known as the BPMB Group, are committed to conducting our business dealings with integrity. The BPMB Group is dedicated to fight all forms of bribery and corruption by adopting a zero-tolerance approach. Furthermore, the BPMB Group complies with the Malaysian Anti-Corruption Commission Act 2009, as well as other relevant laws and regulations, to promote integrity, transparency, and good governance.

➨ Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions (AML/CFT/TFS) Policy Statement

The BPMB Group is committed to economic sanction compliance and combating money laundering, the financing of terrorism, as well as corruption, while ensuring compliance with applicable laws and regulations. AML/CFT/TFS risks are managed to protect the BPMB Group's integrity and reputation. The BPMB Group has established written policies and procedures, internal controls, independent testing and auditing, an ongoing training programme, and reporting and record-keeping as part of its control measures to anticipate, prevent, detect, and respond to money laundering, terrorist financing, sanctions, as well as corruption risk.

The Group sees good risk culture as consistently supporting appropriate risk awareness, behaviours and judgements about risk taking within a strong risk governance framework. It further bolsters effective risk management, promotes appropriate risk taking, and ensures that emerging risks or risk-taking activities beyond risk appetite are recognised, assessed, escalated, and addressed. In all, the Group believes good risk culture should emphasise the importance of ensuring that:

- An appropriate risk reward balance consistent with risk appetite is achieved when taking on risks;
- An effective system of controls, commensurate with the scale and complexity of the organisation, is in place;
- The quality of risk models, data accuracy, capability of available tools to measure risks, and justifications for risk taking can be challenged;
- All limit breaches, deviations from established policies, and operational incidents are investigated with proportionate consequence management when necessary.

9. STRESS TEST

The Group's Stress Test is conducted on a periodic basis as part of the risk management process. It serves as a forward-looking tool to facilitate the understanding of risk, based on current portfolios, that may arise due to various economic, political and/or environmental factors commensurate with the nature, size and complexity of the Group's business operations and risk profile. The Group's stress test scope and coverage includes on-and-off-balance sheet exposures (i.e. commitments, guarantees and contingent liabilities).

10. ACHIEVEMENTS/IMPROVEMENT FOR 2022

In 2022, Risk Management succeeded in completing the following initiatives:

Credit Risk

a. Implementation of customer selection criteria and risk acceptance criteria for non-investment grade commercial financing

b. Consolidation and enhancement of Credit Risk Management Policy

c. Enhancement of credit risk assessment process for origination and credit reviews

d. Embarked on Risk-Based Pricing project

e. Establishment of additional risk controls as embedded in Credit Operation Guide

f. Enhancement of governance as embedded in Delegated Authority for credit administrative matters

g. Establishment of Portfolio Credit Review Committee to identify emerging risks of existing accounts and implement appropriate strategies to maintain asset quality

h. Incorporation of additional credit risk controls in product policy and guideline

Market Risk

a. Review of Asset and Liability Committee (ALCO) Terms of Reference

b. Inclusion of MTM Impact Assessment to Capital and Liquidity Risk Management

c. Enhancement of Contingency Funding Plan (CFP)

d. Evaluation of the Application of Contingency Funding Plan (CFP) Countermeasures

e. Inclusion of internal monthly Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) stress tests

f. Review of Market Risk Management Framework

g. Review of Guideline on Market Risk Management

h. Review of Guideline on Liquidity Risk Management

Operational & Shariah Risk

a. Strengthened operational risk through enforcement of the governing framework/policy along with supporting guidelines based on new regulatory requirements as well as industry best practices while accommodating post-BPMB/Danajamin merger harmonisation efforts. The initiatives were as follows:

- Procedure on Managing Security Monitoring Centre
- Pandemic Preparedness Plan (PPP)
- Emergency Response Plan (ERP)
- Framework and Policy for Technology Risk Management and Cyber Resilience

b. Performed preparedness exercises that included functional and non-functional testing (i.e. Business Continuity Planning (BCP), Disaster Recovery Planning (DRP), Notification Call Tree (NCT) and revised Cyber Incident Response Plan (CIRP))

c. Rationalisation of BPMB Group's recovery strategy to ensure smooth business operations and effective business continuity capabilities post-merger exercise

d. Embarked on process automation for operational risk management

e. Strengthened the control and review activities for policy, guideline and procedure via a sign-off review process

f. Acquisition of talent and technology propelling the bank to a new level in managing technology risks

g. Multiple risk assessments in various projects, such as data migration, and policy procedure integration

h. Continuous engagement and awareness with internal stakeholders to instil operational risk management culture

i. Frequent learning module through series of infographic materials and e-learning to enhance knowledge and understanding of Operational, Shariah and Technology risks in business operations

RISK MANAGEMENT

Risk Strategy & Analytics

a. Review of Group Stress Test Methodology

b. Review of Group Stress Test Framework

c. Review of Sector Compass and Sector Limit Methodology

d. Review of Risk Appetite Statement

e. Adoption of Climate Change Risk Taxonomy

f. Establishment of Climate Change Risk Framework

g. Establishment of Climate Change Risk Assessment Template to facilitate the identification and classification of the Bank's exposure, in accordance with BNM policy document

Credit Policy & Portfolio Management

a. Review of the Financing Facilities with Connected Parties policy to complement governance requirement

b. Review of the Credit Portfolio Risk (CPR) Policy to include parameters/measures for managing the credit risk portfolio

c. Enhancement of CPR Report following review to more effectively complete a comprehensive analysis across the Bank's portfolio

d. Review of the Guidelines on Best Practices for Single Counterparty Exposure Limit (SCEL) and Single Customer Limit (SCL)

e. Review of the Related Party Transaction Guideline as part of best practices to monitor concentration and potential risk

f. Enhancement of quarterly Group Stress Test with in-depth and focused analysis

g. Initiated realignment of sectors in September 2022 that will be monitored over a six month period prior to full implementation in 2023

Compliance

a. A key issue during the year was the integration of Danajamin and BPMB. Therefore, efforts were focused on creating a unified entity with a collaborative and cohesive governance structure, as follows:

- Established a unified leadership with a functional-based organisational structure at BPMB Group, including senior leadership from both BPMB and Danajamin.
- Implemented a unified governance structure by appointing Danajamin's Board of Directors members to BPMB's Board of Directors as part of the integration between BPMB and Danajamin.
- Harmonised internal documents, such as policies and procedures, to internalise and amalgamate the business operations of both BPMB and Danajamin.

b. Additionally, key initiatives aimed at improving transparency and integrity in the bank include:

- Organised a Compliance Awareness Week in 2022 for all staff to promote an ethics-based culture, integrity, and transparency in all aspects of BPMB Group's operations.
- Arranged a study visit to MACC by BPMB's Designated Compliance Officers (DCOs) on 1 August 2022 to reinforce the importance of ethics and integrity in BPMB's operations.
- Initiated a periodic Compliance Broadcast (Bulletin) to educate and raise awareness among all staff regarding key compliance issues in BPMB, such as managing customer information.
- Conducted regular engagement sessions with DCOs to reinforce and improve the effectiveness of their roles and responsibilities. For example, the DCO Engagement Session on Self-Testing Matrix (STM) held on 28 January 2022 and the DCO Engagement Session on the launching of DCO Portal held on 8 March 2022.
- Provided trainings on integrity every quarter of 2022 to cater to all staff and initiated awareness via email on topics such as the No Gift Policy and Whistleblowing.
- Established and launched e-Learning courseware on the Personal Data Protection Act 2010 and BNM's Policy Document on the Management of Customer Information and Permitted Disclosures.
- Recertified on ISO 37001:2016 (ABMS) as part of adequate procedure measures to curb potential bribery and corruption activities.
- Monitoring BPMB Group's Anti-Corruption Plan 2022 – 2026 in order to mitigate any potential bribery and corruption activities under the five-year approved plan.
- Conducted 'Coffee Talk' session with Business Associates on 30 November 2022 as a part of the initiative to promote integrity culture to BPMB Group's BA.

c. Streamlined processes, policies and procedures between BPMB and Danajamin as part of integration efforts.

The Group has taken the initiative to adopt a more forward-looking approach to capital management and develop more rigorous risk management techniques.

The Group's state of implementation of these initiatives is reported to the MRC, BRMC and the Board on a regular basis, thus ensuring that Management and Board are kept informed to facilitate their continued oversight of the risks undertaken by the Group.

11. THE INTEGRATION OF DANAJAMIN

Bank Pembangunan Malaysia Berhad (BPMB) has successfully completed its merger with Danajamin Nasional Berhad (Danajamin) with effect from 1 March 2023. This significant milestone marks the transfer of Danajamin's business and undertakings to BPMB.

The merger journey commenced in September 2021 with the signing of agreements between BPMB and Danajamin's then-shareholders, Credit Guarantee Corporation Malaysia Berhad (CGC) and Minister of Finance (Incorporated) (MoF Inc.), for the complete acquisition of the financial guarantee insurer.

Since then, the integration process has been diligently undertaken, resulting in a seamless consolidation of the merged entities. Key aspects of integration included establishing a unified leadership team, redefining BPMB Group's purpose, aspirations, and core values, and harmonising processes, systems, and employee benefits.

With the recent completion of the Business Transfer Scheme (BTS) exercise, the merger was officially concluded upon the surrendering of Danajamin's license to Bank Negara Malaysia (BNM) on 6 March 2023.

This merger aligns with the government's medium-term plan to strengthen and enhance the mandates of Development Financial Institutions (DFIs) to foster a more robust national development finance ecosystem.

With the merger now finalised, BPMB is well-equipped to embark on a new chapter of growth and development. The combined strength of BPMB and Danajamin will enable the institution to navigate the ever-changing financial landscape, respond to emerging challenges and continue driving sustainable economic development for the nation.

05

CULTIVATING IMPACT
BY FINANCING GREEN INNOVATIONS

IMPACTS ACHIEVED:

CASE STUDY: A national development project financed by BPMB is revolutionising the pulp and paper industry. As part of its environmental development initiative, the company managing the project aims to integrate the production of non-wood green pulp and paper with renewable energy and zero waste technology.

Waste-to-Value and Waste-to-Energy concept

- The Pulp and Paper Mill expects to use 16,667 metric tonnes of empty fruit bunches (EFB) yearly. This removes the need to burn and dispose of EFB from palm oil plantations, and creates a new revenue stream from waste.

Reduces Deforestation and Carbon Footprint

- Approximately 170,000 trees will be saved, taking into consideration that every mature tree is able to absorb 22 kg of CO_2 from the atmosphere. This effectively means the plant is able to contribute towards the absorption of 3.7 million kg CO_2 yearly from the atmosphere.

Reduction of Water Consumption

- Expected to reduce clean water consumption by 1 million m^3 annually as only 200,000 m^3 recycled water is used annually to produce their EFB paper and pulp.

Pioneering technology

- The world's first technological breakthrough in pulp and paper production with renewable energy and waste recovery technology.

Creating Jobs

- Will provide up to 119 job opportunities for locals to improve their standard of living.

Supporting the following UNSDGs:

Affordable and Clean Energy

Decent Work and Economic Growth

Industry, Innovation and Infrastructure

Responsible Consumption and Production

Project financed by BPMB:
The development of a non-wood green pulp and paper mill with renewable energy and zero waste technology.

STAKEHOLDER ENGAGEMENT

Regulator

- Bank Negara Malaysia (BNM)

Engagement Platforms

Meetings | Forums | Dialogue Sessions | Presentations | Reporting

2022

Key Focus Areas	Our Actions
• Close engagement with BNM • BPMB's Developmental Agenda Initiatives • BNM's Overnight Policy Rate (OPR) decision • Collateralised Commodity Murabaha Agreement (CCM)	• Participated in the Implementation of the Strategic DFI Roadmap • Frequent engagement with BNM on developmental agenda initiatives • Managing daily funding and liquidity risk in line with OPR movements • Execution of CCM for short-term funding

Related Key Ministries

- Ministry of Tourism, Art & Culture (MOTAC)
- Ministry of Finance (MOF); Government Investment Company (GIC); Strategic Investment Division
- Ministry of Defence Malaysia (MinDef)
- Prime Minister Department; Unit Kerjasama Awam Swasta, (UKAS)
- Ministry of Tourism, Creative Industry and Performing Arts Sarawak (MTCP)

Engagement Platforms

Meetings | Forums | Dialogue Sessions | Presentations | Government Programmes | Reporting

2022

Key Focus Areas	Our Actions
• Awareness of the incentives and access to financing facilities available at BPMB for tourism industry players • Continued support for Government's projects • Establishment of the Strategic Tourism Investment Zones (STIZs) to drive the development of high value and innovative tourism products and services in response to growing market sophistication (one of the six transformation strategies under National Tourism Policy 2020 - 2030) • Encourage private investment in Sarawak via Public-Private Partnership	• Participated as guest speaker in *Sesi Libat Urus Bersama Pengiat Industri Pelancongan* organised by MOTAC in Terengganu, Johor Bahru and Perak • Highlighted to tourism industry players issues affecting the success of financing application during Sesi Libat Urus organised by MOTAC • Extended Moratorium facility to affected customers • Restructured accounts in accordance to the guidelines and approval by MOF/UKAS • Sponsored a Strategic Tourism Investment Zones (STIZ)'s lab organised by MTCP to facilitate discussion on the establishment of STIZ in Sarawak • Promoted BPMB's subsidised financing schemes (TIS, NDS, SDFS, IDTS, MLS and PTS) as part of incentives to private investors • Incorporate MIND Framework in the credit evaluation process to ensure BPMB continues to finance sustainable and impactful projects

Government Agencies

- Government-linked Corporations
- Local authorities
- Foundations
- Cooperatives
- Ministry of Finance Incorporated
- Statutory bodies
- Malaysia Petroleum Resources Corporation
- Iskandar Regional Development Authority
- Alam Flora
- TNB Research

Engagement Platforms

Meetings | Forums | Dialogue Sessions | Programmes | Knowledge Sharing Sessions

2022

Key Focus Areas	Our Actions
• Corporate deposits • Appreciation on how Energy Transition and Sustainability will influence the Oil & Gas, Services & Equipment (OGSE) sector in the future • The need for OGSE players to understand and adapt to the sustainability to survive in the future • OGSE players to be motivated to pursue the next steps, to adopt sustainability practices • Sustainability Initiatives	• Sourced funding for Money Market Tawarruq and Fixed Deposit Tawarruq • BPMB's strategic role has evolved from serving Malaysia's early development needs to being a proponent for a sustainable and inclusive economy • Promoted BPMB's Special Schemes (SDFS, IDTS, PTS, MLS, TIS & NDS) • Promoted MIND Framework to demonstrate how BPMB measure impactful projects • Sharing knowledge on sustainability initiatives by BPMB

Strategic Partners

- Ministry of Finance of the Government of Ethiopia
- China Construction Bank (CCB)
- Islamic Corporation for the Development of the Private Sector (ICD)
- United Nations Global Compact (UNGC)
- Pertubuhan Tindakan Wanita Islam (PERTIWI)

Engagement Platforms

Meetings | Forums | Programmes | Knowledge Sharing Sessions

2022

Key Focus Areas	Our Actions
• Study visit and learn about Malaysia's experience with state-owned enterprises • Create foreign currency deposit • Have direct guidance and support from an established and experienced sustainability organisation to achieve the Bank's sustainability goals • To assist the urban poor community	• Co-host with the World Bank to facilitate a visit by the government of Ethiopia to BPMB and shared the nation development role played by BPMB, the Bank's governance structure and impact on the nation and people • Establishment of Interbank Limits • Become a member of United Nations Global Compact (UNGC) and collaborate on UNGC's various sustainability activities • Collaborated with PERTIWI to provide lunch and dinner packs to 140 beneficiaries at Pusat Khidmat Gelandangan Medan Tuanku, Kuala Lumpur over a six-month period

STAKEHOLDER ENGAGEMENT

Associations/ Membership

- Persatuan Pasaran Kewangan Malaysia (PPKM)
- Association of Development Financial Institution Malaysia (ADFIM)
- The Asian Institute of Chartered Bankers (AICB)
- United Nations Global Compact (UNGC)

Engagement Platforms

Forums | Dialogue Sessions | Programmes | Knowledge Sharing Sessions

2022

Key Focus Areas

- Become an active member and participate in various association/membership activities
- Have a direct guidance and support from an established and experienced sustainability organisation to achieve the Bank's sustainability goals
- Participate in structured training, seminars and courses on financial markets

Our Actions

- Supported programmes conducted by ADFIM/UK PACT in accelerating low-carbon transition
- Participated in a survey conducted by Association of Development Finance Institutions in Asia and the Pacific (ADFIAP)/ Clean Energy Finance Activities for ASEAN (CEFIA) on Financial Institutions (FI) contribution to Climate Mitigation
- Become a member of United Nations Global Compact (UNGC) and collaborate on UNGC's various sustainability activities
- Annual Continuing Professional Development (CPD) and Continuing Professional Education (CPE) training as part of membership requirement

Customers

Engagement Platforms

Site Visit | Networking | Forums | Advisory | Engagements

2022

Key Focus Areas

- Promote investment for sustainable, resilient and inclusive recovery and growth via the capital market
- Business products/services offering
- Awareness of the incentives and access to financing facilities available at BPMB for tourism industry players
- Encourage private investment in Sarawak via Public-Private Partnership

Our Actions

- Increased investment in SDG-related Sukuk
- Expand customer deposit base
- Promoted BPMB's dedicated schemes (TIS, NDS, SDFS, IDTS, MLS and PTS) as part of incentives to private investors
- Highlighted peculiar issues affecting tourism industry players' success of financing application during *Sesi Libat Urus Bersama Pengiat Industri Pelancongan*

Employees

Engagement Platforms

Meetings | Feet Apps | Sports Club Activities | Townhall | Core Value Engagement | Employee Engagement Survey

2022

Key Focus Areas

- Frequent engagement between Management and staff
- Harmonisation of all staff after completion of integration between BPMB and Danajamin
- Promote better collaboration and interaction among all staff after a long period of work from home arrangement

Our Actions

- Conducted 15 *Teh Tarik* session with GCEO
- Completed Culture Survey to gauge employees' expectation of the organisational culture
- Various sports related activities by Sports Club
- Festival celebrations to demonstrate our inclusivity
- Various employee engagement activities:
  - Mini Townhall
  - Merdeka Celebration
  - Family Day
  - Annual Dinner
- Divisional Teambuilding for all functions as part of integration and building teamwork
- Relocation of Danajamin office into Menara Bank Pembangunan
- Developed a three-year strategy known as Agenda 2025 to reflect the new synergies formed post merger with Danajamin

Communities

Engagement Platforms

Community Events | Zakat/ Donation | Programmes | Corporate Social Resposibilities

2022

Key Focus Areas

- Supporting SDG #1
  - No Poverty
- Supporting SDG #2
  - Zero Hunger
- Supporting SDG #3
  - Good Health and Well-Being
- Supporting SDG #4
  - Quality Education

Our Actions

- Contributed meals for health frontliners handling COVID-19 patients
- Contributed vouchers worth RM2,000 each to 33 families impacted by floods in Kampung Baru, Kuala Lumpur
- Contributed towards English literacy programmes held by BPMB's adopted school SMK Seri Titiwangsa
- Contributed towards Public Speaking Workshop held by BPMB's adopted school SMK Padang Tembak

STAKEHOLDER ENGAGEMENT

		2022
	• Supporting SDG #6 - Clean Water and Sanitation • Supporting SDG #8 - Decent Work and Economic Growth • Supporting SDG #17 - Partnership for Goals • Zakat Contribution	• Organised Public Speaking & Storytelling Competition held at SMK (P) Air Panas in Setapak, Kuala Lumpur • Collaborated with Arti Advisory in a nationwide survey with regards to conserving our nature • Partnered with Kelab Belia Prihatin, Kuala Lumpur Performing & Art Centre (KLPAC) to showcase the artists' works on biodiversity/endangered species • Conducted two online public contests (photography and videography) during Earth Day and World Nature Conservation Day to create awareness on environmental and nature protection • Distributed 200 school uniforms, shoes and bags to 70 students from the B40 group from SMK Sri Muda, Shah Alam, who were affected by the floods • Conducted a year long nationwide survey for Ministry of Education (MoE) in collaboration with Pertubuhan Pendidikan Pembangunan Lestari Selangor (PPPLS) and supported by WWF Malaysia and senior researchers from Universiti Kebangsaan Malaysia (UKM), Universiti Malaya (UM), Universiti Teknologi PETRONAS (UTP) and University Nottingham to 1,090 schools involving over 1,700 participants on the levels of infusion of environmental education and education for sustainable development in school syllabus at primary, secondary and high schools • Collaborated with Kelab Belia Prihatin Malaysia to produce a short video documentary entitled *Bukan Nelayan Gila* to stir awareness on the protection of environmental and natural resources through mangrove planting • Organised an ESG talk in conjunction with BPMB's 49th anniversary, aimed at creating awareness among BPMB staff on the importance of biodiversity conversation and environmental protection through mangrove planting • Post-flood relief assistance in Selangor and Pahang in collaboration with Yayasan Ikhlas and Islamic Relief Malaysia, involving zakat contribution worth RM180,000 • Contributed basic school necessities worth RM139,600 to 648 needy students under the Back to School Programme • Contributed RM498,990 to Hospital Universiti Sains Malaysia for the purchase of medical equipment including medical disposable • Provided assistance to the Dentistry Faculty of Universiti Sains Islam Malaysia (USIM) to purchase four dental simulators worth RM232,000 • Sponsored Sejahtera Youth & Single Mother Project (Sejahtera YSM) for the beading technique workshop worth RM60,000 • Provided stipend fund to 500 students in Universiti Malaysia Sabah worth RM250,000 • Contributed RM291,200 for construction of tube wells at 14 identified locations in Rantau Panjang, Kelantan through collaboration with Muslim Care Malaysia Society

2022	
	• Collaborated with Institut Penyelidikan dan Pengurusan Kemiskinan, Universiti Malaysia Kelantan (InsPeK) to sponsor two entrepreneur development programmes worth RM116,600 • Collaborated with Yayasan Ikhlas for development and operation of Sekolah Agama Rakyat (SAR) in Kuala Penyu, Sabah with contributions amounting to RM1,120,868 • Contributed RM543,600 to Yayasan Pelajaran MARA (YPM) to sponsor Mercu Anak Bangsa Programme • Collaborated with Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) for the development of 10 new houses for 10 asnaf in Terengganu under My H.A.U.S project worth RM700,000

Board

- Board of Directors (BOD)
- Shariah Committee (SC)

Engagement Platforms

Community Events | Zakat/ Donation | Programmes | Corporate Social Resposibilities

2022	
Key Focus Areas	**Our Actions**
• Mandatory training for the Board and SC members • Zakat Contribution and visit prospect for distribution of BPMB business zakat • Effective communication between SC, representative Senior Leadership Team (SLT) and GSM's staff on Key Performance Indicator (KPI) and plan for 2023 • Engagement between the Board and SC	• Board members participated in the Emerging Cyber Risks and Resilience Measures programme • SC members participated in the Certified Shariah Advisory (CSA) or Certified Shariah Practitioner (CSP) programme • SC members participated in the Muzakarah Cendekiawan Nusantara 2022 - *Ke arah Pembangunan Inovasi dan Rangkuman Kewangan Islam* • SC members participated in the Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan • SC members participated in the Kuala Lumpur Islamic Finance Forum • SC members participated in Zakat distribution programmes • Board members and SC members participated in Corporate Raya Event by BPMB • Board members Offsite Retreat; SC members Offsite Retreat • Board members and SC members participated in the awareness of the Climate Change Risk Programme

OUR COMMITMENT TO CLIMATE ACTION

At BPMB we recognise the urgent need for global climate action to address the challenges of climate change and ensure a sustainable future for all. We are committed to playing a proactive role in fostering climate resilience, promoting low-carbon development and supporting the transition to a green economy.

As a responsible Development Financial Institution (DFI), BPMB adheres to Bank Negara Malaysia's (BNM) guidance and policy on climate action. In 2022, these included the following Discussion Paper (DP) and Policy Document (PD), that are applicable to Malaysian DFIs:

1 **Climate Risk Management and Scenario Analysis (CRMSA)** PD

This policy document sets out principles and requirements on the management of climate-related risks including governance, strategy, risk management, scenario analysis and disclosure.

2 **2024 Climate Risk Stress Testing** DP

Discussion paper to consult on key elements of climate risk stress testing to inform an industry-wide exercise in 2024.

In alignment with these, BPMB has adopted a risk-based approach towards climate change, an iterative process that involves both adaptation and mitigation. Through Climate Risk Management, we can enhance our capacity to identify, assess, and manage climate-related risks in our investments, which allows us to make more effective policy decisions that can contribute towards sustainable development. We are developing robust climate risk management frameworks and tools to ensure that climate risks are adequately considered and addressed in our decision-making processes.

We are committed to continually improving our climate performance, aligning with emerging best practices and contributing to the global efforts to address climate change. By integrating climate considerations into our core operations, we aim to facilitate the transition to a low-carbon, climate-resilient future, ensuring a sustainable and prosperous world for future generations. For our onward journey, we are actively progressing:

CLIMATE INTEGRATION

We will integrate climate considerations in line with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations into our decision making processes, policies, and strategies. We will take steps to assess and disclose the climate risks and opportunities associated with our investments and operations.

GREEN FINANCING

We will strive to increase our financing for projects and initiatives that contribute to climate mitigation and adaptation. While adhering to our mandate, we will also prioritise investments in renewable energy, energy efficiency, sustainable infrastructure and other climate-friendly sectors. We will take steps to work towards a portfolio that aligns with international best practices on climate finance.

EMISSION REDUCTION

We will set targets to reduce greenhouse gas emissions and implement measures to achieve them. We will invest in energy-efficient technologies, promote sustainable transportation and adopt renewable energy sources wherever feasible.

COLLABORATION AND ADVOCACY

We will actively collaborate with stakeholders, including governments, international organisations, civil society, and the private sector, to advance climate action. We will apply and implement policies and regulatory frameworks that support sustainable development and create an enabling environment for climate investment to ensure compliance.

KNOWLEDGE SHARING AND CAPACITY BUILDING

We will promote knowledge sharing and capacity building on climate change and sustainable development. We will support research, innovation, and the dissemination of best practices to enhance climate resilience and foster sustainable development.

TRANSPARENCY AND ACCOUNTABILITY

We will promote transparency and accountability in our climate-related activities. We will regularly report on our progress in implementing climate commitments and disclose relevant climate-related information in a comprehensive and accessible manner.

EMBEDDING OUR COMMITMENT

1. Member of BNM Joint Committee 3 (JC3)

BPMB is a member of the BNM Joint Committee on Climate Change (JC3), a committee co-chaired by BNM and the Securities Commission (SC) intended to pursue collaborative actions for building climate resilience within the Malaysian financial sector.

During the year, BPMB actively participated in several JC3 sub-committee group discussions, mainly on bridging data gaps of which the Data Catalogue and Accompanying Report (DC) was approved by the committee member for publication. The DC covers on data availability, gaps and recommendations to bridge data gaps where it will serve as a source of reference on the availability and accessibility of climate and environmental data based on a priority list of use cases.

Moving forward, BPMB will continue to actively contribute to JC3 sub-committee group discussions, and engage other financial institutions through this channel to build climate resilience in the sector.

2. Climate Assessment as part of MIND Framework

BPMB has incorporated the climate assessment as part of the MIND Framework whereby three out of six Sustainable Development Goals (SDGs) embedded in the MIND assessment are related to climate assessment goals.

i	7 AFFORDABLE AND CLEAN ENERGY	Focused on total renewable energy generated on average or annual energy savings, which could increase the share of renewable energy in the global energy mix. Upgrading the infrastructure and/or technology to provide clean and more efficient energy will encourage transition to renewable energy and help the environment.
ii	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Focused on how much water is being recycled/ treated/ reduced. Businesses are encouraged to recycle and reduce wastewater to move towards more sustainable patterns of consumption. Sound waste management is vital in helping to reduce waste and curb pollution in air, water and soil to minimise the adverse impacts on health and the environment.
iii	13 CLIMATE ACTION	Encompasses sustainability certification, rating, and labelling schemes. The Bank also focused on customers that adopt climate change measures on businesses that are located in a climate-disaster prone area to help limit the increase in global mean temperature.

3. Climate and Sustainability Assessments in the financing process

Climate and sustainability assessment are now part of the overall financing process and the result of the assessment is used in the decision making process.

Climate assessments are guided by BNM's policy document on Climate Change and Principle-based Taxonomy (CCPT) where the customers are classified as either Climate Supporting (C1), Transitioning (C2 or C3) or Watchlist (C4 or C5).

Based on BNM CCPT, we have developed and implemented the Climate Change Risk Assessment template wherein the assessment adheres to BNM's requirement to classify, and categorise the economic activities of the Bank's customers, according to the extent to which activities meet climate objectives, and promotes transition to a low-carbon economy.

The exercise was completed in June 2022. To date, BPMB has successfully classified all Financing and Investments based on the CCPT classification. A half-yearly CCPT report to BNM was submitted within the timeline i.e. by July 2022 (based on June 2022 reporting period) and January 2023 (based on December 2022 reporting period).

Sustainability assessments are done through the MIND Impact Assessment Framework, which was jointly developed with the World Bank Group. This covers the social, environment, financial and economic factors in order to produce both Development Impact Indicators (DII) score and Financial-Economic Indicators (FEI) score.

OUR COMMITMENT TO CLIMATE ACTION

4. Capacity building

As part of BPMB's capacity building on climate change, awareness sessions on Climate Change were organised internally and extended to Senior Management. 10 in-house trainings were conducted throughout 2022 to the Business and Support Functions. In order to better assess our customers, Business Functions are introduced tools that adhere to BNM requirements on CCPT as well as recommendations as per the SDGs. The training will be further continued as part of a refresher programme to the Bank's staff in 2023.

In addition, training on climate change risk was also provided to the Board, SC and SLT. This was jointly organised with an external consultant covering climate change risk and the banking industry, sustainability framework as well as key disclosure requirements. We also encourage our staff to take the climate-related certifications as part of BPMB's journey towards sustainable practices.

PLANS FOR 2023

BPMB continuously puts the building blocks in place in terms of managing climate change risk. Various initiatives has been planned by BPMB for 2023 to strengthen this area internally. The initiatives include:

1. Establishment of the Bank's ESG strategy

The plan to establish a holistic and well-organised ESG strategy that is aligned to meet the requirement under the Paris Agreement 2015, includes the following key components:

I. Establishment of BPMB Sustainability Governance

Having a sound governing structure is integral to our sustainability journey and essential to embedding sustainability across the Group. Clear direction and leadership from the top enables us to effectively execute our sustainability initiatives and better integrate sustainability into our organisational DNA.

II. Development of BPMB Sustainability Framework

The Sustainability Framework defines our overarching sustainability strategy and material issues, and is the most important document for the Bank to achieve our sustainability agenda. The framework consists of:

a. Sustainability Pillars;
b. Sustainability Commitment;
c. Sustainability Governance; and
d. SDG targets

III. Establishment of BPMB Sustainability Pillars

BPMB sustainability approach will be guided by three overarching pillars, and these pillars cover our commitments across three broad areas of Environment, Social and Governance.

IV. BPMB Sustainability Commitment

We intend to create tangible impact with our sustainability initiatives with a clear commitment aligned to the Sustainability Pillars. Integrating Environmental, Economic, Social and Governance (EES&G) impacts ensure that our business activities make a positive impact while minimising negative impacts on our existing and future stakeholders over the long term.

V. Sustainability Roadmap

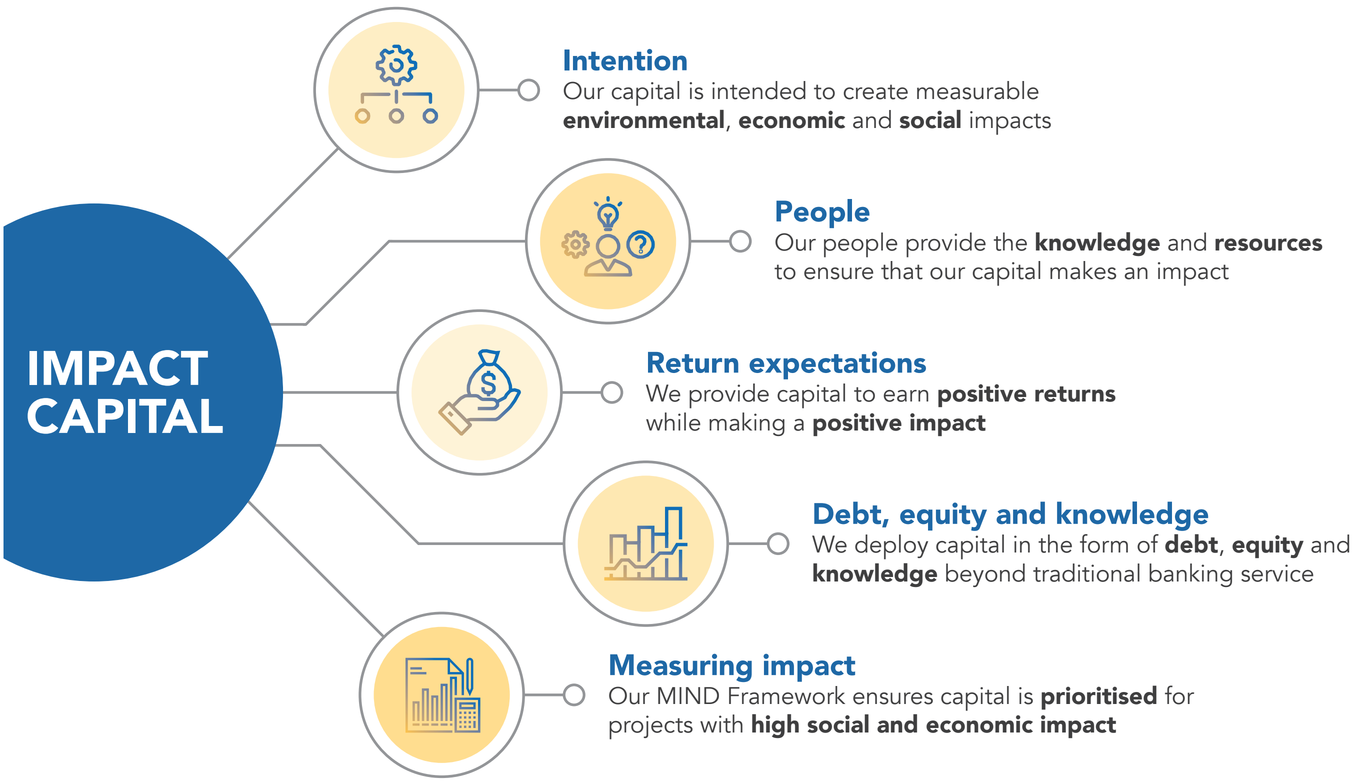
The roadmap is designed to operationalise and deliver sustainability philosophy and aspirations that include both short-term and long-term goals.

VI. Sustainability Report/Disclosure

Sustainability reporting is the disclosure and communication of Environmental, Social, and Governance (ESG) goals as well as the Bank's progress towards them. The benefits of sustainability reporting include improved corporate reputation, building consumer confidence, increased innovation, and even improvement of risk management.

2. **Embarking towards AGENDA 2025**

Agenda 2025 is a strategic plan which defines how BPMB Group will deliver impact capital for national development over the next three years (2023-2025), with specific targeted outcomes to be achieved by 2025.



3. **Process Improvement Initiative**

Under the Agenda 2025, we also looked into process improvement on the assessment of both CCPT and MIND with the objective to aligned the assessment into one single process. Enhancement to the assessment will also be conducted to ensure the Bank complies with both BNM guidelines as well as SGDs recommendations.

4. **Gap Analysis and Implementation plan on Climate Risk Management and Scenario Analysis (CRMSA)**

Based on the CRMSA policy document, every financial institution is required to perform and submit to BNM a Board-approved gap analysis and implementation plan that covers:

a. Highlights of all key implementation gaps between existing practices in managing climate-related risks and the requirements in this CRMSA document; and

b. Develop a board-approved implementation plan with a clear timeline, as well as, interim targets and milestones to address the gaps identified.

The Bank shall comply with BNM requirements for the submission of the gap analysis and implementation plan.

OUR COMMITMENT TO CLIMATE ACTION

The table below outlines the Bank's progress towards full compliance with the CRMSA policy document.

Area	Key action points and priorities FY2023 to FY2024
Governance	• Continuously improve climate risk governance and discussions on climate-related matters by the Management and the Board to reflect climate risk responsibilities and oversight • Formulate a structured training plan to support capacity building in the area of climate risk in the Group • Continuously review the policies and procedures in the Bank to incorporate climate risk considerations and other key areas
Strategy	• Formulate an overarching climate transition plan toward a low-carbon economy • Incorporate assessment of climate-related risks and opportunities as part of the business strategy and plans • Formulate climate-related internal targets and metrics
Risk Appetite	• Continuously review and enhance risk appetite statement in line with the Bank's climate risk assessment process and strategy • Embed climate-related risk assessment as part of the Internal Capital Adequacy Assessment Process (ICAAP) • Develop risk metrics, limits and thresholds
Risk Management	• Integrate the results of CCPT assessment as part of the climate risk management process • Develop data capabilities by assessing the relevant data, tools and methodology • Conduct a comprehensive climate risk assessment • Identify the transmission of climate-related risks on the Group's credit, market, liquidity and operational risks
Scenario Analysis	• Conduct scenario analysis to determine the resilience of the business strategies to material climate-related risks based on the industry good practices
Disclosure	• Establish a disclosure policy on the area of climate risk management • Disclose climate-related disclosures in line with TCFD recommendations and guidance

5. Issuance of Climate Risk Stress Test (CRST) methodology paper

BNM is expected to issue the CRST methodology paper by end-2023 based on the proposed CRST timeline. BPMB is scheduled to conduct the CRST exercise in accordance with the guidance outlined in the methodology paper for CRST submission to BNM in 2024.

VALUE FOR PEOPLE

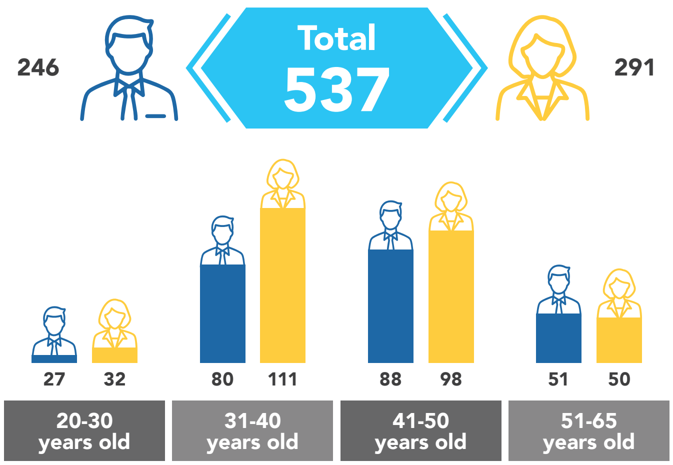
BPMB's greatest asset lies in our exceptional team of dedicated individuals. Our success is built upon the collective efforts and talents of our staff. As an organisation, we value our employees not only for their skills and expertise but also for their unique perspectives, creativity and dedication to our shared goals. We recognise that by nurturing a conducive working environment and investing in our staff, we foster a culture of growth, innovation and long-term success.

FAIR EMPLOYMENT PRACTICES AND A DIVERSE WORKPLACE

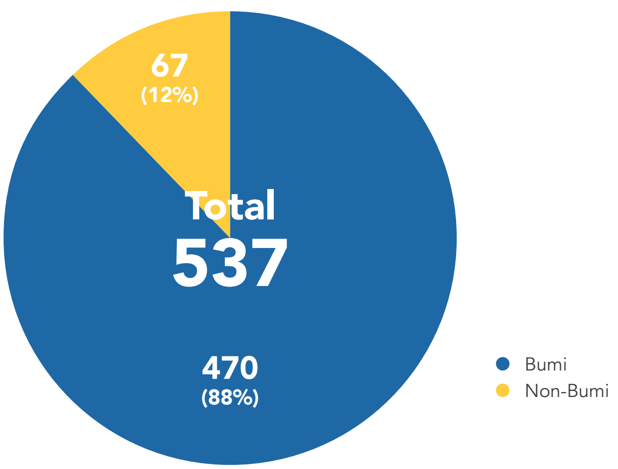
At the heart of the Bank's values is a deep appreciation for the contributions made by each member of our team. We strive to create an inclusive and supportive work environment where every employee feels valued, respected and empowered to reach their full potential, regardless of ethnicity or gender. We understand that by fostering a positive workplace culture, we can attract and retain top talent, ensuring a cohesive and motivated team.

The Bank values open and transparent communication, encouraging active collaboration and teamwork across all levels. We foster an environment where ideas are freely shared, and feedback is welcomed and appreciated. By promoting a culture of open dialogue, we empower our employees to contribute their unique perspectives and play an active role in shaping the Bank's future.

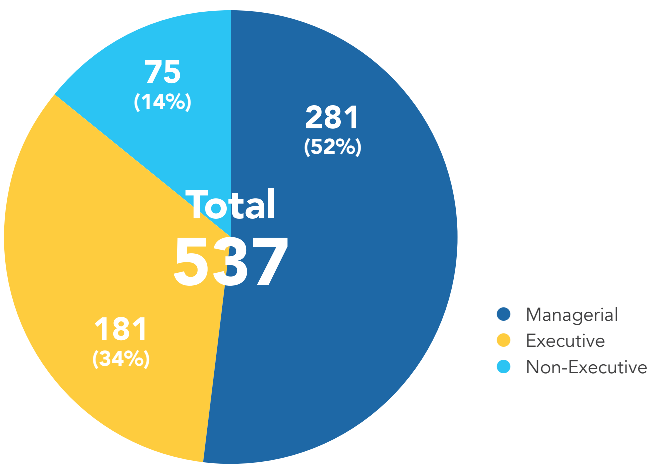
Total Manpower by Gender
(As at 30 April 2023)



Total Manpower by Ethnicity
(As at 30 April 2023)



Total Manpower Headcount by Grade
(As at 30 April 2023)



VALUE FOR PEOPLE

IMPLEMENTING THE BPMB TOTAL REWARDS STRATEGY

We firmly believe that by investing in our employees, we create a vibrant, fulfilling, and collaborative work environment that drives our collective success. Together, we strive to build a corporate culture where everyone can thrive and achieve their professional aspirations, ensuring a bright future for both our employees and the Bank as a whole.

As per the Agenda 2025's aspiration of becoming a Talent Hub and with the current talent war and heightened incidences of resignation across the world, including Malaysia, the Bank has put in place a Total Rewards Strategy. This is essential for attracting and retaining top talent, driving employee engagement and motivation, and improving overall performance.

The strategy maps out a comprehensive approach to compensation, benefits, work-life balance and career development, we aim to create a workplace culture that values and supports employee wellbeing and success. Above all, we are committed to recognising and celebrating the achievements of our staff. We believe in acknowledging their hard work, dedication and exceptional contributions to the Bank's success.

Total Rewards Strategy Key Activities

1. Pay Positioning	We have adopted progressive pay positioning that is competitive with market expectations in order to attract and retain talents.
2. Harmonisation of Benefits	We have reviewed all 40 benefits and allowances, and realigned several to ensure these are competitive and attractive.
3. Job Sizing and Evaluation	Due to complexity of the business and the active amalgamation of two corporate entities, all senior positions were evaluated in 2022.

4. Salary Structure Review	We developed and integrated BPMB and Danajamin's corporate titling structure with a new grading structure that can support the overall different career tracks.
5. Salary Review for Employees	This exercise is to ensure no employee's salary falls below the minimum salary scale.
6. Introduction of Special Early Retirement Scheme	We are giving long serving staff the opportunity to explore or pursue their aspirations through this scheme.

UPSKILLING THROUGH PROFESSIONAL QUALIFICATIONS & SPECIALISED CERTIFICATIONS

One of the ways we demonstrate our commitment to our staff is by providing ample opportunities for professional development and growth. We believe in investing in our employees' continuous learning, encouraging them to expand their skills, acquire new knowledge and pursue qualifications to support their career aspirations.

1. Specialised Certification Programme

BPMB continues to support BNM's initiative to elevate the quality of professionals within the Bank through enrolments to professional qualification and specialised certification programmes offered by the Asian Institute of Chartered Bankers (AICB). 2022 marks the final year of the implementation of our Five-Year Capability Building Roadmap (2018 – 2022). The enrolment status as at 31 December 2022, is shown below:

Core Banking Area	Certification Required	Pursuing	Completed
Credit	a. Credit Certification Executive (CCE)	Total – 16	Total – 20
	b. Business Credit Professional (BCP)	Total – 4	Total – 10
	c. Certificate in Credit (CCR)	Total – 2	Total – 0
	d. Certified Credit Professional (BC)	Total – 0	Total – 10
Audit	a. Certification For Bank Auditors (CBA)	Total – 5	Total – 12
	b. Certificate in Internal Auditing for Financial Institutions (CIAFIN)	Total – 0	Total – 7

Core Banking Area	Certification Required	Pursuing	Completed
Compliance	a. Certification in Regulatory Compliance (CRC) b. Advance Certification in Regulatory Compliance (ACRC)	Total – 0 Total – 0	Total – 5 Total – 2
Risk	Bank Risk Management (BRM)	Total – 1	Total – 3
Anti-Money Laundering & Counter-Financing Terrorism (AML/CFT)	a. Certification in AML/CFT (CAML) b. Advanced Certification in AML/CFT (ACAML) c. Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer (CAMCO)	Total – 4 Total – 2 Total – 1	Total – 4 Total – 2 Total – 0
Treasury	Pasaran Kewangan Malaysia Certificate (PKMC)	Total – 0	Total – 7

2. Chartered Banker Programme

BPMB encourages our employees to pursue career development by enrolling in the world-class Chartered Banker (CB) Qualification jointly awarded by AICB and the Chartered Banker Institute, UK. This internationally recognised professional qualification in the banking industry worldwide offers the highest standard of excellence and professionalism.

Certification Required	Pursuing	Completed
Executive Banker	Total – 0	Total – 0
Professional Banker	Total – 0	Total – 11
Chartered Banker	Total – 6	Total – 4

3. Shariah and Islamic Finance Certification Programme

As part of our continuous effort to develop and strengthen our people knowledge and understanding on Islamic finance, targeted employees of BPMB together with identified Shariah Committee Members were equipped with relevant Shariah and Islamic Finance professional certifications offered by established Islamic Finance learning providers.

Provider	Certification Required	Pursuing	Completed
Association of Shariah Advisors (ASAS)	Certified Shariah Advisor (CSA)	Total – 1	Total – 5
	Certified Shariah Practitioner (CSP)	Total – 1	Total – 2
Islamic Banking and Finance Institute Malaysia (IBFIM)	Associate Qualification In Islamic Finance (AQIF)	Total – 0	Total – 15
	Certified Professional Shariah Auditor (CPSA)	Total – 0	Total – 3

ZAKAT DISTRIBUTION TO ELIGIBLE STAFF

To help uplift our employees, we provide financial assistance in helping our employees' children to pursue tertiary education.

Financial assistance of RM14,400 to eight staff for their children higher education (each RM1,800)

VALUE FOR PEOPLE

ENSURING UNDERSTANDING AND PRACTICE OF WELLNESS

We prioritise work-life balance and wellbeing, recognising that our employees' personal lives are essential to their overall satisfaction and success. We organise talks, sessions and activities that promote employee wellness to support the physical, mental and emotional wellbeing of our staff.

Webinar on physical, mental health and productivity at workplace related topics: 28 webinar sessions (229 total attendees)

To combat the growing impact of depression, anxiety and stress on our employees' wellbeing, the Bank conducted a campaign on mental health awareness from 29 November to 5 December 2022. This culminated in a Depression, Anxiety and Stress Scale - 21 Items (DASS-21) Assessment for employees. DASS-21 is a widely used psychometric test to check for the severity of symptoms of depression, anxiety and stress. Through 21 questions, the assessment expands each of these three into their individual symptoms, helping to explore your particular experience.

219 DASS-21 Assessments completed in 2022

We also continued the Naluri Wellness programme for all employees, providing support and counselling through remote therapy sessions and a psychologist hotline. The sessions helped employees manage existing stress levels at work and at home, as well as supports those grappling with fear and anxiety from personal crisis issues.

Remote Therapy Sessions:
22 sessions (37.5 hours)
Main topics discussed:
Self-confidence • Family Issue
Quality of Relationship

Physiologist Hotline/Careline:
35 calls (15 hours)
Main topics discussed:
Interpersonal Conflict • Balancing Work
Mental Illness

Beyond these, for the year under review, a BPMB Wellness Day was held on 30 August 2022 for all staff at the Bank's auditorium to provide a full day focus on the importance of maintaining physical and mental wellbeing. The event was held in collaboration with hospitals and other healthcare providers.

BPMB Wellness Day 2022

Total attendees: 225 staff

1. Mind Set Change Speech

Provider Name: **Naluri**

SPEAKER	TOPIC	TOTAL ATTENDEES
Azran Osman Rani, CEO Naluri	Turning Stress and Anxiety Into Positive Energy	42 staff

2. Easy Zumba Dance Routine

Provider Name: **Naluri**

SYNOPSIS
10 minutes Easy Weight Loss Zumba Dance Workout for Beginners at Home & Work

3. Naluri Hidup Booth

Provider Name: **Naluri**

- Meet & Greet On-site Interview Session with Clinical Psychologist (2 Psychologists)
- Onsite consultation with dietitian and fitness coach
- Naluri Resilience Programme Launching

4. PMCare Advisory Booth

Provider Name: **PMCare**

- BPMB Health & Wellbeing at Work 2022 Event Management and Coordination
- Meet & Greet with PMCare representatives and advisory:
  - ~ FAQ on How to use PMCare Vibrant Living mobile apps?
  - ~ FAQ on How to use personal claim online submission – ePC
  - ~ FAQ on How to use eFarma mobile apps?
  - ~ FAQ on How to obtain treatment from PMCare?
- Free onsite tutorial and guidance to assist employees to navigate PMCare apps

5. PMCare Health Screening Booth

Provider Name: **PMCare**

- Free obesity screening: InBody machine 570 full body composition analysis
- Free doctor consultation

6. Sunway Medical Centre Health Booth Screening

Provider Name: **Sunway Medical Centre**

- Screening for chronic illnesses such as hypertension, high cholesterol and diabetes, as follows:
  - ~ Free obesity screening: body mass index and body fat assessments
  - ~ Free blood pressure checks
  - ~ Free finger prick blood sugar test with instant results (150 pax)
  - ~ Free finger prick cholesterol blood test with instant results (50 pax)
  - ~ Free nursing consultations
  - ~ Free onsite medical consultations with Medical Officer (MO)

7. Gleneagles Hospital Kuala Lumpur Health Screening Booth

Provider Name: **Gleneagles Hospital Kuala Lumpur**

- Screening for chronic illnesses such as hypertension, high cholesterol and diabetes, as follows:
  - ~ Free blood pressure checks
  - ~ Free finger prick blood sugar test with instant results (100 pax)
  - ~ Free finger prick cholesterol blood test with instant results (50 pax)
  - ~ Free nursing consultations
  - ~ Free medical consultations by doctors

8. KPJ Ambulatory Care Centre Kinrara Health Screening Booth

Provider Name: **KPJ Ambulatory Care Centre Kinrara**

- Dental screening by Dental Surgeon
- Dentist prescription report for follow up
- Portable oral dental camera with a computer screen
- Free oral hygiene instruction
- Promotional sale of dental care products at discounted prices
- Free finger prick blood sugar test with instant results (100 pax)
- Free finger prick cholesterol blood test with instant results (50 pax)
- Free nursing consultations

VALUE FOR PEOPLE

9. ACC Evesuite Medical Centre Eye Check-Up Clinic

Provider Name: **ACC Evesuite Medical Centre**

- Cataract screening
- Diabetic Retinopathy screening
- Glaucoma screening
- Dry Eyes assessment
- Pterygium detection
- Retinal examination

10. Physio Care Therapy & Rehabilitation Booth

Provider Name: **Physio Care**

- Free physiotherapy consultation
- Free postural analysis
- Free musculoskeletal health check
- Treatment demonstration
- Physiotherapy equipment exhibition
- Rehab items sales

11. Physio & Ergonomics Wellbeing Check-Up Booth

Provider Name: **JOGOHealth**

- Joint screening and balance assessment with physiotherapist consultation

12. Fruits.Garage Healthy Micro-Market

Provider Name: **Fruits.Garage**

- Promotion and sales of imported fruits from Australia, Egypt, and South Africa
- Promotion and sales of local fruits and juices

HIGHLIGHTS OF THE YEAR

1

8 APRIL 2022

The appointment of Roni L. Abdulwahab as the new Group Chief Executive Officer, succeeding Arshad Mohamed Ismail who has served as the Bank's GCEO for three years. Roni had served at Khazanah Nasional Bhd as Executive Director, Investment and was also the Managing Director and Country Head of Global Banking, HSBC Bank Berhad Malaysia.

2

28 APRIL 2022

The appointment of YBhg Tan Sri Datuk Seri Rashpal Singh Randhay as an Independent Non-Executive Director. Tan Sri Rashpal has more than 30 years of experience – spanning investment companies, stock brokerage firms and stock and commodity exchanges.

3

17 MAY 2022

The appointment of Puan Rosnah Dato' Kamarul Zaman as an Independent Non-Executive Director. Puan Rosnah has more than 25 years of experience in banking and finance, with full spectrum in banking which includes consumer, commercial and corporate banking.

HIGHLIGHTS OF THE YEAR

4

31 MAY 2022

BPMB concluded Aidilfitri with Hari Raya Open House held at The St. Regis Hotel, Kuala Lumpur. The day started with a celebration for the BPMB Group work force and continued with the Open House for our external stakeholders. The event was hosted by our Chairman, YBhg Tan Sri Nazir Razak, Board Members, our Group Chief Executive Officer, Encik Roni L. Abdulwahab and the Group Management Committee members. BPMB Group Open House was graced with the with the presence of the former Minister of Finance, YB Senator Datuk Seri Utama Tengku Zafrul bin Tengku Abdul Aziz, and the then Minister of Tourism, Arts and Culture, YB Dato' Sri Hajah Nancy Shukri. The Open House was also attended by a number of dignitaries and industry leaders.

5

22 JULY 2022

BPMB signed a technical study agreement with Islamic Development Bank (IsDB) and Yayasan Waqaf Malaysia (YMM) for the establishment of Awqaf Properties Investment Fund (APIF). This study will ensure for BPMB to assess the feasibility of waqaf development in Malaysia based on IsDB's experience as well as insights in waqaf asset development.

6

1 AUGUST 2022

Group Compliance (GC) organised a study visit to Malaysian Anti-Corruption Commission (MACC) for BPMB's Designated Compliance Officers (DCO). The visit is part of the continuous effort by Group Compliance to, inter-alia, reinforce, and improve effectiveness of the DCO's roles and responsibilities.

7

17 AUGUST 2022

BPMB won an award at The Asset Triple A Sustainable Infrastructure Awards 2022, for our participation in the Pulau Indah Power Plant syndicated term financing agreement worth RM2.7 billion which won the Annual Power/Utility Agreement for Malaysia. The Asset Triple A Sustainable Infrastructure Awards honors institutions and offerings that have made significant contributions to sustainable infrastructure development in Asia from January to December each year.

8

6 SEPTEMBER 2022

BPMB signed collective agreements with the National Union of Commercial Workers (NUCW). 70 support staff will benefit 70 by this agreement for the term of 2021 – 2023.

9

6 SEPTEMBER 2022

BPMB accorded scholarships to four top Malaysian students to pursue their undergraduate studies abroad under the Bank's 2022 Undergraduate Scholarship Award. The scholarship programme was established in 2013 as part of the Bank's Corporate Social Responsibility (CSR) initiative to provide deserving Malaysian students with access to quality education abroad.

HIGHLIGHTS OF THE YEAR

10

4 OCTOBER 2022

BPMB participated in the National OGSE Roadshow 2022 held at Sime Darby Convention Center. Mohamed Nazri Omar, Managing Director of BPMB together with Bursa Malaysia, MIDF, and SME Corp participated in the panel session to discuss on the "Financing in the World Sustainability".

11

17 AND 18 OCTOBER 2022

BPMB sponsored a Special Tourism Investment Zone (STIZ) lab that was focused on encouraging public-private sector partnership with the goal of increasing private investment in Sarawak. The lab was organised by Ministry of Tourism, Creative Industry and Performing Arts Sarawak (MTCP) at the Pullman, Kuching, Sarawak.

12

19 OCTOBER 2022

BPMB inaugurated our food aid programme with a contribution of RM66,000 to the non-governmental organisation (NGO), Pertubuhan Tindakan Wanita Islam (PERTIWI). The programme (branded as BPMB X PERTIWI Soup Kitchen), which runs until April 2023, involved the provision of lunch and dinner to the urban poor community in Kuala Lumpur. The six-month initiative is aimed at lessening the burden of maginalised and vulnerable communities hit hard by the COVID-19 pandemic.

13

4 NOVEMBER 2022

BPMB celebrated the historical beginning of the Bank, which will turn 50 in 2023, with an Awesome 70s-themed Annual Dinner. Over 600 staff members attended the event at The Majestic Hotel Kuala Lumpur, dressed in their most colourful and outrageous costumes influenced by disco, flower power and hippie culture. Board members and Senior Leadership Team (SLTs) were also in attendance.

14

15 NOVEMBER 2022

BPMB participated in Ministry of Tourism and Culture's (MOTAC) *Program Semarak Pelancongan Bersama Penggiat Industri Pelancongan Negeri Perak*. The engagement programme, attended by 80 local tourism players (hoteliers, home stay providers, travel agents, etc.), aims to update the local industry players on the latest incentives and financing schemes by BPMB and SME Bank, as well as programmes offered by MOTAC and other relevant tourism agencies.

15

24 NOVEMBER 2022

BPMB, together with the World Bank office in Malaysia, facilitated a study visit by an Ethiopian government delegation to learn about Malaysia's experience with State Owned Enterprises (SOEs). The delegation was led by senior ministerial advisers from the Ministry of Finance, accompanied by officials overseeing their SOEs, and representatives of Ethiopian SOEs, as well as World Bank staff covering Ethiopia.

HIGHLIGHTS OF THE YEAR

16

30 NOVEMBER 2022

BPMB, through Group Compliance, organised organised a coffee talk session to discuss methods of embedding integrity into corporate culture at Sheraton Imperial, Kuala Lumpur. The talk was attended by business associates, staff from relevant departments of Corporate Banking, Group Treasury and Investment, Recovery, Group Legal, Property Management and Services, and Pembangunan Leasing Corporation.

17

7 DECEMBER 2022

BPMB and SMK (P) Air Panas, Kuala Lumpur, jointly organised a story telling and public speaking competition. The competition provided an excellent avenue for the students to develop persuasion strategies. The competition was also aimed at improving the students' confidence level in using English as a second language.

HIGHLIGHTS OF AMANAH LESTARI ALAM (ALAM)

1

The Malaysian Reserve

Some 96% Malaysians support 30×30 environment target

Monday, February 28th, 2022 at News

A majority from the group also wants the govt to support this global target

By TMR / Pic credit: cleanmalaysia.com

SOME 96% out of 1,000 Malaysians expressed support for a global target to protect at least 30% of the planet's land and ocean by 2030.

The survey, commissioned by Malaysia's Atri Advisory and supported by Amanah Lestari Alam (Alam), also revealed that 84% wants Malaysia as a country to also support the global target.

Amanah Lestari Alam (ALAM) collaborated with Arti Advisory to carry out a nationwide survey, which garnered more than 1,000 youth respondents. Results showed that 96% of youth respondents agreed that the country would need to do more in conserving nature.

2

ALAM partnered with Kelab Belia Prihatin Malaysia and supported by Kuala Lumpur Performing & Art Centre (KLPAC) to showcase works of local artists' on biodiversity/endangered species at an art exhibition entitled 'Tapirama'. The event garnered an audience of about 60,000 through footfall at the exhibition and through ALAM's social media channels.

3

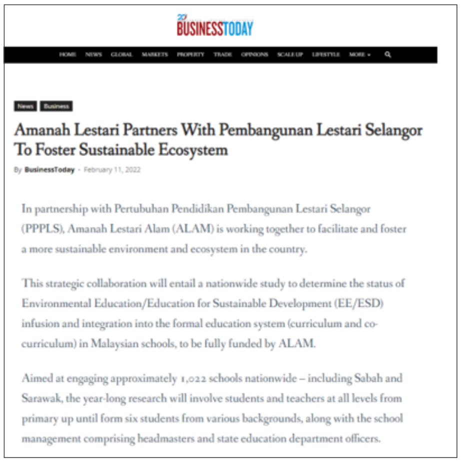
ALAM conducted two online public contests - photography and videography - on Earth Day and World Nature Conservation Day as part of its Communication, Education and Public Awareness tool (CEPA) to create awareness on environmental and nature protection. Over 200 submissions were received including several from the ASEAN region.

HIGHLIGHTS OF AMANAH LESTARI ALAM (ALAM)

4

Through crowdfunding raised, ALAM distributed 200 school uniforms, shoes and bags to 70 SMK Sri Muda students from the B40 category. The school, located in Shah Alam, was affected by the December 2021 floods.

5



BUSINESSTODAY

News Business

Amanah Lestari Partners With Pembangunan Lestari Selangor To Foster Sustainable Ecosystem

By BusinessToday - February 11, 2022

In partnership with Pertubuhan Pendidikan Pembangunan Lestari Selangor (PPPLS), Amanah Lestari Alam (ALAM) is working together to facilitate and foster a more sustainable environment and ecosystem in the country.

This strategic collaboration will entail a nationwide study to determine the status of Environmental Education/Education for Sustainable Development (EE/ESD) infusion and integration into the formal education system (curriculum and co-curriculum) in Malaysian schools, to be fully funded by ALAM.

Aimed at engaging approximately 1,022 schools nationwide – including Sabah and Sarawak, the year-long research will involve students and teachers at all levels from primary up until form six students from various backgrounds, along with the school management comprising headmasters and state education department officers.

ALAM conducted a year-long nationwide survey under the auspices of the Ministry of Education in collaboration with Pertubuhan Pendidikan Pembangunan Lestari Selangor (PPPLS) and supported by WWF Malaysia and senior researchers from Universiti Kebangsaan Malaysia (UKM), Universiti Malaya (UM), Universiti Teknologi PETRONAS (UTP) and University of Nottingham Malaysia. The survey was on the levels of infusion of environmental education and education for sustainable development in school syllabus at primary and secondary schools.

6

A short video documentary entitled *Bukan Nelayan Gila* was produced by ALAM in collaboration with Kelab Belia Prihatin Malaysia. The documentary was produced to stir awareness on the protection of environmental and natural resources through mangrove planting supported by WWF Malaysia and Impact Malaysia under the Ministry of Youth and Sports.

7

ALAM Chairman, Datuk Ali Abdul Kadir, participated in various events on Environmental Education/Education for Sustainable Development (EE/EESD) and Youth Environment Living Labs (YELL) as well as at dialogue with UNDP and Development financial institutions (DFIs).

8

ALAM Board of Trustee Tan Sri Zakri Abdul Hamid was the Prime Minister's special representative at COP27 in December 2022. He delivered a speech showcasing YELL during Youth Day at COP27. The *Bukan Nelayan Gila* video documentary was also screened at the Malaysian Pavilion during COP27.

9

ALAM organised an Environmental, Social and Governance (ESG) talk in conjunction with BPMB's 49th anniversary celebration, aimed at creating awareness among BPMB staff on the importance of biodiversity conservation and environmental protection through mangrove planting. The talk featured multiple speakers. The insightful session was attended by over 100 staff members. There were also booths showcasing organisations from YELL, Sunway Planetary Health Centre, Kelab Belia Prihatin Malaysia and Global Environment Centre.

HIGHLIGHTS OF AMANAH LESTARI ALAM (ALAM)

10

Tan Sri Jemilah Mahmood delivered a presentation focusing on Planetary Health during BPMB's 49th anniversary celebration with BPMB leadership and staff.

11

ALAM partnered with UNDP Malaysia and UNICEF Malaysia on Youth Environment Living Lab (YELL) to localise climate change narratives and develop youth leaders to champion climate action within their community. The target is to reach five million youths nationwide in three years.

12

Honda Malaysia, in collaboration with ALAM, organised a seminar aimed at educating its supply chain to demonstrate Honda's commitment towards its sustainability and ESG journey. The seminar featured speakers from UNDP, Kementerian Alam Sekitar & Air (KASA), the Ministry of International Trade and Industry (MITI) and Ernst & Young. Over 100 Honda vendors at CEO levels attended the seminar, representing over 90% of its supply chain.

13

ALAM, partnered with UNDP and supported by ADFIM, organised a dialogue session between DFIs and the Associate Administrator of the UNDP, Usha Rao-Monari, during her visit to Malaysia.

14

A webinar themed 'Malaysian Environmental Education (EE)/ Education for Sustainable Development (ESD), Where is the Nation Now and Where is it Going?' was jointly organised by ALAM and WWF Malaysia. The webinar, supported by PPPLS and Sunway Centre for Planetary Health was attended by over 200 participants.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Mohamed Nazir Abdul Razak *(Retired on 22 April 2023)*
Non-Executive Chairman/
Independent Non-Executive Director

Ariff Rozhan *(Retired on 10 May 2023)*
Independent Non-Executive Director

Norazilla Md Tahir
Independent Non-Executive Director

Thomas Meow Yoke Nean *(Retired on 2 June 2023)*
Independent Non-Executive Director

Datin Rashidah Mohd Sies
Non-Independent Non-Executive Director

Ts. Othman Abdullah
Independent Non-Executive Director

Tan Sri Rashpal Singh Randhay
Independent Non-Executive Director

Rosnah Kamarul Zaman
Independent Non-Executive Director

GROUP CHIEF EXECUTIVE OFFICER

Roni L. Abdulwahab

COMPANY SECRETARY

Aidil Haznul Zulkifli
(MACS 01638)
SSM Practising Certificate
Registration No.: 202008002535

SHARIAH COMMITTEE

Professor Dr Aznan Hasan
Chairman

Dr Ahmad Basri Ibrahim
(Resigned wef 1 January 2023)

Ustaz Mohd Fadhly Md Yusoff

Professor Dr Zurina Shafii

Dr Syahnaz Binti Sulaiman
(Retired wef 31 March 2022)

Ustaz Lokmanulhakim Hussain

Professor Dr Salina Kassim

Associate Professor Dr Yasmin Hanani Mohd Safian

AUDITORS

Ernst & Young PLT (AF: 0039)

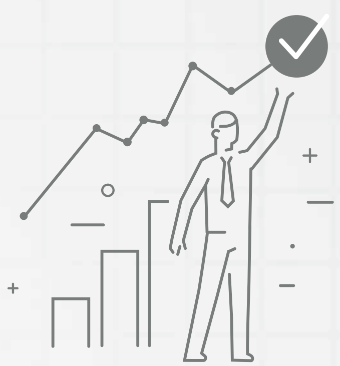
REGISTERED OFFICE

Aras 16, Menara Bank Pembangunan
Bandar Wawasan
No. 1016, Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

WEBSITE

www.bpmb.com.my

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

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	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

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
		Attributable to equity holders of the Bank									
		Non-distributable									
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 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.

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.

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)

(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.

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	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	**1,367**	**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	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	**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		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**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		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**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	Group 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	Group 2021 RM'000
Reinsurance assets	**393**	642
Receivable within 12 months	**393**	407
Receivable after 12 months	**-**	235
	393	642

11. OTHER ASSETS

	Note	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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	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

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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	Group and Bank 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	Group and Bank 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
31 DECEMBER 2022

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
31 DECEMBER 2022

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
31 DECEMBER 2022

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

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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
31 DECEMBER 2022

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
31 DECEMBER 2022

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:

Tawarruq	**7,156,123**	5,974,752

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

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:

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:

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
31 DECEMBER 2022

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.

NOTES TO THE FINANCIAL STATEMENTS
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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:

Group and Bank	Non-Murabahah 2022 RM'000	Non-Murabahah 2021 RM'000	Murabahah 2022 RM'000	Murabahah 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

Group and Bank	Sustainable Development Wakalah 2022 RM'000	Sustainable Development Wakalah 2021 RM'000	Wakalah 2022 RM'000	Wakalah 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)

Group	Non-Murabahah 2022 RM'000	Non-Murabahah 2021 RM'000	Murabahah 2022 RM'000	Murabahah 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

Bank	Non-Murabahah 2022 RM'000	Non-Murabahah 2021 RM'000	Murabahah 2022 RM'000	Murabahah 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
31 DECEMBER 2022

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
31 DECEMBER 2022

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	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

	Number of ordinary shares		Amount	
Group and Bank	2022 '000	2021 '000	2022 RM'000	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

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	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
31 DECEMBER 2022

32. INTEREST INCOME

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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	Group 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	Group 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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	**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

		Group		Bank	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**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		Bank	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**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
31 DECEMBER 2022

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:

	Remuneration received and receivable from the Bank							Remuneration received and receivable from Subsidiary Companies			
2022	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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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
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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:

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
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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)

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
31 DECEMBER 2022

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.

Group 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	2,300,081	-	-	-	-	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	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	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.

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						
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
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
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

(i) Contractual maturity of total assets and liabilities (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
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
31 DECEMBER 2022

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

52. FINANCIAL INSTRUMENTS RISK (CONT'D)

(c) Liquidity risk

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

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)

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

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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)

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
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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**

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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

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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
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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
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
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
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
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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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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
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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

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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
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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

		Group		Bank	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	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	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.

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(j) Sukuk (cont'd)

The movements in the sukuk are as follows:

	Group and Bank	
	2022 RM'000	**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

NOTES TO THE FINANCIAL STATEMENTS
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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.

NOTES TO THE FINANCIAL STATEMENTS
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54. ISLAMIC FINANCIAL BUSINESS (CONT'D)

(k) Reserves (cont'd)

Movements of the FVOCI reserve are as follows:

	Group 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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
31 DECEMBER 2022

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
31 DECEMBER 2022

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

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 %	Bank 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 RM'000	Bank 2021 RM'000
Net modification loss as at 31 December	**315,006**	302,156

	Bank 2022 %	Bank 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

Group	2022 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.

NOTES TO THE FINANCIAL STATEMENTS
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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)

Group	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	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	

Group	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**	**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)

Bank	Tourism Infrastructure Scheme RM'000	Maritime and Logistics Scheme RM'000	Public Transport Scheme RM'000	2022 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.

Bank	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	2022 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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31 DECEMBER 2022

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		
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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